



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

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COMPLIANCE ALERT 11-30

RAC Demand Letters: CMS Announces Important Changes in Format and Process

CMS has announced that effective January 2012, the letter used to demand the return of alleged overpayments from Health Data Insights (HDI), HHSC's recovery auditor contractor under the Medicare Recovery Audit Contractor program is changing. Palmetto will assume responsibility for sending the letters under a CMS policy change announced earlier this year to address timeliness concerns raised by hospitals.

Sample letter available: A sample of the new letter, with the changes highlighted, can be found at www.aha.org. A key process change is that the new letters will *include a "R" before the letter number is intended to help providers identify the letter as a RAC-initiated claim and redirect it to the appropriate staff.*

Key address information: CMS announced that it was unable to require Medicare administrators like Palmetto to send the letters to the RAC contact address provided by the hospital because of CMS computer system issues. Many of HHSC facilities had set up a separate address with HDI for RAC demand letters. These addresses will not be used unless Palmetto changes their process. Thus, for the immediate future, hospitals will receive RAC letters in the same fashion as other correspondence from Palmetto and must distribute the RAC demand letters to the appropriate staff.

Any questions about the new letter and policy should be directed to the [CMS RAC Project Officers](#).

Source: CMS correspondence and "AHA News Now" 12/14/2011 .