Medicare RAC 2013 results: 10 things to know

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The Medicare Recovery Audit Contractor program identified $3.75 billion in improper payments in fiscal year 2013, according to CMS' annual RAC report to Congress.

Here are 10 things to know about the 2013 results.

1. In FY 2013, recover audit contractors collected $3.65 billion in overpayments to physicians and hospitals, up $1.35 billion from the overpayments collected in 2012.

2. More than 94 percent of the overpayments identified in 2013 were from inpatient hospital claims, with many of the top overpayment determinations due to short-stay inpatient hospital admissions that auditors found to be not medically necessary.

3. In November 2012, the American Hospital Association filed a lawsuit challenging CMS' policy of denying inpatient claims after a Medicare recovery audit contractor decides the claims should have been done on an outpatient basis. In many cases, the denied inpatient claims are determined to be medically necessary, keeping them from being paid as outpatient claims, which the AHA claimed unfairly cost hospitals hundreds of millions of dollars. The AHA's lawsuit was dismissed in September after the court determined a final administrative decision had not been made on the issue, and the federal court was not permitted to review the case.

4. In December 2013, the HHS Office of Medicare Hearings and Appeals announced a temporary suspension of most new requests for administrative law judge hearings concerning payment denials from recovery audit contractors, which caused a backlog in claims. In an effort to help clear the backlog, CMS offered to pay 68 percent of what hospitals claimed they are owed for short-term inpatient stays.

5. In FY 2013, the recovery audit contractors identified and corrected $102.4 million in underpayments to healthcare providers.

6. Recovery audit contractors receive between 9 percent and 12.5 percent of the improper payments they locate. In 2013, the auditors received $301.7 million in contingency fees.

7. After paying the contingency fees and $152.4 million in administrative costs, the RAC program returned $3.03 billion to the Medicare trust funds in FY 2013.

8. In 2013, healthcare providers appealed 836,849 claims. However, in the report, appealed claims may have been counted multiple times if the claim had more than one appeal decision rendered during the fiscal year. "For example, if a claim was appealed to the first level and received a decision in FY 2013, then appealed to the second level and received a decision in FY 2013, both decisions would be counted," the report read.

9. The majority of appealed claims were those with overpayment determinations, which made up 59.8 percent of the total claims. Providers appealed 30.7 percent of all claims with an overpayment determination in FY 2013.

10. Of the total appealed claims, 151,645, or 18.1 percent, were overturned with decisions in the provider's favor.