Improve Efficiency and Decrease Provider Burden

Colorado's Medicaid Recovery Audit Contractor (RAC) program is the most aggressive in the country, jeopardizing patients' access to care and Medicaid provider participation. While federal law sets basic requirements for Medicaid RAC audits, 32 states have eliminated Medicaid RAC audits altogether, and the 18 states with them – including Colorado – have significant discretion. Colorado hospitals and providers agree that Medicaid audits have value to ensure the state's resources are safeguarded from fraud, but they must be warranted, effective, and efficient. **Colorado should restore the program to its federal "factory settings."**

A June 2024 report by the independent Office of the State Auditor confirmed significant operational and oversight issues.

TRANSPARENCY
- Inconsistent, unclear, or outdated policies
- More support, outreach, and education needed

ACCOUNTABILITY
- Financial incentive to be overly aggressive
- Program fails to ensure accuracy, expertise, timeliness, and control for potential conflicts of interest
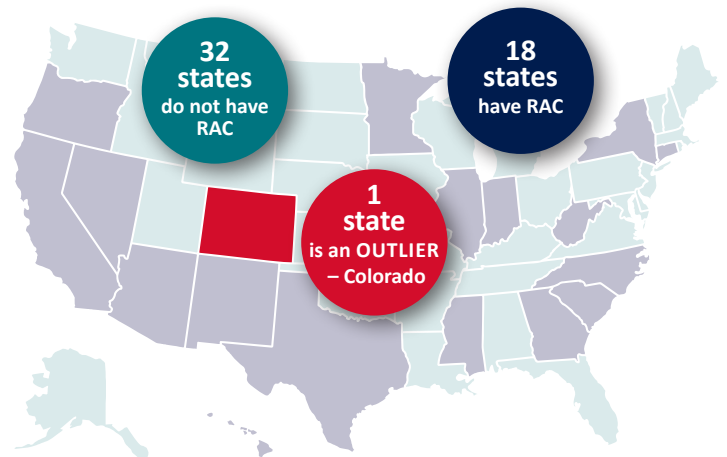
These failures have led to:
- Administrative burden and unwarranted claw-backs for providers
- Litigation activity and increased costs for providers and the state
- Limited availability of care for Medicaid patients

Colorado Medicaid patients are already 3x more likely than commercial patients to lack access to specialty care – forcing them to forego 486,000 specialty care visits annually.[1]

About Colorado's RAC Program[2]

- Since 2021, RAC audit activity has increased by a staggering **713%**.
- In 2023, over **$96 million** of payments were audited, impacting **2,300 providers.**
- RAC audits can go back up to **7 years** and many take **2-3 years** to resolve through burdensome administrative appeals processes, during which time providers hold contested payments in reserve, often causing significant financial distress.
- One recent audit applied outdated policy and wrongly identified **$13.5 million** as "overpayments," impacting **17,000 providers.**

32 states do not have RAC

18 states have RAC

1 state is an OUTLIER – Colorado

1 Colorado Health Institute, Colorado Health Access Survey 2021
2 Evaluation of the Colorado Department of Health Care Policy & Financing's Medicaid Recovery Audit Contractor Program, Colorado Office of the State Auditor, May 2024

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*One Colorado health system spends over **12,480 hours** tracking and responding to audits annually, amounting to **$750,000 in administrative costs** and multiple FTEs.[3]*

*In one year, another health system experienced almost **800% more Medicaid audits than Medicare audits** – despite the fact they serve roughly the same number of patients.*

One rural hospital is experiencing over $80,000 in alleged overpayments, causing severe administrative burden and financial stress.

PROGRAM RESET

Restore Colorado's RAC Program to Federal Factory Settings and Improve Oversight

Align with federal standards and best practices from other states

- Reduce "look back" period from 7 to 3 years
- Reduce financial incentive for aggressive audits from 18% to 12.5%
- Improve payment accuracy by incentivizing program to identify underpayments in addition to overpayments
- Align volume limits with Medicare
- Increase the accuracy of audit findings
- Address conflicts of interest and contractor compliance
- Improve the administrative process

[3] Evaluation of the Colorado Department of Health Care Policy & Financing's Medicaid Recovery Audit Contractor Program, Colorado Office of the State Auditor, May 2024 (p. 107)

FOR MORE INFORMATION:

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