

Why are RAC auditors treating national entities differently than independent business owners?

An Introduction to O&P Business

Orthotists and prosthetists are licensed health care professionals that manage the prosthetic, orthotic and pedorthic care of patients to increase their functionality, improve their health and improve overall quality of life.

Approximately 66 percent of O&P businesses in the U.S. are owned by independent providers. They are families and small business owners who have dedicated their lives to patients in local communities. They serve children and adults, veterans and civilians who have experienced limb loss due to accidents or illness, giving them a new lease on life.

RAC Audits are Unfairly Targeting Independent O&P providers

Independent providers throughout the country are experiencing financial hardship because of increased claim audits. While we believe audits are an important part of overseeing CMS contracts, audits have become unbearable to business, seriously disrupting cash flow and the ability to assist patients.

In June 2014, the results from a Freedom of Information Act request alerted us to a severe problem and trend. The RAC data provided by CMS shows that national O&P entities are receiving significantly fewer RAC audits for high-dollar prosthetic claims compared to independently owned facilities. See the national and independent comparisons below.

2009-2014 FOIA Results	
National O&P	Independent O&Ps
1-8 RAC audits per 5 years	5-10 audits per 45 days
Claims range from \$20-400 on avg.	Claims range from \$8000-\$40,000, focus on high-dollar prosthetics
Facility Comparison – Stockton, CA	
National O&P	Independent O&Ps
13 RAC audits avg. \$480.00	>50 RAC audits avg. \$9,000
0 high-dollar c-leg audits	100% high-dollar c-leg audits
Facility Comparison – Nebraska	
National O&P	Independent O&Ps
1 RAC audit - \$28	5 c-leg RAC audits totaling over \$100,000



Our Position

As a profession we're in favor of audits. Done the right way, they're a good thing. Audits save taxpayers money and keep bad actors out of the system. But the high volume of audits and what appears to be a discriminatory audit process involving independent O&P providers has us gravely concerned.

RAC audits are crippling independent O&P facilities, putting them out of business and devaluing their worth.

- Most claims errors are technical in nature. Approximately 80 percent are overturned at the ALJ level.
- Currently approximately 1 million claims are backlogged in the system, requiring a 3-5 year process for recoupment or denial.
- Businesses will not survive when cash flow is tied up for 3-5 years.

When O&P providers have limited cash flow, beneficiaries suffer.

- They have difficulty accessing a local provider, because providers are going out of business.
- Travel to receive care is inconvenient and costly for patients.
- Beneficiaries receive a lower level of care.

Favoring the large national entity over smaller, independent providers is wrong.

- Business owners have the right to compete on an equal playing field with large corporate entities.
- Small businesses are economic drivers of local communities.
- They are family-owned and deeply engrained into the fabric of American communities.

Our Request

We are asking that, when it comes to audits, that there be an equal playing field. According to CMS data, audit contractors are simply not conducting RAC audits for high-dollar prosthetic claims for the national orthotic and prosthetic company that provides the largest number of high-dollar prosthetics, and instead are targeting the small independently owned facilities.

We would like to see a prior authorization process for prosthetics over \$1,000 that all prosthetic providers must follow no matter if they are a large national company or not. O&P providers are accustomed to this as private payers have a prior authorization process in place that must be followed. If the prior authorization is given, then the need for audits should decrease.

