Exploring the Impact of the RAC Program on Hospitals Nationwide

Quarterly National Webinar

December 19, 2012
Agenda

- RAC update
- Review of RAC resources
- Key findings of the RAC Trac Report, 3rd Quarter 2012
  - Access entire RAC Trac Report at: [www.aha.org/ractrac](http://www.aha.org/ractrac)
- RAC Trac data collection period, January 2013
- Questions and Answers
THANK YOU
For Making the Latest RACTrac Data Collection a Success!!!!

2307 Participating Hospitals;
1299 Submitted Data in the 3rd Quarter.
H.R. 6575

- **Medicare Audit Improvement Act of 2012**
- Introduced Oct 16, 2012
- Reps. Sam Graves (R-MO) & Adam Schiff (D-CA)
- Among other measures, the bill would:
  - Establish a consolidated limit for medical record requests;
  - Improve auditor performance by implementing financial penalties and by requiring medical necessity audits to focus on widespread payment errors;
  - Improve recovery auditor transparency;
  - Restore due process rights under the AB Rebilling Demonstration;
  - Allow denied inpatient claims to be billed as outpatient claims; and
  - Require physician review for Medicare denials.
Overview:

• Filed Nov 1, 2012
• AHA, Hospital Systems Sue HHS For Unfair Medicare Practices
• The AHA and four systems filed the complaint
  – Missouri Baptist Sullivan Hospital (MO),
  – Munson Medical Center (MI),
  – Lancaster General Hospital (PA) and
  – Trinity Health Corporation (MI)
• **The Problem**: Under CMS’s RAC rebilling policy, CMS underpays hospitals for reasonable and necessary care.
  – Inpatient cases denied based on RAC decision that care was appropriate at the outpatient level. But hospitals only receive a portion of outpatient payment.
• **The Remedy**: The AHA is asking the court to overrule CMS’s non-payment policy and fully reimburse hospitals for outpatient care.
Lawsuit Arguments

**CMS’s Payment Denial Policy is Unlawful**

- Under the statute, Medicare must pay for reasonable and necessary care. And if payment cannot be made under Part A, it must be made under Part B.
  - 42 U.S.C. § 1395k(a)(2)

**CMS’s Payment Denial Policy is Arbitrary and Capricious**

- The policy is arbitrary and capricious, and therefore also violates the APA.
- **No Policy Rationale from CMS.** CMS has never made any attempt to explain or justify the statutory or regulatory basis for only paying outpatient “ancillary” services, rather than the full outpatient amount.
  - In its litigation document CMS references only Medicare Benefits Policy Manual (MBPM) Chapter 6 § 10 which authorizes Part B payment after an “admission was disapproved,” but only for “the nonphysician medical and other health services listed below.” This manual provision contradicts the statute
- **CMS’s is disregarding the findings of the Medicare Departmental Appeals Board and its own contractors.**
  - CMS has adhered to it’s policy of underpayment for these cases despite multiple decisions from the DAB that support full outpatient payment and the findings of the RACs/MACs that outpatient level payment is appropriate.
- **CMS’s underpayment policy was never subjected to notice-and-comment rulemaking.**
  The APA requires notice-and-comment procedures before agencies may enact “legislative rules,” i.e., rules of “general . . . applicability” that have “future effect” and that define the rights and obligations of members of the regulated community.
OIG Report on ALJs

- Nov 2012 Report
- Reviewed all ALJ appeals decided in FY 2010
- Key Findings
  - 85% of appeals filed by providers;
    - Hospitals account for 1 out of 4 provider appeals;
    - 40% of provider appeals are on Part A
  - Average: 6 appeals per provider
  - ALJ decisions on hospital Part A: 72% overturned
- CMS’s participation influences appeals outcome
  - Participated in 9% of Part A appeals; 5% of Part B
  - Full overturn 4% less likely for Part A when CMS participates.
- ALJs inconsistently handling suspected fraud.
OIG Report on ALJs (cont.)

**ALJs**
- 66 ALJs
- Tend to decide in favor of appellant when the intent of policy is met.
- Decide appeals from all areas of Medicare program.
- Tend to rely on testimony from treating physicians.
- An ALJ’s personal philosophy may affect rate of fully favorable decisions.

**QICs:**
- 7 QICs
- Tend to follow policy more strictly.
- Tend to uphold prior decision unless evidence to reverse is compelling.
- QICs specialize: Part A, Part B, DMEPOS
- Have medical directors and clinicians on staff
OIG Report on ALJs (cont.)

**OIG Recommendations to CMS**

- Implement consistent training for ALJs and QICs;
- Clarify Medicare policies that are open to interpretation;
  - OMHA: Not a policy maker
- Standardize electronic format for appeals;
- Limit new evidence at the ALJ level to information that could not have been obtained earlier;
- Monitor the appeals of providers under fraud investigation;
  - CMS/OMHA: Expressed due process concerns
- Implement a modest filing fee;
- Review ALJ decisions; and provide education as needed;
- Consider specialization among ALJs (eg, Part A vs Part B);
- Establish referral policy for suspected fraud; and
- Increase CMS participation in ALJ appeals.
Additional AHA Advocacy on Audit Concerns

- **Oct 2012**: AHA letter to OIG calling for RAC effectiveness study.
- **Sept 2012**: AHA highlighted problems with inconsistent MAC and RAC audit protocols during meetings with GAO.
- **Aug 2012**: AHA letter on CMS OPPS proposed rule made preliminary recommendations re: short-stay vs. observation cases.

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*American Hospital Association*

June 26, 2012

Submitted via e-mail (ProgramIntegrity.WhitePapers@finance.senate.gov)

Chairman Baucus, Ranking Member Hatch and Senators Coburn, Wyden, Grassley and Carper
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Honorable Members:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations and our 42,000 individual members, the American Hospital Association (AHA) appreciates the opportunity to respond to the May 2 open letter to the health care community and present recommendations to better prevent and combat waste, fraud and abuse in the Medicare and Medicaid programs. America’s hospitals take seriously their obligation to properly bill for the services they provide to Medicare and Medicaid beneficiaries.

Hospitals have a longstanding commitment to compliance, establishing programs and committing resources to ensure that they receive only the payment to which they are entitled. Hospital compliance programs are designed to meet the principles for effectiveness outlined in the U.S. Sentencing Guidelines and, more specifically, in the Office of the Inspector General’s (OIG) compliance program guidance for hospitals. Every day hospital staff strive to comply in

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*American Hospital Association*

August 29, 2012

Marilyn Tavenner
Acting Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-1589-P
P.O. Box 3013
Baltimore, MD 21244-1850

RE: CMS-1589-P, Hospital Outpatient Prospective and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; Electronic Reporting Pilot; Inpatient Rehabilitation Facilities Quality Reporting Program; Quality Improvement Organization Regulations; (Vol. 77, No. 146), July 30, 2012.

Dear Ms. Tavenner:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our nearly 42,000 individual members, the American Hospital Association (AHA) appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services (CMS) proposed rule for calendar year (CY) 2013 hospital outpatient prospective payment system (OPPS) and ambulatory surgical center (ASC) PPS and quality reporting programs; electronic reporting pilot; inpatient rehabilitation facilities quality reporting program; and quality improvement organization regulations.

We provide detailed comments on several proposals in the attached document. The AHA is
AHA RAC and Audit Resources

AHA is Helping Hospitals Improve Payment Accuracy

- Main AHA RAC Page: www.aha.org/rac
- AHA RACTrac Page: www.aha.org/ractrac; www.aharactrac.com
- 2012 AHA Audit Series: www.aha.org/auditseries
  - 3 regulatory advisories
  - 7 webinars in May-Nov 2012
- AHA Members: Email RAC questions to racinfo@aha.org
CMS Provider Education Resources

- CMS provider education:
RACTrac 3rd Quarter 2012 Results
RAC TRAC Background

• AHA created RAC TRAC—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, RAC TRAC (accessed at 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 2nd quarter of 2012.
  – Survey registration information and RAC TRAC support can be accessed at ractracsupport@providercs.com or 1-888-722-8712.

• The AHA recently enhanced the RAC TRAC survey to capture more detailed information on medical necessity review denials and the administrative burden due to problems with the RAC process.
Highlights

• 2307 hospitals have participated in RAC TRAC since data collection began in January of 2010. 1299 hospitals participated this quarter.

• Participants continue to report dramatic increases in RAC activity:
  – Medical record requests are up 21% relative to last quarter.
  – The number of denials is up 23% relative to last quarter.
  – The dollar value of denials is up 26% relative to last quarter.

• Nearly two-thirds of medical records reviewed by RACs did not contain an overpayment, according to the RAC.

• 94% of hospitals indicated medical necessity denials were the most costly complex denials.

• 61% of medical necessity denials reported were for 1-day stays where the care was found to have been provided in the wrong setting, not because the care was medically unnecessary.
Participants reported a 25 percent increase in complex RAC denials and a 21 percent increase in medical record requests.

Reported Automated Denials, Complex Denials and Medical Records Requests by Participating Hospitals, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Quarter 1, 2012</th>
<th>Quarter 2, 2012</th>
<th>Quarter 3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Denials</td>
<td>50,395</td>
<td>56,798</td>
<td>64,577</td>
</tr>
<tr>
<td>Complex Denials</td>
<td>124,055</td>
<td>159,944</td>
<td>200,941</td>
</tr>
<tr>
<td>Medical Record Requests</td>
<td>447,523</td>
<td>546,311</td>
<td>662,710</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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 experienced the largest increases in medical record requests – 32 and 25 percent, respectively.

### Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Average Number of Medical Record Requests per Reporting Hospital, through Q3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Region C</td>
</tr>
<tr>
<td>Region D</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RACTrac Survey
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Among participating hospitals, $6.1 billion in Medicare payments were targeted for medical record requests through the 3rd quarter of 2012.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 3rd Quarter 2012, in Millions

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
60 percent of medical records reviewed by RACs did not contain an improper payment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 3rd Quarter 2012

Source: AHA. (October 2012). RAC TRAC Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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
$1.1 billion in denials were reported through the third quarter of 2012, up 26% from the second quarter. Region C experienced an extremely large increase of 44 percent.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 3rd Quarter 2012, in Millions

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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 are spread among all four RAC regions.

Percent of Automated and Complex Denials by RAC Region for Participating Hospitals, through 3rd Quarter 2012

- Region A: 24%
- Region B: 21%
- Region C: 36%
- Region D: 19%

Source: AHA. (October 2012). RACTract Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
96% of denied dollars were for complex denials.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 3rd Quarter 2012

Automated Denials, $47.5 million (4%)
Complex Medical Record Denials, $1.1 billion (96%)

Source: AHA. (October 2012). RACTrak Survey
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In dollar terms, the top service area for automated denials was Outpatient and for complex denials, Inpatient.

Percent of Participating Hospitals by Top Service Area for Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2012

Survey participants were asked to rank denials by service, according to dollar impact.

Source: AHA. (October 2012). RACTrac Survey
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Automated RAC Denials
Region C continues to experience the vast majority of all automated denial activity.

Percent and Number of Reported Automated Denials for Participating Hospitals, by Region, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Through 2nd Quarter 2012</th>
<th>Through 3rd Quarter 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>7,334</td>
<td>7,246</td>
</tr>
<tr>
<td>Region B</td>
<td>9,537</td>
<td>10,099</td>
</tr>
<tr>
<td>Region C</td>
<td>32,336</td>
<td>38,243</td>
</tr>
<tr>
<td>Region D</td>
<td>7,591</td>
<td>8,989</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RACTrac Survey
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RACs are issuing automated denials for many different reasons.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2012

Survey participants were asked to rank denials by reason, according to dollar impact.

- **Outpatient Billing Error**: 29%
- **Inpatient Coding Error (MSDRG)**: 32%
- **Duplicate Payment**: 8%
- **Outpatient Coding Error**: 8%
- **Incorrect Discharge Status**: 20%
- **All Other**: 3%

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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
Source: AHA. (October 2012). RACTrac Survey
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The most commonly cited reason for a complex denial was ‘short-stay medically unnecessary.’

### Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 1st, 2nd and 3rd Quarter, 2012

Survey participants were asked to select all reasons for denial.

<table>
<thead>
<tr>
<th>Reason</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Stay Medically Unnecessary</td>
<td>68%</td>
<td>70%</td>
<td>72%</td>
</tr>
<tr>
<td>Inpatient Coding</td>
<td>53%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Discharge Status</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Other Medically Unnecessary</td>
<td>28%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Medically Unnecessary Longer than 3 Days</td>
<td>9%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>No Documentation</td>
<td>8%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Outpatient Coding</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

© American Hospital Association
65% of hospitals indicated medical necessity denials were the most costly complex denials.

Source: AHA. (October 2012). RACTrac Survey
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More than 60% of short-stay medical necessity denial dollars were denied because the care was provided in the wrong setting, not because the care was not medically necessary.

Reason for Medical Necessity Denials by Length of Stay Among Hospitals Reporting Medical Necessity Denials, through 3rd Quarter 2012

Chart includes hospitals reporting any inappropriate setting denials or the ability to track inappropriate setting denials. Not all hospital decision-support systems and RACTrac compatible vendors have made accommodations to allow hospitals to answer this question yet. As a result, the volume of medical necessity denials for inappropriate setting may be under-represented in this chart. Furthermore, older RAC claims may not be classified as “inappropriate setting” by the hospital.

Source: AHA. (October 2012). RACTrac Survey
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Syncope & Collapse, Stents were the top MS-DRGs denied by RACs in terms of dollar impact.

Percent of Participating Hospitals Reporting the MS-DRG for Medically Unnecessary and all other Complex Denials with the Largest Financial Impact, through 3rd Quarter 2012

Survey participants were asked to identify top MS-DRGs, according to dollar impact.

### Medical Necessity Denials

<table>
<thead>
<tr>
<th>MS-DRG</th>
<th>Description</th>
<th>% of Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>247</td>
<td>PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC</td>
<td>23%</td>
</tr>
<tr>
<td>312</td>
<td>SYNCOPE &amp; COLLAPSE</td>
<td>17%</td>
</tr>
<tr>
<td>392</td>
<td>ESOPHAGITIS, GASTROENT &amp; MISC DIGEST DISORDERS W/O MCC</td>
<td>10%</td>
</tr>
<tr>
<td>313</td>
<td>CHEST PAIN</td>
<td>10%</td>
</tr>
<tr>
<td>491</td>
<td>BACK &amp; NECK PROC EXC SPINAL FUSION W/O CC/MCC</td>
<td>5%</td>
</tr>
</tbody>
</table>

### All Other Complex Denials

<table>
<thead>
<tr>
<th>MS-DRG</th>
<th>Description</th>
<th>% of Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>312</td>
<td>SYNCOPE &amp; COLLAPSE</td>
<td>6%</td>
</tr>
<tr>
<td>247</td>
<td>PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC</td>
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<td>392</td>
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Underpayments
Nearly three-quarters of participating hospitals nationwide with RAC activity reported receiving at least one underpayment determination.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 3rd Quarter 2012

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.

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Hospitals reported RAC-identified underpayments totaling $92 million dollars.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of RAC Underpayment Determinations, through Quarter 3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>17,814</td>
</tr>
<tr>
<td>Region A</td>
<td>3,009</td>
</tr>
<tr>
<td>Region B</td>
<td>2,675</td>
</tr>
<tr>
<td>Region C</td>
<td>5,935</td>
</tr>
<tr>
<td>Region D</td>
<td>6,195</td>
</tr>
</tbody>
</table>

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61% of hospitals with underpayment determinations cited incorrect MS-DRG as a reason for the underpayment and 21% cited discharge disposition.

Percent of Participating Hospitals with RAC Activity Experiencing Underpayments by Reason, 3rd Quarter 2012

Survey participants were asked to select all reasons for underpayment.

- Incorrect MS-DRG: 61%
- Inpatient Discharge Disposition: 21%
- Billing Error: 9%
- Outpatient Coding Error: 8%
- Other: 15%

Source: AHA. (October 2012). RACTrac Survey
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Appeals
One-third of participating hospitals report having a denial reversed during the discussion period.

Percent of Participating Hospitals With Denials Reversed During the Discussion Period, National and By Region, 3rd Quarter 2012

Reversed Denials by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>44%</td>
<td>47%</td>
<td>9%</td>
</tr>
<tr>
<td>Region B</td>
<td>33%</td>
<td>52%</td>
<td>15%</td>
</tr>
<tr>
<td>Region C</td>
<td>29%</td>
<td>58%</td>
<td>13%</td>
</tr>
<tr>
<td>Region D</td>
<td>31%</td>
<td>45%</td>
<td>24%</td>
</tr>
</tbody>
</table>

The discussion period is intended to be a tool that hospitals may use to reverse denials and avoid the formal Medicare appeals process. All RACs are required to allow a discussion period in which a hospital may share additional information and discuss the denial with the RAC. During the discussion period a hospital may gain more information from the RAC to better understand the cause for the denial and the RAC may receive additional information from the hospital that could potentially result in the RAC reversing its denial.

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The value of appealed claims exceeds a half a billion dollars. On average, hospitals report appealing 143 claims to date.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 3rd Quarter 2012, Millions

<table>
<thead>
<tr>
<th></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>84%</td>
<td>143</td>
</tr>
<tr>
<td>Region A</td>
<td>86%</td>
<td>160</td>
</tr>
<tr>
<td>Region B</td>
<td>88%</td>
<td>98</td>
</tr>
<tr>
<td>Region C</td>
<td>81%</td>
<td>143</td>
</tr>
<tr>
<td>Region D</td>
<td>81%</td>
<td>192</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RAC Trac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.

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Nationwide hospitals report appealing more than 40% of all denials. In Region D, nearly half have been appealed.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Denials Available* for Appeal</th>
<th>Total Number of Denials Appealed</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>265,518</td>
<td>110,159</td>
</tr>
<tr>
<td>Region A</td>
<td>51,285</td>
<td>22,376</td>
</tr>
<tr>
<td>Region B</td>
<td>55,157</td>
<td>21,575</td>
</tr>
<tr>
<td>Region C</td>
<td>95,699</td>
<td>35,826</td>
</tr>
<tr>
<td>Region D</td>
<td>63,377</td>
<td>30,382</td>
</tr>
</tbody>
</table>

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

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
Nearly 60% of all hospitals filing a RAC appeal during the 3rd Quarter of 2012 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 3rd Quarter 2012

Survey participants were asked to select all reasons for denial.

Source: AHA. (October 2012). RAC Trac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
Nearly three-fourths of all appealed claims are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>75%</td>
</tr>
<tr>
<td>Region B</td>
<td>59%</td>
</tr>
<tr>
<td>Region C</td>
<td>72%</td>
</tr>
<tr>
<td>Region D</td>
<td>78%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>71%</td>
</tr>
</tbody>
</table>

Manual survey entries only for Region A.

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.

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Of the claims that have completed the appeals process, 74% were overturned in favor of the provider.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Automated or Complex RAC Denials, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th></th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Denials Awaiting Appeals Determination</th>
<th>Number of Denials Not Overturned from Appeals Process (Withdrawn/Not Continued)</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>96,015</td>
<td>42%</td>
<td>68,415</td>
<td>7,113</td>
<td>19,996</td>
<td>74%</td>
</tr>
<tr>
<td>Region A*</td>
<td>8,232</td>
<td>51%</td>
<td>6,177</td>
<td>368</td>
<td>1,686</td>
<td>82%</td>
</tr>
<tr>
<td>Region B</td>
<td>21,575</td>
<td>39%</td>
<td>12,729</td>
<td>1,957</td>
<td>6,779</td>
<td>78%</td>
</tr>
<tr>
<td>Region C</td>
<td>35,826</td>
<td>37%</td>
<td>25,873</td>
<td>2,243</td>
<td>7,560</td>
<td>77%</td>
</tr>
<tr>
<td>Region D</td>
<td>30,382</td>
<td>48%</td>
<td>23,636</td>
<td>2,545</td>
<td>3,971</td>
<td>61%</td>
</tr>
</tbody>
</table>

Manual survey entries only for Region A. Due to survey submission error, total appeals may be greater than the sum of pending/withdrawn/overturned appeals.

Source: AHA. (October 2012). RACTract Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.

© American Hospital Association
Hospitals reported a total of $76.6 million in overturned denials up nearly 50 percent versus last quarter.

Value of Denials Overturned in the Appeals Process, by Region, through 1st versus 2nd Quarter 2012, Millions

Source: AHA. (October 2012). RACTract Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
More than half of all hospitals with a RAC denial overturned had a denial overturned because the care was found to be medically necessary.

Percent of Participating Hospitals That Had a Denial Overturned by Reason, 3rd Quarter 2012

Survey participants were asked to select all reasons for appeal overturn.

- **Care provided was found to be medically necessary**: 58%
- **Additional information provided by the hospital substantiated the claim**: 39%
- **The RAC made an error in its determination process**: 18%
- **The claim is currently under review by a different auditor**: 10%
- **Other**: 12%

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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
79% of all participating hospitals reported that RAC impacted their organization this quarter and 56% reported increased administrative costs.

Impact of RAC on Participating Hospitals* by Type of Impact, 3rd Quarter 2012

* Includes participating hospitals with and without RAC activity

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
58% of all hospitals reported spending more than $10,000 managing the RAC process during the third quarter of 2012, 41% spent more than $25,000 and 12% spent over $100,000. Following is the cost breakdown:

<table>
<thead>
<tr>
<th>Cost Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $10,000</td>
<td>12%</td>
</tr>
<tr>
<td>$10,001 to $25,000</td>
<td>17%</td>
</tr>
<tr>
<td>$25,001 to $50,000</td>
<td>14%</td>
</tr>
<tr>
<td>$50,001 to $75,000</td>
<td>9%</td>
</tr>
<tr>
<td>$75,001 to $100,000</td>
<td>6%</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity*

**Source:** AHA. (October 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
Hospital staff spend hundreds of hours responding to RAC activity.

Average Hours of Staff Time Spent Per Participating Hospital* on RAC by Staff Type, 3rd Quarter 2012

- **RAC Coordinator**: 96 hours
- **Decision Support/Data Analyst**: 90 hours
- **Medical Records Staff**: 88 hours
- **Case Managers**: 65 hours
- **Administrative/Clerical Staff**: 63 hours
- **Patient Financial Services-Staff**: 61 hours
- **Nurse**: 58 hours
- **Utilization Management**: 50 hours
- **Revenue Cycle Management**: 49 hours
- **Coders/HIM**: 46 hours
- **Internal Audit Staff/QA Staff**: 44 hours
- **Legal Counsel/Lawyer**: 44 hours
- **Physician**: 33 hours
- **Medical Records Director**: 29 hours
- **IT**: 25 hours
- **Compliance Officer**: 24 hours
- **Pharmacy/Laboratory or other Ancillary Staff**: 23 hours
- **Medical Director/VP Medical Affairs**: 19 hours
- **Patient Financial Services-Director**: 19 hours
- **Vice President (Other than CFO)**: 15 hours
- **CFO/VP Finance**: 13 hours
- **CEO**: 10 hours
- **Other (Please specify in email below)**: 62 hours

* Includes participating hospitals with and without RAC activity

Source: AHA. (October 2012). RACTract Survey
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Many hospitals report spending on external resources such as outside consultants to deal with the RAC process.

### Percent of Participating Hospitals* that Use External Resources by Type and Average Dollars Spent *this quarter*, 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization Management Consultant</td>
<td>$ 45,184</td>
</tr>
<tr>
<td>External Legal Counsel</td>
<td>$ 23,175</td>
</tr>
<tr>
<td>RAC Claim Management Tool</td>
<td>$ 8,977</td>
</tr>
<tr>
<td>RAC Claim Tracking Service</td>
<td>$ 11,520</td>
</tr>
<tr>
<td>Medical Record Copying Service</td>
<td>$ 3,572</td>
</tr>
</tbody>
</table>

* Includes participating hospitals with and without RAC activity. Average dollars spent and percentages reflect only those hospitals that reported utilizing external resources.

Source: AHA. (October 2012). RACTrac Survey

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59% of respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.

Percent of Participating Hospitals Reporting they Received Education from CMS or its Contractors, National and by Region, through 3rd Quarter 2012

### Reported Education by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>36%</td>
<td>47%</td>
<td>17%</td>
</tr>
<tr>
<td>Region B</td>
<td>26%</td>
<td>58%</td>
<td>16%</td>
</tr>
<tr>
<td>Region C</td>
<td>28%</td>
<td>65%</td>
<td>7%</td>
</tr>
<tr>
<td>Region D</td>
<td>28%</td>
<td>59%</td>
<td>13%</td>
</tr>
</tbody>
</table>

### National Reporting

- **Yes**: 28%
- **No**: 59%
- **Don't know**: 13%

*Includes participating hospitals with and without RAC activity*

Source: AHA. (October 2012). RAC Trac Survey

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For those receiving education, the perceived quality varies by region with Region B performing the worst.

Percent of Participating Hospitals Reporting the Effectiveness of Received Education from CMS or its Contractors, National and by Region, through 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>0%</td>
<td>54%</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Region B</td>
<td>6%</td>
<td>30%</td>
<td>53%</td>
<td>11%</td>
</tr>
<tr>
<td>Region C</td>
<td>4%</td>
<td>44%</td>
<td>38%</td>
<td>14%</td>
</tr>
<tr>
<td>Region D</td>
<td>6%</td>
<td>53%</td>
<td>26%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

Source: AHA. (October 2012). RACTrac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
More than 50% of hospitals reporting RAC process issues cite ‘not receiving a demand letter’ as an issue.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2012

- Not receiving a demand letter informing the hospital of a RAC denial: 51%
- Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice: 41%
- Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim: 41%
- Long lag (greater than 30 days) between date on review results letter and receipt of demand letter: 40%
- RAC not meeting 60-day deadline to make a determination on a claim: 37%
- Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance: 33%
- Long lag (greater than 15 days) between date on demand letter and receipt of demand letter: 29%

*Includes participating hospitals with and without RAC activity*

Source: AHA. (October 2012). RACTRAC Survey

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Hospitals continue to report a wide variety of RAC process problems.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2012

- RAC is rescinding medical record requests after you have already submitted the records: 22%
- Problems with remittance advice RAC code N432: 20%
- Other issues/problems (include box): 15%
- RAC is mailing medical record requests to wrong hospital or wrong contact at your hospital: 9%
- RACs auditing claims that are older than the 3 year look-back period: 7%
- RAC is issuing more than one medical record request within a 45-day period: 4%
- Problems with postage reimbursement: 4%
- RAC is auditing a particular MS-DRG or type of claim that is not approved by CMS: 3%

*Includes participating hospitals with and without RAC activity

Source: AHA. (October 2012). RACTRAC Survey

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The majority of hospital respondents indicated RAC responsiveness and overall communication was “fair” or “good.”

Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 3rd Quarter 2012

- Good: 54%
- Fair: 36%
- Excellent: 6%
- Poor: 4%

Source: AHA. (October 2012). RAC Trac Survey
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. 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.
Participating hospitals rated RAC responsiveness and communication lowest in region B.

### Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>16%</td>
<td>60%</td>
<td>23%</td>
<td>1%</td>
</tr>
<tr>
<td>Region B</td>
<td>3%</td>
<td>50%</td>
<td>40%</td>
<td>7%</td>
</tr>
<tr>
<td>Region C</td>
<td>5%</td>
<td>52%</td>
<td>40%</td>
<td>3%</td>
</tr>
<tr>
<td>Region D</td>
<td>4%</td>
<td>57%</td>
<td>34%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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The average wait time for a RAC response varied significantly, with nearly a quarter of hospitals reporting they did not receive a response from their RAC within 2 weeks.

Average Number of Days it Took RACs to Respond to Hospital Inquiries for Participating Hospitals, 3rd Quarter 2012

- 24 hours: 27%
- 1-3 days: 36%
- 7 days: 14%
- 14 or more days: 16%
- No response received: 7%
RAC response time varied by region.

Average Number of Days For RACs to Respond to Hospital Inquiries for Participating Hospitals, by Region, 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>24 hours</th>
<th>1-3 days</th>
<th>7 days</th>
<th>14 or more days</th>
<th>No Response Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>49%</td>
<td>27%</td>
<td>13%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>10%</td>
<td>44%</td>
<td>15%</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Region C</td>
<td>31%</td>
<td>36%</td>
<td>9%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>Region D</td>
<td>22%</td>
<td>32%</td>
<td>22%</td>
<td>15%</td>
<td>9%</td>
</tr>
</tbody>
</table>

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January 2013 RACTrac Data Collection Period

• Have your members contact RACTrac Support if they do not have your RACTrac registration information:  
  Ractracsupport@providercs.com or 1-888-722-8712

• RACTrac will collect data starting on January 1
• RACTrac will open at the beginning of each subsequent quarter to collect data on RAC activity experienced in the through the previous quarter
For more information visit AHA’s RAC TRAC website:

www.aha.org/ractrac