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Alerts

RAC Implementation Beginning January 10, 2010

January 7, 2010
Health Care Alert

CMS instituted the recovery audit contractor (RAC) program to address fraud and abuse in the Medicare system. In early 2005, CMS began the RAC demonstration program in five selected states. The demonstration program has proven to be successful in returning dollars to the Medicare Trust Fund and in identifying monies that need to be returned to providers. Congress has consequently mandated that the RAC program be made permanent and in full force and effect in all 50 states commencing on January 10, 2010.

Within the program, there are four RACs that have contracted to perform the audits. The RAC in each jurisdiction is as follows:

Region A (Connecticut, Delaware, Washington D.C., Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont)

RAC : Diversified Collection Services (DCS)

Region B (Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio and Wisconsin)

RAC: CGI

Region C (Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia and West Virginia

RAC: Connolly, Inc.

Region D (Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Northern Mariana Islands, Oregon, South Dakota, Utah, Washington and Wyoming)

RAC: HealthDataInsights, Inc.

Each RAC will be responsible for identifying overpayments and underpayment in approximately one-quarter of the U.S. The new RAC jurisdictions match the DME MAC jurisdictions. All provider types are subject to RAC review. RAC auditors will arrive unannounced and will request medical and billing records from the provider for review and analysis. RACs are paid on a contingency fee basis, i.e., they receive payment based on the amount of the improper

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payments that they collect for both overpayments and underpayments. Each RAC's contingency fee is established during contract negotiations with CMS. Consequently, the contingency fee varies for each RAC.

During the visit to providers, RACs will be looking at DRG validation, complex review for coding errors, DME medical necessity, and other black and white issues related to fraud and abuse. Once an RAC has established an improper payment, the provider will be subjected to a full or partial repayment, depending on negotiations with CMS.

Providers should take steps to prepare for RAC audits with guidance from counsel. Those cited with overpayments should discuss the matter with counsel prior to contacting CMS regarding payback amounts so as to obtain information about the appeal process and assistance during the negotiations process.

For further information, please contact Michael A. Dowell or your regular Hinshaw attorney.

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