COMPLIANCE ALERT

TO: Compliance Alert Distribution List

FROM: Maryann C. Palmeter, CPC, CENTC
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SUBJECT: Recovery Audit Contractors

DATE: April 28, 2009

RACs are Medicare Recovery Audit Contractors and they have been around in Florida (as well as California and New York) as a demonstration project since 2005. Back in 2005 Health Data Insights was the contractor assigned to Florida. The Office of Compliance, in conjunction with the business groups, addressed all demand letters received from the RAC, appealed decisions that we did not agree with, and coordinated refunds for those overpayments that could not be supported by the medical record documentation. The demonstration project resulted in over $900 million in overpayments being returned to the Medicare Trust Fund between 2005 and 2008 and nearly $38 million in underpayments returned to health care providers. Most of the overpayments were recovered from hospitals.

The Tax Relief and Health Care Act of 2006 stipulated that a permanent and national RAC program be in place by January, 2010.

RACs are not the Medicare fiscal intermediary, carrier, or MACs (Medicare Administrative Contractors) but rather are independent contractors who are paid on a contingency basis by CMS; the more overpayments or underpayments identified the greater the fee paid to the RAC. However, if a RAC loses at any level of appeal they must return any contingency fees received. The appeal process has been improved since the demonstration project.

RACs review claims associated with hospitals, physician practices, nursing homes, home health agencies, durable medical equipment suppliers and other provider or suppliers that bill Medicare Parts A and B.

RACs identify improper payments made on Medicare claims by the use of data mining and medical record review. RACs perform two types of reviews: automated and complex. Automated reviews do not require any medical records. The RAC determines that an overpayment has been made simply by
data review. An example of an automated review would be the RAC looking for all add-on procedure codes paid without payment for the corresponding parent procedure codes. The RAC would request a refund on the add-on procedure codes queried. On the other hand, medical records are needed in order to perform complex reviews. The RAC will request medical records from the provider for complex reviews. Following the medical record review, the RAC determines whether the claim was medically necessary, billed with the correct place of service code, and whether the payment was correct, overpaid, or underpaid.

Florida’s current contractor is **Connolly Consulting Associates, Inc.** Each RAC must have a physician medical director and may no longer look at claims paid prior to October 1, 2007. Also, RACs must limit the number the medical records requested at a given time. Some providers were inundated with medical record requests from the RACs during the demonstration project.

**What should you do?**

- If you receive any correspondence from Connolly Consulting, either a letter or a report, forward it to the Office of Compliance (LRC-3rd Floor) immediately. These reports or demand letters are time sensitive and if we do not respond by the date indicated we may be held subject to repayment of any alleged overpayments identified in either the RAC’s report or demand letter.

- Assist the Office of Compliance in locating any documentation requested by the RAC.

- If called upon, please assist the Office of Compliance in formulating position statements to support the medical necessity of services being questioned.

UFJHI/PI Policy and Procedure # TB-08-04-001 (available on the Infonet under Patient Services Policies and Procedures) addresses how medical record requests and overpayment demand letters are to be handled.

Please feel free to contact the Office of Compliance at 244-2158 if you have any questions about RAC reviews.