

CMS's Recovery Audit Contractor Initiative

The Medicare Prescription Drug Improvement and Modernization Act of 2003, commonly referred to as the Medicare Modernization Act (MMA), included a provision that required the Centers for Medicare & Medicaid Services (CMS) to demonstrate the applicability of audit contractors to identify overpayments and underpayments, and recoup overpayments made by the Medicare program. The following questions and answers are provided to illustrate the CMS initiative of audit contractors.

What is an "RAC"?

RAC is the abbreviation for "recovery audit contractor." The purpose of an RAC is to identify overpayments and underpayments made by the Medicare program under Part A and Part B. The RACs are also responsible for the recoupment of overpayments made to providers.

How did the RACs come about?

Section 306 of the MMA specifically directed CMS to use audit contractors to investigate Medicare claims. In response to the legislative directive, CMS developed a 3-year demonstration project for the RAC initiative, which began in March 2005. CMS is required to evaluate the effectiveness of the initiative and provide a report to Congress at the end of the demonstration project.

Are there RACs in all states?

The CMS RAC demonstration project originally covered California, Florida, and New York. These states were chosen because of their high Medicare utilization numbers. The contractors covering these three states are as follows: PRG-Schultz for California, Health Data Insights for Florida, Connolly Consulting for New York.

Are there plans to expand the RAC initiative to all states?

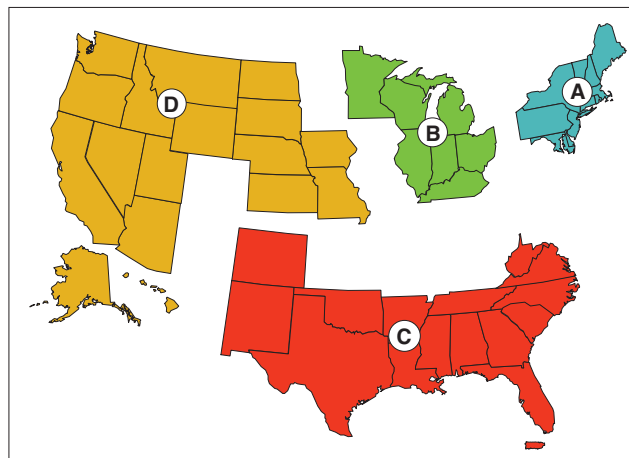
Yes. CMS has plans to expand the program to cover all states. The initiative has been a very cost-effective program for CMS, and the Tax Relief and Health Care Act of 2006 allows the RAC program to be extended to all states. The law requires that CMS implement the program in all states by no later than January 1, 2010.

CMS plans to have four RACs in total to cover the United States. Each of the RACs will be responsible for the states in its designated area (Fig 1).

Who are the audit contractors?

The RACs are companies or entities that are separately contracted specifically for this initiative. Existing entities that are currently contracted to process claims for Medicare, carriers, fiscal intermediaries, and Medicare Administrative Contractors are ineligible to bid on RAC contracts due to potential for conflicts of interest.

Figure 1. Proposed 2008 recovery audit contractor jurisdictions.



What claims will the RACs be reviewing?

Particular claims or areas of medicine have not been identified by CMS for review. The RACs themselves will analyze claims using their own systems to identify areas they believe require review; however, if a claim has been reviewed by another entity (eg, a carrier, fiscal intermediary, etc), it cannot be reviewed by the RAC.

Can one appeal an RAC determination?

Yes. An appeal can be requested. To obtain more information, a provider would contact the individual RAC responsible for the audit.

Is the audit performed by the Medicare carrier/fiscal intermediary or by the RAC itself?

The RAC is responsible for performing the audit and requesting medical records. If an overpayment determination is made, the RAC will be responsible for pursuing payment from the provider. If an underpayment is identified, however, the RAC will work with the appropriate carrier/fiscal intermediary to process a payment to the provider.

If I have questions about the audit, who should I contact?

Providers should contact the RAC responsible for the audit. The communication you receive regarding the audit should contain the RAC's contact information. If the RAC cannot be reached or if the provider has questions or concerns, CMS should be contacted. CMS developed a special e-mail (recoveryauditdemo@cms.hhs.gov), for questions and concerns regarding the RAC initiative.

Where can I find out more about the RAC initiative?

More information on the CMS RAC demonstration project and expansion of the RACs can be found on CMS's Web site at <http://www.cms.hhs.gov/RAC/>.

DOI: 10.1200/JOP.0752502