

MEDICARE COMPLIANCE

CMS Starts RAC Prepayment Reviews With Syncope Admissions

After postponing them for eight months, CMS will launch recovery audit contractor (RAC) prepayment reviews on Aug. 27, but with only one target: the medical necessity of admitting inpatients for syncope. Eventually, CMS will add other MS-DRGs to its RAC prepayment review demonstration, which will continue through Aug. 26, 2015, Connie Leonard, director of the Division for Recovery Audit Operations, said Aug. 9 at a CMS open-door forum.

The RAC prepayment reviews will take place in only 11 states: Florida, California, Michigan, Texas, New York, Louisiana, Illinois, Pennsylvania, Ohio, North Carolina and Missouri. "We will begin with short inpatient hospital stays," Leonard said, who noted a short stay is two days or less. That means RACs will focus on inpatient admissions versus outpatient settings or outpatient with observation services.

The purpose of the RAC prepayment demonstration is to prevent improper payments and help providers understand where they went wrong so they can bill future claims accurately. It won't replace prepayment reviews by Medicare administrative contractors (MACs), and RACs and MACs won't audit the same claims or even the same MS-DRGs on a prepayment basis, Leonard said.

In addition to MS-DRG 312 (syncope and collapse), RAC prepayment reviewers will hit these seven other MS-DRGs to determine whether there was medical necessity for the site of service:

- ◆ MS-DRG 069: Transient ischemia
- ◆ MS-DRG 377: GI hemorrhage with major complications and comorbidities (MCC)
- ◆ MS-DRG 378: GI hemorrhage with CC
- ◆ MS-DRG 379: GI hemorrhage without CC/MCC
- ◆ MS-DRG 637: Diabetes with MCC
- ◆ MS-DRG 638: Diabetes with CC
- ◆ MS-DRG 639: Diabetes without CC/MCC

CMS, not the RACs, is choosing the claims to review, Leonard said. The scope will be broad in the beginning, but "the recovery auditors will want to have CMS tailor these reviews because they want to review claims with a high probability of improper payment," she notes. After all, RACs will be paid on a contingency basis for recoveries from prepayment reviews the same way they are paid on recoveries from postpayment reviews.

MACs will send "additional documentation requests" (ADRs) to hospitals in the RAC prepayment demonstration, and they will have 30 days to respond. The number of documents requested by RACs in prepayment reviews must fall inside CMS's per hospital cap for postpayment reviews, but Leonard said RACs might exceed it a bit as they go up the demonstration learning curve, and she asked hospitals to be patient.

RACs will decide within 45 calendar days whether there was an overpayment, Leonard said. Hospitals have the usual appeal rights unless they are in the Part A-to-B Rebilling Demonstration.

"CMS's new pre-pay RAC audits appear to be an attempt to replicate the success that CMS has had with post-pay RAC audits, and are likely to be just as lucrative if not more so in preventing improper payments [rather than recovering them later]," says San Francisco attorney Judy Waltz, with Foley & Lardner LLP. "For those providers who may be subject to these new pre-pay audits, it means that claims will need to be submitted correctly the first time, and not prematurely, while a provider might still be waiting to secure complete documentation necessary to support the claim."

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