

Eli's Hospice Insider

Audits: Hospices May Be Next On RACs' Hit List

RACs finally drop audit bomb on home care.

After a lengthy delay, Medicare's bounty hunters have set their sights on home health agency services -- and hospice could be Recover Audit Contractors' next big target.

Region C Recovery Audit Contractor **Connolly Healthcare** has posted one **Centers for Medicare & Medicaid Services**-approved HHA topic for review. And Region A RAC **Diversified Collection Services** appears to be investigating three HHA topics for CMS approval, reports the **National Association for Home Care & Hospice**.

Background: RACs have a financial incentive to deny providers' Medicare claims because they receive a percentage of the recoveries on a contingency fee. (For RAC territories and fees, see next page.) However, they also receive the contingency fee on any underpayments they return to providers, CMS noted in a report to Congress last year.

Hospices will be in a world of hurt if they become RACs' next target. "Like the audits of the 90s, [RAC audits] will drive down and out the smaller providers who don't have the resources or the knowledge to fight 'city hall,'" predicts financial expert **Tom Boyd** of **Boyd & Nicholas** in Rohnert Park, Calif. "The consolidation of the industry will continue."

Both HHAs and hospices had hoped to duck their heads and avoid RAC scrutiny for a while longer. "Home health claims were too small in dollar amount, compared to hospital and other provider types, to attract the RACs to home health, when we know they are compensated on a contingency fee basis for their error findings," notes financial consultant **Mark Sharp** with **BKD** in Springfield, Mo.

But in its 2012 RAC SOW, CMS requires RACs to address incorrect payments for all provider types or face financial penalties, NAHC points out.

It's "not surprising is that it took government intervention to force the RACs to give home health their attention," Sharp tells **Eli**. "CMS will impose penalties if they don't move on to home health and other provider types that have been left alone to this point."

What's On The RAC Horizon

Boyd is surprised that RACs didn't start out targeting hospice topics, which could yield a higher overpayment amount -- and thus contingency fee -- based on the size of the claim, he says. Don't expect RACs to neglect this area for long, experts agree.

Best case scenario: If the home care and hospice audit topics prove relatively unprofitable for RACs, providers can hope that RACs will give the industry merely the minimal attention that CMS is requiring in their SOW, Sharp notes.

The government may find it more economical to use its other resources -- ZPICs, Comprehensive Error Rate Testing (CERT) audits, fraud and abuse enforcement via HEAT strike forces, etc. -- to produce savings in the home care industry, Boyd predicts. "RACs may be the wrong weapon for the government," he says.