

### Beyond RACs: ZPICs, MICs, & MACs

In the years since the Tax Relief and Healthcare Act of 2006 much attention has been paid to Medicare and Medicaid fraud and abuse. This Act increased enforcement against fraudulent and unnecessary claims for services under the Centers for Medicare and Medicaid Services.<sup>1</sup> The Act called for an overhaul of CMS claims payment contractors with the implementation of Recovery Audit Contractors (RACs). While RACs have garnered significant attention in this area, three lesser known types of audit contractors have gained prominence in recent years and may become more prevalent in the new stages of the current healthcare reform.

Formerly known as “*Program Safeguard Contractors*,” Zone Program Integrity Contractors (ZPICs) began operating in 2009. ZPICs are hired indirectly by CMS, or in connection with other contractors affiliated with CMS, and conduct activities such as pre- and post- pay review of Medicare claims, data analysis, provider education, and ultimately, fraud detection.<sup>2</sup> Like RACs, ZPICs are primarily responsible for “*preventing, detecting, and deterring*” Medicare fraud.<sup>3</sup> ZPIC audits are based on a combination of claims data from various sources, which is then compiled and analyzed by the ZPIC. Overpayments or any other type of seemingly fraudulent claims are then sent to the Medicare Administrative Contractor (MAC) in that jurisdiction.<sup>4</sup> In addition to receiving fraudulent claims from ZPICs, MACs are responsible for enrolling providers and keeping them abreast of billing and coverage.<sup>5</sup> However, the main function of the MAC, like any other CMS audit provider, is the prevention of Medicare fraud and abuse. The U.S. is currently divided into fifteen MAC jurisdictions, each operated by a separate contractor under agreement with CMS. Complete implementation of the MAC program is scheduled to be finalized in 2011.<sup>6</sup> A MAC reviews all claims submitted to it by each provider in its jurisdiction. The claim is reviewed using computer algorithms on CMS-developed software. This software determines whether the particular service is covered, and checks for abnormalities, such as whether the provider has given more of a particular service than normal for that area, and whether the provider’s services were medically necessary for the given condition.<sup>7</sup>

While ZPICs and MACs are becoming more prevalent in the realm of Medicare auditing, Audit Medicaid Integrity Contractors (Audit MICs) are gaining similar notoriety in the in the area of Medicaid. Audit MICs are firms chosen by CMS to carry out, at their discretion, the goals of the Medicaid Integrity Program.<sup>8</sup> Before this program was enacted, most efforts to curb CMS fraud and abuse were aimed at Medicare, while Medicaid services were mainly state regulated. The Medicaid Integrity Program’s enactment in 2005 heightened efforts on the part of CMS to combat fraud and abuse at the federal level. While the states will retain primary responsibility for fraud and abuse within their borders, CMS now provides added assistance, guidance, and oversight under the terms of the Medicaid Integrity Program.<sup>9</sup>

Audit MICs are very much similar to the other federal fraud and abuse auditors, with a few key differences. First, Audit MICs are subdivided into three types: review, education, and auditing.<sup>10</sup> The other systems of auditing make no such distinction with regard to these separate duties. Secondly, unlike the other auditors mentioned, Audit MICs are not paid on a contingency fee. Rather, Audit MICs are paid in a virtual fee-for-service model, which includes bonuses for efficiency and effectiveness.<sup>11</sup>

The increased prevalence of these audit contractors will have far-reaching effects on physicians and other medical providers. In the relatively short time that they have been in existence, these new methods have already presented providers with some concerns. Providers have complained of a lack of safeguards present in the RAC system. For instance, RACs have set limits for the numbers of documents that a provider must produce upon request, whereas Audit MICs have no such limit.<sup>12</sup> Additionally, on the Medicaid front, providers appear to prefer RACs. Under RACs, providers are given 45 days to respond to a document request, whereas under MICs, the length of time provided by statute varies by state.<sup>13</sup> MACs and ZPICs present additional concerns. The American Medical Association (AMA) has expressed unease that because contracts for MACs are competitive, they may be funded at levels far lower than previous methods.<sup>14</sup> Also, the AMA has voiced the concerns of many of its physicians who have had a difficult time adjusting to the new MAC software system.<sup>15</sup> Providers

have also complained about ZPICs, stating that in some regions they are burdened with unduly large requests for documents. Some providers find themselves on 100 percent prepayment review, which means that all of their Medicare claims are denied pending administrative review.<sup>16</sup>

With MAC and MIC implementation to be completed nationwide by 2011, and with the ZPICs already firmly in place, the near future should provide us with clarity in an area of reform which has given the healthcare industry more questions than answers. One certainty does exist: physicians and other providers need to be aware not only of RAC audits, but of ZPIC, MAC and MIC audits as well.

<sup>1</sup> Tax Relief and Health Care Act of 2006, Title III, Section 302, Pub. L. 109-432, 120 Stat. 292, (2006).  
<sup>2</sup> “CMS Zone Program Integrity Contractors (ZPICs) Turn Up The Heat On Physicians, SNFs, Home Health Agencies, Physical Therapists & DME Suppliers”, Jackson Davis Healthcare, 2009, [http://www.zpicaudits.com/Home\\_Page.html](http://www.zpicaudits.com/Home_Page.html) (Accessed 9/9/10).  
<sup>3</sup> Medicare Program Integrity Manual, Ch. 4, Section 4.2.2 2008, p.10, <http://www.cms.gov/manuals/downloads/pim83c04.pdf>, (Accessed 9/9/10).  
<sup>4</sup> “CMS Zone Program Integrity Contractors (ZPICs) Turn Up The Heat On Physicians, SNFs, Home Health Agencies, Physical Therapists & DME Suppliers”, Jackson Davis Healthcare, 2009, [http://www.zpicaudits.com/Home\\_Page.html](http://www.zpicaudits.com/Home_Page.html) (Accessed 9/9/10).  
<sup>5</sup> “Paying the Bills: Medical Administrative Contractor”, National Health Policy Forum, George Washington University, Laura Dummit, 2009, p.1.  
<sup>6</sup> “A/B MAC Jurisdictions”, Centers for Medicare and Medicaid Services, 2010, [https://www.cms.gov/MedicareContractingReform/05\\_PartAandPartBMACJurisdictions](https://www.cms.gov/MedicareContractingReform/05_PartAandPartBMACJurisdictions), (accessed 9/9/10).  
<sup>7</sup> “Paying the Bills: Medical Administrative Contractor”, National Health Policy Forum, George Washington University, Laura Dummit, 2009, p.1.

<sup>8</sup> “Medicaid Integrity Program Provider Audit Fact Sheet”, Centers for Medicare and Medicaid Services, 2009.  
<sup>9</sup> “Medicaid Integrity Program Overview”, Centers for Medicare and Medicaid Services, 2010, <https://www.cms.gov/MedicaidIntegrityProgram> (Accessed 9/9/10).  
<sup>10</sup> “Not Just RACs: Providers Must Prepare for MICs Too”, James Carroll, Health Leaders Media, 2010, <http://www.healthleadersmedia.com/content/FIN-246626/Not-Just-RACs-Providers-Must-Prepare-for-MICs-Too.html> (Accessed 9/9/10).  
<sup>11</sup> “Not Just RACs: Providers Must Prepare for MICs Too”, James Carroll, Health Leaders Media, 2010, <http://www.healthleadersmedia.com/content/FIN-246626/Not-Just-RACs-Providers-Must-Prepare-for-MICs-Too.html> (Accessed 9/9/10).  
<sup>12</sup> “RAC Provisions Putting CMS, Providers at Odds”, James Carroll, Health Leaders Media, 2010, <http://www.healthleadersmedia.com/content/FIN-246382/RAC-Provisions-Putting-CMS-Providers-at-Odds.html> (Accessed 9/10/10).  
<sup>13</sup> “Move Over RACs, MICs on The Way: Medicaid Audits at Full Strength”, Randy Wiitala, MIC Monitor, 2010, <http://micmonitor.com/news/18-top-stories/15-move-over-racs-mics-on-the-way-medicare-audits-at-full-strength.html>, (Accessed 9/10/10).  
<sup>14</sup> “The New Medicare Administrative Contractors (MACs)”, American Medical Association, <http://www.ama-assn.org/ama/pub/physician-resources/solutions-managing-your-practice/coding-billing-insurance/medicare/medicare-administrative-contractors.shtml>, (Accessed 9/9/10).  
<sup>15</sup> “The New Medicare Administrative Contractors (MACs)”, American Medical Association, <http://www.ama-assn.org/ama/pub/physician-resources/solutions-managing-your-practice/coding-billing-insurance/medicare/medicare-administrative-contractors.shtml>, (Accessed 9/9/10).  
<sup>16</sup> “Providers Fall Victim to Hard-Charging ZPICs”, HomeCare, Penton Media, Inc., 2010, <http://homecaremag.com/operations/zpic-audit-challenges-20100823/> (Accessed 9/9/10).



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