RAC Preparedness By The Numbers
Using Data Mining to Proactively Identify Potential Targets

**The Second National
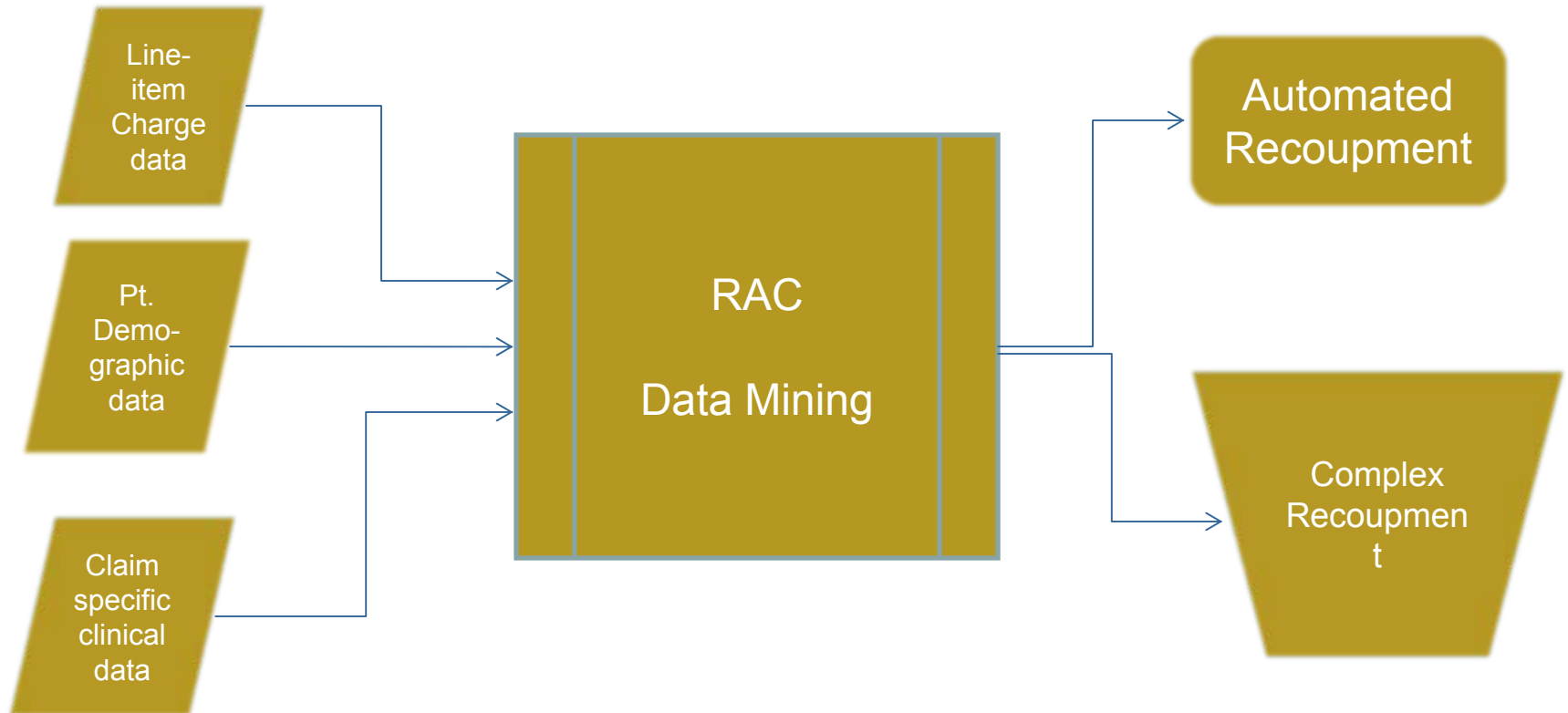Medicare RAC Summit
September 15, 2009**

CBIZ KA Consulting Services, LLC

- Healthcare Financial Consulting Practice

- 30 years providing reimbursement and finance solutions to healthcare providers

- Initiated DRG√®

- Expertise in data analysis and clinical consultative services

How The RAC Audits Work:
The Role of Data

Line-item Charge data

Pt. Demo-graphic data

Claim specific clinical data

RAC

Data Mining

Automated Recoupment

Complex Recoupment

How The RAC Audits Work: The Role of Data

►Types of RAC "Targeted" Reviews

◊ Automated – Certainty that improper payment exists based on data review, no medical records involved in the review, paid in aberrance of NCD, LCD, MUE, etc.
  ❖ *Reported "Hit" rate ~ 100%*

◊ Complex – Probability that improper payment exists, review of medical records are required to confirm, based on proprietary algorithms & CMS approval.
  ❖ Reported "Hit" rate ~ 33%

How The RAC Audits Work: The Role of Data

► **Indicators of improper payment within 837 data set**

◊ Units of service

◊ Match of ICD-9 and HCPCS codes

◊ DRG assignment

◊ ICD-9-CM diagnosis and procedure codes

◊ Length of stay

◊ Charges

◊ Age

◊ Admit/Discharge type

How The RAC Audits Work: The Role of Data

CMS RAC Outreach Training

What Can I do to Prepare:

FIRST, Know where previous improper payments have been found

- Look to see what improper payments were found by the RACs:
  - ✓ *Demonstration RAC findings:* *www.cms.hhs.gov/rac*
  - ✓ *Permanent RAC findings: will be listed on the RACs' webpages.*

- Look to see what improper payments have been found in OIG and CERT reports
  - ✓ *OIG reports:* *www.oig.hhs.gov/reports.html*
  - ✓ *CERT reports:* *www.cms.hhs.gov/cert*

What Can I do to Prepare:
SECOND, Know if you are submitting claims with improper payments

- Conduct an internal assessment to identify if you are in compliance with Medicare rules.

- Identify corrective actions that need to take place to be in compliance

How The RAC Audits Work: The Role of Data

►**Risk Assessment**

◊ Data mine and conduct pre-emptive assessments

◊ Identify and prioritize your risks

◊ Perform focused coding and medical necessity audits

◊ Self-report problematic issues

◊ Develop internal "appeal" guidelines & strategies

❖ Dollar value

❖ Certainty of Success (11.35% interest)

❖ Development of appeal logic

How The RAC Audits Work:
The Role of Data

RAC Outreach Q&A session:

- **Will (the RAC) accept physicians' notes from their offices to support the request for service — i.e. testing/results performed prior to admission to support the need for the procedure?**
- Yes.

- **What documentation will (the RAC) accept during the 15 days after the denial letter to support the hospital's position that the case qualified for inpatient admission status?**
- Send <u>any documentation necessary</u> to substantiate the hospital's position.

- **On appeal, may the provider include information from, for example, the physician's office record or other data supporting the coding or medical necessity for the service that was not otherwise found in the provider record?**
- Yes, include as much information as needed to validate the appeal. <u>However, it is to your advantage to submit this information prior to the denial.</u>

How The RAC Audits Work: The Role of Data

►What is the role of Data Mining in RAC preparation?

◊ Improve compliance.

◊ Accurately reflect risk in financial statements.

◊ Prioritize risk intervention.

◊ Makes information available throughout organization.

◊ Mitigate risk - avoid denials and recoupment.

◊ Organize "Discussion" and Appeal process.

The Data We Will Review

- Presentation is based on several sources of data:
  - the results of RAC R4 Reports™ from over 70 hospitals across the US

- Comparative results based on our audit findings

- Data mining inputs/criteria

  - Historic RAC Targets
  - Benchmarking Experience
  - Consultative Experience
  - Medicare Integrity Program Issues
  - Appeal Experience

Review of Trends

Inpatient Coding Analysis		
	Risk	Reward
Median	22%	14%
Max	45%	25%
Min	17%	4%
Mean	24%	15%
Standard Deviation	7%	5%

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Review of Trends

- At-Risk DRGs
  - 573/574/575 Skin graft and or debrid for skin ulcer or cellulitis - **86%** *(2.1814)*
  - 463/464/465 Wound debrid and skin graft excp hand for muscskel - **78%** *(3.4966)*
  - 622/623/624 Skin graft & wound debrid for endoc, nut & metabol - **68%** *(2.3074)*
  - 207/208/ Resp sys diag with vent 96 + - **65%** *(3.1532)*
  - 166/167/168 Oth resp sys OR proc - **50%** *(2.8151)*
  - 901/ Anomaly

Review of Trends

- Reward DRGs
  - 474/475/476 Amput for muskel and conn tissue - **42%** *(2.5829)*
  - 180/181/182 Respiratory neoplasm - **30%** *(1.3829)*
  - 984/985/986 Prostatic OR Proc unrel to PDX - **24%** *(2.3226)*
  - 064/065/066 Intercranial hemm or cereb infarc - **22%** *(1.2652)*
  - 551/552 Medical back problems - **21%** *(0.8883)*

Review of Trends

Short Stay and Medical Necessity	
	Risk
Median	**18%**
Max	**29%**
Min	**7%**
Mean	**18%**
Standard Deviation	**5%**

Review of Trends

- At-Risk Percentages Short Stay Areas
  - Asthma/Pneumonia – 25%
  - CHF/Chest Pain – 21%
  - Dehydration/Diabetes – 21%
  - Back Pain – 20%
  - Abdominal Pain – 14%
  - Syncope Nervous System Disorders – 9%
  - Red Blood Cell Disorders – 8%

Review of Trends

Inpatients with OP Procedure	
	Any Risk
Median	15%
Max	50%
Min	2%
Mean	17%
Standard Deviation	10%

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Review of Trends

- At-Risk DRGs (IP With OP Proc)
  - 585 Breast biop local excis and oth w/o CC/MCC - **34%** *(0.8036)*
  - 227 Card defrib implant w/o cath w/o MCC - **28%** *(4.9961)*
  - 512 Should, elb, forearm proc no maj joint w/o CC/MCC - **27%** *(0.9509)*
  - 117 Intraocular proc w/o CC/MCC - **22%** *(0.6699)*
  - 627 Thyroid, parathy, thyrogloss proc w/o CC/MCC - **21%** *(0.7344)*

Review of Trends

- Outpatient Automated Denials
  - Findings varied from 3% potential recoupment to 29% potential recoupment
  - Average potential recoupment 10%
  - Potential recoupment was identified as greater than $1m for 30% of the hospitals we have worked with to date

Most Significant RAC Issues
Analysis

- Outpatient issues
  - Dollars and exposure vary significantly
  - Can be a relatively quick and easy fix

- Inpatient coding issues
  - Most immediate area of focus because of $'s & volume
  - Not as easy/quick to fix

Most Significant RAC Issues
Analysis

- Medical necessity issues
  - Not as many at-risk cases as coding
  - Elements of medical necessity can be costly
  - Hospitals can make changes faster than coding, but not easy

- Cross-over issues – Within Service (Cardiology, Respiratory, Oncology) ability to address operational issues that can mitigate RAC exposure across multiple disciplines

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We have it Covered (or do we?)

- Inpatient coding and reviews – finding an at-risk rate of 24% on average *RAC targets*

- One facility that challenged us to find issues had an at-risk rate in inpatient coding of 39%

- One facility found that 40% of all at-risk cases were related to their cardiology business

- Three day transfer to skilled nursing surprise

Surprising Findings/Issues
(and not so much)

- Significant post utilization review overturn rates by physician advisors

- Physician advisor (PA) documentation to support admits deficient much of the time

- Additional information required to support PA determinations

- Very high percentage of cases require additional documentation to support Severity of Illness

Surprising Findings/Issues
(and not so much)

- Many cases identified as at-risk lacked appropriate detail to support intensity of service

- Weekend admissions

- "Admit to observation" or "admit to inpatient" missing

- Cases bypass UR concurrent review for miscellaneous issues

Revenue Opportunities

- Hospitals need to ensure that protection against RAC reviews does not unnecessarily impact revenues

- Medical necessity process improvement

- Outpatient LCD/NCD automated denial systematic improvements

- Ensuring complete records

- Use ancillary charge data to identify lost charges, potential system/training issues

Summary

- It's important to understand specific vulnerabilities
- IP coding is the highest volume issue
  - Coding issues prominent, even after years of attention
- There are many moving parts involved – the findings are not always what would be expected
- Inpatients with outpatient procedures could present a significant opportunity to mitigate risk
- Outpatient automated denials present an opportunity for future RAC risk mitigation
- Knowing your data will present opportunities to improve revenue

Questions?

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