

# Modern Healthcare

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## The Week in Healthcare

**POLICY** >> *Jennifer Lubell*

### RAC for all

*Push for more audits could affect hospitals: experts*

An edict from the White House to expand fraud and abuse audits on a governmentwide basis puts the heat on hospitals to keep their shops in order and free of error, some industry experts claim.

Last week, President Barack Obama took a series of steps to cut down on fraudulent activities in Medicare, Medicaid and other government programs, a measure he believes will return at least \$2 billion in recovered costs to taxpayers over the next three years. Among other things, he signed a presidential memorandum that would direct federal agencies to “expand and intensify” the use of audits, such as those performed by recovery audit contractors, and Medicaid integrity contractors.

The Recovery Audit Contractor Program allows third-party auditors hired by the CMS to keep 9% to 12.5% of provider payments they identify as improper.

The White House in making its announcement on fraud crackdown efforts specifically cited the RAC pilot program as a success story for these types of audits. The pilot was carried out in several states over three years and recouped more than \$992 million in overpayments to providers.

At the moment, it’s unclear whether the RAC or the Medicaid Integrity Program will be affected by the president’s proposal, Don May, vice president of policy with the Amer-

ican Hospital Association, said in an e-mail.

Obama in issuing the memorandum hasn’t necessarily changed the tactics for the RAC or Medicaid auditors, said Robert Corrato, president and CEO of Executive Health Resources, Newtown Square, Pa., which offers medical necessity compliance services.

“What I believe is seminally different now is the president has publicly taken us into the era of healthcare audit accountability,” and that cracking down on fraud and abuse is high on the president’s agenda, he said. “It takes every auditing agency, every contractor that works through the Medicare and Medicaid program and it puts them on notice.”

It also puts the hospitals—who have continually criticized RAC as a “bounty hunter”-type exercise—on notice, Corrato said. Some hospitals have been dealing with RAC better than others, but what this latest statement from the White House means is “if hospitals don’t follow rules, these auditors will be holding them accountable,” he said.

“If you look at the RAC demo, two-thirds of all hospital payment errors were due to care that lacked medical necessity—care that didn’t need to be delivered at all or didn’t need to be delivered in an inpatient hospital bed,” he continued. For that reason, hospitals “need to get their act together to avoid these errors.”

It’s true that some hospitals have a way to

go toward protecting themselves from audits, said Rebecca Craig, vice president of finance and chief financial officer of Wayne Memorial Hospital, Goldsboro, N.C.

Obama’s proposal to order up more audits is not going to boost incentives for 269-bed Wayne Memorial to increase its resources to produce more accurate claims. “I feel we’ve been preparing and preparing every bill to get things right every time. The irony is we’re spending a lot of money to try to protect the bills that go out the door. It’s almost like malpractice insurance for billing,” Craig said.

Even if every auditor looks at every bill to make sure the care given to a patient was medically necessary or not, the reality is “we need to get a handle on costs at the patient level. That’s where the system is being abused,” Craig said, referring to things such as unnecessary tests given out of a fear of being sued. “That’s where the extra costs are.”

How the president’s memorandum for cracking down on fraud will be carried out is unclear. In his announcement last week, Obama pledged support for a bipartisan bill in the Senate that would require the head of each federal agency to review programs and activities every three fiscal years and identify those that may be susceptible to significant improper payments. Similar legislation has been introduced in the House.

How successfully the RAC program will apply across all programs—not only Medicare—remains to be seen, said Anthony Ciuca, a lawyer who is an associate with Mitts Milavec in Philadelphia.

“I am not sure if a RAC ‘eat what you kill’ type of program will work for all federal programs as well as it did for CMS,” Ciuca said. <<



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