



FOR IMMEDIATE RELEASE
June 25, 2013

CONTACT: [Julia Lawless](#), [Antonia Ferrier](#)
(202) 224-4515

HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING MEDICARE RECOVERY AUDIT CONTRACTORS

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining Medicare Recovery Audit Contractors (RACs):

I welcome this opportunity to discuss one of the key tools used by the Centers for Medicare & Medicaid Services (CMS) to identify and recover improper payments in the Medicare program: the Recovery Audit Contractors (RACs).

Medicare improper payments are a serious issue.

In 2012, Medicare covered more than 49 million elderly and disabled beneficiaries at an estimated cost of \$550 billion.

Of that amount, CMS reported that the improper payments for Medicare were estimated to be more than \$44 billion.

That means eight cents out of every dollar spent on Medicare was paid improperly. That rate is unacceptable especially given the recent Medicare Trustees Report which said that the Medicare trust fund could be depleted by as early as 2022.

Reducing the amount of improper payments is imperative to extending the financial longevity of the Medicare trust fund and to ensuring that Medicare continues serving patients for years to come.

CMS identifies and recovers improper payments by hiring contractors to conduct audits of the one billion-plus claims submitted to the Medicare program each year. Auditing is essential to ensuring Medicare payments are submitted properly and that federal dollars are being spent wisely.

The RACs are a key part of CMS' strategy and audit millions of Medicare claims each year. However, we need to make sure that RACs are going about their work in a smart,

productive way.

Over the past three years, CMS has made many important changes to the RAC program that have significantly improved their efforts to recover improper payments. RACs have increased the amount of collected overpayments from \$75 million in 2010 to \$2.3 billion in 2012.

Along with recovering federal dollars, RACs returned \$100 million in overpayments to providers in 2012.

Clearly, these are positive steps, but we are still a long way from eliminating even half of the estimated \$44 billion in improper Medicare payments.

Now, RACs must walk a fine line between chasing down every last dollar and putting an unnecessary burden on our nation's caregivers.

Even though RACs have reviewed less than one percent of claims nationwide, their efforts can be burdensome to providers caring for sick patients. No one goes into the health care business to respond to auditors' requests for dozens of documents.

Yet, we have heard from providers across the country that responding to RAC audits can be a long and painful process. Providers have also stated that, at times, the RAC audits seem arbitrary and that the people conducting these reviews do not fully understand Medicare requirements or acceptable medical practice.

These kinds of reports concern me.

I support requirements that minimize burdens on providers by reducing the look-back period to three years, limiting the number of medical records requested, and accepting electronic copies of requested documents.

Another issue that concerns me is the high rate at which RAC decisions are overturned on appeal.

The HHS Inspector General reported that, of the 41,000 appeals that providers made to Administrative Law Judges, over 60 percent were partially or fully favorable to the defendant. Such a high rate of reversals raises questions as to whether RACs are being too aggressive or do not understand current medical practice.

Currently, CMS is reviewing RACs' bids for new contracts for the coming years. As they review the bids, I'd like to see CMS take into consideration the balance between program integrity and administrative burden.

There is a lot of unrecovered money still out there and RACs are an important component in the effort to get some of that money back where it belongs. But, we need to make sure they are going about it the right way.

Once again, I thank the Chairman for calling this hearing and look forward to working with him on this important issue.

###