



# Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTRAC Survey, 3<sup>rd</sup> Quarter 2012

November 30, 2012

# RAC 101

- Centers for Medicare & Medicaid Services (CMS) Recovery Audit Contractors (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.
- Automated activity includes the traditional automated activity as described above as well as semi-automated review activity. These claims are denied in an automated manner if supporting documentation is not received on a timely basis.



# 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](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 3<sup>rd</sup> quarter of 2012.
  - Survey registration information and RAC TRAC support can be accessed at [ractracsupport@providercs.com](mailto: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.



# Executive Summary

- 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.



## Executive Summary (cont.)

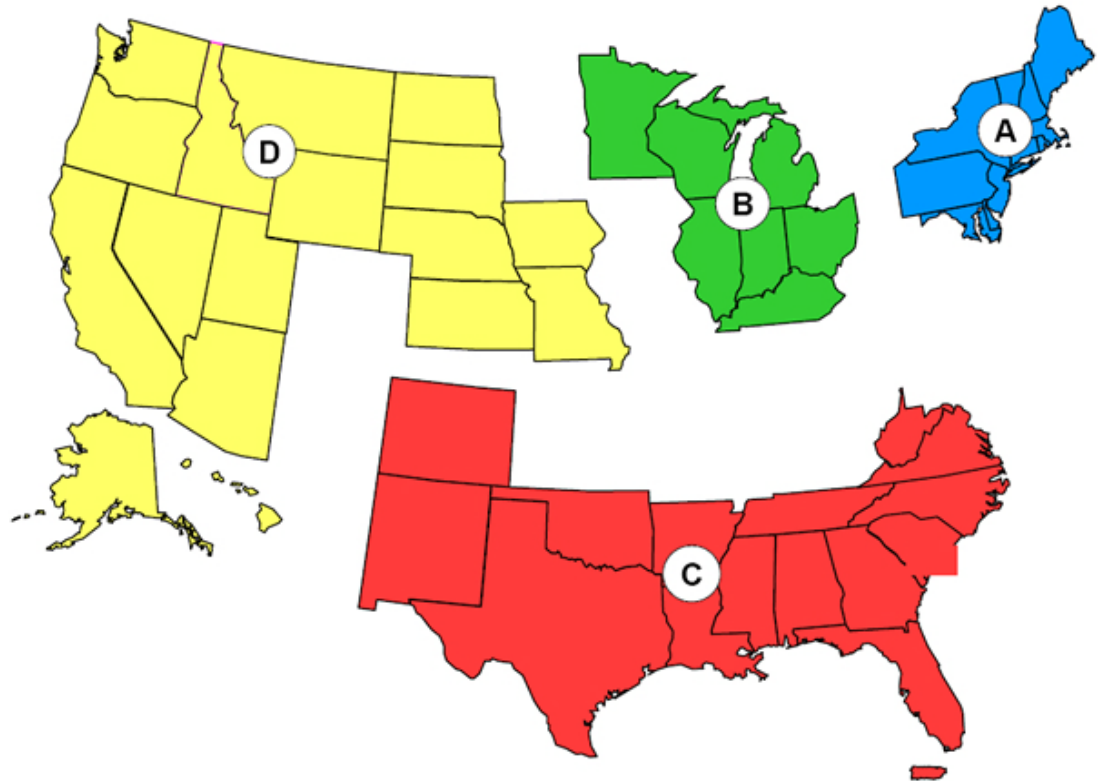
- Hospitals reported appealing more than 40% of all RAC denials, with a 74% success rate in the appeals process.
- Nearly 60% of all hospitals filing a RAC appeal during the 3<sup>rd</sup> quarter of 2012 reported appealing short stay medically unnecessary denials.
- Nearly three-fourths of all appealed claims are still sitting in the appeals process.
- 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.
- Hospital staff are spending an increasing amount of time responding to RAC activity.
- 59% of respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.
- The most frequently cited RAC process problem is ‘not receiving a demand letter’.



# There are four RAC regions nationwide. Participation in RAC TRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC TRAC by RAC Region, through 3<sup>rd</sup> Quarter, 2012

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	15%
Region B	19%	24%
Region C	40%	35%
Region D	26%	25%



Source: Centers for Medicare and Medicaid Services

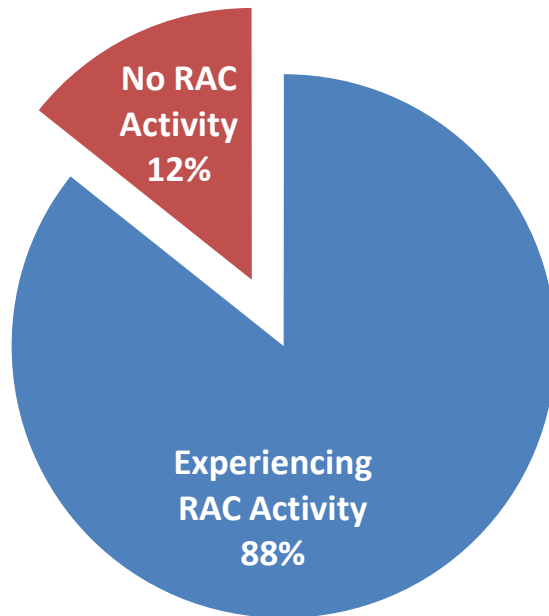


## RAC Activity

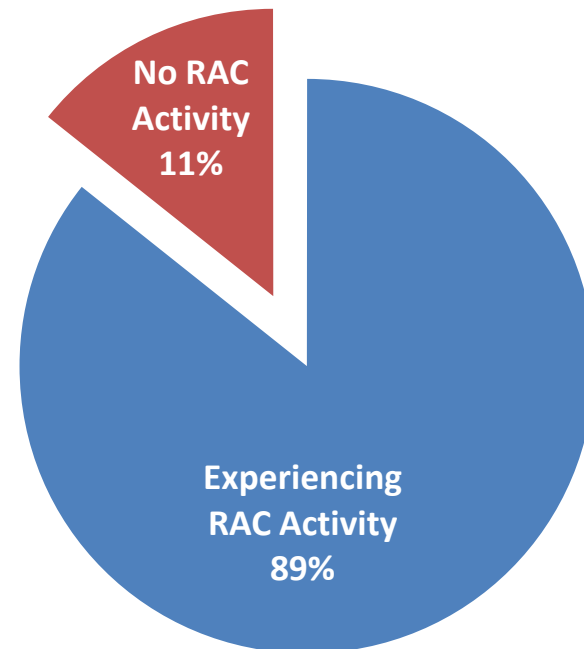
# Nearly nine out of ten hospitals participating in RAC TRAC reported experiencing RAC activity through September 2012.

## Percent of Participating Hospitals Experiencing RAC Activity, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2012

### 2<sup>nd</sup> Quarter, 2012



### 3<sup>rd</sup> Quarter, 2012



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

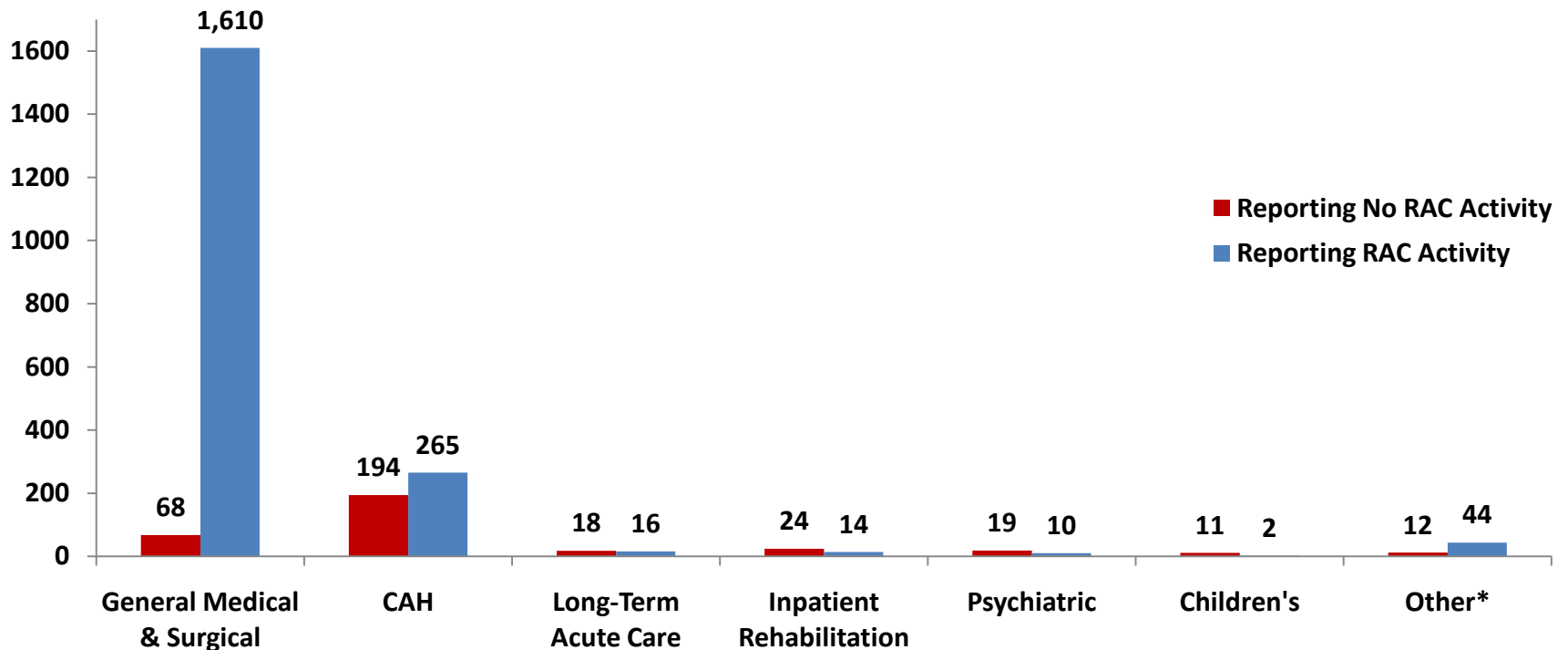
AHA analysis of survey data collected from 2,307 hospitals: 1,961 reporting activity, 347 reporting no activity through September 2012. 1,299 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

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# The majority of hospitals reporting RAC activity were general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 3<sup>rd</sup> Quarter 2012



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

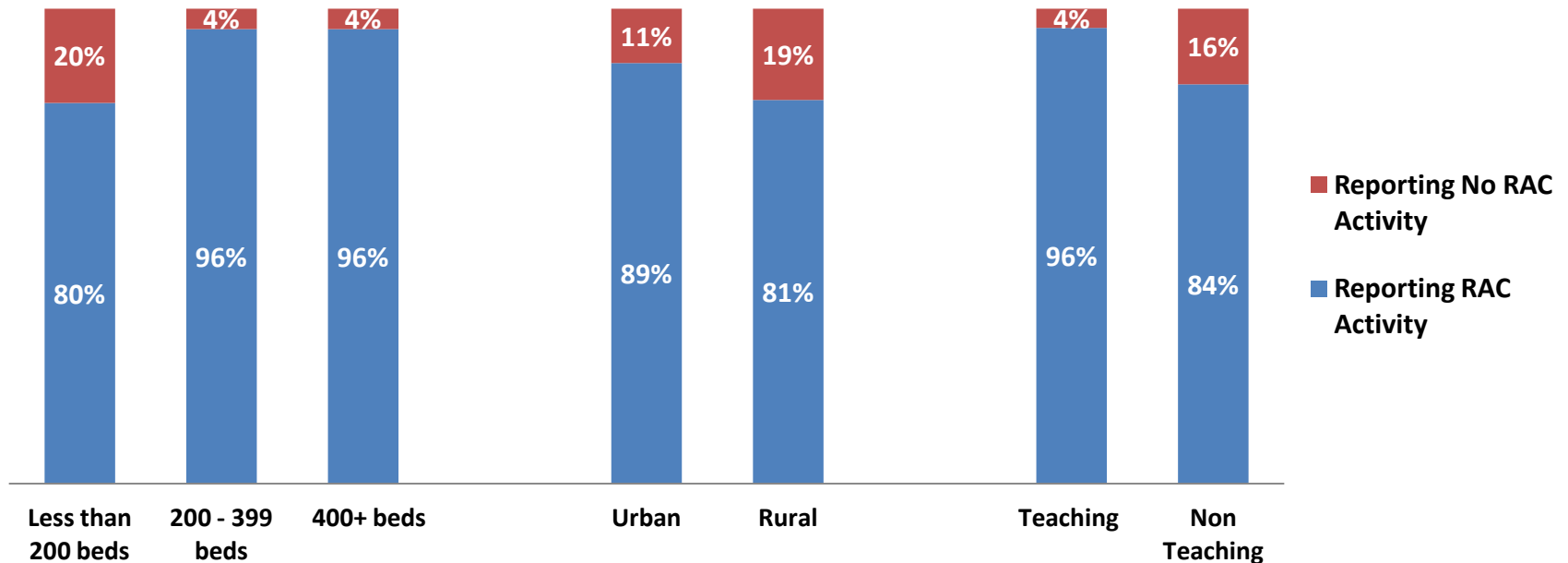
Source: AHA. (October 2012). RAC TRAC Survey

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# Different types and sizes of hospitals reported that they were subject to RAC review.

Percent Reporting RAC Activity vs. No RAC Activity by Type of Participating Hospital, through 3<sup>rd</sup> Quarter 2012

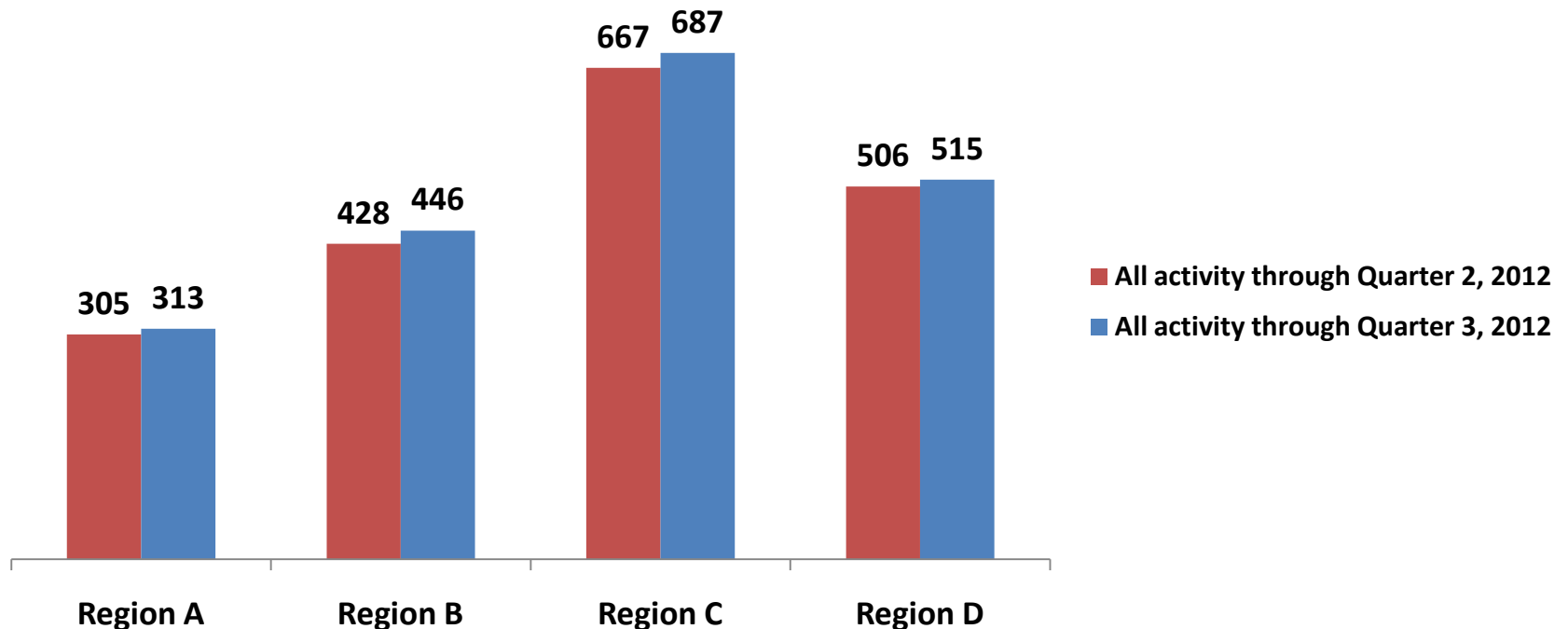


Source: AHA. (October 2012). RAC TRAC Survey

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# RAC Region C has the highest number of hospitals reporting RAC activity.

Number of Participating Hospitals Reporting RAC Activity by Region, through 3<sup>rd</sup> Quarter 2012



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

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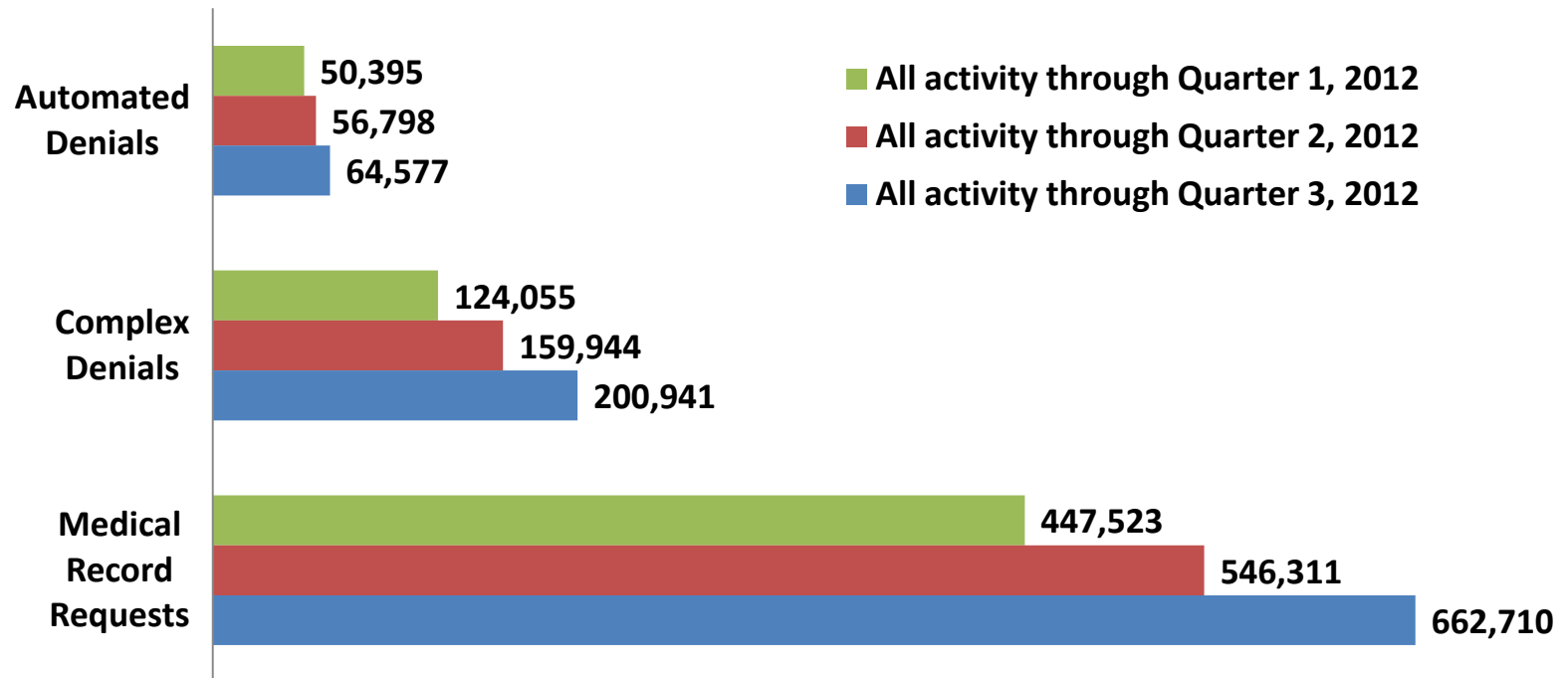
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# RAC Reviews

# Participants continue to report dramatic increases in RAC denials and medical record requests.

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



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

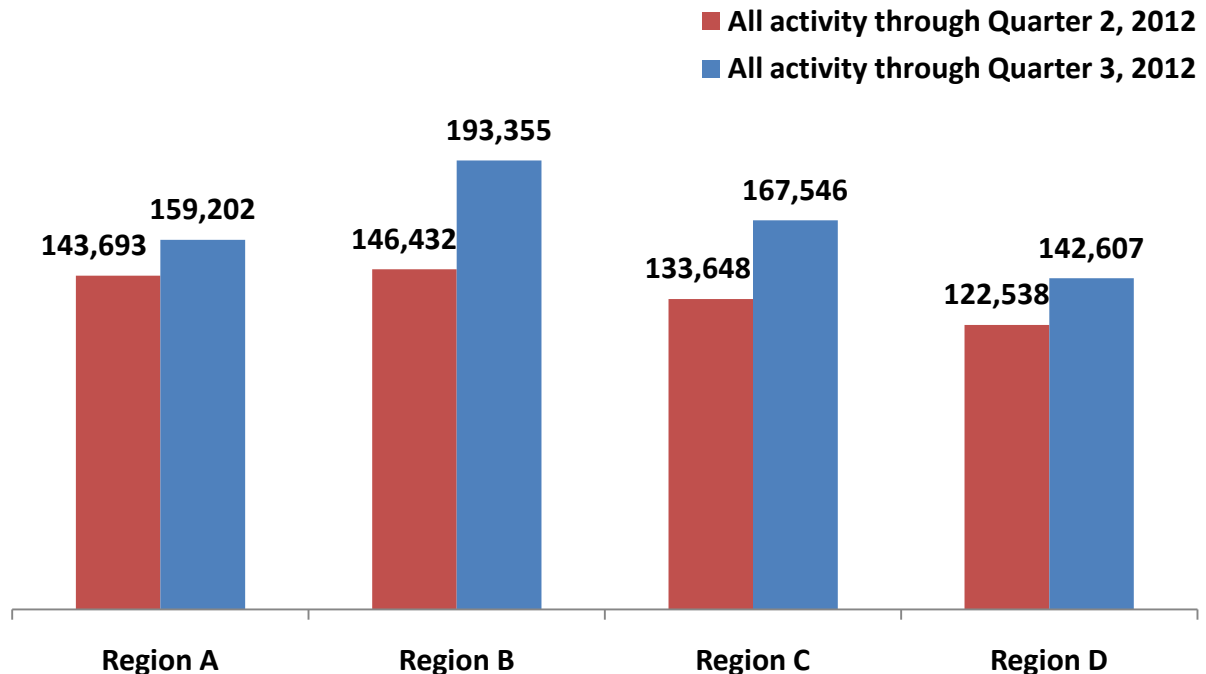
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# Regions B and C experienced the largest increases in medical record requests.

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

Average Number of Medical Record Requests per Reporting Hospital, through Q3, 2012	
Region A	977
Region B	780
Region C	546
Region D	839

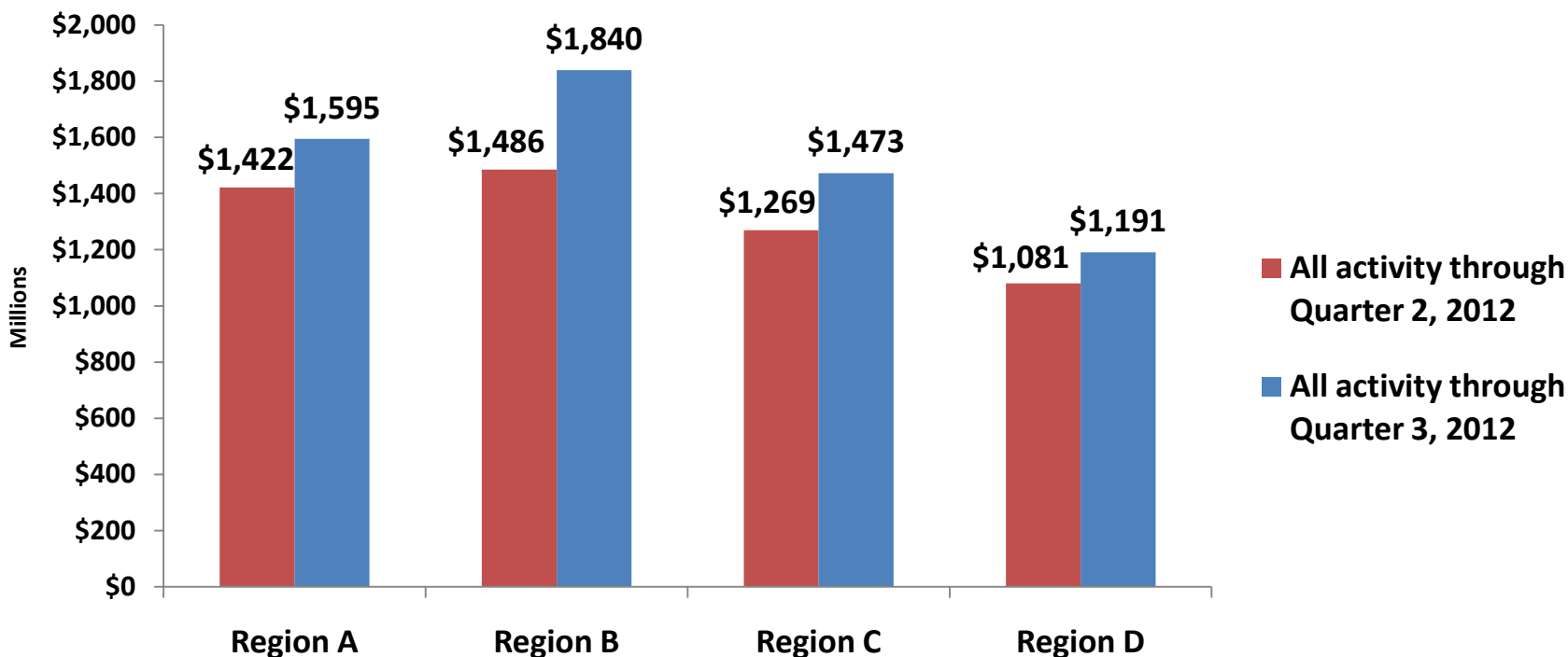


Source: AHA. (October 2012). RAC TRAC Survey

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# Among participating hospitals, \$6.1 billion in Medicare payments were targeted for medical record requests through the 3<sup>rd</sup> quarter of 2012.

## Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 3<sup>rd</sup> Quarter 2012, in Millions

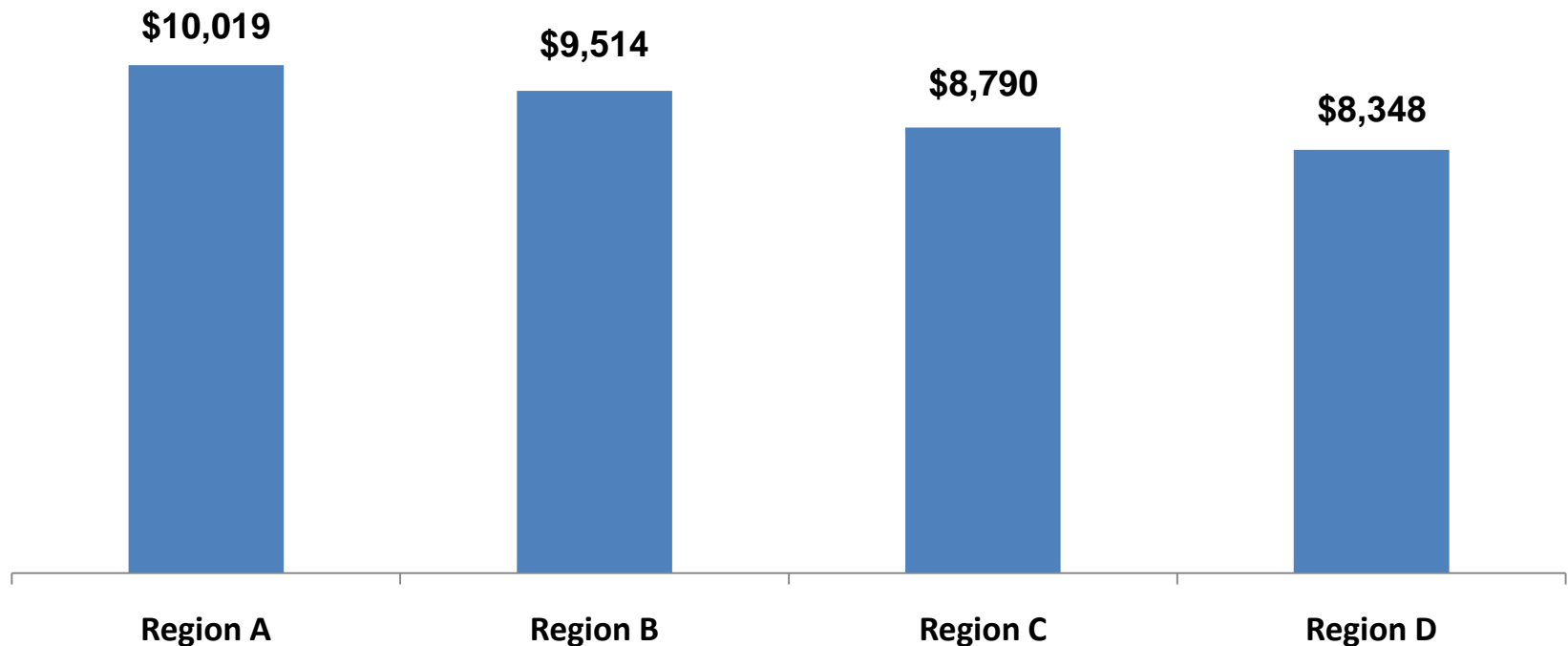


Source: AHA. (October 2012). RAC TRAC Survey

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# The average value of a medical record requested in a complex review was highest in Region A.

Average Value of a Medical Record Requested in a Complex Review Among Hospitals Reporting RAC Activity, through 3<sup>rd</sup> Quarter 2012



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

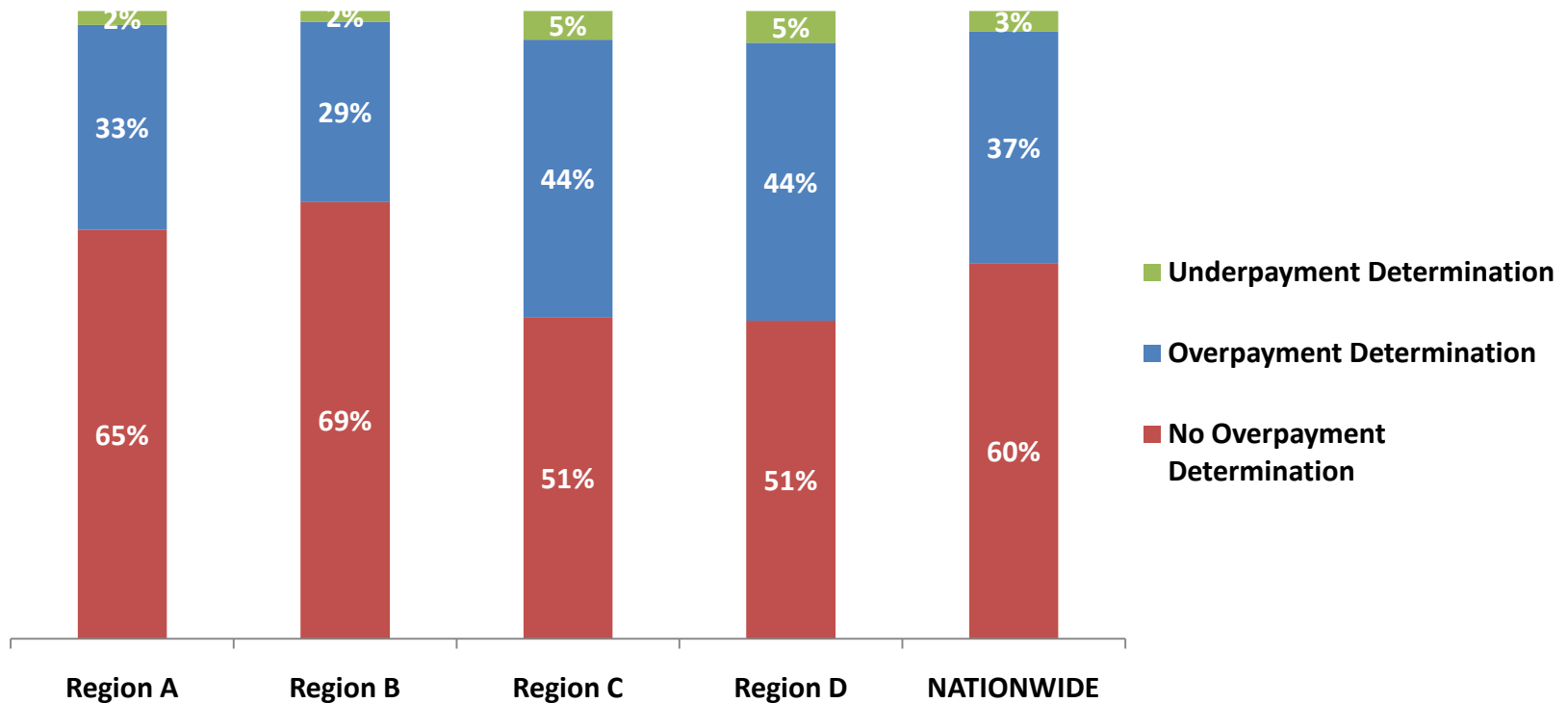
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# 60 percent of medical records reviewed by RACs did not contain an improper payment.

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



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

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## RAC Denials

# \$1.1 billion in denials were reported through the third quarter of 2012, up 26% from the second quarter.

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



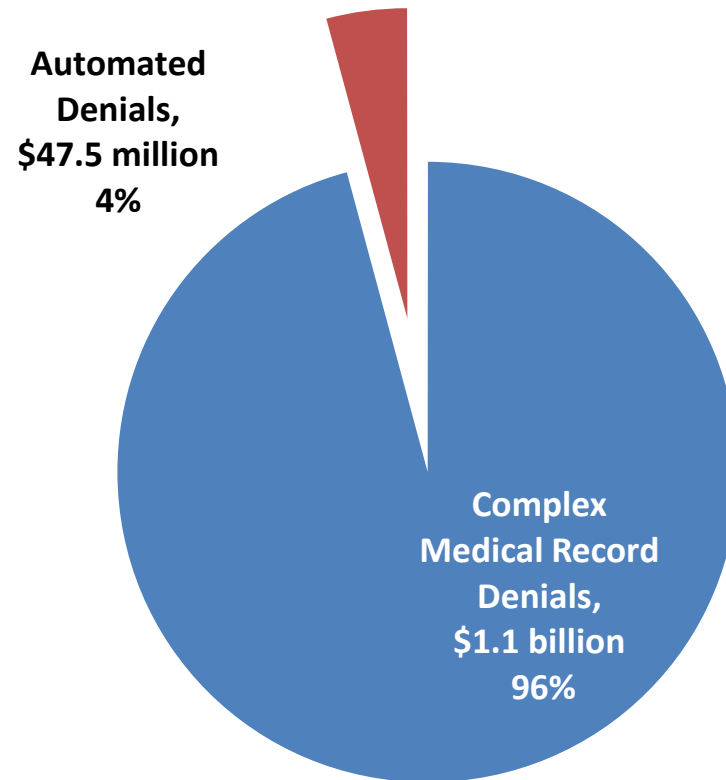
Source: AHA. (October 2012). RAC TRAC Survey

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# 96% of denied dollars were for complex denials.

## Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 3<sup>rd</sup> Quarter 2012



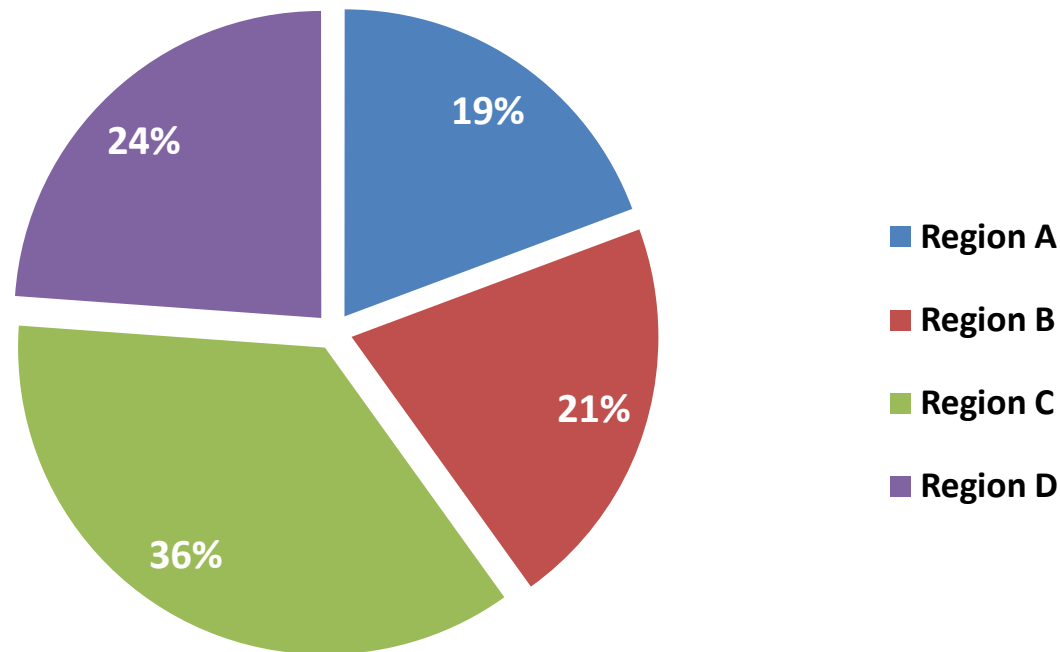
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# RAC denials are spread among all four RAC regions.

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



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

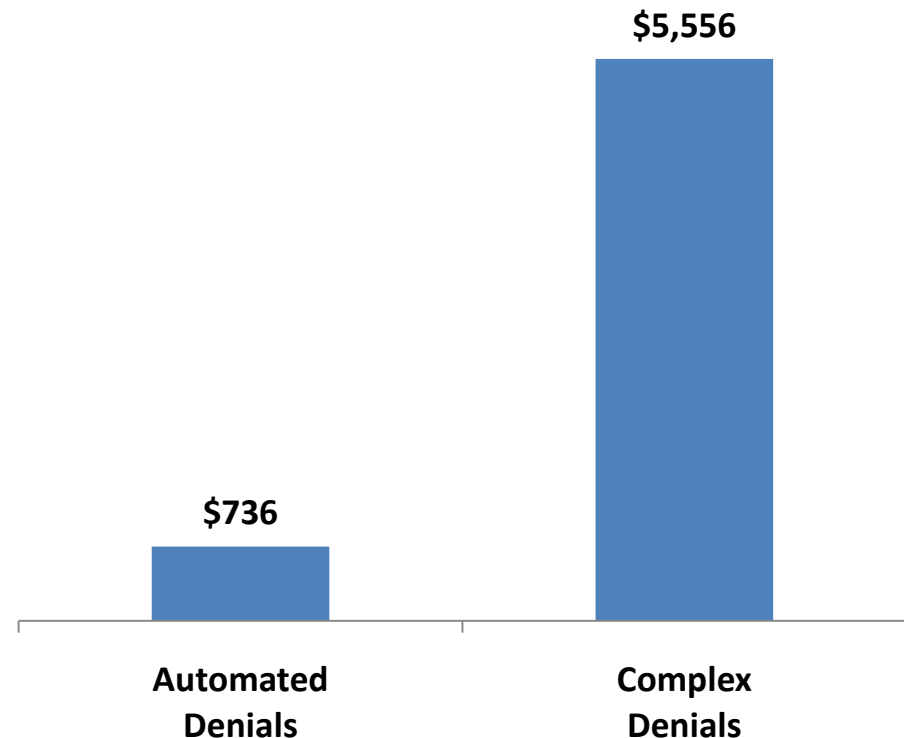
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The average dollar value of an automated denial was \$768 and the average dollar value of a complex denial was \$5,556.

## Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3<sup>rd</sup> Quarter 2012

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$736	\$5,556
Region A	\$539	\$5,412
Region B	\$475	\$4,824
Region C	\$865	\$5,623
Region D	\$639	\$6,197



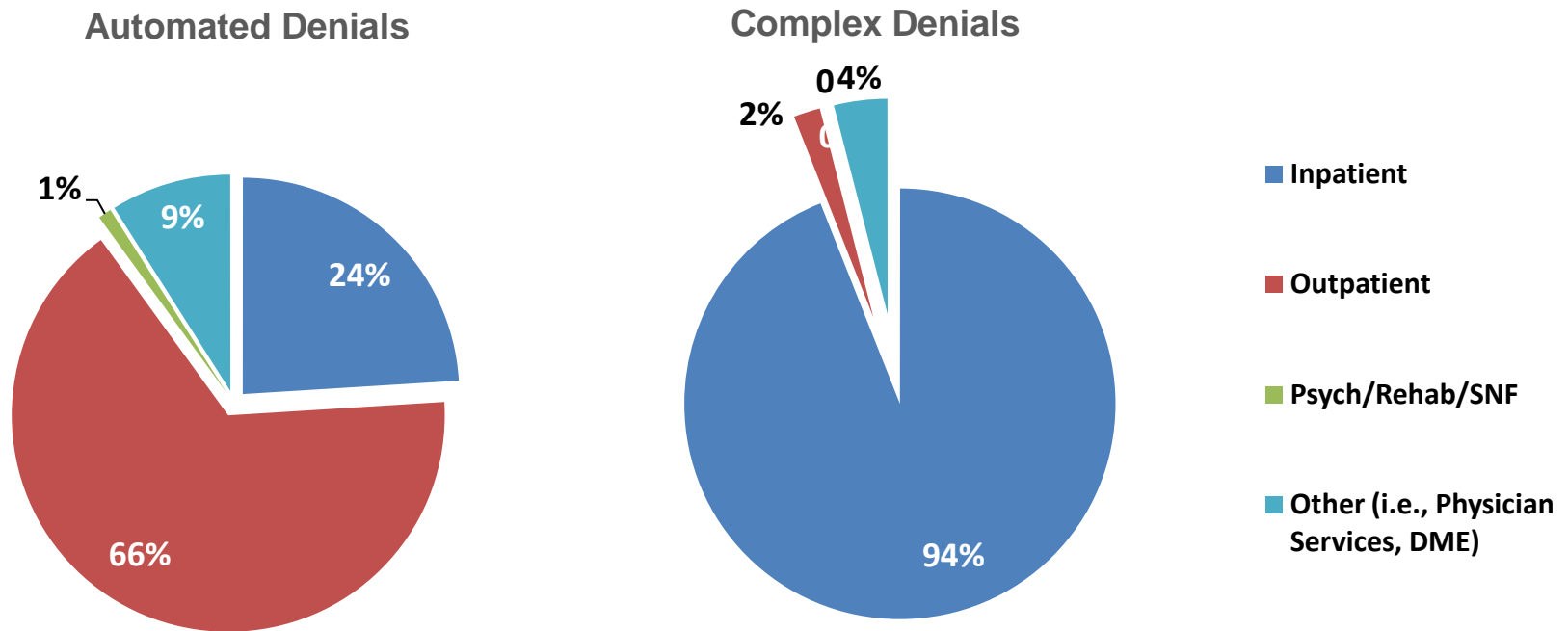
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# In dollar terms, the top service area for automated denials was Outpatient and for complex denials, Inpatient.

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

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



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

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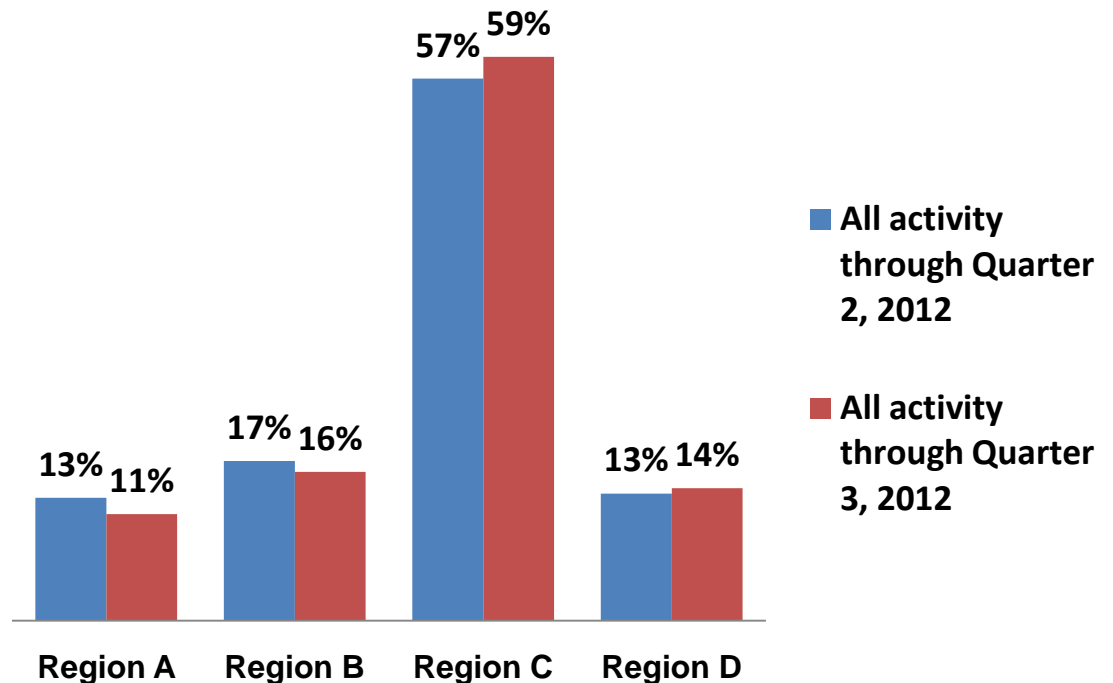
## Automated RAC Denials



# 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 3<sup>rd</sup> Quarter 2012

	Total Number of Automated Denials by RAC Region through 3 <sup>rd</sup> Quarter 2012
Region A	7,246
Region B	10,099
Region C	38,243
Region D	8,989



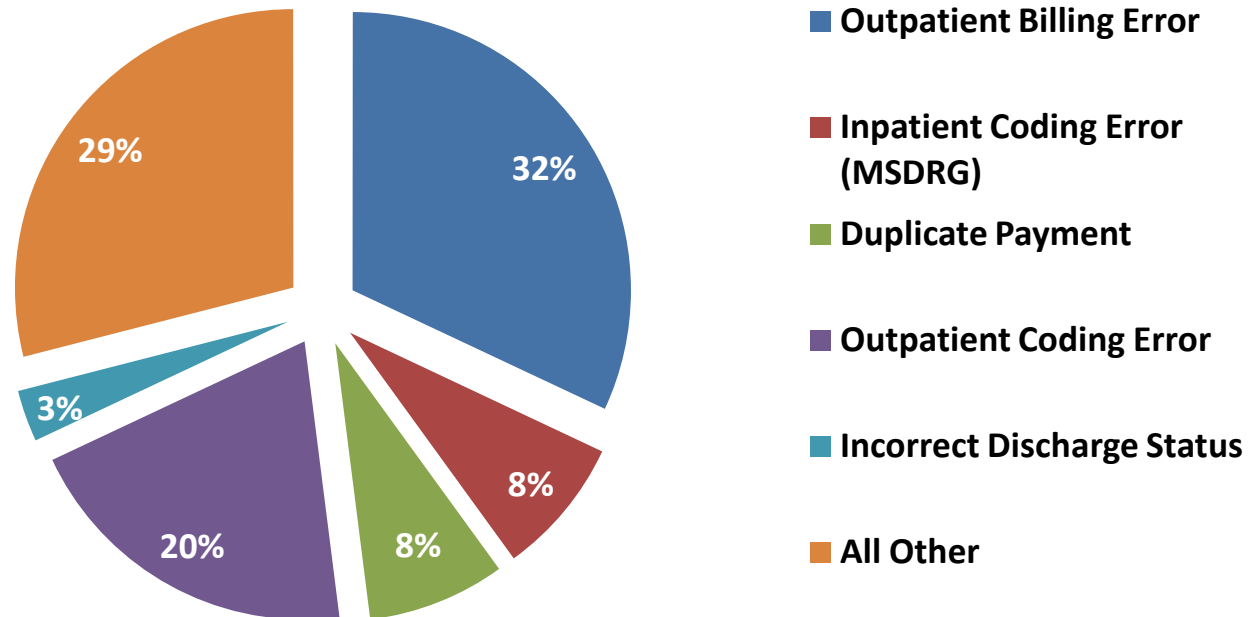
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# RACs are issuing automated denials for many different reasons.

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

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



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

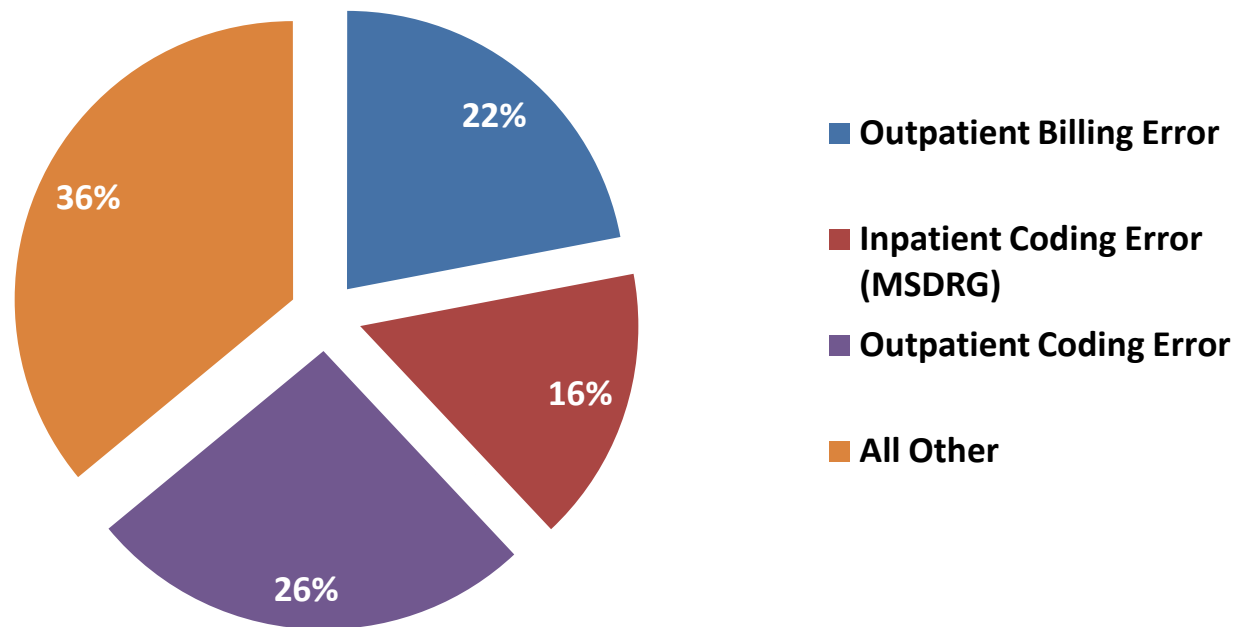
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# Region A: A significant portion of hospitals cited “other” as the top reason for automated denial.

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

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



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

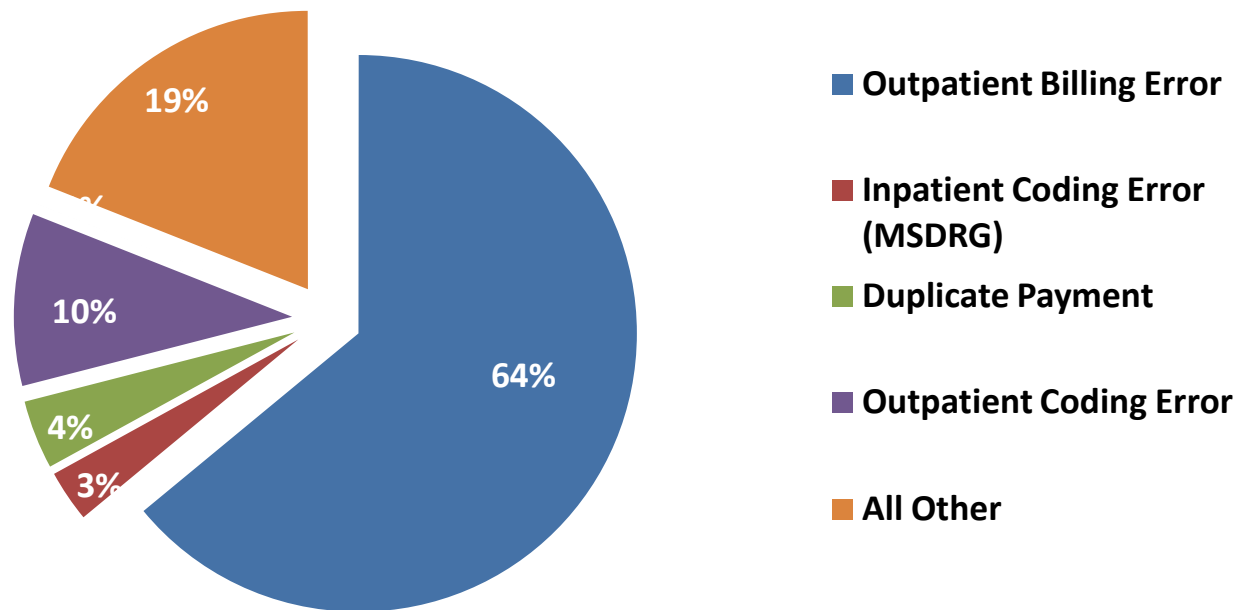
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# Region B: Hospitals more commonly ranked outpatient billing error as the top reason for automated denials than in other regions.

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

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



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

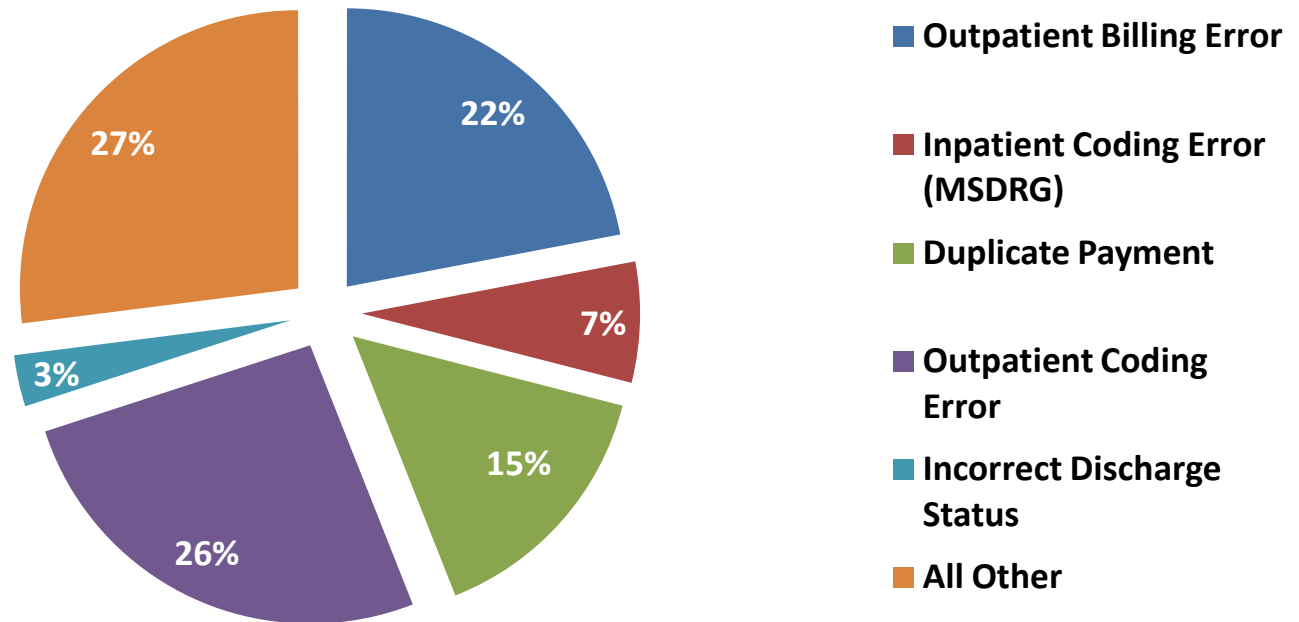
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# Region C: Top denial reasons were fairly consistent with the national trend reflecting a wide range of denial reasons.

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

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



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

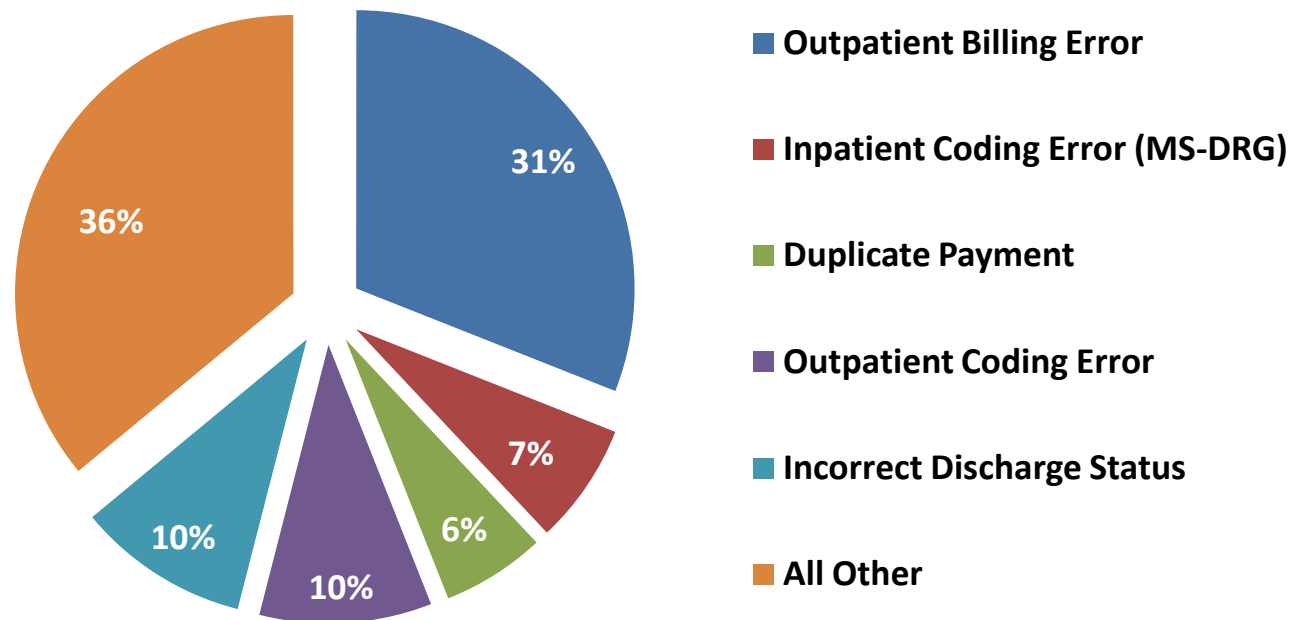
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# Region D: A significant portion of hospitals cited “other” as the top reason for automated denial.

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

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



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

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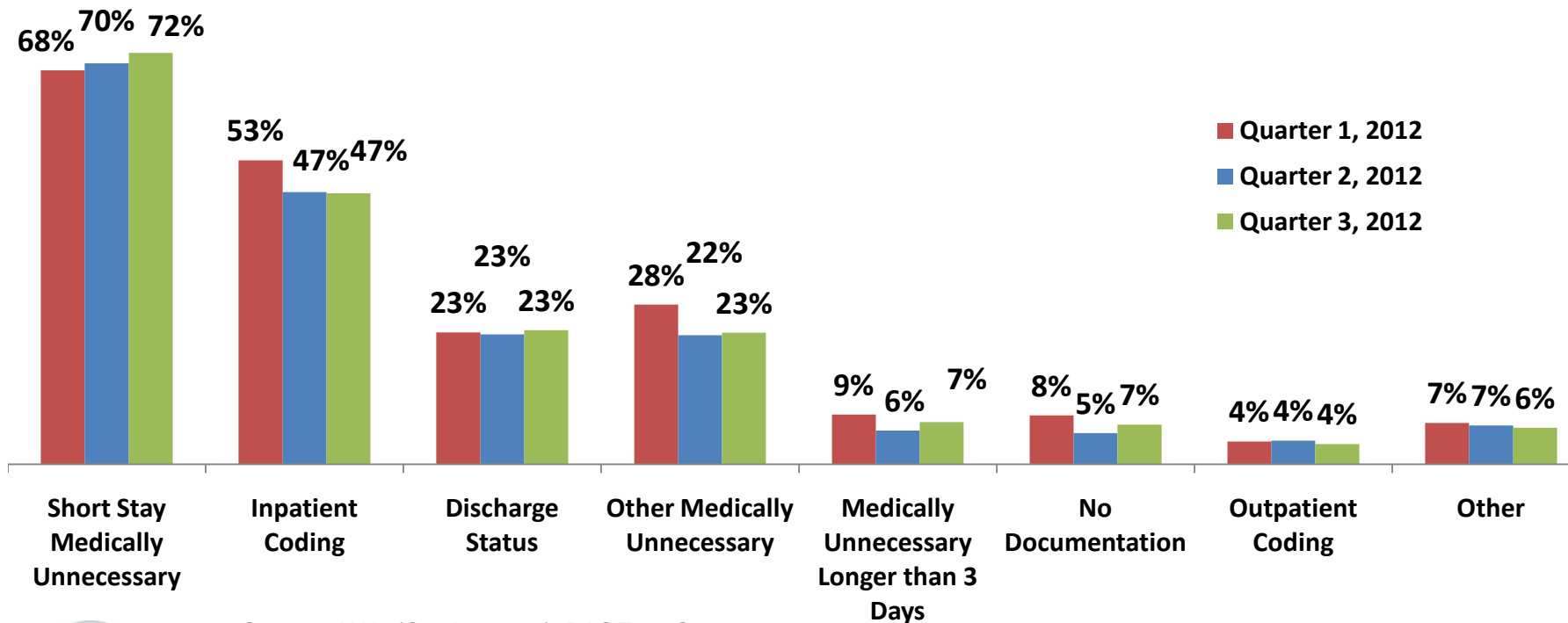


## Complex RAC Denials

# 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, 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter, 2012

Survey participants were asked to select all reasons for denial.



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

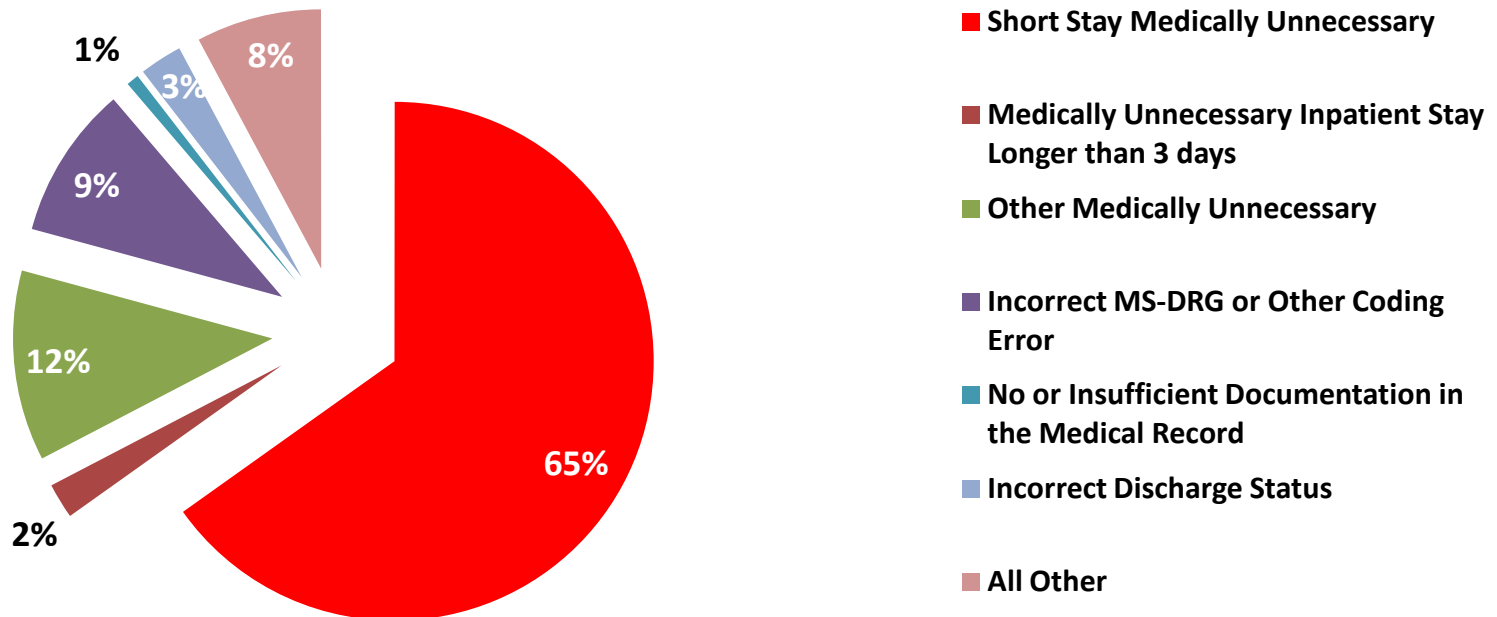
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# 65% of hospitals indicated medical necessity denials were the most costly complex denials.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2012

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



Source: AHA. (October 2012). RAC TRAC 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 3<sup>rd</sup> Quarter 2012

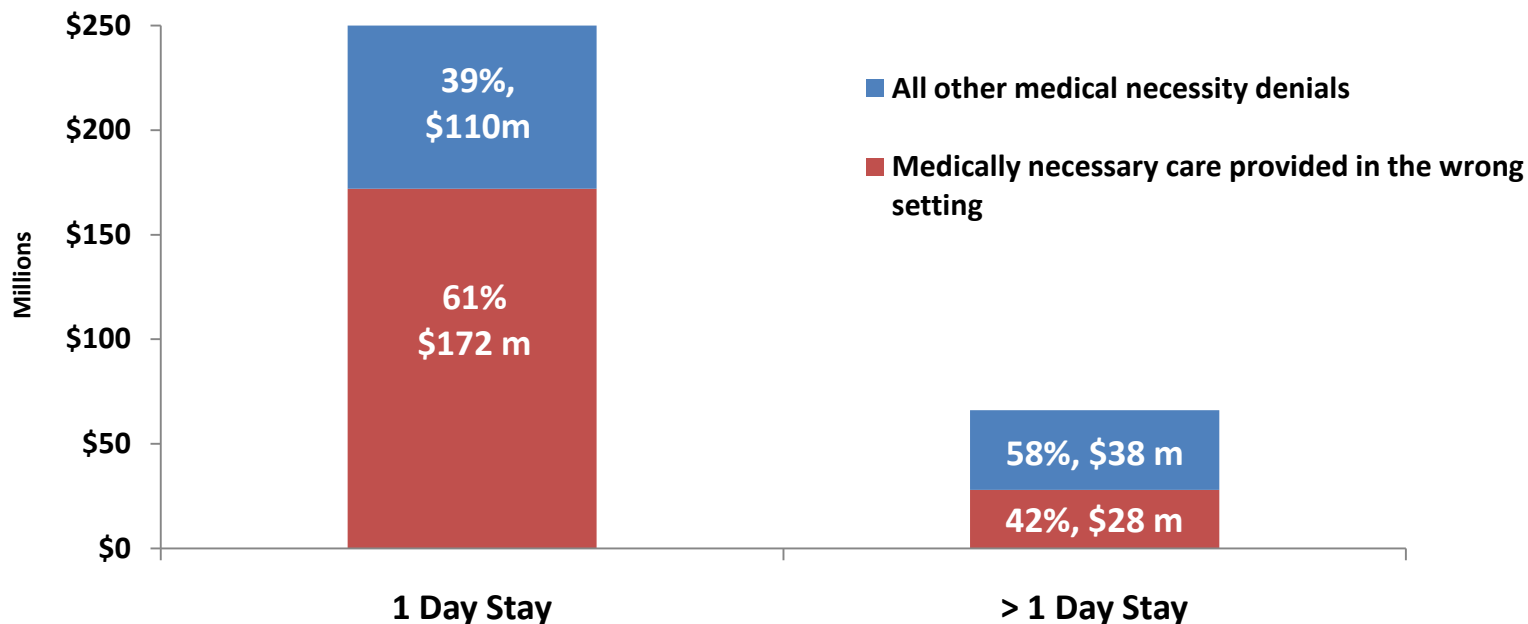


Chart includes hospitals reporting any inappropriate setting denials or the ability to track inappropriate setting denials. Not all hospital decision-support systems and RAC TRAC compatible vendors have made accommodations to allow hospitals to answer this question yet. As a result, the volume of medical 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). RAC TRAC Survey

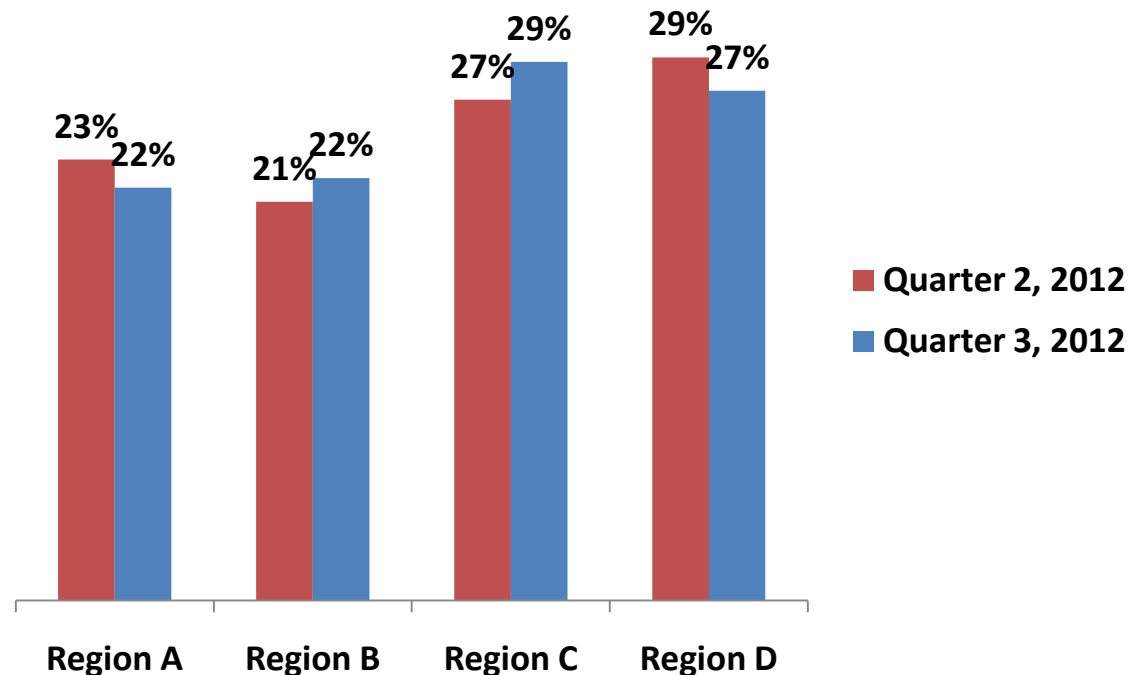
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# All regions are reporting a significant number of complex denials.

## Percent and Number of Reported RAC Complex Denials for Participating Hospitals, by Region, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2012

	Total Number of Claims with Overpayment Determination
Region A	44,039
Region B	45,058
Region C	57,456
Region D	54,388



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

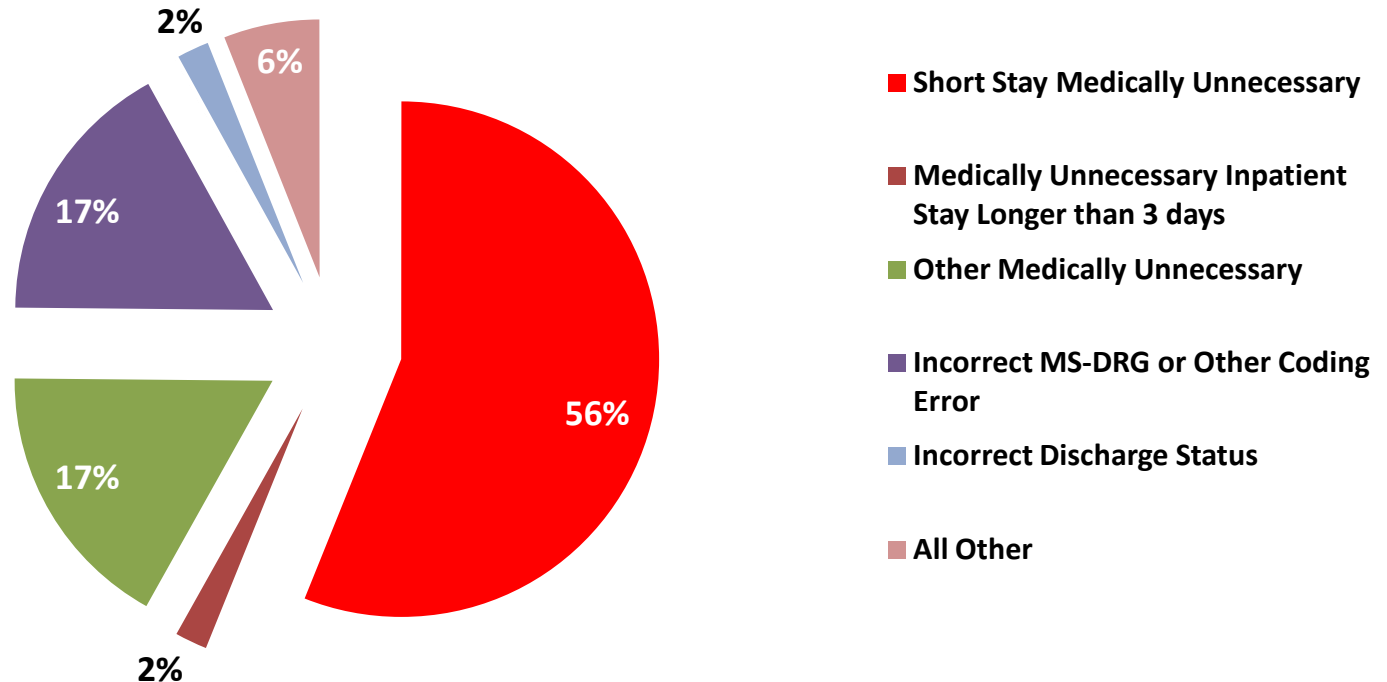
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# Region A: Medically unnecessary was identified by 75% of hospitals as the top reason for complex denials.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2012, Region A

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



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

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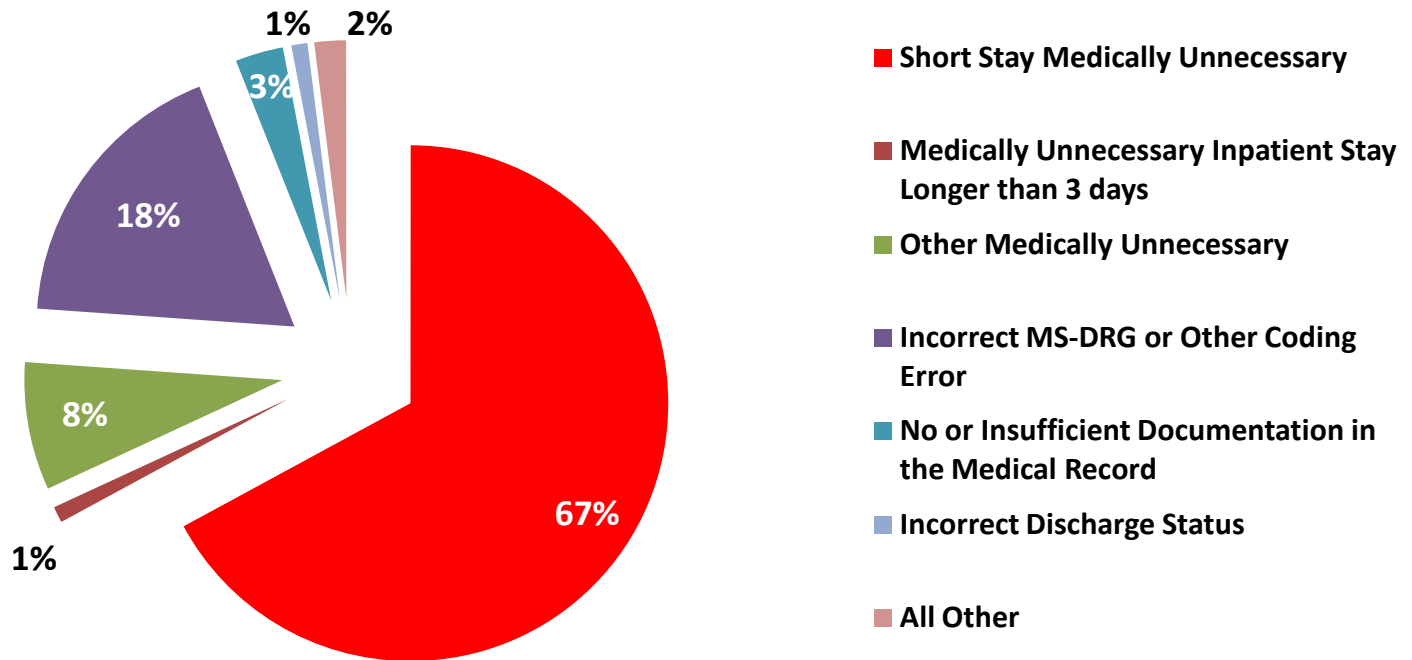
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# Region B: Medically unnecessary was identified by 76% of hospitals as the top reason for complex denials.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2012, Region B

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



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

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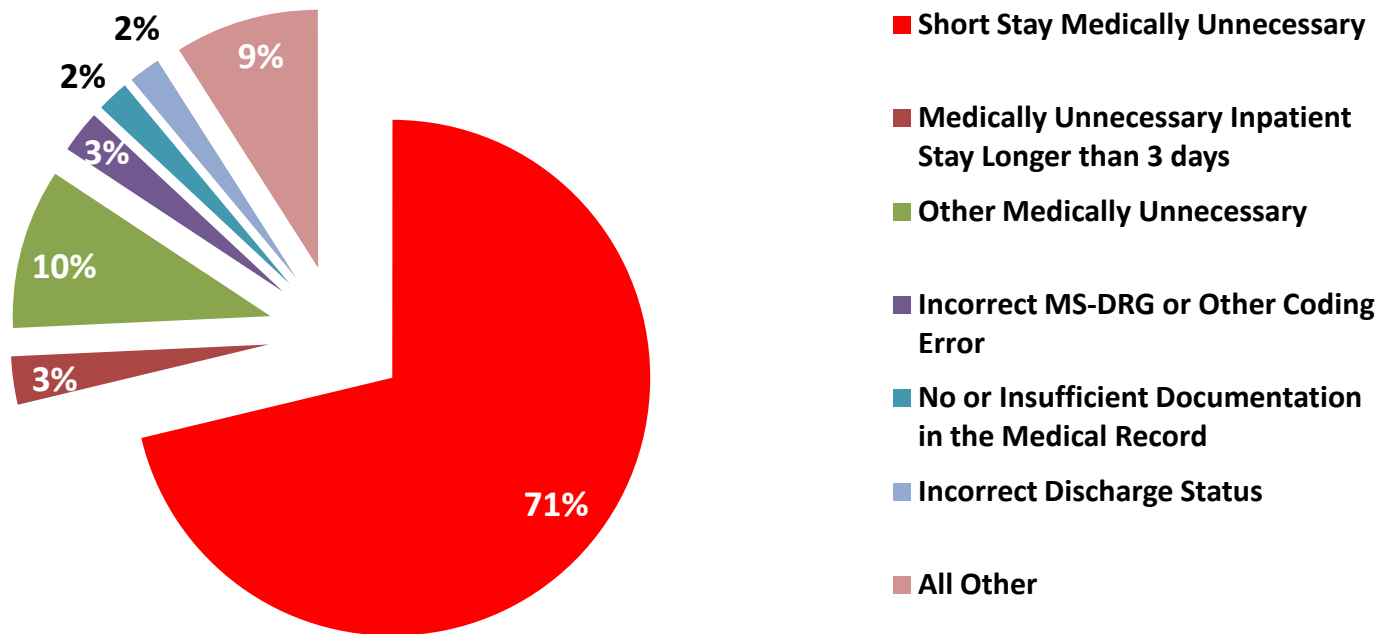
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# Region C: Medically unnecessary was identified by 84% of hospitals as the top reason for complex denials.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2012, Region C

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



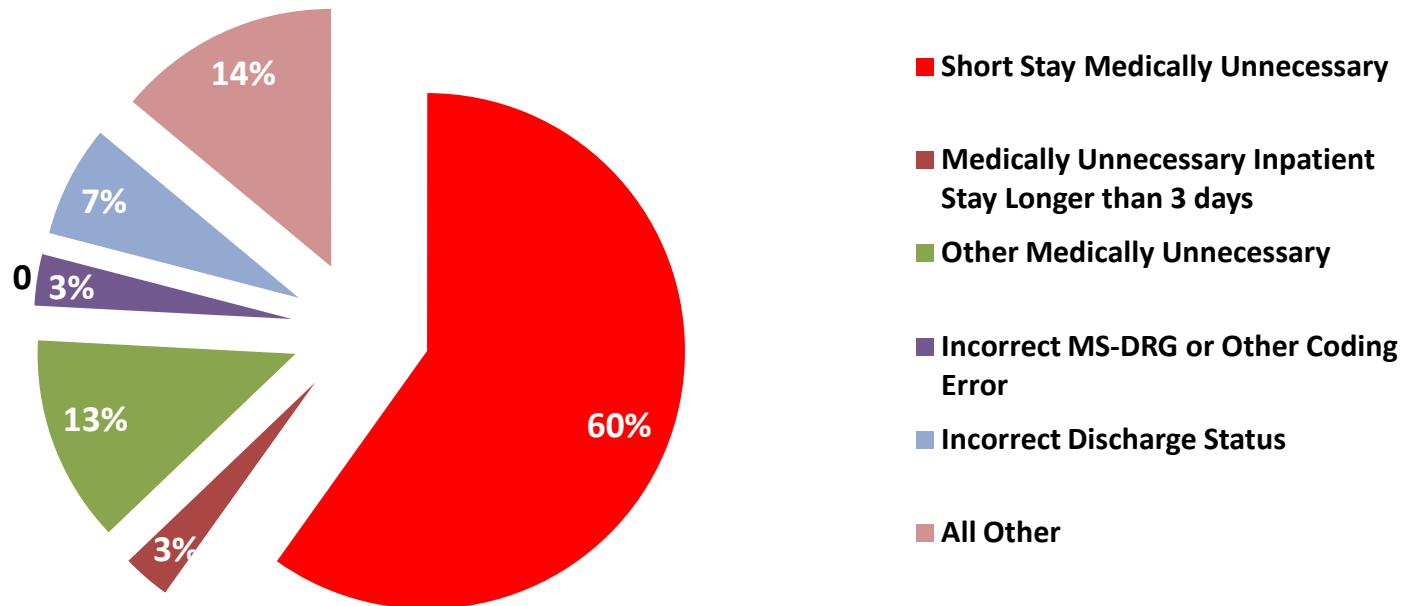
Source: AHA. (October 2012). RAC TRAC Survey

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.

# Region D: Medically unnecessary was identified by 76% of hospitals as the top reason for complex denials.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2012, Region D

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



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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# 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 3<sup>rd</sup> Quarter 2012

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

## Medical Necessity Denials

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

## All Other Complex Denials

MS-DRG	Description	% of Hospitals
312	SYNCOPE & COLLAPSE	6%
247	PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC	5%
981	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC	5%
166	OTHER RESP SYSTEM O.R. PROCEDURES W MCC	4%
313	CHEST PAIN	4%



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

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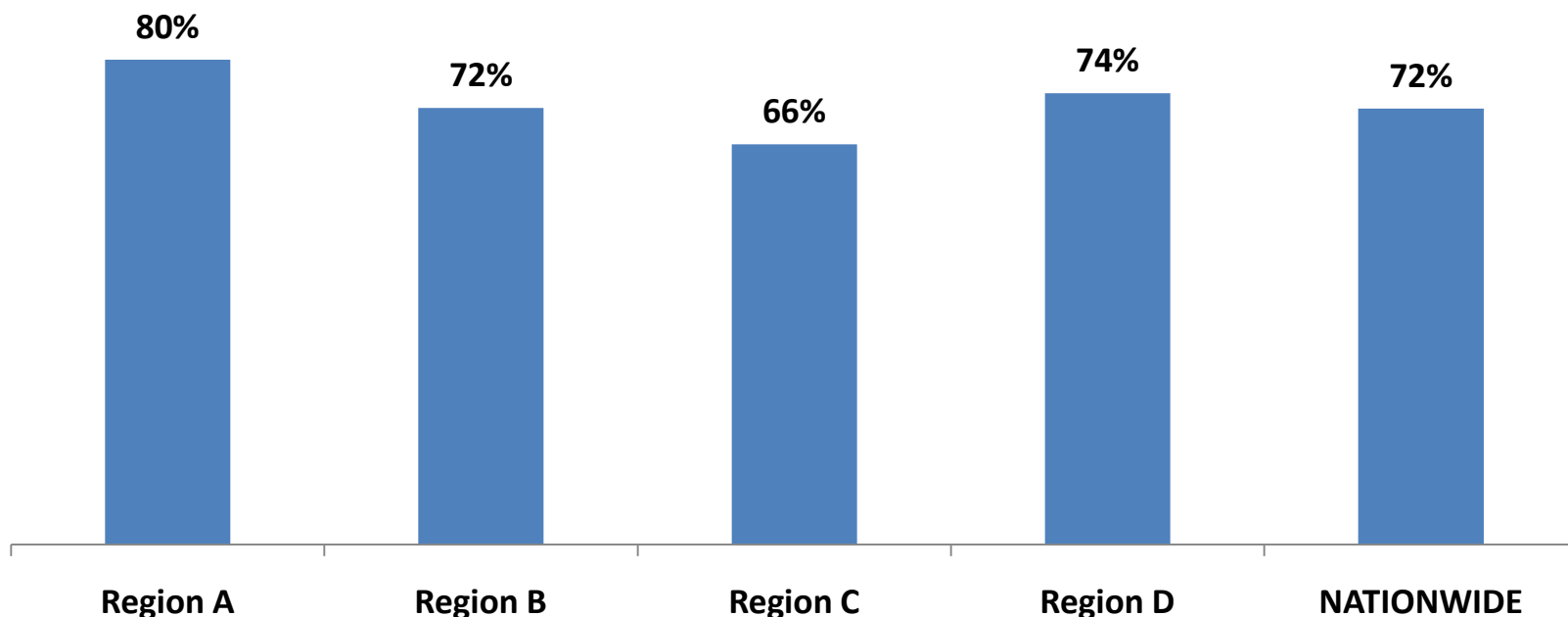




Underpayments

# 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 3<sup>rd</sup> Quarter 2012



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

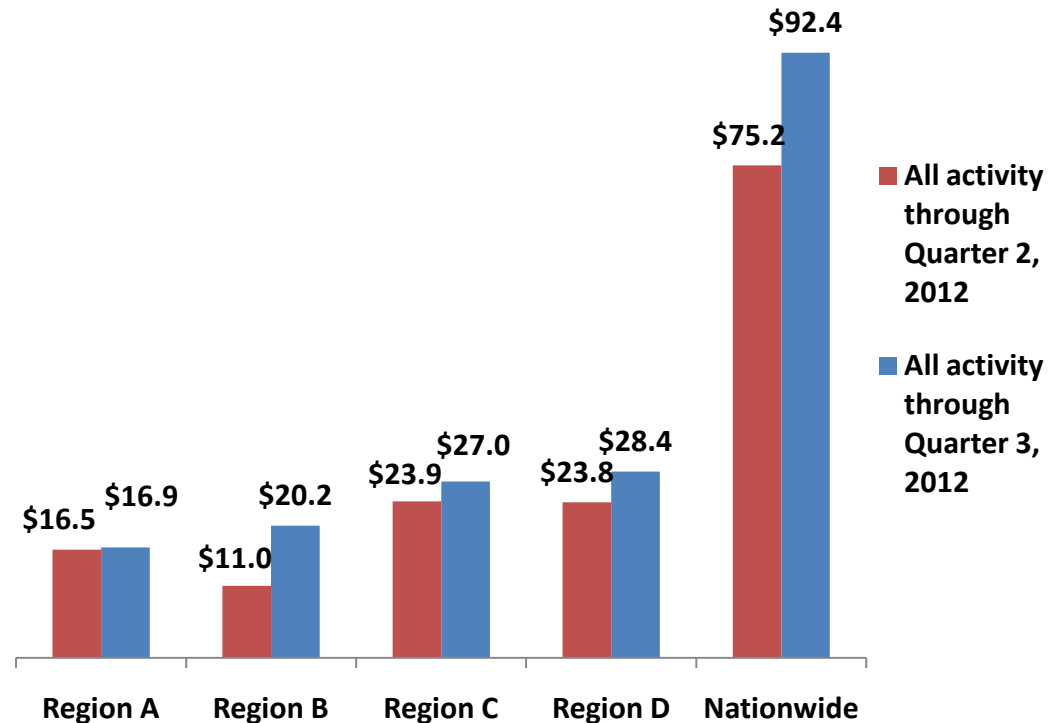
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# Hospitals reported RAC-identified underpayments totaling \$92 million dollars.

Total Dollar Value of Underpayment Determinations for Participating Hospitals, By Region, through 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2012, in Millions

	Number of RAC Underpayment Determinations, through Quarter 3, 2012
NATIONWIDE	17,814
Region A	3,009
Region B	2,675
Region C	5,935
Region D	6,195



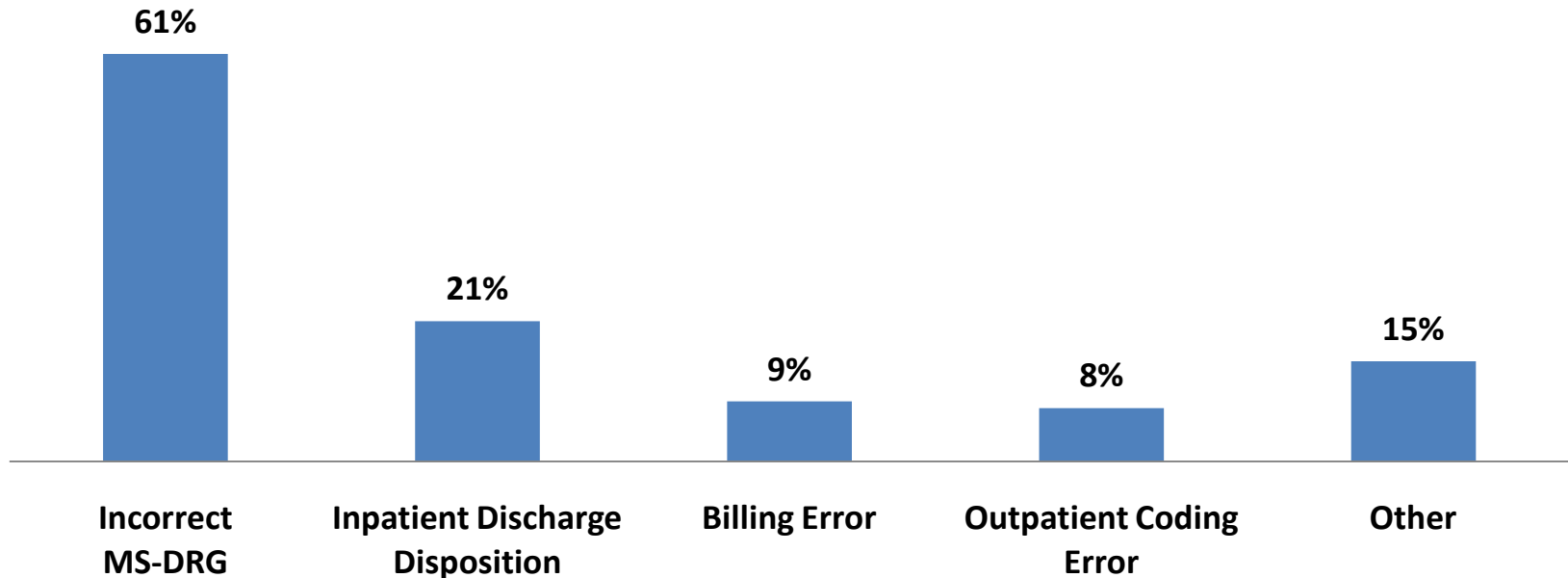
Source: AHA. (October 2012). RAC TRAC Survey

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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, 3<sup>rd</sup> Quarter 2012

*Survey participants were asked to select all reasons for underpayment.*



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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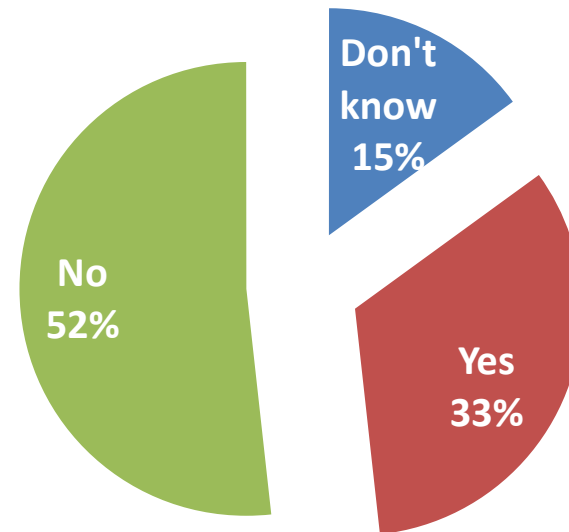
Appeals

# 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, 3<sup>rd</sup> Quarter 2012

### Reversed Denials by RAC Region

	Yes	No	Don't Know
<b>Region A</b>	44%	47%	9%
<b>Region B</b>	33%	52%	15%
<b>Region C</b>	29%	58%	13%
<b>Region D</b>	31%	45%	24%



*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.*

Source: AHA. (October 2012). RACTRAC Survey

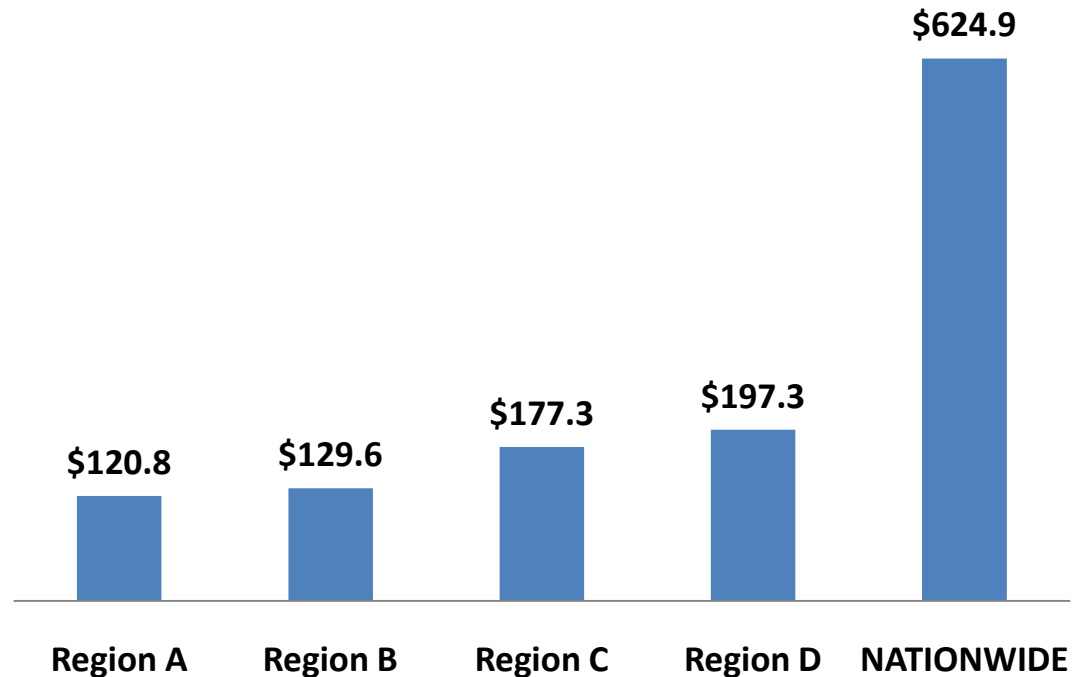
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# The value of appealed claims exceeds a half a billion dollars. On average, hospitals report appealing 143 claims to date.

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

	Percent of Hospitals with Any Appealed Denials	Average Number of Appealed Denials per Hospital
NATIONWIDE	84%	143
Region A	86%	160
Region B	88%	98
Region C	81%	143
Region D	81%	192



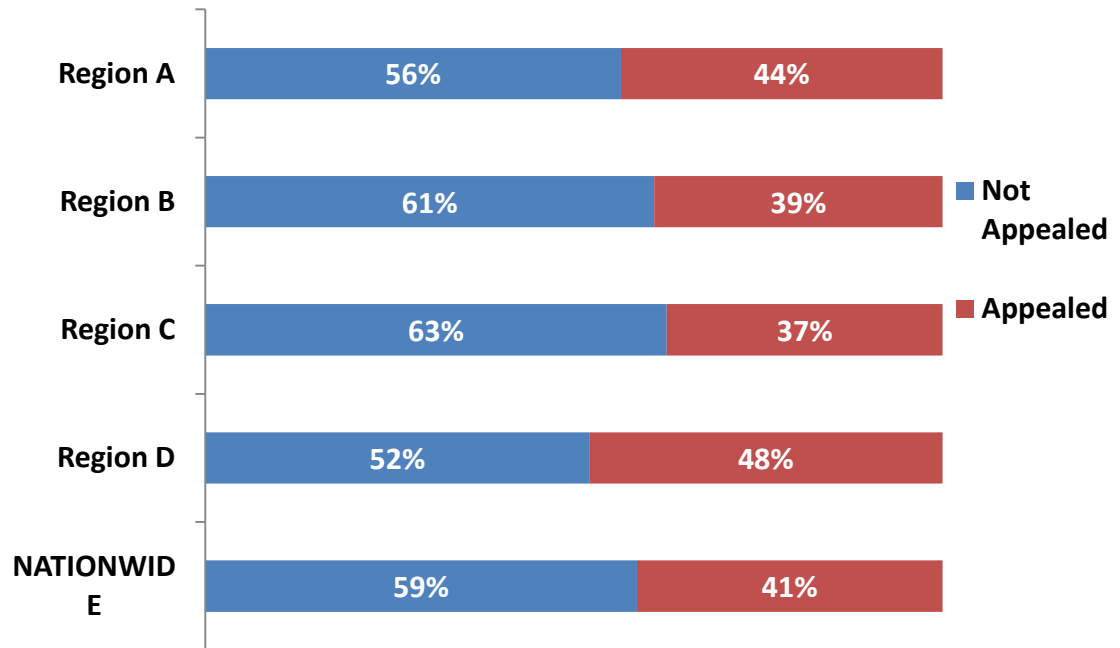
Source: AHA. (October 2012). RAC TRAC Survey

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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 3<sup>rd</sup> Quarter 2012

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



\* 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). RAC TRAC Survey

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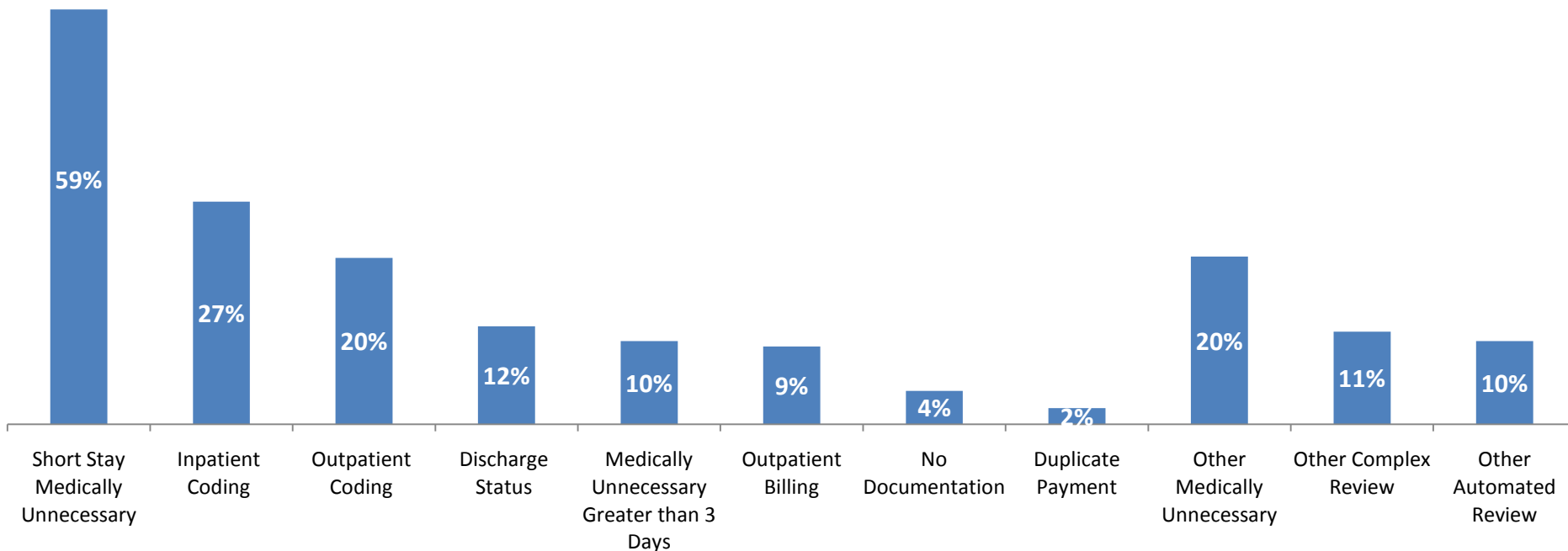




# Nearly 60% of all hospitals filing a RAC appeal during the 3<sup>rd</sup> Quarter of 2012 reported appealing short stay medically unnecessary denials.

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

Survey participants were asked to select all reasons for denial.



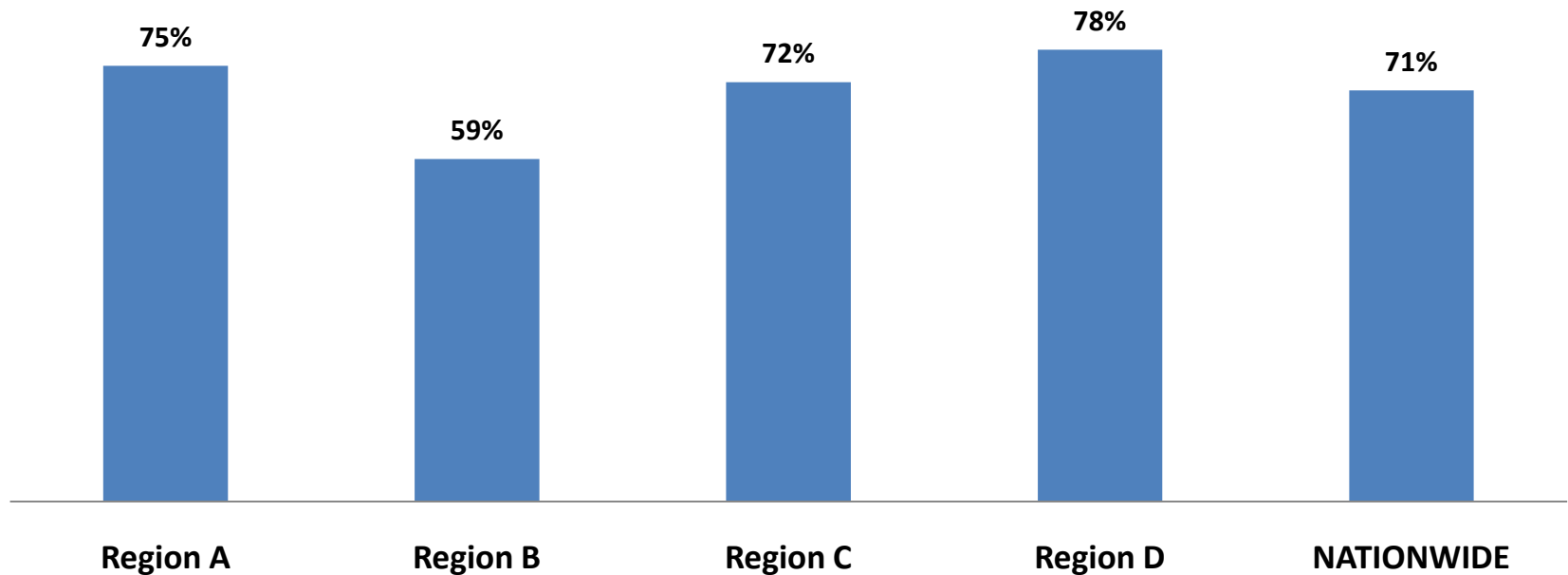
Source: AHA. (October 2012). RAC TRAC Survey

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# 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 3<sup>rd</sup> Quarter 2012



*Manual survey entries only for Region A.*



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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# 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 3<sup>rd</sup> Quarter 2012

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

*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.*

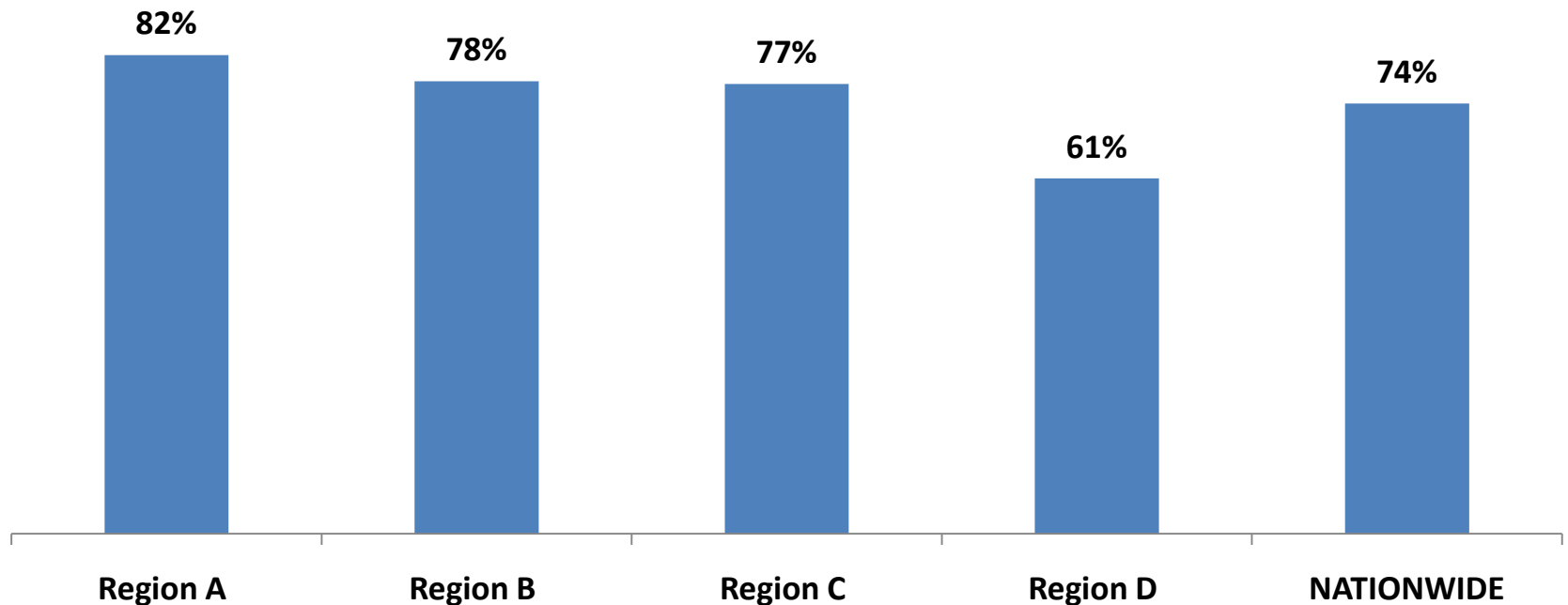


Source: AHA. (October 2012). RAC TRAC Survey

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When hospitals choose to appeal, they win 74% of the time. Region A has the highest overturn rate upon appeal at 82%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 3<sup>rd</sup> Quarter 2012



*Manual survey entries only for Region A.*



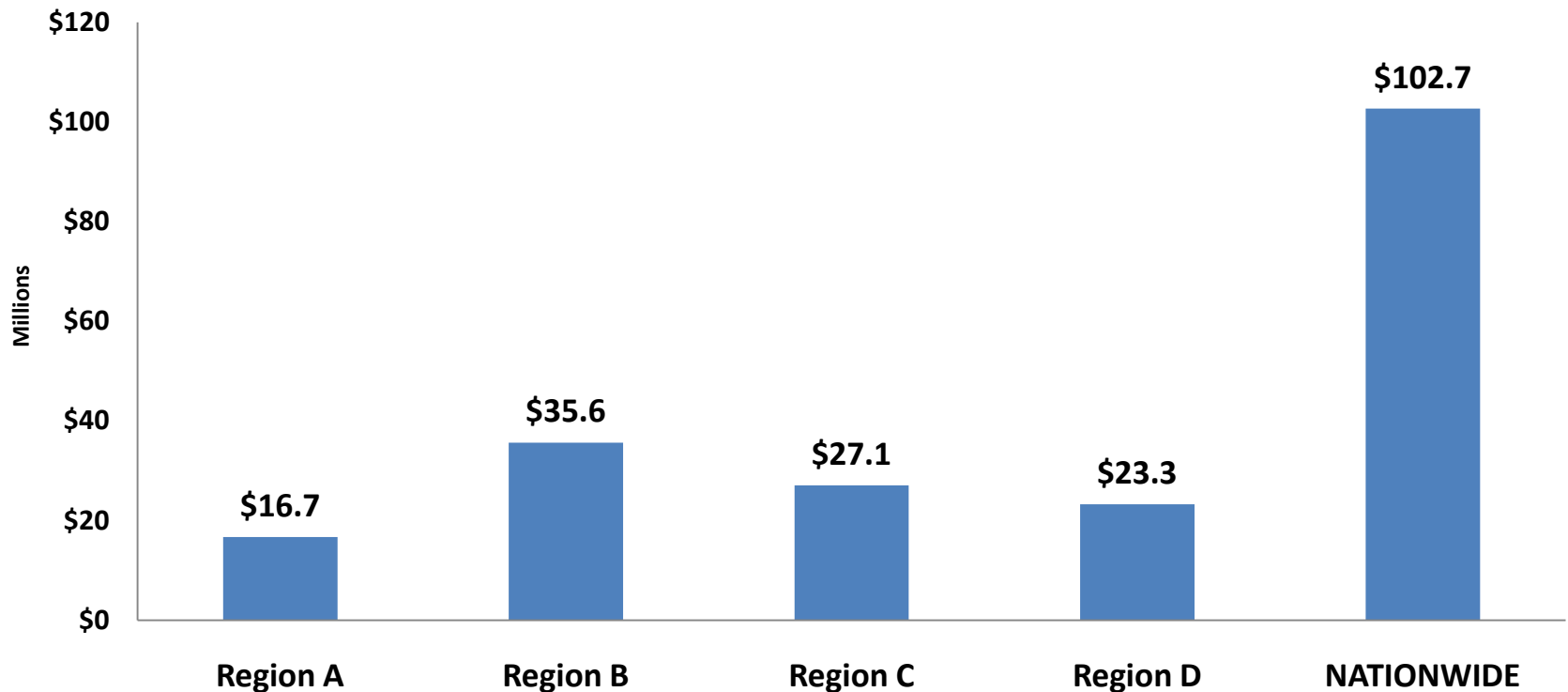
Source: AHA. (October 2012). RAC TRAC Survey

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# Hospitals reported a total of \$102.7 million in overturned denials, with \$35.6 million in Region B alone.

Value of Denials Overturned in the Appeals Process, by Region, through 3<sup>rd</sup> Quarter 2012, in Millions



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

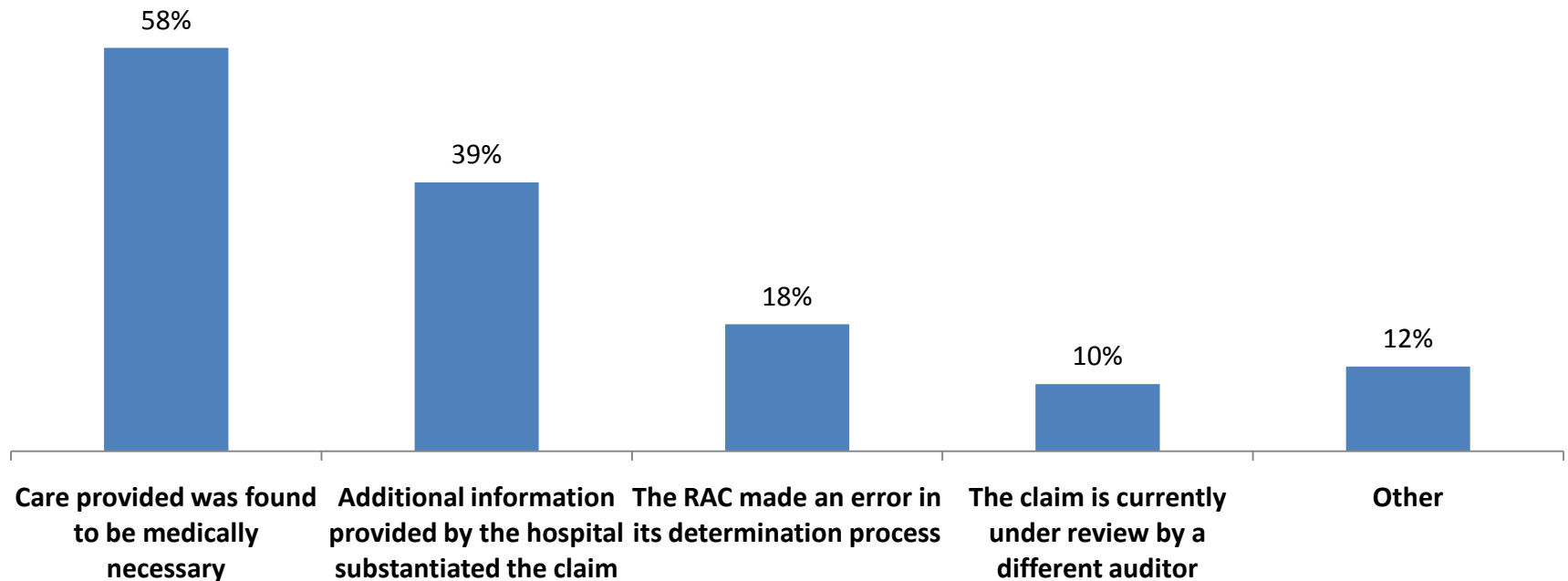
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# More than half of all hospitals with a RAC denial overturned had a denial overturned because the care was found to be medically necessary.

## Percent of Participating Hospitals That Had a Denial Overturned by Reason, 3<sup>rd</sup> Quarter 2012

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



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

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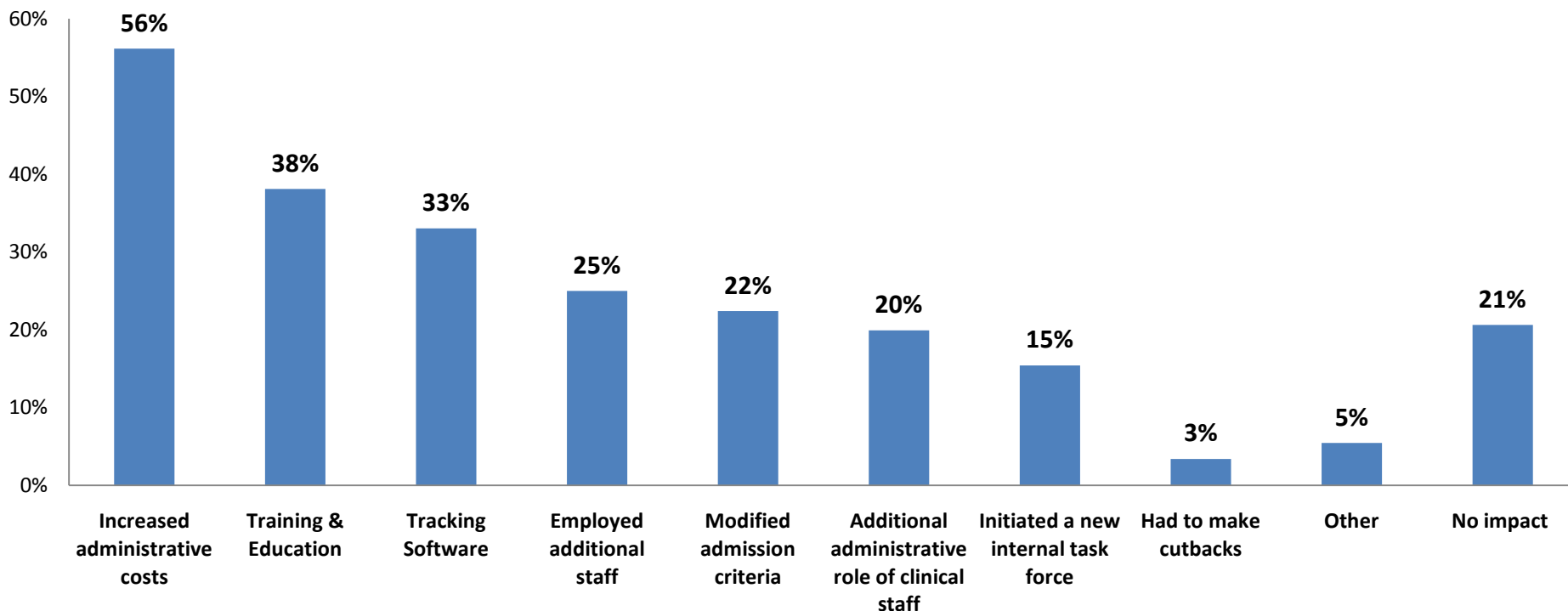
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# Administrative Burden

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, 3<sup>rd</sup> Quarter 2012



\* Includes participating hospitals with and without RAC activity

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

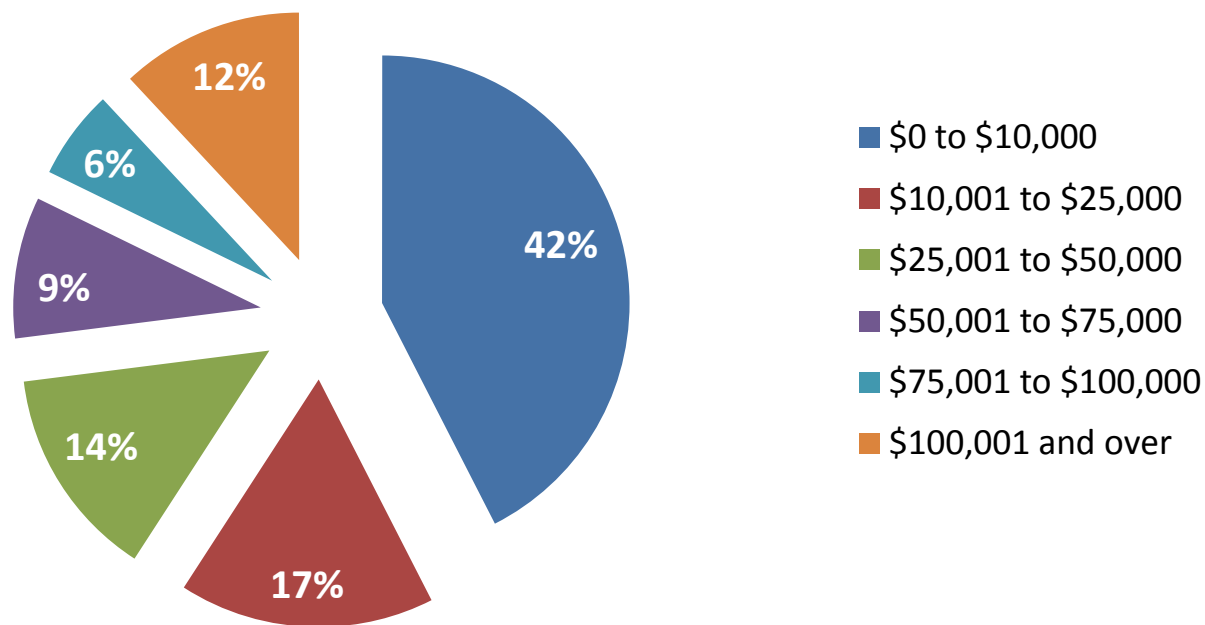
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58% of all hospitals reported spending more than \$10,000 managing the RAC process during the third quarter of 2012, 41% spent more than \$25,000 and 12% spent over \$100,000.

## Percent of Participating Hospitals\* Reporting Average Cost dealing with the RAC Program, 3<sup>rd</sup> Quarter 2012



\* Includes participating hospitals with and without RAC activity

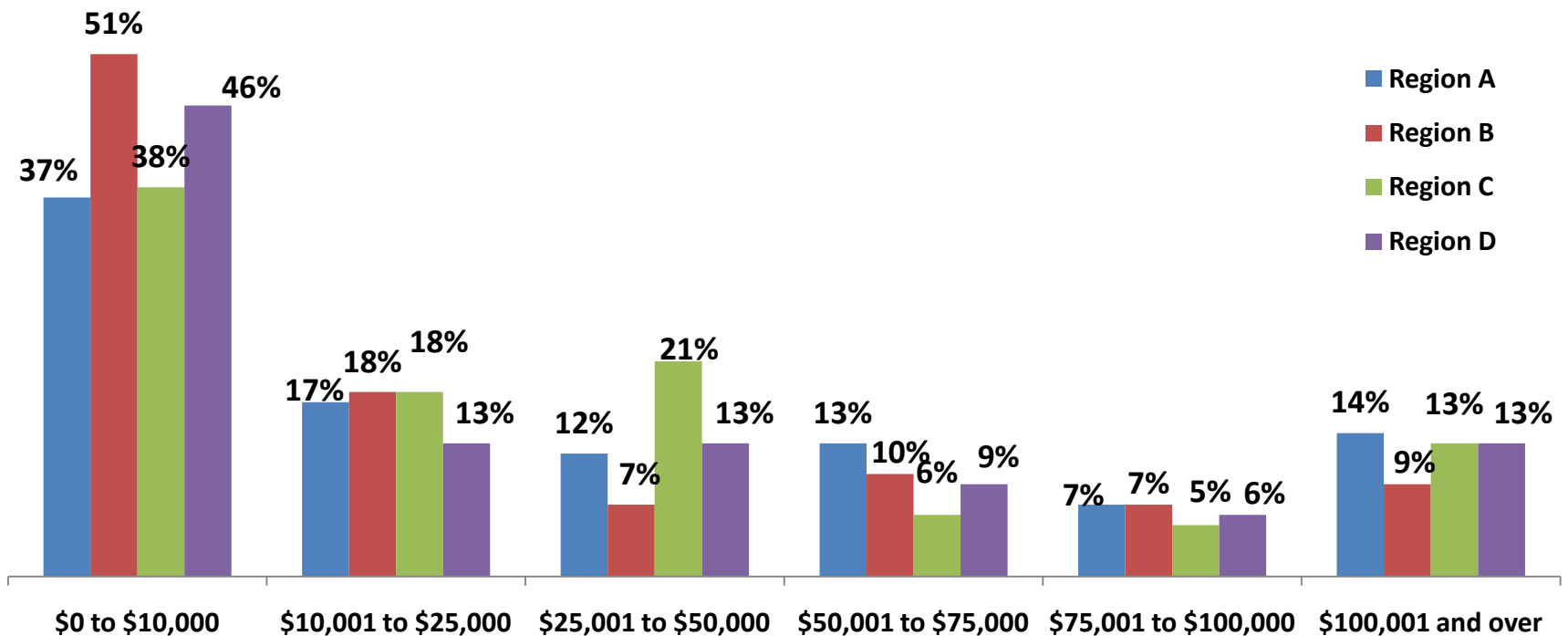
Source: AHA. (October 2012). RAC TRAC Survey

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# The additional cost of managing the RAC program varies by region.

Percent of Participating Hospitals\* Reporting Additional Cost of Managing the RAC Program, by Region, 3<sup>rd</sup> Quarter 2012

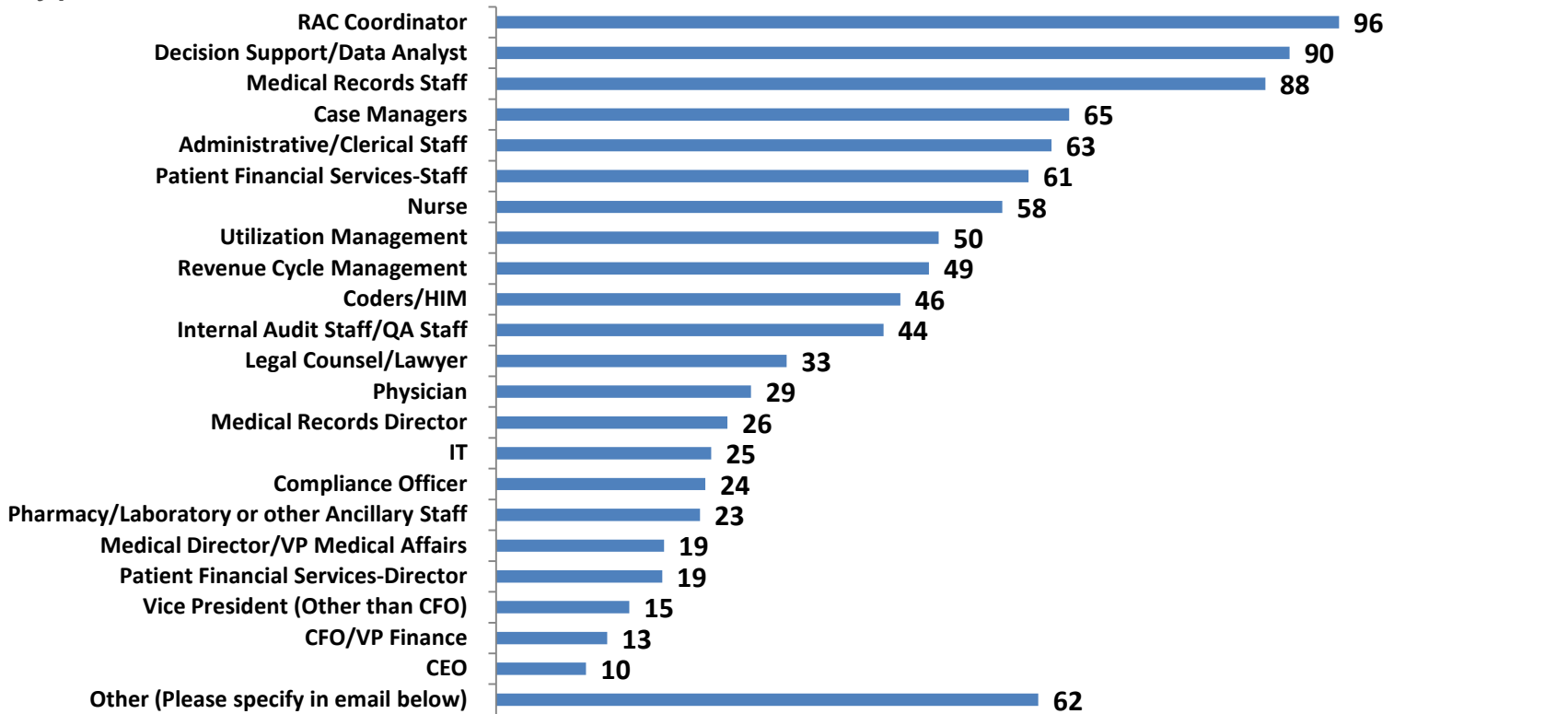


Source: AHA. (October 2012). RAC TRAC Survey

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# Hospital staff spend hundreds of hours responding to RAC activity.

## Average Hours of Staff Time Spent Per Participating Hospital\* on RAC by Staff Type, 3<sup>rd</sup> Quarter 2012



\* Includes participating hospitals with and without RAC activity

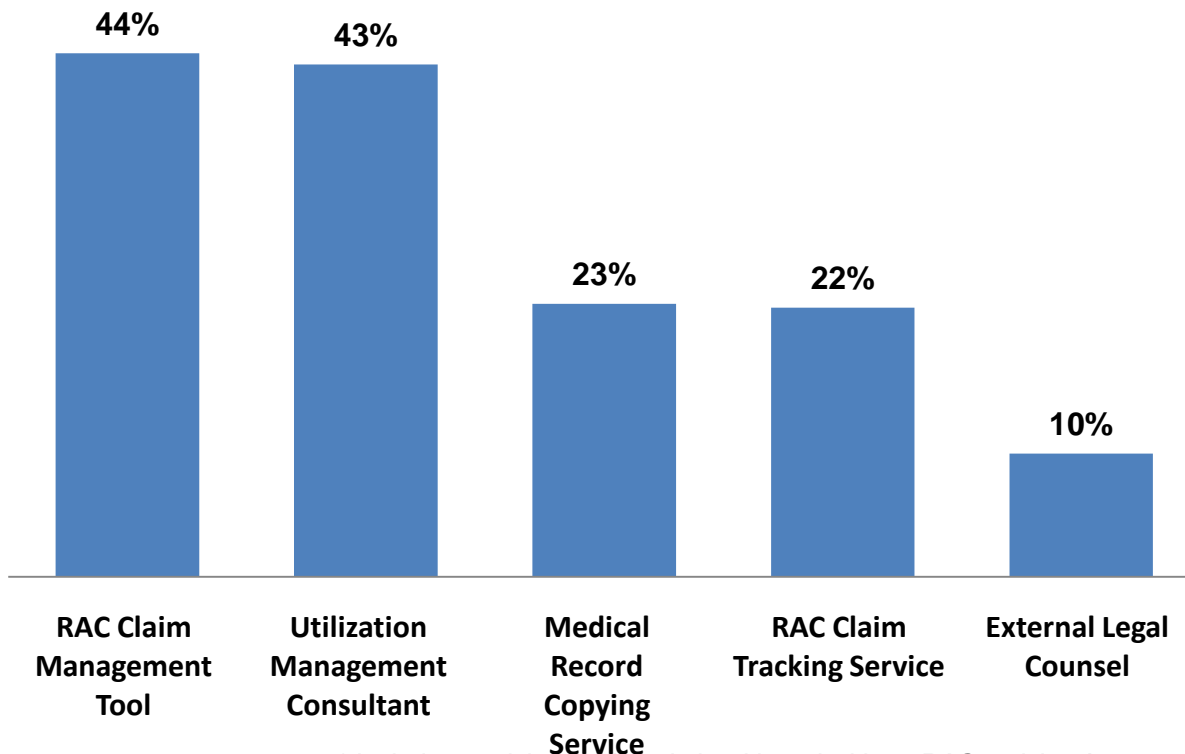


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# Many hospitals report spending on external resources such as outside consultants to deal with the RAC process.

Percent of Participating Hospitals\* that Use External Resources by Type and Average Dollars Spent *this quarter*, 3<sup>rd</sup> Quarter 2012



Administrative Burden	Average Dollar Amount This Quarter
Utilization Management Consultant	\$ 45,184
External Legal Counsel	\$ 23,175
RAC Claim Management Tool	\$ 8,977
RAC Claim Tracking Service	\$ 11,520
Medical Record Copying Service	\$ 3,572

\* 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). 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.



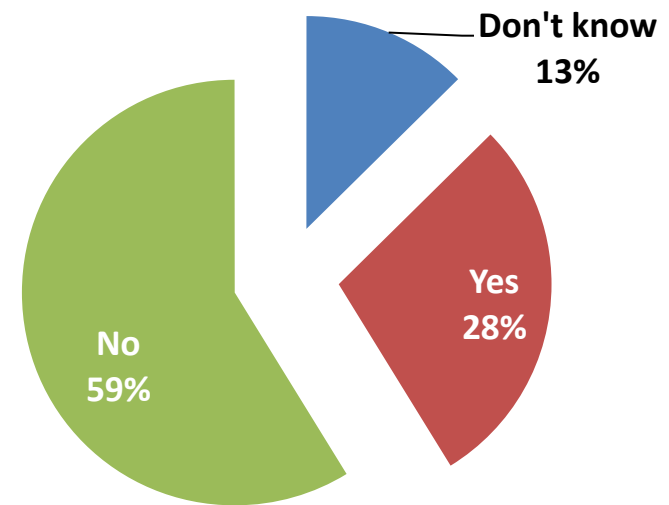
59% of respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.

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

### Reported Education by RAC Region

	Yes	No	Don't Know
Region A	36%	47%	17%
Region B	26%	58%	16%
Region C	28%	65%	7%
Region D	28%	59%	13%

### National Reporting



\* Includes participating hospitals with and without RAC activity

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

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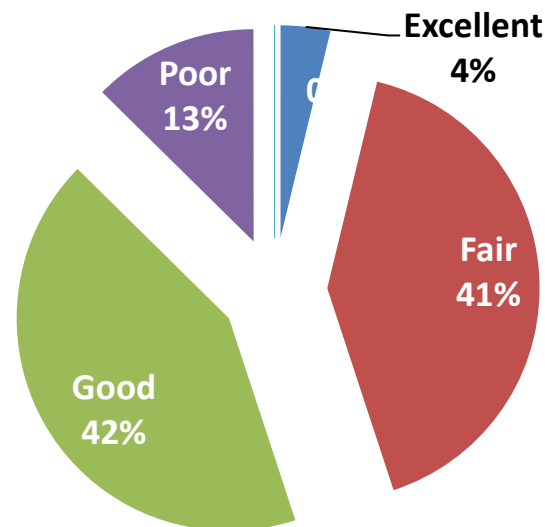
For those receiving education, the perceived quality varies by region with Region B performing the worst.

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

### Reported Effectiveness of Education by RAC Region

	Excellent	Good	Fair	Poor
Region A	0%	54%	36%	10%
Region B	6%	30%	53%	11%
Region C	4%	44%	38%	14%
Region D	6%	53%	26%	15%

### National Reporting



\* Includes participating hospitals with and without RAC activity

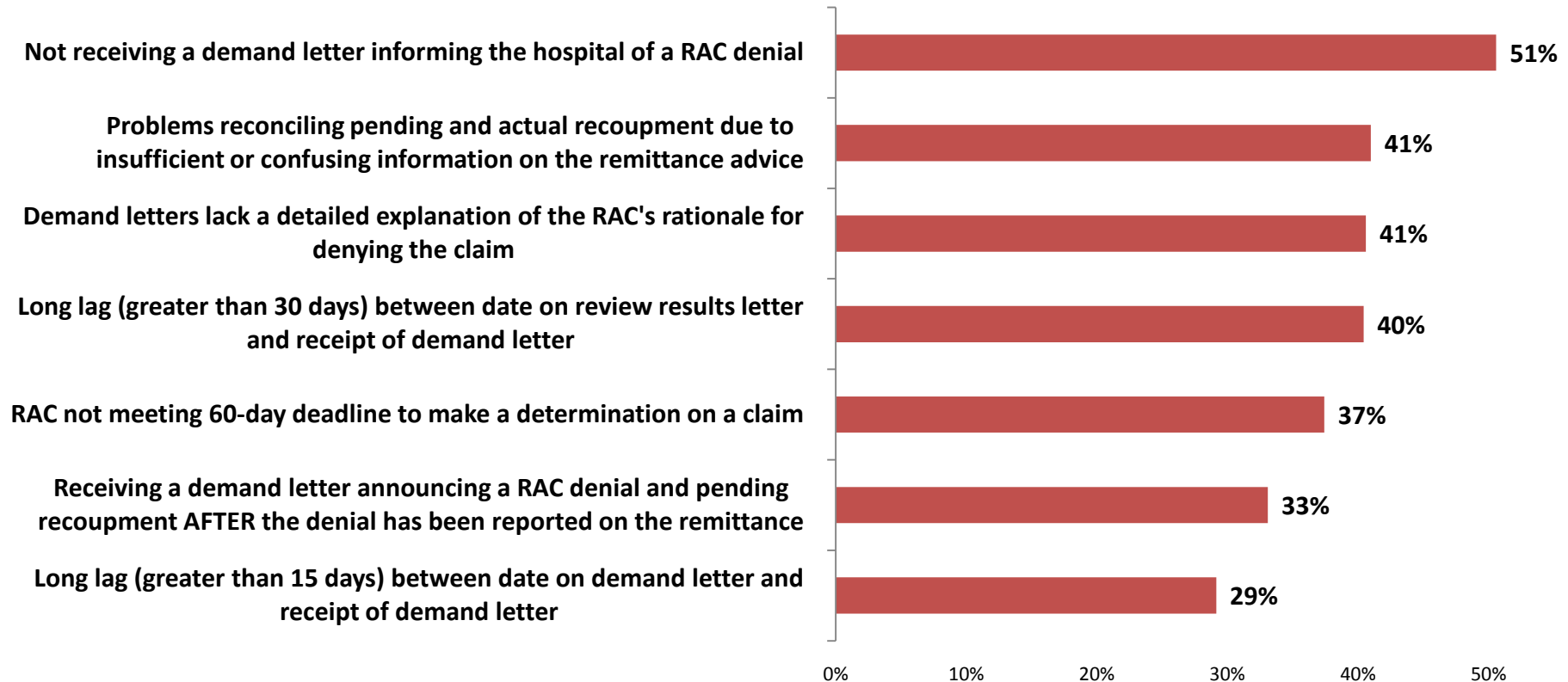
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# More than 50% of hospitals reporting RAC process issues cite 'not receiving a demand letter' as an issue.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3<sup>rd</sup> Quarter 2012



\* Includes participating hospitals with and without RAC activity

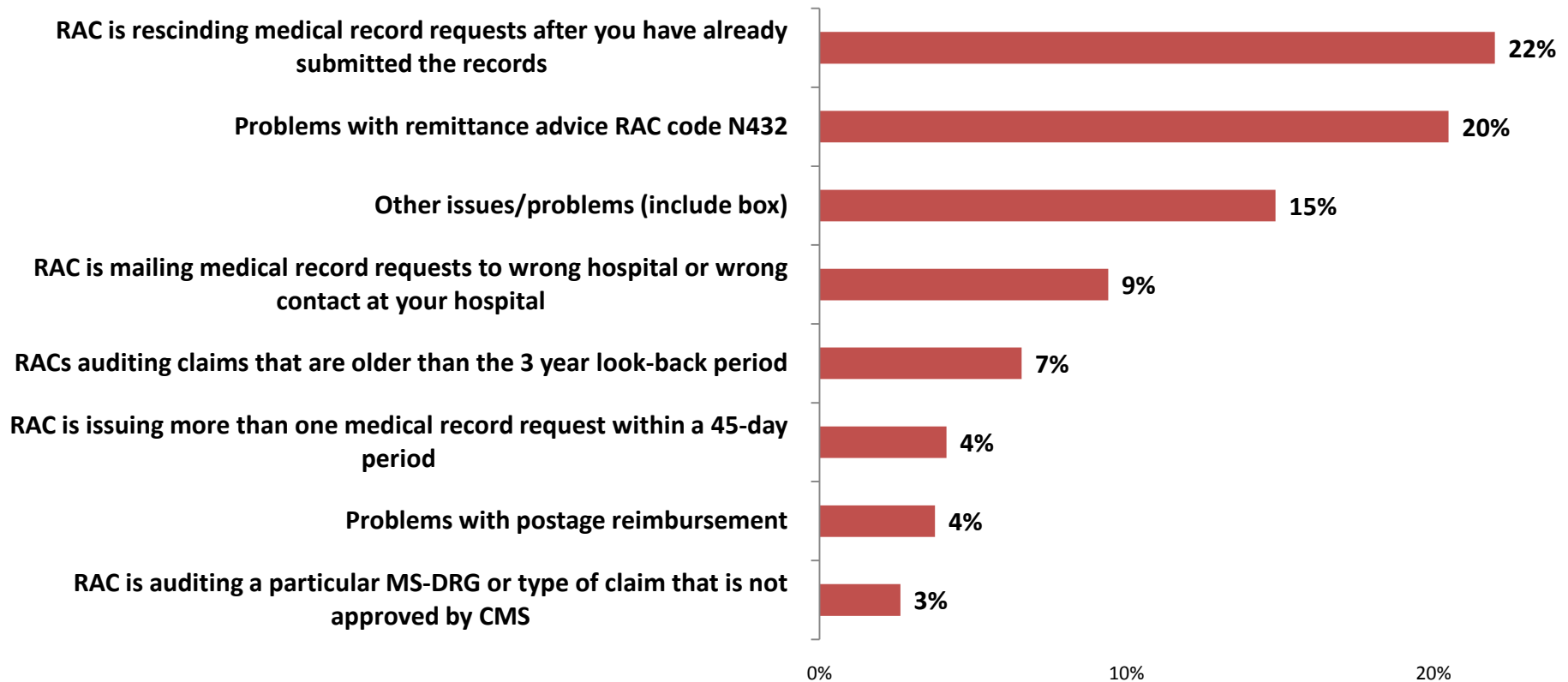
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# Hospitals continue to report a wide variety of RAC process problems.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3<sup>rd</sup> Quarter 2012



\* Includes participating hospitals with and without RAC activity

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

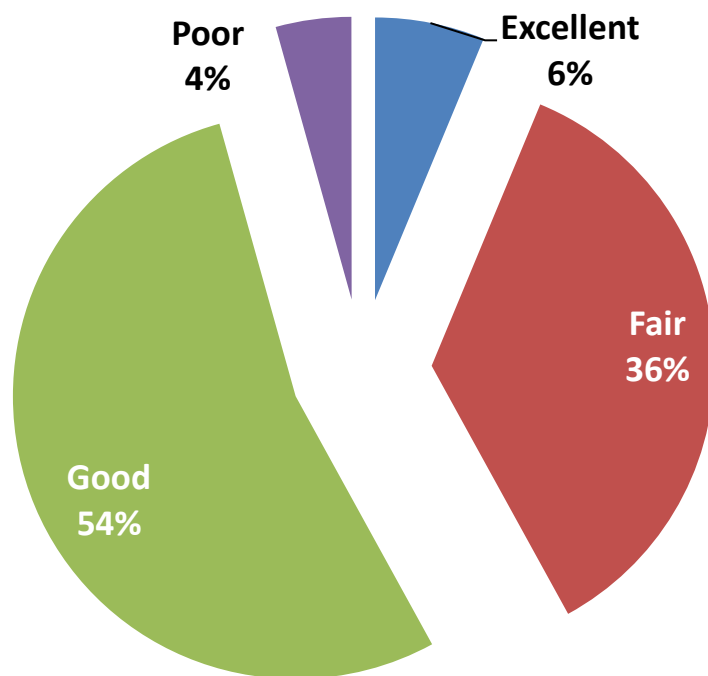
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The majority of hospital respondents indicated RAC responsiveness and overall communication was “fair” or “good.”

## Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 3<sup>rd</sup> Quarter 2012



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

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# Participating hospitals rated RAC responsiveness and communication lowest in region B.

Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 3<sup>rd</sup> Quarter 2012

	Excellent	Good	Fair	Poor
Region A	16%	60%	23%	1%
Region B	3%	50%	40%	7%
Region C	5%	52%	40%	3%
Region D	4%	57%	34%	5%

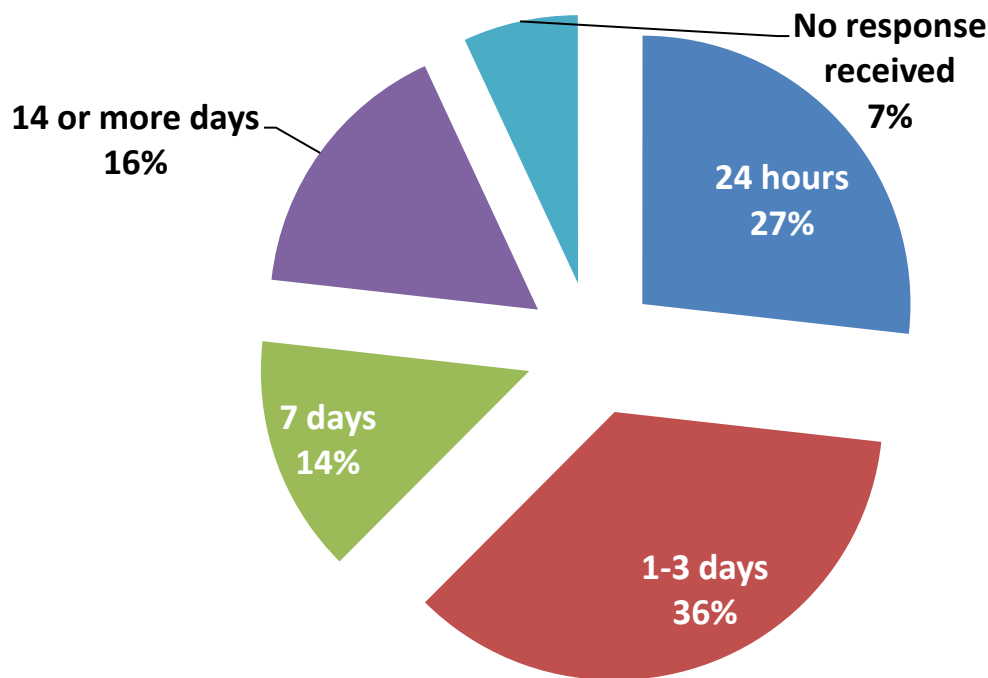


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The average wait time for a RAC response varied significantly, with nearly a quarter of hospitals reporting they did not receive a response from their RAC within 2 weeks.

### Average Number of Days it Took RACs to Respond to Hospital Inquiries for Participating Hospitals, 3<sup>rd</sup> Quarter 2012



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

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# RAC response time varied by region.

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

	24 hours	1-3 days	7 days	14 or more days	No Response Received
Region A	49%	27%	13%	7%	4%
Region B	10%	44%	15%	21%	10%
Region C	31%	36%	9%	19%	5%
Region D	22%	32%	22%	15%	9%



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.



For more information visit AHA's RAC *TRAC* website:

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