



Client Alert



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Georgia RAC Update—Medical Necessity Reviews

Connolly Healthcare is the Medicare recovery audit contractor (RAC) for Region C, which includes Georgia. Connolly commenced operations in the RAC Permanent Program in August 2009, performing automated reviews, which involved audits for clearly erroneous payments that can be determined without the need for review of additional documents beyond those already in the possession of the government. Since then, however, Connolly has been slow to ramp up its operations for more complex reviews, such as those that involve review of the medical necessity of services performed.

The original schedule for implementation of the various forms of RAC audits called for Connolly to step up to complex review for diagnosis related group (DRG) validation and coding in October/November 2009, and then on to complex reviews for medical necessity at the first of the 2010 calendar year. While there were some delays in initiating the first step of complex audits, medical necessity reviews were greatly delayed with Connolly posting its first approved medical necessity issues only a few weeks ago.

This slow beginning of the RAC program resulted in a high proportion of denials from automated reviews that usually afford little ground for disagreement. Further, these early stage automatic and complex reviews generally produce denials of relatively low dollar amounts. Consequently, the number of appeals filed appears from verbal reports to be limited, with providers filing the appeals themselves without resorting to outside assistance of attorneys or consultants. Forty percent of overpayments in the RAC Demonstration Project were determined from medical necessity reviews, so what was anticipated to be a sizeable portion of the total overpayments Connolly would determine have been outside Connolly's range of activities for the past year.

In August, Connolly posted the following Centers for Medicare & Medicaid Services (CMS) approved issues involving the validation of the medical necessity of short stay, uncomplicated inpatient hospital admissions for:

- Kidney and UTI, MS DRG 689
- Other Digestive System Diagnosis, MS DRG 393
- Other Vascular Procedures, MS DRG 253 and 254
- Percutaneous Cardiac Procedures, MS DRG 349
- Renal Failure, MS DRG 682, 683 and 684
- Syncope and Collapse, MS DRG 312
- Red Blood Cell Disorder, MS DRG 811

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- TIA (Transient Ischemic Attack), MS DRG 069
- Chest Pain, MS DRG 313
- Heart Failure and Shock, MS DRG 291,292 and 293
- Esophagitis, Gastroenteritis and Miscellaneous Digestive Disorders with MCC, MS DRG 391
- COPD, MS DRG 190, 191 and 192
- Nutritional and Misc. Metabolic Disorders, MS DRG 640
- Circulatory System Disorders, MS DRG 314, 315 and 316
- Degenerative Nervous System Disorders, MS DRG 056 and 057
- Atherosclerosis, MS DRG 302
- Cardiac Arrhythmia, MS DRG 308
- Medical Back Problems, MS DRG551 and 552.

The advent of medical necessity denials means the complexity of disputes will increase, presenting more difficult questions of medical standards and judgment, as well as placing greater demands on supporting documentation. The cost of mounting a successful defense of a claim through the administrative appeal process will necessarily rise. Providers will need to anticipate these pressures and be prepared to make adjustments in their RAC response effort.

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