5 Tips for an Effective RAC Appeals Process

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The Medicare Recovery Audit program has been around for roughly six years now, although it was a demonstration for the first three years. However, fiscal year 2011 was one of the most impactful years for the program. CMS reported that Medicare RACs collected a total of $797.4 million in FY 2011, far above the overpayment total of $75.4 million recorded in FY 2010. RACs returned $141.9 million in underpayments in FY 2011, up from the $16.9 million the year before.

However, the simple judgment of an over- or underpayment from a RAC does not denote a failure for a hospital. According to the American Hospital Association's third quarter RACTrac Survey, 77 percent of denied claims were overturned in the RAC appeals process. It is very possible for a hospital to recoup money on a denied RAC claim; it just takes extra effort to weather the appeals process.

Karen Bowden, senior vice president of Craneware, says the RAC program has really put a strain on the hospital sector. "I see how some hospitals are struggling with managing the volume of paper that comes in with RACs," Ms. Bowden says. "All of this is a paper process. Managing all that is really taxing for healthcare facilities, particularly hospitals."

In spite of the paper pushing, Ms. Bowden says there are five things hospitals can do to have a successful RAC appeal.

1. Make sure every appeal letter is clear. Before a hospital dives into the RAC appeals process, the revenue cycle staff members must ask themselves: Why should this case be overturned? Ms. Bowden says every appeal letter must have a clear point and thoroughly explain the situation surrounding the patient claim in question.

2. Preserve appeal rights. Medicare Administrative Contractors took the reins on issuing demand letters last year, and some hospitals have said the process has become even more cumbersome. "Many facilities are struggling to obtain demand letters that have not been received, and many can still see a retraction has been taken," Ms. Bowden says. If hospitals have not received the demand letter from their MAC, have had money recouped and are concerned they are approaching an appeal deadline, Ms. Bowden says they should appeal the case to Level 1 anyway because this will preserve appeal rights.

Some hospitals simply may not receive their demand letters, but the revenue cycle and RAC teams must have a system in place to ensure no RAC correspondence is slipping through the
cracks. "Have someone in the hospital responsible for getting mail," Ms. Bowden says. "When they get responses, enter them immediately into a system so they aren't piling up. You find this in a number of organizations as something that they are struggling to do, especially if there isn't one person who owns the process."

3. **Add clarifying physician documentation, if necessary.** If a hospital fails to overturn a denial after the first two levels but still believes the claim should be overturned, hospital staff members should consider adding physician documentation that could shed more light on the patient's claim, Ms. Bowden says. Even if the extra documentation is a late add-on, it's still worth completing because some RACs will accept late entries. "Some contractors are not recognizing late documentation, but escalating these issues to the administrative law judge level has been effective in overturning denials," Ms. Bowden says.

4. **Appeal a case if you can defend it to the ALJ.** Level 3, or the ALJ level, is where cases are more closely scrutinized, and hospitals with legitimate claims have had more success at this stage than Level 1 or Level 2. If hospitals know they can put together a bona fide case in front of an administrative law judge, it is certainly worth pursuing, Ms. Bowden says.

5. **Load your Level 1 appeal.** Hospitals should pack their initial appeal with every relevant argument in their repertoire, including related physician documentation. Ms. Bowden says this intense front-end work could pay off in the latter stages of the RAC appeals process if Level 1 turns out to be unsuccessful. "If you win, great," Ms. Bowden says. "If you receive an unfavorable decision, you already have Level 2 and [ALJ] appeals prepared."