

Recovery Audit Prepayment Review Demonstration
Status Update
09/26/2013

The 3-year Recovery Audit Prepayment Review Demonstration began on September 1, 2012 in 11 states. These states include seven with high incidences of improper payments and fraud (Florida, California, Michigan, Texas, New York, Louisiana and Illinois) and, four with high claims volumes of short inpatient hospital stays (Pennsylvania, Ohio, North Carolina, and Missouri). MS-DRGs are selected for review based on Comprehensive Error Rate Testing (CERT) data. Claims in these states containing a selected MS-DRG may be flagged for review, before the claim is paid.

The demonstration seeks to identify and prevent fraud to protect the Medicare Trust Fund from future fraudulent actions and the resulting improper payments. Another goal is to lower the number of improper payments not associated with fraud for these claims. The Centers of Medicare & Medicaid Services (CMS) has just entered the initial stage of evaluating the effectiveness of the demonstration.

- The demonstration was successfully implemented and data collected for one year.
- To date, there has been little negative provider impact from prepayment MS-DRG review reported. The Recovery Auditors are required to complete the review of all claim types, except therapy, within 45 days. For therapy claims, reviews must be completed within 10 days. As a result, reasonable and necessary services that are appropriately billed are paid in a timely manner.
- As of September 26, 2013 over 9,300 Additional Documentation Requests (ADRs) were sent to providers for select MS-DRG codes as part of the Prepayment Demonstration. 59% of the claims which have been reviewed were found to be improper, illustrating the importance of this demonstration.
- As of October 1, 2013 Medicare Administrative Contractors (MACs) will be conducting reviews as instructed by the IPPS final rule 1599-F. As a result, Recovery Auditors will not conduct any prepayment review for the purpose of determining the appropriateness of inpatient hospital admission until further instruction. Recovery Auditor reviews of therapy claims remain unchanged by this instruction.
- The total savings achieved from the first year of the demonstration was \$22.3 million.

The following MS-DRGs were under review during the first year of the demonstration:

- 312 - Syncope and Collapse
- 069 - Transient Ischemia
- 377, 378 and 379 - G.I. Hemorrhage
- 637, 638 and 639 - Diabetes
- 252, 253 and 254 - Other Vascular Procedures
- 391 and 392 - Esophagitis, Gastroenteritis and Misc. Digestive Disorders

Month Began	MS-DRG	Number of ADRs Sent
September 2012	MS-DRG 312	3,828
January 2013	MS-DRG 069	1,915
March 2013	MS-DRGs 377-379	2,333
May 2013	MS-DRGs 637-639	647
June 2013	MS-DRGs 252-254	220
July 2013	MS-DRGs 391-392	372

Therapy claim reviews were added to the Prepayment Demonstration on April 1, 2013. The prepayment review of therapy claims occurs when billed services for a beneficiary reach a threshold of \$3,700 for Physical Therapy and Speech Language Pathology and/or \$3,700 for Occupational Therapy in a calendar year, in this case, for services on or after January 1, 2013. CMS provided education to the Recovery Auditors regarding the review of therapy claims. A monthly Open Door Forum was established with providers and therapy associations to answer questions and provide education regarding these reviews. Prepayment therapy review is limited to the states within the demonstration.

- Since April 1, 2013 Recovery Auditors have reviewed over 93,540 Therapy claims and 55% have been found to be improper. These reviews are expected to increase throughout the remainder of the calendar year, as the review threshold is cumulative.
- The IPPS final rule 1599-F does not affect the prepayment review of therapy claims in this Demonstration.

Appeals data on demonstration claims are limited at this time. It is not anticipated that the appeals rate will be higher than that of other reviewed claims. The CMS will continue to monitor and evaluate the effectiveness of this demonstration, including the savings to the Medicare Trust Fund. The CMS will announce new prepayment review areas soon.