



## **Medicare Recovery Audit Contractor (RAC) Program**

As many of you are aware, the Health Insurance Portability and Accountability Act included a provision giving Medicare the authority to enter into contracts with “specialized entities” to combat fraud, waste, and abuse within the Medicare program. Thus, the Recovery Audit Contractor (RAC) program started in March 2005 as a demonstration in California, Florida, and New York. In short, RACs are paid on a contingency-fee basis to identify and correct improper payments made under Parts A and B of Medicare. The demonstration ended in 2008 but was felt to be so successful at recovering Medicare overpayments that the government made it a permanent program, expanding to all 50 states just this year.

There are 4 RACs in the country, each responsible for a defined geographic region and each with its own workplan of target issues prompted in part by retrospective carrier audit results. Workplan issues are applied to a three year look-back period meaning that, currently, claims paid as far back as October 1, 2007 are eligible for inclusion in RAC activity. Improper payments on claims can occur for multiple reasons, illustrated by some of the current posted RAC issues:

- Services do not meet Medicare’s medical necessity criteria
- Documentation does not support performance of the service as billed
- A provider is paid twice due to duplicate claims
- Carrier payments were made based on outdated or incorrect fee schedules
- Incorrect billing of global codes vs. technical or professional components

The RAC process allows for appealing recoupment demands as appropriate. APS has implemented a definitive course of action to handle these demands and the appeals process as each ‘step’ is governed by a time limit for completion. Because of the time-sensitive nature of this process, we are asking you to prioritize any requests from our staff for information/documentation needed for RAC purposes.

We will keep you apprised of the RAC initiative as it unfolds in the industry for Part B physician claims. In the meantime, please don’t hesitate to call with any questions.