



A newsletter to inform NMHA members of the RAC activities in New Mexico.

The RAC Program Mission...

- To detect and correct past improper payments
- To implement actions that will prevent future improper payments

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### RAC

TBD

### Recovery Audit Contractors (RACs)

The Medicare Modernization Action Section 306 required RAC demonstration which occurred in California, Florida, New York, South Carolina, Massachusetts and Arizona. The Tax Relief and Health Care Act of 2006 required expansion of the RAC program to all states by 2010. New Mexico will be in the first phase of new RAC implementation scheduled for March 2008. CMS is in the RFP process and has not selected a RAC for our implantation group yet. When a RAC is selected, they will be required by CMS to provide orientation and education which will be coordinated through NMHA. RACs choose areas of focus based on data mining techniques, OIG and GAO reports, Comprehensive Error Rate Testing (CERT) reports and the experience and knowledge of their staff

### Recent Lessons Learned

AHA recently hosted a forum for state associations to learn from the states that went through the demonstration process.

- Hospital CEOs, CFOs, compliance officers, medical staff, hospital staff and Boards need to be fully aware of the RAC process
- Boards in particular need to be aware that RAC findings are not a bad reflection on hospital management
- Hospitals should make renewed efforts to educate physicians in good documentation practices.
- An approach for physicians is to help them realize that they may have a larger gap between their actual vs. predicted mortality rates if their predicted rate is based on weak documentation.
- Hospitals should have good systems in place to receive medical records requests from RACs and to assure timely response.
- “Unit Flags” will be a big issue for CMS and the RACs. They like to use the example of hospitals being paid for 7 appendectomies on the same patient.
- Hospitals should consider conducting RAC DRG medical records and billing audits as part of their Compliance Program and hospital governing boards should assure that appropriate corrective actions are taken if necessary.

### Financial Costs to Hospitals

- Copying costs
- Payment recoupments
- Appeal cost
- Opportunity cost of staff and management time
- Potential liability – assume 100% denial rate for reserve purposes
- Cost of Compliance - routine auditing, monitoring and workforce and provider training

### Helpful Links

It's important for hospitals to review and distribute this background material prior to the actual start-up of the RAC activity.

- American Hospital Association  
<http://www.aha.org/aha/issues/RAC/index.html>
- Centers for Medicare and Medicaid Services
  - RAC site  
[http://www.cms.hhs.gov/RAC/01\\_Overview.asp#TopOfPage](http://www.cms.hhs.gov/RAC/01_Overview.asp#TopOfPage)
  - CERT site:  
<http://www.cms.hhs.gov/CERT/>