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RESOURCE CENTER

By Michelle Martin

Preparing for RACs

Third-party auditors are critical players when it comes to RAC preparation.

IN RESPONSE TO growing concerns about health care cost control, the Medicare Recovery Audit Contractor (RAC) program has been developed by the Centers for Medicare and Medicaid Services (CMS) to identify overbilling at the hospital level. Targeting problem-prone departments, RACs seek to reduce incorrectly prepared claims, and then detect and collect overpayments. In addition, RACs uncover underpayments and prompt actions that will prevent future improper payment.

The RAC demonstration project began in 2005 in New York, California and Florida. It has since expanded into more states and must be implemented nationwide by 2010. During the pilot project, RACs focused heavily on medical necessity issues. Hospitals not meeting CMS's medical necessity criteria are likely targets for RAC audits.

As the project has progressed and CMS continues to strive to eliminate improperly paid claims, the need for audits by independent professionals has become apparent. Such pre-RAC audits often occur in preparation for a recovery audit and pinpoint issues CMS looks for in terms of coding, documentation and medical necessity.

THE PRE-RAC PROCESS

Successfully completing a recovery audit requires multiple steps—from pre-audit preparation and audit staff augmentation to post-audit analysis that determines how to minimize the risk of future audits. Through a pre-RAC audit, third-party auditors share RAC best practices and teach staff how to avoid common mistakes. These auditors know hot spots where RACs typically look for errors and can show staff how to improve these areas. Thus, a pre-RAC audit can help ease uncertainties about RACs and ensure a facility is prepared to handle a recovery audit.

When an error is identified through a pre-RAC audit, it gives the facility the opportunity to proactively prevent future errors and prepare compliance preventive measures. Pre-RAC audits determine the root cause of an incorrect payment so the issue can be corrected going forward, reducing the likelihood of future CMS claim denials.

Many staffing firms employ consultants for pre-RAC audits who have been closely involved with the RAC demonstration project since it began. These auditors help health care providers prepare for and navigate recovery audits and create an RAC response plan. Consultants can also review RAC claim denials with staff and clarify the intricacies of the appeals process.

Third-party auditors can offer strategies for directly addressing medical necessity concerns by providing:

- Tips to review physician orders for patient status compliance;
- Ways to identify data mining opportunities to pinpoint risks;
- Guidance on frequent errors in medical necessity;
- Implications of RAC for rehab services admissions and documentation; and
- Tips to optimize the role of case management, clinical documentation specialists and physician advisers.

MANAGING RAC REQUESTS

Third-party auditors can offer guidance on the pros and cons of in-house handling of RAC requests vs. outsourcing. They can examine a facility's internal capabilities and preparedness, and make recommendations on how to effectively evaluate the capabilities of external resources.

Timely responses to RAC requests are critical, as missed deadlines can mean automatically denied claims and subsequent revenue loss. Many small facilities lack the manpower to quickly respond to RAC requests and make appeals. For these facilities, hiring third-party staffing providers to handle RAC requests may be a viable option.

However, navigating a recovery audit is a task some feel is best handled in-house. With this approach, challenges may arise when data is requested from the IT department. Obtaining a complete data report and trending data the way RACs do is not easy. RACs have the advantage of access to all CMS data and advanced data mining software. Third-party auditors can offer assistance with data mining to more efficiently identify risk areas.

While facilities may face obstacles in preparation for RAC audits, they also can benefit from increased inter-departmental cooperation. Pre-RAC audits can encourage camaraderie among HIM, case management, finance and other departments as they work together to become RAC-ready. When these departments come together to create a response plan, they will not only become more aware of their interdependence, but will gain confidence in their ability to effectively handle a recovery audit. ■

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