



Michael D. Maves, MD, MBA, Executive Vice President, CEO

February 8, 2006

Mark B. McClellan, MD, PhD
Administrator
Centers for Medicare and Medicaid Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Dr. McClellan:

I am writing to you to raise some serious concerns we have with the three-year Recovery Audit Contractors (RACs) demonstration program instituted by the Centers for Medicare and Medicaid Services (CMS) to identify over and underpayments, as well as recoup overpayments. It was mandated by Section 306 of the Medicare Modernization Act and is now underway in Florida, New York, and California.

The American Medical Association (AMA) fully supports accurate billing practices and is very mindful of the need to educate physicians about Medicare's policies as billing issues are brought to our attention. Since the RAC program was rolled out last April, we have had numerous conversations with CMS staff in which we conveyed our strong desire to keep the lines of communication open and the need for advance outreach to physicians on this program. They agreed outreach was a critical component.

However, we maintain serious concerns about the way the RAC program has been rolled out by CMS and its RAC contractors and the communications with physicians. The content and format of the demand letter, we are told, is both confusing and blunt. Although we have asked several times, we have not yet received recent copies of the letters mailed to Florida physicians so that we may review what is presently being used.

Mark B. McClellan, MD, PhD

February 8, 2006

Page 2

We have also heard from some California physicians that some letters have not contained the CMS logo which has generated suspicion to the point where physicians have been reluctant to share medical records information with the RAC. It would be helpful in this case if copies of California letters are shared with us as well. Furthermore, physicians remain confused about their rights and key deadlines under the recoupment and appeals processes, and we encourage CMS to clarify these.

In addition, CMS has yet to share with physicians, through clear communication channels, the types of overpayment problems the RACs have uncovered in Florida. If the intent of the program is to curb inappropriate Medicare payments to physicians and other providers, sharing this information will go a long way in helping to educate physicians and prevent future billing problems.

We are also interested in hearing from CMS on how the issue of underpayments will be addressed. Presently, the RACs will receive a portion of the overpaid monies collected as reimbursement for their services. CMS has indicated to the AMA that consideration is being given to reimbursing the RACs for discovering underpayments as well. We strongly encourage CMS to establish an incentive program that rewards the RACs for identifying underpayments.

Physicians across the country are very interested in following this demonstration, and the AMA is committed to continuing to keep the dialogue open as this demonstration moves into its second year. We stand ready to aid CMS in reaching out to our state medical societies to help educate them on the issues that stem from the overpayments identified by the RACs.

In closing, we look forward to receiving: (i) copies of the types of letters mailed to Florida and California physicians, (ii) a clarification of the key deadlines with regards to the recoupment and appeals processes; and (iii) information concerning how CMS intends to address the issue of creating incentives for identifying underpayments.

Sincerely,

A handwritten signature in black ink that reads "Mike Maves". The signature is written in a cursive, flowing style.

Michael D. Maves, MD, MBA