



## MEMORANDUM

**TO:** Health Care Commission  
Steve Dechant  
Sandy Praeger  
Nancy Ruoff  
John Staton  
Dennis Taylor

**FROM:** Mike Michael

**DATE:** January 26, 2011

**SUBJECT:** **Recovery Audit Contract**

The Patient Protection and Affordable Care Act (PPACA) expanded the Recovery Audit Contractor (RAC) program from Medicare to include Medicaid and Medicare Parts C & D. In Fiscal Year 2011, the State of Kansas budget bill (House Substitute for Senate Bill No. 572, signed by the Governor on May 27, 2010) expanded the scope of the RAC program to include the State Employee Health Plan (SEHP). KHPA put out a Request for Proposal (RFP) on September 28, 2010, for RAC services for Medicaid and the SEHP and received three bid responses. KHPA entered into a contract for RAC services with Health Data Insights (HDI) on December 17, 2010. The contract will run through June 30, 2013.

HDI will be auditing the SEHP's self-funded benefit programs for medical, prescription drug, and dental services. HDI will be receiving claims data from the last four years (back to January 2007) from each vendor. HDI uses a series of algorithms to identify overpayments and will follow the use of the algorithms with additional manual and automated reviews. Payment for HDI services will come from monies recovered in the audit process. HDI will be paid 17 percent of recoveries where the plan has overpaid. HDI is only paid when money is actually recovered. The SEHP has a guarantee from HDI of savings recoveries of \$1,125,000 for 2012 and \$1,275,000 for 2013. Audits are expected to begin by the end of Fiscal Year 2011.