Program: 08 - QUALITY ASSURANCE DIVISION	**DP Type:** NP	**DP Status:** Included
Sub-Program: n/a	**DP Number:** 80010	**Bill Number:** n/a
Reporting Level: n/a		
DP Category: None		
DP Description: Recovery Audit Contract		

Request Expenditures

	FY12	FY13	Biennium Total
62098 UNALLOCATED OPERATING EXPENSE	$139,575	$136,475	$276,050
First Level Subtotal	**$139,575**	**$136,475**	**$276,050**
Total Request Expenditures	**$139,575**	**$136,475**	**$276,050**

Request Funding

	Line Item	FY12 Funding and Percents		FY13 Funding and Percents		Biennium Total Funding and Percents	
01100 General Fund	No	$69,788	100.00%	$0	0.00%	$69,788	25.28%
Fund Type Subtotal		**$69,788**	**50.00%**	**$0**	**0.00%**	**$69,788**	**100.00%**
02585 Recovery Audit Contract	No	$0	0.00%	$68,238	100.00%	$68,238	24.72%
Fund Type Subtotal		**$0**	**0.00%**	**$68,238**	**50.00%**	**$68,238**	**100.00%**
03580 6901-93.778 - Med Adm 50%	No	$69,787	100.00%	$68,237	100.00%	$138,024	50.00%
Fund Type Subtotal		**$69,787**	**50.00%**	**$68,237**	**50.00%**	**$138,024**	**100.00%**
Total Request Funding		**$139,575**		**$136,475**		**$276,050**	

Description and Justification

This decision package requests $276,050 total funds over the biennium, including $69,788 in general fund, to administer the Recovery Audit Contract program. The program requires the department to procure a contractor to identify and recover Medicaid funds as part of the Affordable Care Act's larger strategy to address waste, fraud and abuse in the health care system. The program anticipates hiring a modified FTE to manage the program.

[**Supporting Justification** – The Department of Public Health and Human Services is required to implement a Recovery Audit Contract (RAC) program in accordance with Section 6411 of the Patient Protection and affordable Care Act (PPACA). RAC is a program that audits Medicaid providers to identify overpayments and underpayment made by the Medicaid program. The contractor is paid on a contingent fee basis from identified and collected Medicaid provider overpayments.

CMS proposed rules place the RAC average contingency fee at a maximum rate of 12.5% of gross recoveries. CMS must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid.

This decision package also requests $135,200 in operational services for the establishment and management of the program, including one modified FTE. There would be one-time-only costs in the first year of $3,100 for equipment and on-going costs each year of $1,275.

Administrative costs are funded at the Medicaid administrative reimbursement rate of 50% federal funds and 50% general funds.]

EXHIBIT 3
DATE 2/10/2011
HB