



Center for Medicare & Medicaid Services (CMS) Recovery Auditor Contractor (RAC) Program

AAHAM Position

AAHAM Urges Congress to:

- Pass HR4105 and follow CMS's oversight of the RACs;
- Immediately act to provide oversight to the government agencies responsible for implementing the health care measures they pass;
- Ensure that the intentions of Congress are realized;
- Assist providers in reducing administrative costs thus reducing healthcare costs.

AAHAM is firmly committed to reducing needless administrative expenses and thereby the total cost of healthcare. However, we believe we cannot do this without congressional backing. We will be pleased to cooperate with Congress in providing information, or working with any committees or agencies that Congress believes need to conduct this oversight.

Background

Congress has passed several measures over the past several years aimed at both **reducing healthcare expenditures** and **streamlining electronic transactions**. Most recently, Congress has ordered the **Center for Medicare & Medicaid Services (CMS)** to expand the **Medicare Recovery Administrative Contractors (RAC) audits** from a demonstration program to full implementation in all states by 2010.

The RAC audits have been implemented poorly by the Medicare Contractors in the demonstration states of California, New York and Florida. The basic contracts have been flawed, in that the RAC has been incented to find erroneous payments. CMS frowns upon providers who contract with billing or coding vendors based on a contingency fee. Allied health professionals with various levels of clinical expertise are overturning decisions physicians have made in the care of their patients and retracting payments previously made by the Medicare program.

CMS has reported nearly \$440 million dollars were identified as overpayments since 2005; however, they failed to mention that most of these determinations have been appealed. Many have been overturned and many more will be. In California, one provider has reported that 100% of its outpatient therapy claims were denied by the RAC auditor for being medically unnecessary. That is just not logical.

The process is extremely costly to both the hospitals and to the Medicare Program. In addition to the personnel and administrative costs of balancing each of the accounts and processing the transactions, hospitals are faced with the costs of pulling thousands of copies of medical records to be sent the RAC.

Hospitals in each of the demonstration states have had to hire extra staff to keep up with pulling, copying and sending these records. We believe that Congress did not understand the expense hospitals would face when they ordered CMS to expand RAC audits to all states. This action could cause inflation in healthcare costs to cover these expenses. Medicare Administrative Contractors and Fiscal Intermediaries will also need to budget for these cost increases.

H.R. 4105, introduced on November 7, would place a one-year hold on the Centers for Medicare and Medicaid Services' (CMS) Medicare recovery audit contractor (RAC) program, which is currently operating in California, Florida, Massachusetts, New York, and South Carolina. Sponsored by Reps. Lois Capps, D-CA, and Devin Nunes, R-CA, the bill also directs CMS to provide Congress with a detailed program status report. Some members of Congress are concerned that the RAC program is too burdensome and unfairly penalizes health providers and their patients. AAHAM is asking that you support passage of this important piece of legislation.

ABOUT AAHAM

The American Association of Healthcare Administrative Management (AAHAM) is the preeminent professional organization for patient financial services professionals. Founded in 1968, to serve the interests of hospital patient account managers, AAHAM has evolved into a national membership association that represents a broad-based constituency of healthcare professionals.

Professional development of its members is one of the primary goals of the association. Publications, conferences and seminars, benchmarking, professional certification and networking offer numerous opportunities for increasing the skills and knowledge that are necessary to function effectively in today's healthcare environment. AAHAM actively represents the interests of healthcare administrative management professionals through a comprehensive program of legislative and regulatory monitoring and its participation in industry groups such as WEDI, X12, DISA, and NUBC.

AAHAM comprises thirty-seven chapters in twenty-seven states, with a total membership of 2,560 healthcare professionals. Our members direct the activities of the thousands of people who are employed in the healthcare industry, in hospitals, doctors' offices and allied vendors.

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