Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTrac Survey, 2nd Quarter 2010

September 9, 2010
Executive Summary—RACTrac and RAC 101

- AHA created RACTrac—a free, web-based survey—in response to a lack of data and information provided by the Centers for Medicare & Medicaid Services (CMS) on the impact of the Recovery Audit Contractor (RAC) program on America's hospitals
- RACTrac collects RAC activity data from hospitals on a quarterly basis
- CMS administers the RAC program and there are four RAC regions nationwide
  - RAC Region C encompasses 40% of hospitals in the United States
  - Second quarter 2010 was generally consistent with hospital representation in each of the four RAC regions
Executive Summary—RAC 101

- RACs conduct *automated reviews* of Medicare payments to health care providers—using computer software to detect improper payments. RACs also conduct *complex reviews* of provider payments—using human review of medical records and other medical documentation to identify improper payments to providers.

- Improper payments include:
  - incorrect payment amounts;
  - incorrectly coded services (including Medicare Severity diagnosis-related group (MS-DRG) miscoding);
  - non-covered services (including services that are not reasonable and necessary); and
  - duplicate services.
Executive Summary—RACTrac Participation and RAC Activity

- Participation in RACTrac has more than doubled since the first quarter of 2010, with 1389 hospitals participating.

- More than two thirds of the 1389 hospitals responding to RACTrac experienced RAC activity in the first quarter of 2010
  - The majority of hospitals reporting RAC activity were general medical and surgical hospitals
  - Different types and sizes of hospitals were subject to RAC review
  - RAC Region C had the highest number of hospitals reporting RAC activity, but RAC Region D had a higher percentage of participating hospitals reporting RAC activity
Executive Summary—RAC Reviews

- RACs are primarily engaging in complex reviews
  - Outpatient coding and billing were often the target for automated reviews, while inpatient coding was a common target for complex reviews
  - The majority of RAC activity during the 2nd quarter of 2010 was medical record requests.
  - RACTrac respondents reported complex reviews of medical records totaling over $432 million in Medicare payments nationwide, $214 million for Region C alone
Executive Summary—RAC Denials

• $19.2 million in denied claims have been reported since the first quarter of 2010, nearly $11 million in Region C alone.
  – 85% of denied payments resulted from complex denials, totaling over $15.5 million
  – 87% of hospitals reporting automated denials experienced denials for outpatient coding and billing errors
  – 91% of hospitals reporting complex denials experienced denials for inpatient coding errors
Executive Summary—RAC Appeals

• 39% of hospitals reported appealing at least one RAC denial
  – Participating hospitals reported appealing 16% of all denials available for appeal, totaling over $5 million in value
  – Of the claims that have completed the appeals process, 13% were overturned in favor of the provider; Region D reported the highest percentage of overturned denials.
  – 1,571 of claims are still in the appeals process and the overturn rate may increase as more appeals complete the appeals process.
  – Hospitals reported a total of $420,870 in overturned denials, with $273,113 in Region C alone
Executive Summary—RAC Administrative Burden

- 76% of responding hospitals report that their RAC impacted their organization in the first quarter of 2010—whether they experienced RAC reviews or not
  - 51% of responding hospitals reported increased administrative costs
  - Managing the RAC process is spread across many types of hospital staff creating significant administrative burden
  - Medical records staff spent the most time responding to RAC activity
  - Hospitals are using both internal and external resources to prepare and manage RAC activity
  - Those hospitals (11%) using external resources reported spending an average of $48,770 to hire an external utilization management consultant
Methodology

- **AHA Survey, RACTrac: Ongoing Monitoring of RAC Impact on Hospitals**
  - Data are collected on a quarterly basis, capturing cumulative RAC activity in participating hospitals
  - Survey questions are designed to assess hospitals’ activity and administrative burden in response to the RAC program
  - Respondents use AHA’s online survey application, RACTrac (accessed at www.aharactrac.com), to submit their data regarding the impact of the RAC program
  - Survey registration information was sent to all hospital CEOs via email
Methodology (cont.)

- **AHA Survey, RACTrac: Ongoing Monitoring of RAC Impact on Hospitals**
  - Since RACTrac began collecting data in January, 2010, 1,389 hospitals have responded: 972 hospitals reporting RAC activity, 417 hospitals reporting no RAC activity
  - Survey questions are designed to collect cumulative RAC experience data, from the inception of a hospital’s RAC activity through the 2nd quarter of 2010
  - Respondents include general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals and other types of hospitals
    - 9% are teaching hospitals
    - 41% of hospitals are rural
    - 63% of hospitals have a bed size of less than 200
RACTrac Participation
There are four RAC regions nationwide. RAC Region C encompasses nearly 40% of all hospitals in the United States.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>16%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
</tr>
<tr>
<td>Region C</td>
<td>39%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare and Medicaid Services
Participation in RACTrac was generally consistent with hospital representation in each of the RAC regions. 

Hospitals Participating in the RACTrac Survey by RAC Region, through 2nd Quarter, 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals Nationwide</th>
<th>Percent of Participating Hospitals by Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>28%</td>
</tr>
<tr>
<td>Region C</td>
<td>39%</td>
<td>36%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
RAC Activity
More than two thirds of responding hospitals are experiencing RAC activity.

Percent of Responding Hospitals Experiencing RAC Activity, through 2nd Quarter 2010

- Experiencing RAC Activity: 70%
- No RAC Activity: 30%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The majority of hospitals reporting RAC activity were general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 2nd Quarter 2010

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals. * Other includes: Cancer, Chronic Disease, Health Care Management, Alcohol and Other Chemical Dep., Heart, Obstetrics & Gynecology, Orthopedic and Surgical hospitals.
Different types and sizes of hospitals reported that they were subject to RAC review.

Types of Hospitals Reporting RAC Activity, through 2nd Quarter 2010

972 Hospitals Reporting RAC Activity

- < 200 beds (63%)
- 200-399 beds (23%)
- 400+ beds (14%)
- Rural (41%)
- Urban (59%)
- Non-Teaching (91%)
- Teaching (9%)

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
RAC Region C had the highest number of hospitals reporting RAC activity…

Number of Responding Hospitals Reporting RAC Activity by Region, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Quarter 1, 2010</th>
<th>Quarter 2, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>30</td>
<td>82</td>
</tr>
<tr>
<td>Region B</td>
<td>148</td>
<td>266</td>
</tr>
<tr>
<td>Region C</td>
<td>186</td>
<td>368</td>
</tr>
<tr>
<td>Region D</td>
<td>73</td>
<td>256</td>
</tr>
</tbody>
</table>

Participation in RACTrac has more than doubled since Quarter 1, 2010.

States By RAC Region

Region A: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont

Region B: Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin

Region C: Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, Puerto Rico, and U.S. Virgin Islands

Region D: Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, North Dakota, Nebraska, Nevada, Oregon, South Dakota, Utah, Washington, Wyoming, Guam, American Samoa, and Northern Marianas

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
…but RAC Region D had a higher percentage of participating hospitals reporting RAC activity.

Percent of Participating Hospitals Reporting RAC Activity, by Region, through 2nd Quarter, 2010

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
A higher percentage of hospitals reported automated reviews than the previous quarter, but RACs continue to focus their efforts on complex reviews.

Percent of Responding Hospitals with RAC Activity Experiencing Automated and/or Complex RAC Review, through 2nd Quarter 2010

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The majority of RAC activity through the 2nd quarter of 2010 has been medical record requests.

Total Reported Automated Denials, Complex Denials and Complex Medical Records Requests, through 2nd Quarter 2010

- Automated Denials: 9,292
- Complex Denials: 3,213
- Complex Medical Record Requests: 32,926

Source: AHA. (August 2010). RACTrac Survey

AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region C had the highest number of medical records requested, but Regions A and B had more medical records requested per reporting hospital.

Number of Medical Records Requested from Responding Hospitals With Complex Medical Record RAC Activity, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Number of Medical Record Requests per Reporting Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>63</td>
</tr>
<tr>
<td>Region B</td>
<td>62</td>
</tr>
<tr>
<td>Region C</td>
<td>49</td>
</tr>
<tr>
<td>Region D</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region C had the highest amount of Medicare payments targeted in medical record requests, over $214 million.

Medicare Payments Associated with Medical Records Requested from Responding Hospitals, through 2nd Quarter 2010, in Millions

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The average value of a medical record requested in a complex review varied slightly across RAC Regions.

Average Value of a Medical Record Requested in a Complex Review Among Hospitals Reporting RAC Activity, through 2nd Quarter 2010

- Region A: $13,331
- Region B: $11,185
- Region C: $15,286
- Region D: $11,299

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
RAC Denials
$19.2 million in denied claims have been reported since the first quarter of 2010, nearly $11 million in Region C alone.

Dollar Value of Automated and Complex Denials by RAC Region, through 2nd Quarter 2010, Millions

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
85% of denied dollars were complex denials totaling over $15.5 million dollars.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials, through 2nd Quarter 2010

Automated Denials, $2,805,247
15%

Complex Medical Record Denials, $15,535,902
85%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
By the second quarter of 2010, Region B had nearly half of all reported denials.

Percent of Automated and Complex Denials by RAC Region, through 2nd Quarter 2010

- Region A: 13%
- Region B: 49%
- Region C: 37%
- Region D: 1%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The average dollar value of an automated denial was $311 and the average dollar value of a complex denial was $5,598.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>Insufficient data</td>
<td>$6,227</td>
</tr>
<tr>
<td>Region B</td>
<td>$242</td>
<td>$5,576</td>
</tr>
<tr>
<td>Region C</td>
<td>$397</td>
<td>$5,717</td>
</tr>
<tr>
<td>Region D</td>
<td>$389</td>
<td>$4,868</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The highest percentage of hospitals reported automated denials in the outpatient service area and complex denials in the inpatient service area.

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Hospitals reporting automated denials in the outpatient service area had the largest financial impact while complex denials in the inpatient service area had the largest financial impact.

Top Service Area for Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010

Survey participants were asked to rank denials by service, according to dollars impacted.

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Automated RAC Denials
In quarter two, nearly 90% of hospitals experienced automated denials for outpatient coding and billing errors.

Percent of Responding Hospitals with RAC Activity Experiencing Automated Denials, by Reason, through 2nd Quarter 2010

Source: AHA. (August 2010). RACTrac Survey

AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Automated denials for outpatient billing errors had the largest financial impact on reporting hospitals.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Outpatient Billing Error: 15%
- Inpatient Coding Error (MSDRG): 5%
- Duplicate Payment: 15%
- Outpatient Coding Error: 9%
- Incorrect Discharge Status: 4%
- All Other: 51%

Source: AHA. (August 2010). RACTrac Survey. AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
To date, Region B reporting hospitals have experienced 57% of all reported automated denials.

Percent and Number of Reported Automated Denials, by Region, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Automated Denials by RAC Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>9</td>
</tr>
<tr>
<td>Region B</td>
<td>5,336</td>
</tr>
<tr>
<td>Region C</td>
<td>2,667</td>
</tr>
<tr>
<td>Region D</td>
<td>1,280</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region A: No Region A hospitals reported outpatient billing errors as the top reason for automated denials.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region A

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Incorrect Discharge Status: 20%
- Inpatient Coding Error (MSDRG): 40%
- Duplicate Payment: 40%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region B: With nearly half of all automated denial activity, top denial reasons were consistent with national trend.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region B

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Outpatient Billing Error: 21%
- Inpatient Coding Error (MSDRG): 14%
- Duplicate Payment: 9%
- Outpatient Coding Error: 3%
- Incorrect Discharge Status: 3%
- All Other: 50%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region C: Top denial reasons by dollars were more likely to be inpatient coding and outpatient billing errors.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region C

Survey participants were asked to rank denials by reason, according to dollars impacted.

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region D: Incorrect discharge status was more likely to be cited as a top reason for automated denials.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region D

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Outpatient Billing Error: 52%
- Inpatient Coding Error (MSDRG): 9%
- Duplicate Payment: 14%
- Outpatient Coding Error: 11%
- Incorrect Discharge Status: 13%
- All Other: 1%

Source: AHA. (August 2010). RACTrac Survey. AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Complex RAC Denials
Nearly all hospitals reporting complex denials experienced denials for inpatient coding errors.

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Incorrect coding of MS-DRGs or other coding errors represented the top reason by dollars for complex denials for 86% of hospitals.

Survey participants were asked to rank denials by reason, according to dollars impacted.

**Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010**

- **Incorrect MS-DRG or Other Coding Error**: 86%
- **Incorrect APC or Other Outpatient Coding Error**: 6%
- **No or Insufficient Documentation in the Medical Record**: 4%
- **Medical Necessity - No Activity (0%)**: 3%
- **All Other**: 3%

Source: AHA. (August 2010). RACTrac Survey Analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region C hospitals reported 57% of all complex denials.

### Percent and Number of Reported RAC Complex Denials, by Region, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Claims with Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>84</td>
</tr>
<tr>
<td>Region B</td>
<td>745</td>
</tr>
<tr>
<td>Region C</td>
<td>1,605</td>
</tr>
<tr>
<td>Region D</td>
<td>364</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). *RACTrac Survey*

AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region A: By far, the top reason for complex denials was incorrect MS-DRG or other coding errors.

Survey participants were asked to rank denials by reason, according to dollars impacted.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region A

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region B: Incorrect MS-DRG or other coding error was ranked the top reason for complex denial 80% of the time.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region B

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Incorrect MS-DRG or Other Coding Error: 80%
- Incorrect APC or Other Outpatient Coding Error: 4%
- No or Insufficient Documentation in the Medical Record: 6%
- All Other: 10%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region C: Incorrect MS-DRG or other coding error was ranked the top reason for complex denial 91% of the time.

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Incorrect MS-DRG or Other Coding Error: 91%
- Incorrect APC or Other Outpatient Coding Error: 4%
- No or Insufficient Documentation in the Medical Record: 2%
- All Other: 3%

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Region D: Incorrect MS-DRG or other coding error was again the top reason for denials with no hospitals reporting lack of documentation as a top reason.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010, Region D

Survey participants were asked to rank denials by reason, according to dollars impacted.

- Incorrect MS-DRG or Other Coding Error: 90%
- Incorrect APC or Other Outpatient Coding Error: 2%
- All Other: 8%

Source: AHA. (August 2010). RACTrac Survey
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Appeals
Hospitals reported appealing 16% of RAC denials available for appeal.

Total Number of Automated and Complex Denials Appealed by Hospitals with RAC Activity, by Region, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Denials Available for Appeal</th>
<th>Total Number of Appealed Denials</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>12,090</td>
<td>1,892</td>
</tr>
<tr>
<td>Region A</td>
<td>93</td>
<td>27</td>
</tr>
<tr>
<td>Region B</td>
<td>6,081</td>
<td>1,261</td>
</tr>
<tr>
<td>Region C</td>
<td>4,272</td>
<td>412</td>
</tr>
<tr>
<td>Region D</td>
<td>1,644</td>
<td>192</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
*Available for appeal means that the hospital received a demand letter for this claim, either as a result of automated or complex review.
Hospitals reported appealing denials totaling over $5 million in value and 39% of hospitals reported appealing at least one RAC denial.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 2nd Quarter 2010, Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals with Any Appealed Denials</th>
<th>Average Number of Appealed Denials per Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>39%</td>
<td>8.4</td>
</tr>
<tr>
<td>Region A</td>
<td>29%</td>
<td>3.9</td>
</tr>
<tr>
<td>Region B</td>
<td>54%</td>
<td>14.0</td>
</tr>
<tr>
<td>Region C</td>
<td>37%</td>
<td>5.6</td>
</tr>
<tr>
<td>Region D</td>
<td>29%</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Of the claims that have completed the appeals process, 13% were overturned in favor of the provider. 1,571 of claims are still in the appeals process.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 2nd Quarter 2010

<table>
<thead>
<tr>
<th></th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Claims Pending Appeals Determination</th>
<th>Number of Claims Withdrawn from Appeals Process</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE*</td>
<td>1,892</td>
<td>16%</td>
<td>1,571</td>
<td>61</td>
<td>238</td>
<td>13%</td>
</tr>
<tr>
<td>Region A</td>
<td>27</td>
<td>29%</td>
<td>21</td>
<td>3</td>
<td>3</td>
<td>11%</td>
</tr>
<tr>
<td>Region B</td>
<td>1261</td>
<td>21%</td>
<td>1,082</td>
<td>15</td>
<td>150</td>
<td>12%</td>
</tr>
<tr>
<td>Region C</td>
<td>412</td>
<td>10%</td>
<td>319</td>
<td>40</td>
<td>49</td>
<td>12%</td>
</tr>
<tr>
<td>Region D</td>
<td>192</td>
<td>12%</td>
<td>149</td>
<td>3</td>
<td>36</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals. Note: the data does not reflect the outcome of appeals currently still in the appeals process, therefore the overturn rate may increase as more appeals complete the appeals process. *Hospitals did not specify the status of 22 of the appealed claims.
Of the claims that have completed the appeals process, two-thirds of the overturned denials were reported in Region D.

Percent of Overturned Denials by Region, through 2nd Quarter 2010

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
*Note: the data does not reflect the outcome of appeals currently still in the appeals process, therefore the overturn rate may increase as more appeals complete the appeals process.
Hospitals reported a total of $420,870 in overturned denials, with $273,113 in Region C alone.

Total Value of Appeal Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 2nd Quarter 2010

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Administrative Burden
76% of responding hospitals reported that RACs impacted their organization during the second quarter of 2010 and 51% reported increased administrative costs.

Impact of RAC on Responding Hospitals* by Type, through 2nd Quarter 2010

*Includes responding hospitals with and without RAC activity

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The administrative burden of RAC is spread across all types of hospital staff. Medical records staff spent the most time responding to RAC activity.

### Average Hours of Staff Time Spent Per Responding Hospital* on RAC by Staff Type, 2nd Quarter 2010

<table>
<thead>
<tr>
<th>Role</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Records Staff</td>
<td>51</td>
</tr>
<tr>
<td>Clerical</td>
<td>37</td>
</tr>
<tr>
<td>Coders/Health Information Management (HIM)</td>
<td>35</td>
</tr>
<tr>
<td>Utilization Management</td>
<td>35</td>
</tr>
<tr>
<td>PFS Staff</td>
<td>28</td>
</tr>
<tr>
<td>Medical Director</td>
<td>24</td>
</tr>
<tr>
<td>Case Manager</td>
<td>22</td>
</tr>
<tr>
<td>Compliance Officer</td>
<td>22</td>
</tr>
<tr>
<td>Medical Records Director</td>
<td>20</td>
</tr>
<tr>
<td>Vice President</td>
<td>19</td>
</tr>
<tr>
<td>Patient Financial Services (PFS) Director</td>
<td>14</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>11</td>
</tr>
<tr>
<td>Lawyer</td>
<td>8</td>
</tr>
<tr>
<td>Other *</td>
<td>45</td>
</tr>
</tbody>
</table>

*Includes responding hospitals with and without RAC activity

Source: AHA. (August 2010). RACTrac Survey

AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals. *Other includes other types of hospital staff, including RAC Coordinator and IT Department.
Those hospitals (11%) using external resources reported spending an average of $48,770 to hire an external utilization management consultant.

Percent of Hospitals Using External Resources by Type and Average Dollars*
Spent this quarter, 2nd Quarter 2010

- Medical Record Copying Service: 26%
- Other Consultant: 15%
- Utilization Management Consultant: 11%
- External Legal Counsel: 3%
- Other: 7%

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Record Copying Service</td>
<td>$2,088</td>
</tr>
<tr>
<td>Other Consultant</td>
<td>$12,902</td>
</tr>
<tr>
<td>Utilization Management Consultant</td>
<td>$48,770</td>
</tr>
<tr>
<td>External Legal Counsel</td>
<td>$2,480</td>
</tr>
<tr>
<td>Other</td>
<td>$6,119</td>
</tr>
</tbody>
</table>

Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
*Average dollars spent for hospitals indicating that type of expense.
For more information visit AHA’s RACTrac Website:

http://www.aha.org/aha/issues/RAC/ractrac.html