

## RAC Targets Skilled Nursing Facilities' Consolidated Billing

MacKenzie Kimball, for HealthLeaders Media, January 19, 2010

Skilled nursing facilities in the Recovery Audit Contractor (RAC) program's Region D should pay extra attention to consolidated billing practices and reimbursement as HealthDataInsights (HDI), the RAC for that region, recently added SNF consolidated billing to its list of CMS approved audit issues.

HDI recently posted the following description of SNF consolidated billing on their [Web site](#):

"Payment for the majority of Skilled Nursing Facility (SNF) services provided to beneficiaries in a Medicare covered Part A SNF stay are included in a bundled prospective payment made through the fiscal intermediary (FI)/A/B Medicare Administrative Contractor (MAC) to the SNF. These bundled services are to be billed by the SNF to the FI/A/B MAC in a consolidated bill.

"The consolidated billing requirement confers on the SNF the billing responsibility for the entire package of care that residents receive during a covered Part A SNF stay and physical, occupational, and speech therapy services received during a non-covered stay.

"Section 4432 (b) of the Balanced Budget Act (BBA) requires consolidated billing for SNFs. Under the consolidated billing requirement, the SNF must submit ALL Medicare claims for ALL the services that its residents receive under Part A, except for certain excluded services described in § 20.1 – 20.3, and for all physical, occupational and speech-language pathology services received by residents under Part B.

"Physician's professional services are excluded from this consolidated billing requirement: however, the technical and facility based components of physician services delivered to SNF inpatients are bundled into the Part A PPS payment and are not paid separately under Part B."

Region D includes Alaska, Arizona, California, Hawaii, Iowa, Idaho, Kansas, Missouri, Montana, North Dakota, Nebraska, Nevada, Oregon, South Dakota, Utah, Washington, Wyoming, Guam, American Samoa, and Northern Marianas. The SNF consolidated billing audit issue applies to all states in Region D.

"We don't have information about the specific consolidated billing issues the RACs will target SNFs for since only one contractor has just started to focus on this, but there are some things the RACs will most likely look into," says Andrew Wachler, managing partner at Wachler & Associates, PC, in Royal Oak, MI. "For example, situations when SNF residents don't meet the Medicare Part A eligibility requirements and when physical therapy, occupational therapy, or speech language pathology is not medically necessary will probably be main focuses of the RACs."

Although SNFs will be the primary target when tracking down overpayments related to consolidated billing, Wachler anticipates that the RACs will also look at vendors when auditing for Part B items and services.

"If a RAC does identify an overpayment, providers should aggressively appeal the decision," Wachler says. "We had a very good success rate for appeals in the demonstration project, but, unfortunately, many providers didn't appeal. There were only appeals in 22.5% of the cases in the demonstration project, so the RACs recouped a large amount of money without anyone challenging their decisions."

Although SNFs were not a main focus of the demonstration, Wachler believes the RACs will increase their efforts to identify SNF overpayments as the program progresses.

"The contractors are adding to their lists of audit issues and I think it is only a matter of time until we see SNFs getting hit hard by the RACs," Wachler says. "I don't think you can really avoid a RAC audit, but you can make yourself a hard target by putting procedures and processes in place to make sure you understand the requirements, are in compliance, and properly document the medical necessity of the services you provide."

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