CMS Launches Demo Medicare Audit in New York, California, and Florida

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WASHINGTON — Medicare providers in California, Florida, and New York, beware: Someone may be watching you.

This month the Centers for Medicare and Medicaid Services (CMS) starts its recovery audit demonstration project, a three-state experiment using outside contractors to spot Medicare overpayments and underpayments.

"My understanding is that these are contractors who will look at Medicare claims and find claims which were inappropriately paid, and the monies recovered will mostly return to Medicare, but a percentage will be paid to the contractors," William Rogers, M.D., director of CMS's Physician Regulatory Issues Team, said at a meeting of the Practicing Physicians Advisory Council (PPAC). Medicare "is going to see if it's a helpful addition to our current efforts to prevent fraud," he said.

Members of PPAC, which advises Medicare on physician issues, wanted more information. "If it's going to become more widespread, I'd like to hear more about it," said Robert L. Urata, M.D., a family physician in Juneau, Alaska. CMS officials told council members that more information would be forthcoming at a future meeting.

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Dr. Urata isn't the only one with questions. The American College of Physicians is apprehensive about the project. "We are concerned that the financial incentive for the contractor is to find errors and to recoup money—that whole bounty hunter approach," said Brett Baker, the ACP's director of regulatory affairs. "That may cause a lot of disruption to a lot of people who may not have billed in error but still have to go through a disruption for that decision to be made."

According to the demonstration project's "statement of work," contractors may look for both overpayments and underpayments, noncovered or incorrectly coded services, and duplicate services.

However, contractors are not to look for overpayments or underpayments that stem from miscoding of the evaluation and management service (for example, billing for a level 4 visit when the medical record supports only a level 3 visit). They are to look for incorrect payments arising from evaluation and management services that are not reasonable and necessary, and violations of Medicare's global surgery payment rules even in cases involving evaluation and management services.

Mr. Baker said ACP "appreciates the sensitivity to the complexity in selecting the level of service, since it's been demonstrated that informed and knowledgeable people can have differences of opinion on what is an appropriate level of service."

He also praised CMS for the improvements it has made in its own auditing process. "Years ago, Medicare would look at a small number of claims and then extrapolate errors and say, 'You owe us $100,000,' " he said. "They have since improved that process."

Now the agency conducts an analysis of physicians' billing profiles and looks for statistical outliers. Mr. Baker said the ACP is encouraging CMS to become more sophisticated in its analysis—for example, by looking at factors such as the number of hospitalizations a particular patient has had—to see whether there might be reasons for that bill to be outside the norm.

Mr. Baker said that physicians are also concerned that the pilot program may spread to other states. "We're in the process of pulling together information on the program, which will probably result in a letter to CMS saying, 'If it's the law to do this, we want you to implement this in as fair a way as possible.' "

The new program may be low risk to CMS, since it pays only if money is recovered, "but everyone has an incentive to avoid reverting back to what was a very antagonistic relationship between Medicare and the physician," he added. ■

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