

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 162	Date: October 30, 2009
	Change Request 6398

SUBJECT: Recovery Audit Contractors (RACs)

I. SUMMARY OF CHANGES: This Change Request pertains to the RAC National Program. Changes include Chapter 4 Sections 100.4.2, 100.6, 100.6.1, 100.6.2, 100.6.3 and 100.6.4. Also, information in Section 100.5 will be deleted.

NEW / REVISED MATERIAL

EFFECTIVE DATE: *December 15, 2009

IMPLEMENTATION DATE: December 15, 2009

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
R	4/Table of Contents
D	4/100.4.2/Adjusting the Claim
R	4/100.5/Adjusting the Claim
R	4/100.6/Handling Overpayments and Underpayments Resulting from the RAC Findings
R	4/100.6.1/Underpayments
R	4/100.6.2/Setting up an Accounts Receivable
R	4/100.6.3/Recoupments Received on a RAC Initiated Overpayment
R	4/100.6.4/Extended Repayment Requests Received on a RAC Initiated Overpayment

III. FUNDING:

SECTION A: For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

SECTION B: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Business Requirements

Manual Instruction

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Business Requirements

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SUBJECT: Recovery Audit Contractors (RACs)

EFFECTIVE DATE: December 15, 2009

IMPLEMENTATION DATE: December 15, 2009

I. GENERAL INFORMATION:

A. Background: This Change Request pertains to the RAC National Program. Changes include Chapter 4 Sections 100.4.2, 100.5, 100.6, 100.6.1, 100.6.2, 100.6.3, and 100.6.4.

B. Policy: Section 302 of the Tax Relief Act and Health Care Act of 2006.

II. BUSINESS REQUIREMENTS TABLE:

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M M A C	F I I E R	C A R I E R	R H H I S S	Shared-System Maintainers				OTH ER
		F	M	V	C						
6398.1	Contractors shall forward an Excel or flat file to the RACs with information associated with the claim adjustment. The AC's shall include the Accounts Receivable number, the adjusted claim number, and the adjusted claim amounts when sending the Excel file to the RACs.		X	X	X	X					
6398.2	Contractors shall establish an Accounts Receivable and an electronic or paper Remittance Advice for notification to the providers. The Remittance Advice will contain an N432 code to let providers know that the adjustment is a RAC audit.		X	X	X	X					

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R R I E R	R H I S S	Shared-System Maintainers				OTH ER
							F I S S	M C S	V M S	C W F	
6398.3	Contractors shall upload a separate transaction file into the RAC Data Warehouse that tracks RAC identified overpayment collections or underpayment reimbursements. Only Affiliated Contractors can upload a transaction file into the RAC Data Warehouse.		X	X	X	X					
6398.4	Contractors shall upload a transaction file into the RAC Data Warehouse for each payment collection received through the Extended Repayment Plan.		X	X	X	X					
6398.5	Contractors shall upload a transaction file into the RAC Data Warehouse within 7 calendar days of applying the payment, be it by check or offset.		X	X	X	X					

III. PROVIDER EDUCATION TABLE:

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R R I E R	R H I S S	Shared-System Maintainers				OTH ER
							F I S S	M C S	V M S	C W F	
	None.										

IV. SUPPORTING INFORMATION:

Section A: For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: For all other recommendations and supporting information, use this space:

V. CONTACTS:

Pre-Implementation Contact(s): Carlos Montoya (410) 786-6040 carlos.montoya@cms.hhs.gov

Post-Implementation Contact(s): Carlos Montoya (410) 786-6040 carlos.montoya@cms.hhs.gov

VI. FUNDING:

Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Intermediaries (RHHIs)*:

Funding for implementation activities will be provided to contractors through the regular budget process.

Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements

Medicare Financial Management

Chapter 4 - Debt Collection

Table of Contents (Rev.162, 10-30-09)

100.5 Adjusting the Claim

100.5 – Adjusting the Claim

(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)

The RAC shall have read only access to the CWF as they are not authorized to make any adjustments to the claim and can only access CWF to obtain additional information pertaining to improper payments. The RAC shall notify the AC and MAC that an overpayment has been identified by forwarding an Excel or flat file to the AC and MAC containing the claims with improper payments. The RAC shall upload a separate file into the RAC Data Warehouse that contains information associated with the improper payment finding for each affected claim/line item. The AC and MAC shall have the authority to make adjustments to claims. The AC and MAC will adjust the claim and make any additional corrections to the HIC and/or claim number for efficient claims processing. The AC and MAC will forward an Excel or flat file to the RACs with information associated with the claim adjustment. Working in concert with the AC and MAC, the RAC will issue a demand letter to the provider explaining the reason for the overpayment and the amount of the overpayment to be recouped. The AC and MAC shall establish an Accounts Receivable and an electronic or paper Remittance Advice for notification to the provider in the claims processing system. The Remittance Advice will contain an N432 code to let the provider know that the adjustment is the result of a RAC audit. The AC and MAC shall include the Accounts Receivable number and the adjusted claim number as well as the adjusted claim amounts in the Excel file sent to the RACs; the RACs shall upload this information into the RAC Data Warehouse using a status record.

The RAC is required to routinely enter the RAC Data Warehouse and provide updates on the claim review and recovery process using status records. Status records include many fields used to track RAC progress on the improper payment including the demand letter status, the date of the demand letter and/or no demand letter as well as the type of error finding and the dollar amount of the adjustment. Only the RAC can update the status record in the RAC Data Warehouse. The AC and MAC are required to upload a separate transaction file into the RAC Data Warehouse that tracks RAC identified overpayment collections or underpayment reimbursements. Only the AC and MAC shall upload a transaction file into the RAC Data Warehouse. In the case of a partial adjustment, the AC and MAC shall perform the adjustment and forward a file to the RAC that contains the overpayment amount. The RAC will upload a status record into the RAC Data Warehouse that includes the partial adjustment information. The AC and MAC shall upload a

transaction file into the RAC Data Warehouse that contains information on collections associated with the partial adjustment. In cases where the potential error does not affect payment, the AC and MAC shall notify the RAC and the RAC shall upload a status record that indicates there is no overpayment amount and close the claim/line item in the RAC Data Warehouse.

If available, the *AC and MAC* may list the adjustment indicator as ‘HFCA’. *The AC and MAC* shall not make overpayment/underpayment adjustments on zero dollar claims unless the *AC and MAC* are contacting the providers to notify them of a new denial reason.

100.6 – Handling Overpayments and Underpayments Resulting from the RAC Findings

(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)

The administrative processing of a RAC determined overpayment will not be any different than an overpayment determined by the *AC or MAC*. The RAC determined overpayment will be sent to the *AC or MAC* for processing. It will be the responsibility of the *AC and MAC* to update the *RAC Data Warehouse* with a *transaction file that includes any recoupments received either through offset or by check*. It will also be the responsibility of the *AC and MAC* to report the overpayment on the appropriate CMS financial statement.

100.6.1 – Underpayments

(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)

On a monthly basis, the *AC and MAC* will receive a list of all potential underpayments identified by the RAC. The *AC and MAC* shall research the potential underpayment, determine its legitimacy and make payment to the provider if necessary. This shall follow the normal underpayment process. Within 30 days of receipt, the *AC or MAC* shall indicate to the *CMS RAC Project Officer or his/her delegate* if the underpayment was valid or not. *The AC or MAC shall upload a transaction file into the RAC Data Warehouse that includes the required information on the underpayment reimbursement to the provider.*

100.6.2 – Setting up an Accounts Receivable

(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)

Once the *AC or MAC* has made the appropriate claim adjustment and *forwarded this information to the RAC*, the *AC or MAC* shall create an Accounts Receivable. The *AC and MAC* shall NOT issue a demand letter, however the *AC and MAC* shall initiate offset on the applicable day following the guidelines in the Medicare Financial Management Manual (MFMM), Chapter 4, §20 and §80.

In case of a PSC or ZPIC, it is the AC or MAC that shall handle overpayment/underpayment actions.

The AC and MAC shall obtain information about the reason for the overpayment/underpayment from the RAC. The AC and MAC may also obtain information about the improper payment from the RAC Data Warehouse. If additional information is required, the AC and MAC may contact the CMS RAC Project Officer. Once the RAC receives the overpayment amount from the claim adjustment the RAC shall issue the demand letter for the recoupment.

100.6.3 – Recoupments Received on a RAC Initiated Overpayment ***(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)***

The RAC shall be required to follow the same procedures as the AC and MAC for sending a demand letter. If a demand letter is issued, the letter will instruct providers to send checks to the appropriate payment address of the AC or MAC.

The date of the initial demand letter shall be the determination date for interest accrual, delinquency determination and referral to Treasury. The accrual of interest will begin on the 31st day and will be charged from the date of the initial demand letter. The RAC shall upload a status record into the RAC Data Warehouse indicating the date of demand letter.

The AC and MAC shall upload a transaction file into the RAC Data Warehouse within 7 calendar days of applying the payment, be it by check or offset.

100.6.4 – Extended Repayment Requests Received on a RAC Initiated Overpayment ***(Rev.162, Issued: 10-30-09, Effective: 12-15-09, Implementation: 12-15-09)***

The RAC shall offer the provider the ability to repay the overpayment through an extended repayment plan (ERP). The provider has 12 months to repay the overpayment on an ERP. However, if the provider requests an ERP for a time period longer than 12 months, the RAC shall forward the request to the regional office. When reviewing all installment agreements, the RAC shall follow the guidelines in section 1893 (f) (1) of the Social Security Act as amended by 935 (a) of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

If the AC or MAC receives an Extended Repayment Plan (ERP) from a provider for a RAC initiated overpayment, the AC and MAC shall forward the ERP to the appropriate contact at the RAC. The point of contact information for the ERP at the RAC location will be given in a separate instruction. *The RAC shall upload a status file into the RAC Data Warehouse for each payment collection received through the ERP. The AC and MAC shall upload a transaction file into the RAC Data Warehouse for each payment collection received through the ERP.*