

**Recovery Audit Contract (RAC) Audit Scenario**  
**Inpatient Hospital Review – Appropriateness of Setting**

HMS will perform claim reviews to determine if an inpatient hospital stay or an outpatient observation setting was appropriate based on the Montana Medicaid accepted clinical criteria.

Targeted Audience: Instate Prospective Payment System (PPS) Hospitals

Reviews began in July 2014

Complex Review process  
Request of Medical Records

Appeal rights: ARM 37.5.310: 331 & 334

Administrative Review requests must be received by DPHHS within 30 days from the overpayment letter date.

Fair Hearing requests must be received by the DPHHS Office of Fair Hearings by the 30<sup>th</sup> day from the date of the Administrative Review Determination letter.

Due to the nature of this RAC scenario-specific audit, providers have a one-time opportunity to submit the claim for rebilling as outpatient or observation. At the time the hospital receives their overpayment letter, and the hospital agrees with the findings that the service could have been billed at a lower level; the hospital may convert the claim from Inpatient to Outpatient or Observation. Providers must submit the Individual Adjustment Request and the UB-04 Outpatient Claims forms for processing. Incomplete forms or forms with errors will be denied.