

Payment Methodology for Recovery Audit Contractors (RACs)

All payments shall be paid only on a contingency fee basis and shall be based on the principal amount of the collection or the amount paid back to a provider (underpayment).

- Because interest collected is returned to General Revenue rather than to the Medicare trust funds, a contingency fee shall not be paid on any interest collected.

The RAC shall not receive any payments for the identification of the improper payments.

- The contingency fee will be determined by the overpayments collected without consideration given to the underpayments identified (i.e. without netting out the underpayments against the overpayments.)
- Underpayments in a claim are counted separately.

The RAC shall receive 50% of the agreed upon contingency percentage for any of the following recovery efforts:

- Recovery efforts accomplished through the offset process by a carrier/DME MAC or a Part B claim by a MAC.
- Recovery efforts accomplished through Treasury offset or another collection vehicle after the debt is referred to the Department of Treasury.
- Recoveries made through a self-disclosure made by a provider in result of a prior RAC identified request for medical records or demand letter. Self-disclosed service and time period must be included in the RAC's project plan.

If a provider files an appeal disputing the overpayment determination and the appeal is adjudicated in the provider's favor at ANY level, the RAC shall repay Medicare the contingency payment for that recovery.

- Repayment to Medicare will occur on the next applicable invoice.

Cost of Operating the Medicare RACs

Demonstration: Cumulative Through 3/27/08, All RACs

| Cost Categories | Costs (million dollars) |
|--|----------------------------|
| RAC contingency fees | \$187.2 |
| Medicare claims processing contractor costs | \$8.7 |
| RAC evaluation, validation, and oversight expenditures | \$5.4 |
| Total: | \$201.3 |

Source: RAC vouchers and Contractor Accounting Financial Management System (CAFM)

