

Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

December 20, 2011

www.ober.com

IN THIS ISSUE

[Prepayment Review: CMS Signals Changes that May Be in Store for the Recovery Audit Contractor \(RAC\) Program](#)

[Welcome Clarification for Home Health Face-to-Face Documentation Requirements](#)

[Quality Measures Under Consideration for Agency Programs](#)

[Final Rule on ESRD PPS and Quality Incentive program Issued](#)

Editors: [Leslie Demaree Goldsmith](#) and [Carel T. Hedlund](#)

Prepayment Review: CMS Signals Changes that May Be in Store for the Recovery Audit Contractor (RAC) Program

By: [Mark A. Stanley](#)

CMS has announced a demonstration project that will allow RACs to conduct prepayment review of claims in 11 states. Aside from the fact that RACs will review claims prior to payment, the review process will be identical to the post-payment process currently employed by RACs. The affected states include seven states, Florida, California, Michigan, Texas, New York, Louisiana, and Illinois, which were selected on the basis of population and error rates for claims. The four remaining states, Pennsylvania, Ohio, North Carolina, and Missouri were selected based on the states' high claims volume for short inpatient stays.

Ober|Kaler's Comments

The RAC program generated almost [one billion dollars \[PDF\]](#) in collections during the 2011 federal fiscal year. Expansion of the RAC program to include prepayment review shows that CMS is happy with the results. While the demonstration program is currently limited – in terms of both the number of states affected and the number of claims that will be subjected to prepayment review – providers everywhere can probably anticipate that the RACs will play an ever-increasing role in payment of claims.

Payment Matters® is not to be construed as legal or financial advice, and the review of this information does not create an attorney-client relationship.

Copyright© 2011, Ober, Kaler, Grimes & Shriver