Reversing Medicare's downward spiral means reining in the RACs

By Rick Umholtz

Hospitals subject to Medicare payment policy know it’s a lot like being condemned to an eternity of fighting a bug-gerial uphill battle. Just when you think you’ve made some headway, something starts to go downhill. When hospital systems become more efficient and adopt proven payment process tools that get patient home sooner, they expected some recognition and reward, at least a pat on the back. Instead, the Centers for Medicare & Medicaid Services (CMS) launched a total depletive audit programs of short hospital stays in which private contractors are rewarded for second-guessing the judgment of hospital staff making patient discharge decisions. We’ll all for audits – they are a necessary and important form of oversight. But private contractors – particularly the recovery audit contractors (RAC) – have created a torrent of problems that harm both hospitals and patients. RACs have no incentive to re- serve hospital efficiency and every reason to deny it. Why? Because RACs are paid 12.5% of every dollar they claw back from hospi- tals. Because short hospital input- ants often stay the most incentivized target for RACs, that’s where they spend most of their energy.

First wave. The first wave in the RACs’ demoralizing assault was a CMS policy that denied hospitals the right to appeal for Medicare for RAC claims. Hospitals should have been provided an out-of-court appeal rather than as an inpatient in the hospital. Since Medicare pays more for hospital input- ants, RACs had a considerable financial incen- tive to second-guess the admitting physician. And CMS can pay- ment policy left hospitals no choice but to appeal – denial otherwise would virtually nullify their effort. As a result, hospitals have been enduring delays. In a recent study, 93% of reporting hospitals have experienced at least one delay longer than the statutory deadline for issue a decision on an appeal, for participating hospitals, 1st Quarter 2014

The tables on this page are from the AHA’s report “Reversing Medicare’s Downward Spiral Means Reining in the RACs.” The report is available for download at http://tinyurl.com/p58suzx.