Top 10 Things Hospitals Don't Want You To Know About Recovery Auditing

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The Medicare Fee-For-Service (FFS) error rate has jumped to nearly the highest level in history, 12.1%, which equates to an annual loss to the program of more than $43 billion.

Instead of committing to a nationwide effort to reduce improper Medicare billing, since 2005 the hospital industry and their representatives in Washington have been aggressively fighting to keep those funds – spending $20 million to lobby Congress in 2014 alone[1] – and attack Medicare integrity programs, like the Recovery Audit Contractor (RAC) program. The misinformation disseminated by the hospital lobby is a classic diversionary tactic to distract from their gross misbilling of the program. Here are some important facts to know about Recovery Auditors (RAs), who work to return improperly billed taxpayer funds to the Medicare Trust Fund.

1. **Recovery Auditors are medical professionals, too.**
   There are four Recovery Audit (RA) companies that review claims in different regions of the country. These companies are mandated to employ experienced doctors, nurses, certified medical coders and therapists to review claims and determine whether they were billed according to Medicare policy.[2]

2. **Recovery Auditors are very accurate.**
   According to independent validator contractors hired by the Centers for Medicare and Medicaid Services (CMS), RAs have a demonstrated accuracy rate of **more than 95%** and have maintained this rate since the program began in 2006.[3]

3. **Recovery Auditors can't be overly aggressive.**
   CMS controls how many claims RAs audit. CMS sets document request limits that determine how many claims RAs can review per year. RAs currently can review no more than **0.5% of any provider's claims**.[4]

4. **Recovery Auditors only look at issues approved by CMS.**
   CMS approves types of claims for RAs to review. RAs are permitted by CMS to audit certain claims only after they employ sophisticated analytical tools, such as the Comprehensive Error Rate Testing (CERT) program, to identify high-cost areas at risk for improper payments. RAs must get permission from CMS to proceed with any post-payment reviews they conduct.[5]

5. **Recovery Auditors are penalized if a claim denial is overturned on appeal.**
   If a claim is overturned on appeal, the RAs must return their fee paid for the work completed on that claim and eat the labor and out-of-pocket costs associated with that review. This built in penalty helps to assure that RAs are accurate in their findings.[6]

6. **The Recovery Audit Contractor Program was mandated by Congress.**
   In 2003, Congress mandated the creation of the Recovery Audit Contractor (RAC) Program, with the Medicare Modernization Act of 2003, to combat rampant waste in Medicare and recover misused taxpayer funds.[7]

7. **Recovery Auditors are vital to ensuring the solvency of the Medicare Trust Fund.**
   RAs are working to stem the flow of improper payments out of the Medicare Trust Fund. They review just 0.5% of inpatient claims and have returned $10 billion to the Trust Fund since 2009.

8. **Recovery Auditors are the most highly regulated Medicare contractor.**
   According to the Government Accountability Office, RAs are "subject to more rules and regulations than any other post-payment audit contractor." These regulations do not permit RAs to act outside of the scope of work assigned by CMS.[8]

9. **Recovery Auditors are one of several entities monitoring compliance with Medicare billing policy.**
   There are numerous contractors involved in reviewing Medicare claims – QIC, ZPIC, MAC, CERT, etc. Each type of contractor has a different role. This often creates confusion within the medical community, who assign blame only to RAs for all their programmatic concerns.[9]

10. **Recovery Auditors do not impact hospital profits.**
    U.S. hospitals are currently a $988 billion industry[10] that made $20 billion in profits in 2012.[11] The 0.5% of Medicare claims that RAs review does not impact a hospital's ability to make a profit.

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