

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 167	Date: April 23, 2010
	Change Request 6871

SUBJECT: Recovery Audit Contractors (RACs)

I. SUMMARY OF CHANGES: This Change Request pertains to the RAC National Program. Changes include Chapter 4 Sections 100.5 and 100.9.2.

EFFECTIVE DATE: *May 24, 2010

IMPLEMENTATION DATE: May 24, 2010

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	4/100/100.5/Adjusting the Claim
R	4/100/100.9.2/Tracking Appeals

III. FUNDING:

For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:
No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Business Requirements

Manual Instruction

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Business Requirements

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SUBJECT: Recovery Audit Contractors (RACs)

EFFECTIVE DATE: May 24, 2010

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I. GENERAL INFORMATION:

A. Background: This Change Request pertains to the RAC National Program. The following changes include Chapter 4 Sections 100.5 and 100.9.2.

B. Policy: Section 302 of the Tax Relief Act and Health Care Act of 2006.

II. BUSINESS REQUIREMENTS TABLE:

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R	R H I	Shared-System Maintainers				OTH ER
		M A C	M A C		I E R	I S S	F M S	V M S	C M W	F	
6871.1	The Remittance Advice will contain an N432code, when possible, to let providers know the adjustment is a RAC audit.	X	X	X	X	X					
6871.2	The Affiliated Contractors and MACs shall submit Monthly RAC Appeal Reports to the appropriate CMS RAC and MAC Project Officers.	X	X	X	X	X					
6871.3	The Affiliated Contractors and MACs shall use the supplied Excel format when reporting monthly appeals.	X	X	X	X	X					

III. PROVIDER EDUCATION TABLE:

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B	D M E	F I	C A R	R H I	Shared-System Maintainers				OTH ER
		M A C	M A C		I E R	I S S	F M S	V M S	C M W	F	

		M A C	M A C		R I E R	I	F I S S	M C S	V M S	C W F	
	None										

IV. SUPPORTING INFORMATION:

Section A: For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
None.	

Section B: For all other recommendations and supporting information, use this space:

V. CONTACTS:

Pre-Implementation Contact(s): Carlos Montoya (410) 786-6040 carlos.montoya@cms.hhs.gov

Post-Implementation Contact(s): Carlos Montoya (410) 786-6040 carlos.montoya@cms.hhs.gov

VI. FUNDING:

Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Intermediaries (RHHIs)*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements

Attachment

100.5 – Adjusting the Claim

(Rev. 167; Issued: 04-23-10, Effective/Implementation Date: 05-24-10)

The RAC shall have read only access to the CWF as they are not authorized to make any adjustments to the claim and can only access CWF to obtain additional information pertaining to improper payments. The RAC shall notify the AC and MAC that an overpayment has been identified by forwarding an Excel or flat file to the AC and MAC containing the claims with improper payments. The RAC shall upload a separate file into the RAC Data Warehouse that contains information associated with the improper payment finding for each affected claim/line item. The AC and MAC shall have the authority to make adjustments to claims. The AC and MAC will adjust the claim and make any additional corrections to the HIC and/or claim number for efficient claims processing. The AC and MAC will forward an Excel or flat file to the RACs with information associated with the claim adjustment. *This includes the dollar amount of any additional adjustments to the claim that were identified by the system during the adjustment process. These are normally called associated findings.* Working in concert with the AC and MAC, the RAC will issue a demand letter to the provider explaining the reason for the overpayment and the amount of the overpayment to be recouped. The AC and MAC shall establish an Accounts Receivable and an electronic or paper Remittance Advice for notification to the provider in the claims processing system. *When possible,* the Remittance Advice shall contain an N432 code to let the provider know that the adjustment is the result of a RAC audit. The AC and MAC shall include the Accounts Receivable number and the adjusted claim number as well as the adjusted claim amounts in the Excel file sent to the RACs; the RACs shall upload this information into the RAC Data Warehouse using a status record.

The RAC is required to routinely enter the RAC Data Warehouse and provide updates on the claim review and recovery process using status records. Status records include many fields used to track RAC progress on the improper payment including the demand letter status, the date of the demand letter and/or no demand letter as well as the type of error finding and the dollar amount of the adjustment. Only the RAC can update the status record in the RAC Data Warehouse. The AC and MAC are required to upload a separate transaction file into the RAC Data Warehouse that tracks RAC identified overpayment collections or underpayment reimbursements. Only the AC and MAC shall upload a transaction file into the RAC Data Warehouse. In the case of a partial adjustment, the AC and MAC shall perform the adjustment and forward a file to the RAC that contains the overpayment amount. The RAC will upload a status record into the RAC Data Warehouse that includes the partial adjustment information. The AC and MAC shall upload a transaction file into the RAC Data Warehouse that contains information on collections associated with the partial adjustment. In cases where the potential error does not affect payment, the AC and MAC shall notify the RAC and the RAC shall upload a status record that indicates there is no overpayment amount and close the claim/line item in the RAC Data Warehouse.

If available, the AC and MAC may list the adjustment indicator as 'HFCA'. The AC and MAC shall not make overpayment/underpayment adjustments on zero dollar claims

unless the AC and MAC are contacting the providers to notify them of a new denial reason.

100.9.2 – Tracking Appeals

(Rev. 167; Issued: 04-23-10, Effective/Implementation Date: 05-24-10)

Appeal requests received in response to a RAC initiated overpayment shall be tracked so that appeal data will be available when drafting *reports* to Congress. The status of the appeal shall be tracked all throughout the appeal process. *The AC and MAC shall submit a Monthly RAC Appeal Report to the appropriate CMS RAC and MAC Project Officers. The AC and MAC shall use the supplied Excel format when reporting monthly appeals. Once the RAC Data Warehouse is capable of tracking appeals, the AC and MAC shall update that system instead within 7 calendar days of learning of a new request and/or update.*

MONTHLY RAC APPEAL REPORT

Contractor Number _____

Contractor Name _____

Month/Year of Report _____

Claim Number	Claim Line Number	Provider Number	A/R Number	Receipt Date of Appeal	Level of Appeal	Appeal Decision	Appeal Date	Adjustment Date	Dollar amt of reversal	Reason for reversal A, B, C, D or narrative
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