



# Recovery Audit Contractors (RAC) What is it? What does it mean to you?

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I H S Partnership Conference

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# RAC? WHAT?



Recovery Audit Contractor  
Connolly Consulting, Inc  
Medicare Contractor  
Viant, Inc Subcontractor



RAC mandated by Tax Relief & Healthcare  
Act of 2006



# Centers for Medicare and Medicaid Services (CMS) Cost Containment

- Return \$\$ to Medicare Trust Fund
  - Reduce/Eliminate Improper Payment
  - Identify Process Improvement
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# RACs and Jurisdictions

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- CMS awarded contracts
  - Four RACs
  - Connolly is Region “C” or “Yellow States”
  - Other RACs:
    - A – Diversified Collection Service
    - B – CGI Technologies (DCS)
    - D – HealthDataInsights, Inc
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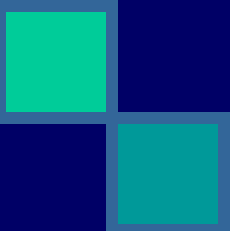
# What does a RAC do?

## Review Processes


- Review claims on a post-payment basis
  - RACs use same Medicare policies as Carriers and Fiscal Intermediaries (FIs): National Coverage Determination (NCD), Local Coverage Determination (LCD), and CMS manuals
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# Types of Review



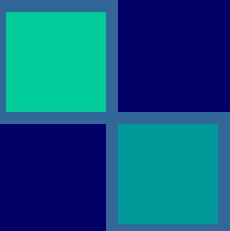

Automated: No Medical Record Needed  
Review of claims for double billing,  
coding errors, discharge status, etc.



Complex – Medical Record Review

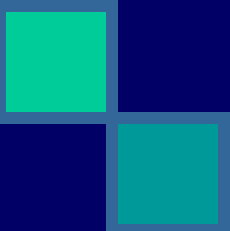



# Complex Reviews

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- Medical necessity
  - Diagnosis Related Group (DRG) validation
  - Coding errors
  - Services provided in wrong setting
  - "J" & "o" code reviews
  - Services not provided, but billed
  - Gender-specific services/codes
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# RAC Processes (Continued)

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- Review paid claims Oct 1, 2007 forward
  - RACs are required to employ:
    - Nurses
    - Therapists
    - Certified Coders
    - Physician–Chief Medical Director
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# Limits on Amount of Records to be Reviewed

Inpatient Hospital

10% of Average Monthly Medicare Claims  
(max 200) per 45 days

Physicians

10–50 records per 45 days


Lab/Outpatient Hospital

1% of Average Mo. Claim lines (max 200) per 45  
days





# Incentives for RACS

- Paid on a contingency basis
  - Connolly's contract is 9% of the \$ recovered
  - Demonstration period RACs recovered \$1.3 billion dollars
  - \$1.2 million dollars paid to RACs
  - Connolly received approx. \$400,000
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# What to Do?



Know where previous improper payments have been found

RAC demonstration site findings

RAC permanent site findings

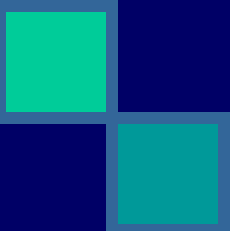
Connolly Web site for "Issues"

Office of Inspector General (OIG)/Comprehensive Error Rate Testing (CERT) Reports





# How Can You be Proactive?



Are you submitting claims with improper payments?

Conduct an internal assessment to identify compliance with Medicare rules



Identify corrective actions to promote compliance



# Current Issues–Connolly



Wheelchair bundling

(DME) AL, AR,

CO, FL, GA, LA, MI, NC, MN, OK, SC, TN, TX, VA,  
WV



Urological bundling

(DME)



# Issues Not Approved for Oklahoma

Clinical Social Worker Services

Blood Transfusions

Untimed Codes

IV Hydration Therapy


Bronchoscopy Services

Pediatric Codes Exceeding Age Parameters

J2505 Injection, Pegfilgrastim, 6 mg

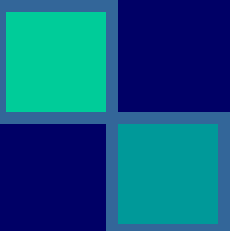


# Pertinent Issues in the RAC Demonstration Period


- Pneumonia
  - Sepsis
  - Circulatory Disorders/Diagnosis
  - Kidney Diseases
  - Chest Pain
  - Excisional Debridement
- 



# Comparison of Demonstration Issues to Oklahoma



One Site Selected—Medicare Patients  
2006 to 2007 data reviewed  
CHEST PAIN



2006 38 patients = \$236,000

2007 51 patients = \$316,400





## Comparison (Continued)



### PNEUMONIA

2006 – 45 Patients = \$764,000

2007 - 43 Patients = \$730,000



### CIRCULATORY

2006 - 22 Patients = \$311,000

2007 - 29 Patients = \$410,300



# Overpayments Collected



Medically Unnecessary 35%

Incorrectly Coded 31%



No/Insufficient Documentation 7%



# Top Services with Overpayments



## INPATIENT HOSPITAL:

Sx px in wrong setting—medically unnecessary

Excisional Debridement—coded incorrectly

Cardiac Defibrillator implant in wrong setting

Treatment for Heart Failure and Shock in wrong setting

Respiratory System Diagnosis with ventilator support  
(incorrectly coded)





# Overpayments (Continued)



OUTPATIENT HOSPITAL

Neulasta



Speech-Language Path Service

Infusion Services



# Overpayments (Continued)



PHYSICIAN

Pharmaceutical Injectables Incorrect coding 

Neulasta

Duplicate claims



# Top Services with Underpayments

Discharge Status

Wound Debridement

Operating Rm Px unrelated to Prin Dx

Respiratory Syst Px

Sx Px with an incorrect DRG






# CERT Feedback Errors

Received from Trailblazers (Medicare FI),  
10/16/2009



*CERT – Comprehensive Error Rate Testing*

- 200 Claims sampled
  - 136 errors identified
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# CERT Feedback Errors— Summary



Medically Unnecessary	48.53%
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Insufficient Documentation	36.76%
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Service Incorrectly Code	13.24%
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DRG Wrong Diagnosis Code	1.47%
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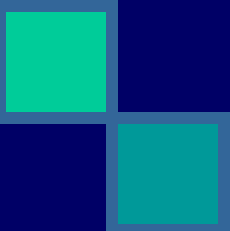



# CERT–Breakdown of Insufficient Documentation

- Illegible, stamped, typed, or missing identity of provider 68%
- Missing laboratory results 16%
- Other, dosage 10%
- Missing medical records 2%
- Missing valid physician order 2%
- Valid ICD9 code alone with insufficient information 2%



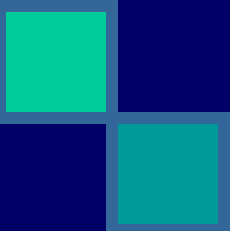
# CERT–Recommendations for Improvement

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- Ensure medical records are complete and support services provided
  - Code correctly the first time
  - Respond timely to record requests
  - Submit complete, legible documentation
  - Medicare requires legible signatures
    - Not stamped, typed, or altered
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*Refer to CMS Program Integrity Manual, Chapter 3, Section 3.4.1.1*



## RAC–Action Items for Area

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- Develop RAC Team–Area/Hospital
  - Develop RAC Response Team and Plan of Action–Hospital
  - Review medical records for completion
  - Review denials
  - Communicate and share information
  - Educate on RAC process and monitor findings
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