



## Recovery Audit Contractor (RAC) Demonstration High-Risk Vulnerabilities – No Documentation or Insufficient Documentation Submitted – JA1024

**Note:** JA1024 was revised to correct the Web address for Diversified Collection Services on page 3. All other information is the same.

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<b>Key Words</b>	SE1024, National, RAC, Demonstration-identified, Vulnerabilities
<b>Contractors Affected</b>	<ul style="list-style-type: none"> <li>• Part A/B Medicare Administrative Contractors (A/B MACs)</li> <li>• Medicare Fiscal Intermediaries (FIs)</li> </ul>
<b>Provider Types Affected</b>	Inpatient Hospital and Skilled Nursing Facility providers that submit fee-for-service claims to Medicare FIs or A/B MACs



Special Edition (SE) 1024 provides education, regarding RAC demonstration-identified vulnerabilities, in an effort to prevent these same problems from occurring in the future. This is the first in a series of articles that will disseminate information on RAC high dollar improper payment vulnerabilities.

### Submission of Medical Documentation

**Provider Needs to Know...**

- Medical documentation must be submitted within 45 days of the date of the Additional Documentation Request (ADR) letter. Medicare contractors, including RACs, have the legal authority to review any information, including medical records, pertaining to a Medicare claim.
- If a provider fails to submit documentation, there is no justification for the services or the level of care billed.

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### Denial of Claim Payment

- Failure to submit medical records (unless an extension has been granted) results in denial of the claim.
- Submission of incomplete or illegible medical records can also result in denial of payment for services billed.

### Medicare Claim Payment

- Claim payment decisions that result from a medical review of records are based on the documentation that Medicare contractors received.
- For a Medicare claim to be paid, there must be sufficient documentation in the provider's records to verify that the services were provided to eligible beneficiaries met Medicare coverage and billing requirements, including being reasonable and necessary, and they were provided at an appropriate level of care and correctly coded.
- If there is insufficient documentation for the services billed, the claim may be considered an overpayment and the provider may be requested to repay the claim paid amount to Medicare.

### Guidelines Developed for Ensuring Timely Submission of Sufficient Documentation

- RACs must clearly indicate deadlines for submission of medical records in ADR letters.
- RACs must initiate one additional contact with the provider before issuing a denial for a failure to submit documentation.
- RACs must accept and review extensions requests if providers are unable to submit documentation timely.
- RACs must clearly indicate in ADR letters suggested documentation that will assist them in adjudicating the claim.
- RACs must allow providers to submit medical records on CD/DVD or to fax the needed medical records.
- RACs must implement the RAC look back date of 3 years with a maximum look back date of October 1, 2007.
- RACs must limit the number of medical records requests every 45 days.
- RACs must indicate the status of a provider's additional documentation requests on their claim status websites.
- RACs must establish a provider web-portal so providers can customize their address and identify an appropriate point of contact to receive ADR letters.
- RACs must post all approved issues under review on their websites.

### Provider Preparation for RACs Audit

- The Centers for Medicare & Medicaid Services (CMS) recommends providers implement a plan of action for responding to RAC ADR letters.
  - This could involve developing a RAC team to coordinate all RAC activities that may include tracking audit and appeal findings, identifying patterns of error, implementing
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corrective actions, etc.

- Providers should consider assigning a point of contact and, if necessary, an alternate, who will be responsible for tracking and responding to RAC ADR letters.
- Providers should tell the RAC the precise address and contact person to use when sending ADR letters.
- Providers may submit this information to the RAC. (Additional information on how to identify a point of contact can be found on the individual RAC web pages listed at the end of this article.)
- Providers can also check the status of the submitted documentation by accessing the applicable RAC website. This allows providers to track whether the RAC received the documentation.
- Providers should consult the individual RAC web pages to determine the proper method for accessing this information.
- Providers should also consider monitoring their RAC websites for updates on approved new issues.
- This will assist providers in better understanding what audits are taking place so they can prepare to respond to ADR letters.

#### Description of the Four RAC Regions

- **RAC Region A- Diversified Collection Services (DCS), Inc. of Livermore, California:**
    - **States in Region:** Maryland (MD), Washington, D.C., Delaware (DE), New Jersey (NJ), Pennsylvania (PA), New York (NY), Maine (ME), Vermont (VT), New Hampshire (NH), Massachusetts (MA), Connecticut (CT), and Rhode Island (RI).
    - **Subcontractors:** PRGX (formerly PRG Schultz), Federal Review Services, and iHealth Technologies

Email: [Info@dcsrac.com](mailto:Info@dcsrac.com)

Website: <http://www.dcsrac.com/PROVIDERPORTAL.aspx>
  - **RAC Region B- CGI Technologies and Solutions, Inc. of Fairfax, Virginia:**
    - **States in Region:** Michigan (MI), Minnesota (MN), Wisconsin (WI), Illinois (IL), Indiana (IN), Kentucky (KY), and Ohio (OH).
    - **Subcontractor:** PRGX

Email: [racb@cqi.com](mailto:racb@cqi.com)

Website: <http://racb.cqi.com/>
  - **RAC Region C- Connolly, Inc. of Philadelphia, Pennsylvania:**
    - **States in Region:** Colorado (CO), New Mexico (NM), Texas (TX), Oklahoma (OK), Arkansas (AR), Louisiana (LA), Mississippi (MS), Tennessee (TN), Alabama (AL), Georgia (GA), North Carolina (NC), South Carolina (SC), West Virginia (WV),
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Virginia (VA), Florida (FL), US Virgin Islands (VI) and Puerto Rico (PR).

- **Subcontractor:** Viant
  - **Email:** [racinfo@connollyhealthcare.com](mailto:racinfo@connollyhealthcare.com)
  - **Website:** <http://www.connollyhealthcare.com/RAC/>
  - **RAC Region D- HealthDataInsights (HDI), Inc. of Las Vegas, Nevada**
    - **States in Region:** Washington (WA), Oregon (OR), California (CA), Alaska (AK), Hawaii (HI), Nevada (NV), Idaho (ID), Montana (MT), Utah (UT), Arizona (AZ), Wyoming (WY), North Dakota (ND), South Dakota (SD), Nebraska (NE), Kansas (KS), Iowa (IA), and Missouri (MO).
    - **Subcontractor:** PRGX
    - **Email:** [racinfo@emailhdi.com](mailto:racinfo@emailhdi.com)
    - **Website:** <https://racinfo.healthdatainsights.com/>
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## Background

- The *Medicare Modernization Act of 2003* mandated that CMS establish the Recovery Audit Contractor (RAC) program as a three-year demonstration.
  - The demonstration began March 2005 in California, Florida, and New York. In 2007, the program expanded to include Massachusetts, Arizona, and South Carolina before ending on March 27, 2008.
  - The success of the demonstration resulted in the passage of legislation in the *Tax Relief and Healthcare Act of 2006, Section 302*, which required CMS to establish a National RAC Program by January 1, 2010.
  - CMS uses four RACs to implement the National RAC program. Each RAC is responsible for identifying overpayments and underpayments in approximately one quarter of the country.
  - Figure 1, in SE1024 displays each of the four RAC regions and identifies the RAC responsible for recovery activities in that region.
  - The primary goal of the RAC demonstration was to determine if recovery auditing could be effective in Medicare.
  - While the demonstration proved recovery auditing was successful identifying and correcting improper payments in Medicare, it also provided best practices for developing a national program and allowed CMS to identify high risk vulnerabilities.
  - Two of the high risk vulnerabilities identified during the RAC demonstration include:
    - Provider non-compliance with timely submission of requested medical documentation; and
    - Insufficient documentation that did not justify that the services billed were covered, medically necessary, or correctly coded.
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Reference  
Materials

The related MLN Matters® article can be found at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE1024.pdf> on the CMS website.

Providers may visit the CMS RAC website at <http://www.cms.gov/RAC> for updates on the National RAC Program. On that website, they can register to receive email updates and view current RAC activities nationwide.

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