

THE RAC BURDEN

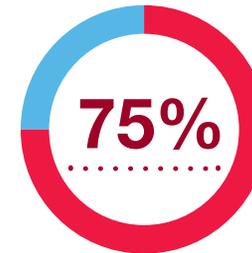
How a Well-Intentioned Federal Program Has Become a Drain on Hospitals

The national Recovery Audit Contractor (RAC) program began in 2010 with the goal of ensuring accurate payments to Medicare providers. However, 6 years later, the program requires fundamental reform.

Unlawful policy prevents full payment for needed patient care.

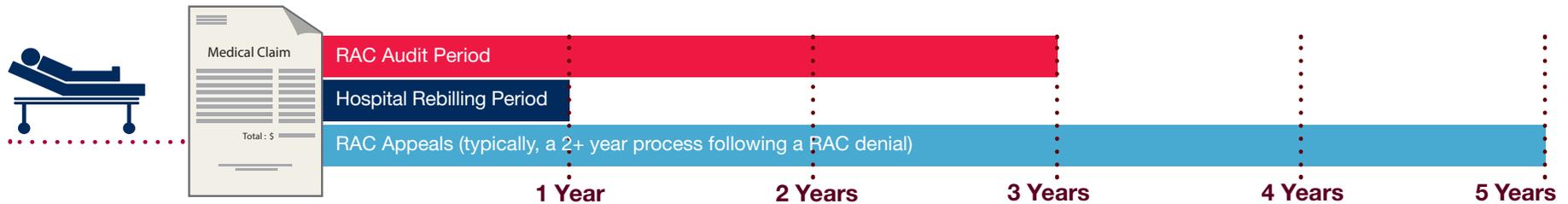
- Many denials are for inpatient care (Part A) that was medically necessary, but RACs contend the care could have been provided in the hospital outpatient (Part B) setting.
- Medicare rules prohibit hospitals from rebilling these services for payment under Part B if they are older than 1 year, while RACs can audit medical records up to 3 years old.

This disparity costs hospitals millions and violates CMS's statutory requirement to pay for all reasonable and necessary care.



of RAC-denied claims fall outside of the 1-year filing window and therefore cannot be rebilled.

Source: Centers for Medicare and Medicaid Services, March 2013



RACs are bounty hunters paid a contingency fee based on the money clawed back from denied claims.

For each Medicare claim they deny, RACs receive a commission of **9.0-12.5%**.

Due to this incentive structure, RACs frequently target high-dollar inpatient claims.

RACs are often inaccurate and inflict avoidable legal and administrative costs on hospitals.

RACs find no overpayment error with 57% of audited claims. RAC-denied claims: 43%



Source: AHA RACTrac, December 2014

47% of denied claims are appealed.

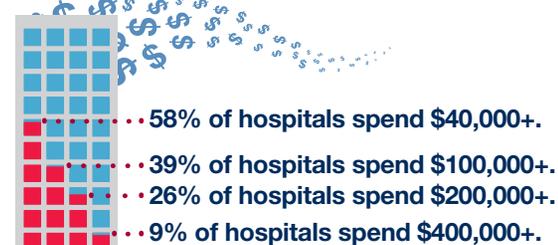


of appealed hospital Medicare Part A denials are fully overturned at the third level of appeal.

Source: Office of the Inspector General, November 2012

RACs' errors and inefficiencies force hospitals to redirect resources that could have otherwise been used for patient care.

Annual hospital spending due to RAC process:



Source: AHA RACTrac, December 2014



of RAC appeals are stuck in the Medicare appeals process.

Assignment of most new requests for an Administrative Law Judge hearing will be temporarily suspended . . . for at least 24 months. — Office of Medicare Hearings and Appeals, December 2013

CONGRESS – Reform the RAC program now to fix the flawed RAC system.

