

Recovery Audit Contractor (RAC) Impact



Are you ready for RAC?

During the RAC demonstration period, the magnitude of RAC immediately hit the radar of many health care executives. For health care facilities that were fortunate enough to avoid taking part in the demonstration, we've attached a case study depicting the actual RAC costs incurred by a non-profit California health system. The reported costs are from their main hospital alone and do not reflect other satellite locations. But before you dive in, consider the following:

How many regional acute health care facilities do you operate? How many clinics, hospice centers, home health care or DME locations?

To calculate the actual potential cost of RAC to your bottom line, multiply the case study operating expense by the number of total facilities you operate. Then ask yourself, are you really ready for RAC?

	Every 45 Days	Yearly	Operating Costs	Comment
Total Chart Request	200	1620	\$48,660	\$30/Chart
Appeal Process				
1 Rebuttal	100	810	\$12,150	
Medical Necessity	50	405	\$6,075	Letter Template + \$15 mailing cost
Coding	50	405	\$6,075	Letter Template + \$15 mailing cost
2 1st Level Appeal	100	810	\$70,875	
Medical Necessity	50	405	\$34,425	\$70 Inhouse + \$15 mailing cost
Coding	50	405	\$36,450	\$75 Coding Review + \$15 mailing cost
2nd Level Appeal			\$6,090	
Medical Necessity	25	203	\$3,045	Letter Template + \$15 mailing cost
Coding	25	203	\$3,045	Letter Template + \$15 mailing cost
3rd Level Appeal			\$126,160	Not including legal counsel
Medical Necessity	18	152	\$55,480	\$350 Outside Fees + \$15 mailing cost
Coding	18	152	\$55,480	\$350 Outside Fees + \$15 mailing cost
Expert Witness	18	152	\$15,200	\$100 per case
4th Level Appeal			\$44,840	Not including legal counsel
Medical Necessity	14	118	\$22,420	\$175 Outside Fees + \$15 mailing cost
Coding	14	118	\$22,420	\$175 Outside Fees + \$15 mailing cost
RAC Coordinator			\$67,600	RAC Process Tracking
Chart Copy Fee Repayment			(\$38,880)	Reimbursed from RACs
TOTAL OPERATIONAL EXPENSE			\$288,835	

Note: * All data above is on a per facility basis



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