



8 WAYS HOSPITALS CAN PREPARE FOR RAC

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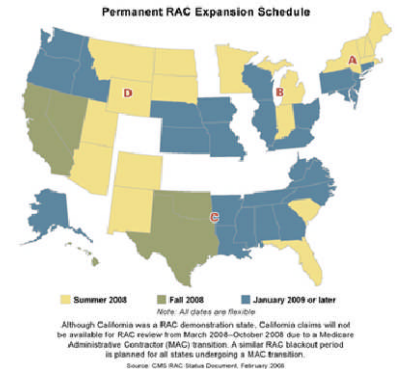
POSITIVE THINKING CAN IMPACT STRESS 3

Starting March 1, most Western and Midwestern states will be reviewed by RACs. By Aug. 1, Northeastern states will face RAC scrutiny and by Jan. 1, 2010, CMS is predicting the RACs will be operating in Southwest and Southeast states. Healthcare reimbursement and legal experts say there are proactive steps hospitals can take to prepare themselves for the RAC reviews and any potential appeals they might file challenging the overpayment determinations.

1. Look at previous RAC denials at other hospitals and learn where your hospital may be vulnerable. Andrew Wachler, an attorney with the Royal Oaks, Mich., firm of Wachler &

Associates who specializes in Medicare reimbursement appeals, says the bulk of payment denials and overpayment collections from the RACs have been in two areas: medical necessity and improper Medicare coding, particularly in the area of inpatient and outpatient hospital admissions. "We're seeing a lot of inpatient admissions challenged and claims denied because they should have been billed as outpatient observations, which pays at a lower rate," Mr. Wachler says. that it was not medically necessary to admit the patient as an inpatient. But the standards are not always

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QUOTE OF THE MONTH...

"Sympathy constitutes friendship; but in love there is a sort of antipathy, or opposing passion. Each strives to be the other, and both together make up one whole."

-Samuel Taylor Coleridge

FEBRUARY IS HEART DISEASE AWARENESS MONTH

Heart disease is the leading cause of death in the United States. The month of February is dedicated to raising awareness about heart disease and increasing knowledge about prevention. Educate yourself on the dangers of heart disease and get on track. Many women think of heart disease

as a man's disease, but this just isn't the case

According to the American, heart disease is the No. 1 health threat for women in the United States. Cardiovascular disease kills approximately 450,000 women each year – about one every minute.



CMS EXPANDED RAC RECORDS REQUESTS LIMITS

RAC ALERT: The [Centers for Medicare & Medicaid Services](#) (CMS) modified its FY2010 Additional Documentation Request (ADR) Limits, expanding the scope of the rule to include all institutional providers.

The update was posted on the CMS Website on Friday (January 28, 2010.) Previously, the rule applied to ADRs for DRG Validation issues only, as posted by CMS on December 1, 2009, and would have only applied to Medicare Part A providers.

CMS also indicated that more changes are yet to come, with rules applying to physicians and other types of providers, including DME suppliers.

The December posting indicated that there would be two "caps" made on RAC ADRs, during FY2010. Through March 2010, the cap would remain at 200 ADRs per 45 days for all providers/suppliers.

However, from April through September 2010, providers/

suppliers who bill in excess of 100,000 claims to Medicare, across all claims processing contractors, would have a cap of 300 ADRs per 45 days.

These limits would apply per "campus" instead of per NPI (National Provider Identifier). The definition of a campus is CMS's new method of calculating limits, and is based on providers' Tax ID Numbers plus the first three numbers of the ZIP code where those provider entities are physically located.

This most recent posting does not change any of the above limits or definitions, but does expand the rule to apply to all claim types, not just DRG Validations.

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clear. CMS is taking the position that if an inpatient claim is denied, it won't even pay for an outpatient observation. But we disagree with their legal conclusion."

Suzanne Lestina, technical manager of revenue cycle for the Westchester, Ill.-based Healthcare Financial Management Association, says hospitals need to find their vulnerabilities and assess any potential financial impact. "If you're a high Medicare hospital, you need to see where the RACs are focusing and determine the financial impact of denials in those areas," she says. "What is the risk to your services? If you conducted an internal audit today, what would you find that the RACs might find? Is your process in order and working right? Are you RAC-ready?"

2. Involve your physicians. Mr. Wachler says many of the RAC denials involved hospital admissions that were later questioned. "Most of those were

short stay cases in which patients were only in the hospital for a brief period of time. It's more important now to evaluate those admissions and the hospital's admission process," he says. "That's why it's critical to have good, strong physician involvement to help educate other physicians on what's required in this admission process, how to document everything correctly and the types of surgeries that may have a preliminary default in one category of another." By having a strong utilization review process for admissions, he says, the hospital can develop a defense when admissions are challenged. "They can say: 'We did what we were supposed to do.' You can't educate all of your admitting doctors: they're overwhelmed and will be paid the same amount with no real financial stake in this. But having a strong, established process with physician involvement can protect the hospital's interests."

3. Establish a RAC team and coordinator to lead the process.

Rochelle Archuleta, senior associate director of policy for the American Hospital Association, says many hospitals have developed internal RAC teams to confront the challenge and respond proactively. She says some hospitals selected interdisciplinary RAC teams from compliance, risk management, finance, medical records and legal departments. "That helps to make sure hospitals can respond to RAC requests for medical records and appeals in a timely fashion and to be prepared for areas likely to be targeted by them," says Ms. Archuleta. She says that states that have established statewide tracking systems to monitor RAC correspondence and appeals activity will be ahead of the game. "CMS has only conducted one independent study of medical necessity decisions and

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"If you're a high Medicare hospital, you need to see where the RACs are focusing and determine the financial impact of denials in those areas,"



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that small study found an unacceptably high error rate of 40 percent and execution problems by the California demo project RAC," she says. "That feeds our concerns about medical necessity denials."

Pat Wesley, regional director of revenue management for the five-hospital Northern Region of the Sisters of St. Francis Health Services in Hammond, Ind., agrees. "I've redeployed one person on my staff to be coordinator for RAC information at all facilities in anticipation of this," says Ms. Wesley. "Until we get in there and see how it will play out, it's hard to get out the crystal ball and predict the future. We will have to make decisions on each denial, whether it's worth it to appeal. If they request 200 records, we may have to make that decision 200 times." Ms. Wesley says her system has been educating hospital staff from numerous hospital disciplines, including medical records, billing, finance, compliance and the legal department. "And we'll pull people from other duties if we have to fight any

potential determinations," she says. She says the hospitals work very hard to follow Medicare guidelines and bill appropriately.

4. Establish a line of communication with your local RAC. HFMA's Ms. Lestina says creating relationships with the RAC covering your region is one of the most important recommendations offered by HFMA hospital members in the RAC demonstration states. "Hospitals need to determine the person who will be their internal contact and be sure the RAC communicates with that person. The RACs communicate in a number of ways, via e-mail, phone, letter and in person. Establishing a good partnership makes the process work better," Ms. Lestina says. "Hospitals from RAC demonstration states said that's what you should do first."

5. Conduct self-audits. The AHA's Ms. Archuleta says assessing a hospital's risk could prepare it for later RAC requests and denials. She says the AHA is concerned about medical necessity reviews, in which RAC program "auditors 'second-guess' treatment decisions made by physicians in care delivered years earlier," she says. "We're concerned that auditors can be

lacking in knowledge of Medicare payment guidelines and coverage criteria. There are bonuses for every denial found and there are incentives to find an error, rather than to take the time to do a comprehensive review. It creates a guilty-until-proven-innocent scenario."

6. Build a tracking mechanism. Ms. Lestina says hospitals need to know what is happening internally and keep track of the running clock on any denied claims they hope to appeal. "It's important for hospitals to get their arms around this information so they are always within time frames of the appeals process. There is no practical cure for a late filing," she says. "The RAC denial process has strict deadlines, so tracking denials and appeals is important. Hospitals need operational infrastructure to track denials and appeals. If you appeal within a certain time, there is no withhold (by the RAC). During the demonstration project, the RACs took all the money upfront. "But now, if you file and get to the first level within 30 days, they don't take the money," she says. "There are other deadlines in the process that are important to know. It's good to consult someone who's been through it."

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POSITIVE THINKING CAN IMPACT YOUR STRESS LEVEL

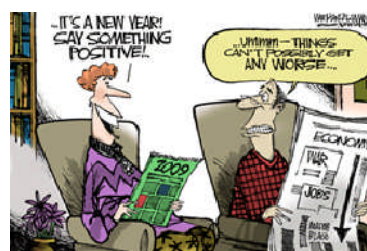
Research shows the benefits of optimism and a positive frame of mind are huge: optimists enjoy better health, stronger relationships, are more productive, and experience less stress, among other things. This is because optimists tend to take more risks, and blame external circumstances if they fail, maintaining a 'try again' mindset; this makes them more likely to succeed in the future, and less upset by failure in general. Pessimists, on the other hand, tend to blame themselves when things go wrong, becoming more reluctant to try again with each negative experience in

life. They begin to look at positive events in their lives as 'flukes' that have nothing to do with them, and expect the worst. In this way, optimists and pessimists both create self-fulfilling prophecies.

When you understand this, it becomes more clear how optimism and positive self-talk can impact your stress levels, as can pessimism and negative self-talk. Negative events are less stressful when you see them as 'not your fault', and less likely to recur. Similarly, positive events are even sweeter when you see them as evidence of more to come,

and see yourself as the master of your own fate. Additionally, because of the difference in behavior in optimists vs. pessimists, those who habitually practice positive thinking tend to experience more success, which can add up to a less stressful life.

So how can you use this information to reduce *your* stress level? Fortunately, optimism can be learned. With practice, you can change your self-talk (your inner dialogue, what you say to yourself about what you're experiencing) and your explanatory style (the specific ways that optimists and pessimists process their experiences). Here's how:



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MAKING A DIFFERENCE WHERE IT COUNTS...

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She says a New York hospital association created a database for hospitals in that state, which has worked well for them.

Ms. Wesley says her system — The Sisters of St. Francis Health Services — has purchased a database to track information. "We have systems in place to audit what we're doing and verify that we're doing it correctly. This is just another layer on top of that," she says.

7. Double-check the deadlines. Ms. Wesley says once a hospital receives a determination of an overpayment from a RAC, it needs to review it carefully to see whether it agrees or not and intends to challenge it. "Once they notify us, it starts the appeals process, which can be very time-consuming. But there are very specific timelines when you must

supply records and if you miss the timeline, that encounter could be deemed "inappropriately paid" and they (the RACs) will take back the money," she says. "It's very important we have systems and processes in place to turn around those requests very quickly."

8. Don't be afraid to appeal if you're confident the claims were appropriate. Attorney Wachler says one reason the RACs have recovered nearly \$1 billion in overpayments is that the hospitals have not challenged their determinations often enough. "They've collected so much because hospitals haven't always appealed when they should have," says Wachler, who has performed Medicare reimbursement audit defense work since 1980 and written extensively about the RAC

process. He says many hospitals have had claims denied and found deficiencies and think they don't have winnable cases. "My perspective is different when it comes to documentation," Mr. Wachler says. "If a hospital delivers a medically appropriate service, it should not go unpaid just because it did not dot every 'i' and cross every 't.' Documentation is important, but there are defenses that allow providers to appeal and prevail when they are in substantial compliance. I've seen providers not appeal millions of dollars on winnable cases because some of their documentation was lacking. Hospitals need all appropriate reimbursement in this environment. There are both legal and meritorious defenses and if you don't understand all of them, then you're leaving money on the table."

Ms. Lestina recommends reviewing each RAC denial thoroughly. "Don't assume that it's actually correct," she says. "There have been some questions about the RACs' expertise on regulations and some instances where reviewers had used outdated information. Hospitals need to be smarter than the RAC auditors."

The AHA's Ms. Archuleta points out that CMS's own Jan. 2009 data shows that 45.2 percent of appealed denials are overturned in the hospitals' favor. She notes that while hospitals that have appealed stand a good chance at success, many hospitals don't appeal. "They don't pursue them because they are too costly and require infrastructure to deal with old records," she says. "Appeals take 18-24 months and cost between \$2,500-\$5,000, and that's a heavy burden, especially when talking about claims paid two to three years prior."

This article was Published in Hospital Review Magazine