



## **Are You Ready for RAC? A Step-by-Step Guide**

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As a practice manager, you have so many responsibilities critical to the efficient, effective AND profitable running of your medical practice. Add to the mix the tough economic times we are facing (unlike any other in recent memory), and your job can be downright overwhelming. And on top of it all – **here comes RAC!**

What is RAC? It stands for Recovery Audit Contractor program, and if it's not having an effect on your practice yet – just wait; it will.

The Recovery Audit Contractor (RAC) program was authorized by Congress as part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). As part of the legislation, Congress directed the Centers for Medicare and Medicaid Services (CMS) to conduct a three-year recovery audit demonstration program in a small number of states.

The goal of the RAC program is to **detect and correct improper Medicare payments and to collect those overpayments from providers.**

From March 2006 through March 2008, the Medicare Recovery Audit (RAC) demonstration project identified more than **\$1 Billion** in incorrect Medicare payments – including some \$900 Million in **overpayments** to facilities and providers.

The obvious success of this demonstration program led to the RAC program being made permanent as part of The Tax Relief and Health Care Act of 2006. This authorized CMS to expand the program in all 50 states. This national rollout is currently underway, with RACS scheduled to be engaged in each of the 50 states no later than January 2010.

The question is...

### **Are you ready?**

According to the CMS website, the demonstration program identified overpayments most often in the following 4 situations:

1. Payment for services that were “**not medically necessary.**” (40 percent);
2. Payment for claims that were **coded incorrectly** or were paid using an outdated fee schedule (35 percent);

3. Payment for services **without adequate documentation** to support the claim (8 percent); and
4. Payment for services in which **duplicate claims** were filed and paid for the same service (17 percent).

As you prepare for a potential RAC Request, keep the above four overpayment situations in mind and put the following preparation steps in place:

1. **Identify a RAC point of contact/leader.** In most 3-5 physician private practices, this point of contact will most likely be you (the practice manager/office manager). In larger, multi-specialty practices, you may appoint another staff member such as the Medical Records manager or your Billing Supervisor to be the RAC point of contact. You can now ask the RAC to route all requests to this one individual in order to make sure that all RAC requests are handled the same way and in a timely manner.
2. **Conduct an internal audit of a sampling of past claims.** Pull the medical record and make sure that the record contains appropriate documentation to support your claim. Remember that the documentation within the medical record must support the diagnosis information included on the claim for reimbursement. Based on the fact that 40 percent of the overpayments identified in the demonstration program were due to services provided that were deemed to be “not medically necessary,” you must make certain that your documentation supports and provides evidence that the service was indeed necessary.
3. **Review your existing compliance programs** to make sure that you are using the most current Medicare regulations. Keep in mind that RACs are not permitted to select claims to review through random selection; they are required to use data analysis to identify and select claims for review. The best way to reduce your RAC risk is to make sure that you are up-to-date on current Medicare rules and regulations and that you have a process in place for incorporating those rules and regulations into your practice workflow.
4. **Consider some outside/external help to review your current practice policies and procedures.** External reviews are not only helpful in regard to the RAC program, but can also help identify key areas that will help your practice reduce its risk and run more smoothly and efficiently. [Visit our resource page at [www.encyinpractice.com](http://www.encyinpractice.com) for a listing of possible external audit sources.]

In our next issue, we will discuss RAC Medical Record Requests and how you should handle them. In the meantime, if you have any specific questions or would like to suggest an area of RAC for us to research for you, please contact us at [editor@encyinpractice.com](mailto:editor@encyinpractice.com).

Sue Kay, Senior Consultant at InHealth, is the editor of Efficiency in Practice, the free eNewsletter for medical practice managers who want to save time, money and reduce risk. For more information and to access your FREE report, The 8 Things You MUST Know About CMS’ RAC Program, visit [www.encyinpractice.com](http://www.encyinpractice.com) This article can be reprinted freely online, as long as the entire article and this resource box are included.

