

Medicaid RAC Audits

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.

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- Inconsistent, unclear, or outdated policies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

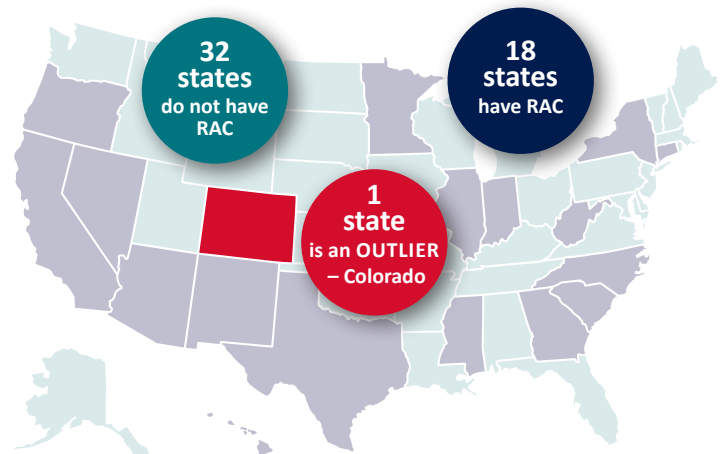
These failures have led to:

- 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 Program²

- 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- One recent audit applied outdated policy and wrongly identified **\$13.5 million** as "overpayments," impacting **17,000 providers**.



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**

Rebuilding Oversight: New Guardrails for a Fairer RAC Program

*Align with federal standards and best practices
from other states*

- Reduces “look back” period to four years
- Reduces financial incentive for aggressive audits to 16%
- Codifies clear volume limits
- Improves audit accuracy
- Improves performance oversight, transparency, and audit scenario review

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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