Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTrac Survey, 3rd Quarter 2010

November 15, 2010
• Centers for Medicare & Medicaid Services (CMS) Recovery Audit Contractor (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.

• All four RACs were authorized to begin conducting Medical Necessity Reviews (MNR) in August of 2010.
RACTrac Background

- AHA created *RACTrac*—a free, web-based survey—in response to a lack of data provided by CMS on the impact of the RAC program on America's hospitals.
  - Hospitals use AHA’s online survey application, *RACTrac* (accessed at [www.aharactrac.com](http://www.aharactrac.com)), to submit their data regarding the impact of the RAC program.
  - Survey questions are designed to collect *cumulative* RAC experience data, from the inception of a hospital’s RAC activity through the 3rd quarter of 2010.
  - Survey registration information and RACTrac support can be accessed at [ractracsupport@providercs.com](mailto:ractracsupport@providercs.com) or 1-888-722-8712.

- Note: When reviewing charts that reference previous quarter activity, please keep in mind that changes are attributable to changes in RAC activity as well as increases in the number of hospitals submitting data to RACTrac.
Executive Summary

• Nearly 1700 hospitals have participated in RACTrac since we began collecting data in January of 2010.
• Nearly two thirds of the participating hospitals reported experiencing RAC activity.
• RACs are primarily engaging in complex reviews.
• $42 million in denied claims have been reported since the first quarter of 2010.
• Nearly half of all hospitals with RAC activity reported receiving at least one underpayment determination.
• 46% of hospitals reported appealing at least one RAC denial.
• Of the claims that have completed the appeals process, 38% were overturned in favor of the provider.
• 72% of responding hospitals report that the RAC program impacted their organization in the first quarter of 2010—whether they experienced RAC reviews or not.
RACTrac Participation
There are four RAC regions nationwide. RAC Region C encompasses 40% of all hospitals in the United States.

### Distribution of Hospitals by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</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 3rd 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>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>27%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>36%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
Three-fourths of participating hospitals are experiencing RAC activity.

Percent of Responding Hospitals Experiencing RAC Activity, through 3rd Quarter 2010

- Experiencing RAC Activity: 75%
- No RAC Activity: 25%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 3rd Quarter 2010**

- **General Medical & Surgical**: 1055 reporting RAC activity, 145 reporting no activity
- **CAH**: 203 reporting RAC activity, 161 reporting no activity
- **Long-Term Acute Care**: 12 reporting RAC activity, 11 reporting no activity
- **Inpatient Rehabilitation**: 18 reporting RAC activity, 8 reporting no activity
- **Psychiatric**: 14 reporting RAC activity, 3 reporting no activity
- **Children's**: 9 reporting RAC activity, 0 reporting no activity
- **Other***: 16 reporting RAC activity, 12 reporting no activity

Other includes: Cancer, Chronic Disease, Alcohol and Other Chemical Dep., Heart, Obstetrics & Gynecology, Orthopedic and Surgical hospitals.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
Different types and sizes of hospitals reported that they were subject to RAC review.

<table>
<thead>
<tr>
<th>Types of Hospitals Reporting RAC Activity, through 3rd Quarter 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 200 beds (64%)</td>
</tr>
<tr>
<td>Rural (42%)</td>
</tr>
<tr>
<td>Non-Teaching (92%)</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 3rd Quarter 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. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 3rd Quarter, 2010

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 Reviews
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 3rd Quarter 2010

Automated Activity: includes all automated reviews, which is a claim determination without a human review of the medical record. RACs use proprietary software that is designed to detect certain types of errors including but not limited to duplicate payments, billing or coding errors. The RAC notifies the provider via a demand letter when an overpayment has been identified through automated review.

Complex Activity: includes all complex reviews, which is a human review and determination of whether or not an improper payment has been identified once the medical record has been received. Upon that determination, a hospital will be notified via a review results letter if an improper payment was found and therefore the associated claim has been “denied”.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 3rd quarter of 2010 has been medical record requests.

<table>
<thead>
<tr>
<th>Category</th>
<th>Quarter 2, 2010</th>
<th>Quarter 3, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Denials</td>
<td>3,213</td>
<td>9,292</td>
</tr>
<tr>
<td>Complex Denials</td>
<td>7,001</td>
<td>10,880</td>
</tr>
<tr>
<td>Medical Record Requests</td>
<td>32,926</td>
<td>69,374</td>
</tr>
</tbody>
</table>

Reported Automated Denials, Complex Denials and Medical Records Requests by Responding Hospitals, through 3rd Quarter 2010

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 experienced, on average, 50% more medical records requested per reporting hospital.

Number of Medical RecordsRequested from Responding Hospitals With Complex Medical Record RAC Activity, through 3rd 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>87</td>
</tr>
<tr>
<td>Region B</td>
<td>120</td>
</tr>
<tr>
<td>Region C</td>
<td>85</td>
</tr>
<tr>
<td>Region D</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
Among responding hospitals, $970 million in Medicare payments were targeted for medical record requests through the 3rd quarter of 2010.

### Medicare Payments Associated with Medical Records Requested from Responding Hospitals, through 3rd Quarter 2010, in Millions

- **Region A**: All Activity through Quarter 2, 2010 ($41 millions), All Activity through Quarter 3, 2010 ($109 millions)
- **Region B**: All Activity through Quarter 2, 2010 ($142 millions)
- **Region C**: All Activity through Quarter 2, 2010 ($214 millions), All Activity through Quarter 3, 2010 ($414 millions)
- **Region D**: All Activity through Quarter 2, 2010 ($35 millions)

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 3rd Quarter 2010

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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
$42 million in denials have been reported since the first quarter of 2010, up from $19 million last quarter.

Dollar Value of Automated and Complex Denials by RAC Region for Reporting Hospitals, through 3rd Quarter 2010, Millions

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
88% of denied dollars were complex denials totaling over $37 million dollars.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Reporting Hospitals, through 3rd Quarter 2010

- **Automated Denials, $5,216,974 (12%)**
- **Complex Medical Record Denials, $37,015,485 (88%)**

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
Regions B and C account for more than 80% of all reported denials.

Percent of Automated and Complex Denials by RAC Region for Reporting Hospitals, through 3rd Quarter 2010

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 $494 and the average dollar value of a complex denial was $5,540.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3rd 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>$663</td>
<td>$5,371</td>
</tr>
<tr>
<td>Region B</td>
<td>$411</td>
<td>$5,101</td>
</tr>
<tr>
<td>Region C</td>
<td>$559</td>
<td>$5,344</td>
</tr>
<tr>
<td>Region D</td>
<td>$624</td>
<td>$7,608</td>
</tr>
</tbody>
</table>

* Only 13 hospitals reporting for automated denial activity in Region A.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
94% of hospitals reported automated denials in the outpatient service area and 84% of hospitals reported complex denials in the inpatient service area.

Percent of Responding Medical/Surgical Acute Hospitals with RAC Activity Experiencing Denials by Type of Service, 3rd Quarter 2010

Survey participants were asked to select all areas targeted for denials

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
Outpatient services had the largest financial impact through automated activity while inpatient services had the largest financial impact through complex denials.

Top Service Area for Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2010

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

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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
85% of responding hospitals with automated activity cited outpatient coding/billing as a reason for denial.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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, 3rd Quarter 2010

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

- Outpatient Billing Error: 52%
- Inpatient Coding Error (MSDRG): 11%
- Duplicate Payment: 10%
- Outpatient Coding Error: 6%
- Incorrect Discharge Status: 5%
- All Other: 16%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 has experienced 53% of all reported automated denials.

Percent and Number of Reported Automated Denials, by Region, through 3rd 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>84</td>
</tr>
<tr>
<td>Region B</td>
<td>5,803</td>
</tr>
<tr>
<td>Region C</td>
<td>3,077</td>
</tr>
<tr>
<td>Region D</td>
<td>1,916</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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: Bucking the national trend, only 9% of Region A hospitals ranked outpatient billing errors as the top reason for automated denials.

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

Only 13 hospitals reporting for automated denial activity in Region A.

Source: AHA. (November 2010). RACTrac Survey

AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 more than 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, 3rd Quarter 2010, Region B

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

- Outpatient Billing Error: 61%
- Inpatient Coding Error (MSDRG): 14%
- Duplicate Payment: 8%
- Outpatient Coding Error: 7%
- Incorrect Discharge Status: 5%
- All Other: 5%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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: 60% of hospitals reported outpatient billing error as the top reason for automated denials.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010, Region C

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

- **Outpatient Billing Error**: 19%
- **Inpatient Coding Error (MSDRG)**: 7%
- **Duplicate Payment**: 5%
- **Outpatient Coding Error**: 9%
- **All Other**: 60%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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, 3rd Quarter 2010, Region D

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

- Outpatient Billing Error: 41%
- Inpatient Coding Error (MSDRG): 15%
- Duplicate Payment: 14%
- Outpatient Coding Error: 3%
- Incorrect Discharge Status: 22%
- All Other: 5%

Source: AHA. (November 2010). RACTrac Survey
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Complex RAC Denials
Now that medical necessity review is underway, 14% of hospitals have cited medically unnecessary as the top reason for complex denials.

Percent of Responding Hospitals with RAC Activity Experiencing Complex Denials by Reason, 3rd Quarter 2010

Survey participants were asked to select all reasons for denial.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 MS-DRG or other coding error represented the top reason by dollars for complex denials for 82% of hospitals.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010

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

- Incorrect MS-DRG or Other Coding Error: 82%
- Incorrect APC or Other Outpatient Coding Error: 1%
- No or Insufficient Documentation in the Medical Record: 4%
- Medically Unnecessary: 2%
- All Other: 11%

Source: AHA. (November 2010). RACTrac Survey
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Region C hospitals reported 54% of all complex denials.

Percent and Number of Reported RAC Complex Denials, by Region, through 3rd 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>305</td>
</tr>
<tr>
<td>Region B</td>
<td>2,119</td>
</tr>
<tr>
<td>Region C</td>
<td>3,761</td>
</tr>
<tr>
<td>Region D</td>
<td>816</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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: The dominant reason for complex denials was incorrect MS-DRG or other coding errors.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010, Region A

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

- Incorrect MS-DRG or Other Coding Error: 79%
- Incorrect APC or Other Outpatient Coding Error: 14%
- No or Insufficient Documentation in the Medical Record: 5%
- All Other: 2%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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: For the first time, hospitals are reporting denials for services determined by the RAC to be medically unnecessary.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010, Region B

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

- **Incorrect MS-DRG or Other Coding Error**: 14%
- **No or Insufficient Documentation in the Medical Record**: 2%
- **Medically Unnecessary**: 82%
- **All Other**: 2%

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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: Medically Unnecessary, for the first time, was identified by some hospitals as a top reason for complex denials.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010, Region C

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

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Region D: Incorrect MS-DRG or other coding error was the top reason for denial with no hospitals reporting medically unnecessary as a top reason.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3rd Quarter 2010, Region D

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

- Incorrect MS-DRG or Other Coding Error: 81%
- Incorrect APC or Other Outpatient Coding Error: 7%
- All Other: 12%

Source: AHA. (November 2010). RACTrac Survey
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Underpayments
Nearly half of all hospitals with RAC activity reported receiving at least one underpayment determination.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 3rd Quarter 2010

- Region A: 62%
- Region B: 38%
- Region C: 50%
- Region D: 44%
- Nationwide: 46%

Source: AHA. (November 2010). RACTrac Survey
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Region D reported more than 50% of all underpayment determinations. The dollar amount of underpayments varied by region.

Total Dollar Value of Underpayment Determination, By Region, through 3\textsuperscript{rd} Quarter 2010, Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of RAC Underpayment Determinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>1,669</td>
</tr>
<tr>
<td>Region A</td>
<td>148</td>
</tr>
<tr>
<td>Region B</td>
<td>236</td>
</tr>
<tr>
<td>Region C</td>
<td>344</td>
</tr>
<tr>
<td>Region D</td>
<td>941</td>
</tr>
</tbody>
</table>

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Nearly two-thirds of hospitals with underpayment determinations cited incorrect MS-DRG as a reason for the underpayment.

Percent of Responding Hospitals with RAC Activity Experiencing Underpayments by Reason, 3rd Quarter 2010

Survey participants were asked to select all reasons for underpayment.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
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 3rd Quarter 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Denials Available* for Appeal</th>
<th>Percent of Appealed Denials</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>17,881</td>
<td>16%</td>
</tr>
<tr>
<td>Region A</td>
<td>389</td>
<td>22%</td>
</tr>
<tr>
<td>Region B</td>
<td>7,922</td>
<td>19%</td>
</tr>
<tr>
<td>Region C</td>
<td>6,838</td>
<td>11%</td>
</tr>
<tr>
<td>Region D</td>
<td>2,732</td>
<td>14%</td>
</tr>
</tbody>
</table>

* Available for appeal means that the hospital received a demand letter for this claim, either as a result of automated or complex review.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 reported appealing denials totaling $8.6 million in value and 46% 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 3rd 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>46%</td>
<td>8.1</td>
</tr>
<tr>
<td>Region A</td>
<td>45%</td>
<td>3.8</td>
</tr>
<tr>
<td>Region B</td>
<td>56%</td>
<td>12.7</td>
</tr>
<tr>
<td>Region C</td>
<td>43%</td>
<td>6.4</td>
</tr>
<tr>
<td>Region D</td>
<td>39%</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: AHA. (November 2010). RACTrac Survey

AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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, 38% were overturned in favor of the provider. 1,475 claims are still in the appeals process.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 3rd Quarter 2010

<table>
<thead>
<tr>
<th>Region</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>2,773</td>
<td>16%</td>
<td>1,475</td>
<td>165</td>
<td>1,064</td>
<td>38%</td>
</tr>
<tr>
<td>Region A</td>
<td>87</td>
<td>22%</td>
<td>69</td>
<td>3</td>
<td>13</td>
<td>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>1,527</td>
<td>19%</td>
<td>672</td>
<td>50</td>
<td>780</td>
<td>51%</td>
</tr>
<tr>
<td>Region C</td>
<td>777</td>
<td>11%</td>
<td>531</td>
<td>75</td>
<td>139</td>
<td>18%</td>
</tr>
<tr>
<td>Region D</td>
<td>382</td>
<td>14%</td>
<td>203</td>
<td>37</td>
<td>132</td>
<td>35%</td>
</tr>
</tbody>
</table>

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. Due to survey submission marginal error, total appeals may be slightly greater than the sum of pending/withdrawn/overturned appeals.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 has the highest overturn rate upon appeal at 51%.

Percent of Denials Overturned in the Appeals Process, by Region, through 3rd Quarter 2010

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.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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, nearly three-fourths of overturned denials were reported in Region B.

Percent of Overturned Denials by Region, through 3rd Quarter 2010

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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 reported a total of $1.7 million in overturned denials, with $1 million in Region C alone.

Value of Denials Overturned in the Appeals Process, by Region, through 3rd Quarter 2010

- Region A: $89,863
- Region B: $466,854
- Region C: $1,030,297
- Region D: $136,037
- Nationwide: $1,723,051

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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
72% of responding hospitals reported that RAC impacted their organization this quarter and 51% reported increased administrative costs.

Impact of RAC on Responding Hospitals* by Type of Impact, 3rd Quarter 2010

Includes responding hospitals with and without RAC activity

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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. RAC coordinators spent the most time responding to RAC activity.

Average Hours of Staff Time Spent Per Responding Hospital* on RAC by Staff Type, 3rd Quarter 2010

- RAC Coordinator: 71 hours
- Medical Records Staff: 39 hours
- Coders/HIM: 32 hours
- Administrative/Clerical Staff: 28 hours
- Patient Financial Services Staff: 25 hours
- Utilization Management: 21 hours
- Case Managers: 21 hours
- Revenue Cycle Management: 21 hours
- Compliance Officer: 17 hours
- Medical Records Director: 17 hours
- Patient Financial Services Director: 12 hours
- Physician: 11 hours
- Medical Director/VP Medical Affairs: 11 hours
- IT: 11 hours
- CFO/VP Finance: 10 hours
- Nurse: 9 hours
- Vice President (Other than CFO): 9 hours
- Legal Counsel/Lawyer: 4 hours
- Other: 22 hours

Includes responding hospitals with and without RAC activity.

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
On average, $52,782 was spent this past quarter to hire an external utilization management consultant for those hospitals utilizing external resources.

### Percent of Hospitals Using External Resources by Type and Average Dollars Spent this quarter, 3rd Quarter 2010

<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>$1,972</td>
</tr>
<tr>
<td>Other Consultant</td>
<td>$15,330</td>
</tr>
<tr>
<td>Utilization Management Consultant</td>
<td>$52,782</td>
</tr>
<tr>
<td>External Legal Counsel</td>
<td>$2,822</td>
</tr>
<tr>
<td>Other</td>
<td>$16,825</td>
</tr>
</tbody>
</table>

*Average dollars spent by hospitals that reported utilizing external resources.*

Source: AHA. (November 2010). RACTrac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 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.
For more information visit AHA’s RACTrac website:

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