



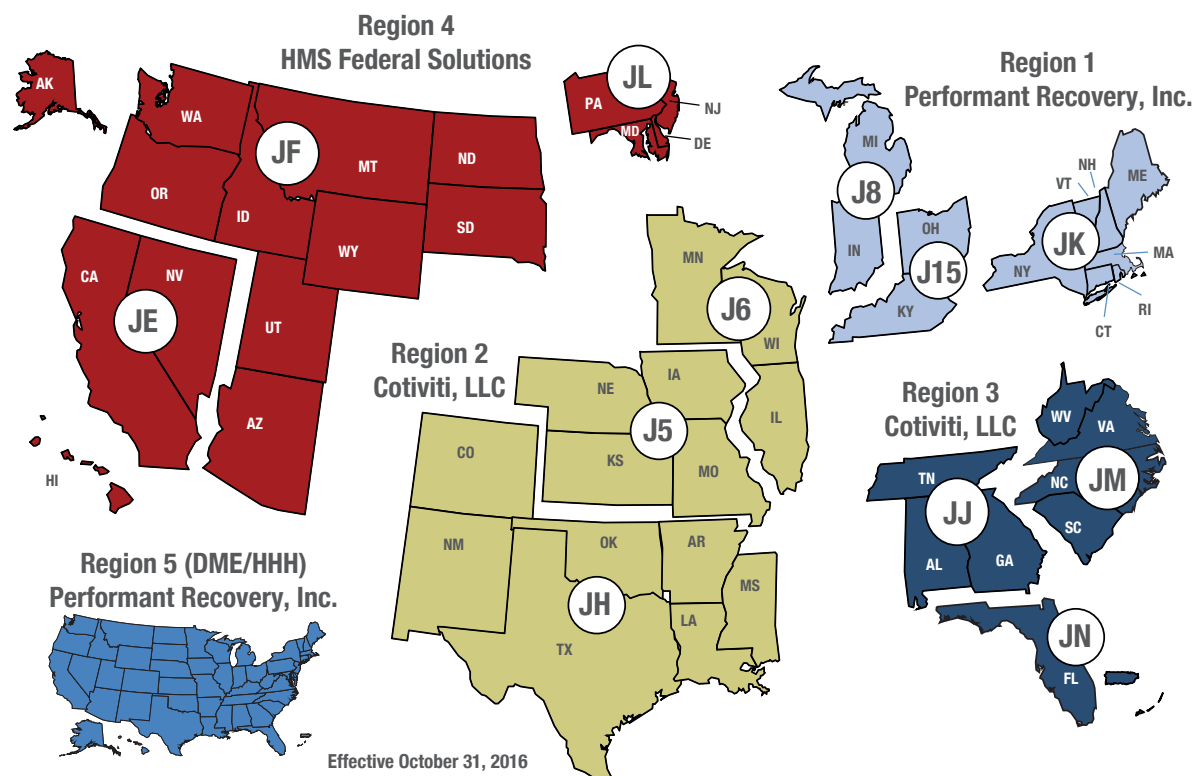
# The New RAC Contracts: What You Need to Know

On October 31, 2016, the Centers for Medicare and Medicaid Services (CMS) awarded the second round of contracts for the Medicare Fee-for-Service's Recovery Audit Contractor (RAC) Program, extending the vital program that identifies and returns Medicare improper payments back to the Trust Funds.

Five new contracts have been awarded – four regional contracts and one for a new region focused solely on auditing DME/HH-H claims nationwide. RACs in Regions 1-4 will conduct post-payment reviews to identify improper payments made in Parts A and B, excluding Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DME-POS) and Home Health/Hospice (HH-H) providers.

The RAC in the newest region, Region 5, will conduct post-payment reviews on DMEPOS and HH-H nationwide.

The contracts have been awarded to the same experienced companies that served as RAC auditors during the previous contract. The map below illustrates the different regions that are covered by these contracts.



# Changes from Previous Contracts

## Changes from Previous Contracts

The new contracts include enhancements to the RAC Program that have been made over the past few years to “reduce provider burden, enhance program oversight and increase transparency in the program,” according to CMS.

### Some of these changes include:

- ✓ Additional incentives for RAC accuracy
- ✓ CMS option to settle appeals cases to decrease the backlog of Medicare appeals
- ✓ Increased coordination between RACs and the Medicare Data Warehouse
- ✓ Changes to RAC payment timeline in the case of an appeal. RACs are only paid after the provider receives an unfavorable decision at the first and second level of appeals, a 420-day waiting period
- ✓ Implementation of the new risk-based ADR limit policy (minimum of .5%, maximum of 5% - based on provider’s historic billing accuracy)
- ✓ Shorter medical review timelines
- ✓ Shorter look-back period for RACs to review claims, reduced from three years down to only 6 months

## Medicare’s Future Still at Risk

The financial future of the Medicare program remains in a precarious position, most notably due to waste, fraud and abuse within the program. It’s more important than ever for RACs to be back at work actively recovering Medicare waste to extend the life of the program. Recently, Medicare Trustees reported that at current spending levels, the program will be insolvent by 2028 – two years sooner than previous predictions.

Congress mandated the creation of the RAC program to review Medicare claims, identify billing errors and return wasteful spending back to the Medicare Trust Fund. Since the program began in 2009, RACs have returned more than \$10 billion in improper payments to the Trust Fund and more than \$800 million in underpayments to providers. Recovery auditing has been credited with extended the life of the Medicare program by two full years.

## Overview of the New ADR Limit Policy

**Previous Calculation:** 2% of all claim types per provider

**New Calculation:** .5% of claims with a progressive ADR limit determined by a provider’s historic billing accuracy rate.

Denial Rate	Range Adjusted ADR (% of Total Paid Claims)
91 – 100%	5.0%
71 – 90%	4.0%
51 – 70%	3.0%
36 – 50%	1.5%
21 – 35%	1.0%
10 – 20%	0.5%
4 – 9%	0.25%
0 – 3%	No reviews for 3 (45-day) review cycles