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## **MMA – The Centers for Medicare & Medicaid Services (CMS) Recovery Audit Contract (RAC) Initiative**

### **Provider Types Affected**

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Physicians, providers, and suppliers, especially in California, Florida, and New York

### **Provider Action Needed**

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Physicians, providers, and suppliers should note that this initiative is designed to determine whether the use of Recovery Audit Contracts (RACs) will be a cost-effective means of ensuring that you receive correct payments and to ensure that taxpayer funds are used for their intended purpose.

As the states with the largest Medicare expenditure amounts, California, Florida, and New York were selected for pilot RACs that began earlier this year and that will last for three years. Contractors selected for this pilot program will identify and collect Medicare claims overpayments that were not previously identified by the Medicare Administrative Contractors (MACs), which include carriers, fiscal intermediaries (FIs), and durable medical equipment regional carriers (DMERCs).

### **Background**

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The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA, Section 306) directs the secretary of the U.S. Department of Health and Human Services (DHHS) to demonstrate the use of RACs under the Medicare Integrity Program in identifying underpayments and overpayments and recouping overpayments under the Medicare program (for services for which payment is made under Part A or Part B of Title XVIII of the Social Security Act).

### **Update**

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On January 11, 2005, CMS announced the recovery audit contractor demonstration project. (See MLN Matters article SE0469 which is available at

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<http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0469.pdf> on the CMS website.)

The demonstration, mandated by the MMA, will evaluate the use of recovery audit contractors in identifying Medicare underpayments and overpayments and recouping overpayments.

On March 28, 2005, CMS awarded five RACs and officially announced the beginning of the recovery audit contractor demonstration. Three of the five recovery audit contractors will perform post-payment medical review in the states of California, Florida, and New York. Those firms and the state they are responsible for are as follows:

- Connolly Consulting will perform claim reviews for providers who are serviced by a FI or carrier in New York. Connolly Consulting will also perform reviews for durable medical equipment claims for Medicare beneficiaries who reside in New York.
- PRG Schultz and its subcontractor, Concentra Preferred Systems, will perform claim reviews for providers who are serviced by a FI or carrier in California. PRG Schultz will also perform reviews for durable medical equipment claims for beneficiaries who reside in California.
- HealthData Insights will perform claim reviews for providers who are serviced by a FI or carrier in Florida. HealthData Insights will also perform reviews for durable medical equipment claims for beneficiaries who reside in Florida.

CMS is committed to alerting the provider community regarding the focus of the recovery audit contractor demonstration. The recovery auditors have at least three years of claims they may review.

### *Three-Tiered Review Process*

The recovery audit contractors have a three-tiered process that is explained below:

- The first level involves Part A Diagnosis Related Group (DRG) reviews. These reviews normally involve making a request for medical records. Providers located in Florida began seeing medical record requests in August. Providers located in New York began seeing medical record requests in September. California providers will see medical record requests some time after October.
- The second level involves overpayments determined by the recovery audit contractor's proprietary data mining systems. These are overpayments that clearly do not meet the requirements of Medicare policies. These overpayments do not require a medical record request because it is very clear

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that an overpayment has occurred. These overpayments may be for a Part A or Part B service.

However, CMS is approving a sample of these overpayments before the demand letters are released. In October 2005, physicians and/or providers in Florida may receive overpayment demand letters resulting from these automated reviews. Beginning in October, physicians and/or providers in California and New York may also see overpayment demand letters resulting from these reviews.

- The last level involves the actual request of medical records for Part B services. All of the recovery companies have indicated that physicians may see medical record requests for Part B services in October or November of 2005. In a future MLN Matters article, CMS will update the provider community when medical record requests could be made.

**Note:** Questions concerning the recovery audit contractor demonstration may be directed to an email address CMS has established for the demonstration. That email address is [cmsrecoveryauditdemo@cms.hhs.gov](mailto:cmsrecoveryauditdemo@cms.hhs.gov).

## Additional Information

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If you have any questions, please contact your carrier/intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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