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## Final Rule Published Defining Medicaid RAC Program

On September 16, 2011, the Centers for Medicare and Medicaid Services (CMS) published a final rule requiring states to implement a Medicaid Recovery Audit Contractor (RAC) program, modeled after the current Medicare RAC program. Under the final rule, states are required to contract with one or more eligible Medicaid RACs to review Medicaid claims for any overpayments or underpayments that may have occurred in the prior years, and to recoup overpayments from providers on behalf of the state. CMS estimates the program will produce an aggregate net savings to the federal and state governments of \$2.13 billion during FY 2012 through FY 2016.

Noteworthy specifications from the rule include:

- RAC contractors will be paid a percentage of overpayments recovered, capped at 12.5%.
- Audits will apply to claims submitted within the last three years.
- States may exclude Medicaid managed care claims from the RAC audits.
- States are urged to include medical necessity determinations in the audits.
- Appeals to RAC audits will be channeled through each state's current Medicaid appeals process.
- RAC contractors must return their contingency fee in connection with any successful appeals.
- States are required to set limits on the number and frequency of medical records that a RAC may request.
- Medicaid RACs are required to accept electronic medical records from providers on CD, DVD, or via facsimile.
- Medicaid RACs may also identify underpayments to providers, which must be reported to the providers.

The increasing scrutiny by federal and state governments over physician reimbursement underscores the importance of thorough documentation for each and every patient encounter. If you have questions or concerns about the impending Medicaid RAC audits, please contact Jay Packer, Director of Contracting, Compliance and Legal Services at 562.809.3521 / [jpacker@marinabilling.com](mailto:jpacker@marinabilling.com). If you would like to speak with our coding specialists regarding your documentation practices, please contact Greer Contreras, Vice President of Coding at 562.809.3516 / [gcontreras@marinabilling.com](mailto:gcontreras@marinabilling.com).