Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTrac Survey, 3rd 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), 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 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.
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 3rd 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 RACTRAC is generally consistent with hospital representation in each of the RAC regions.

### Distribution of Hospitals by RAC Region and Hospitals Participating in RACTRAC by RAC Region, through 3rd Quarter, 2012

<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>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare and Medicaid Services
RAC Activity
Nearly nine out of ten hospitals participating in RACTRAC reported experiencing RAC activity through September 2012.

Percent of Participating Hospitals Experiencing RAC Activity, 2nd and 3rd Quarter 2012

**2nd Quarter, 2012**
- Experiencing RAC Activity: 88%
- No RAC Activity: 12%

**3rd Quarter, 2012**
- Experiencing RAC Activity: 89%
- No RAC Activity: 11%

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.
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 2012

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

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.
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 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Type</th>
<th>Reporting No RAC Activity</th>
<th>Reporting RAC Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200 beds</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>200 - 399 beds</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>400+ beds</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Urban</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Rural</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td>Teaching</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Non Teaching</td>
<td>16%</td>
<td>84%</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.
RAC Region C has the highest number of hospitals reporting RAC activity.

Number of Participating Hospitals Reporting RAC Activity 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.
Participants continue to report dramatic increases in RAC denials and medical record requests.

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.

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

- Automated Denials: 50,395 (Q1), 56,798 (Q2), 64,577 (Q3)
- Complex Denials: 124,055 (Q1), 159,944 (Q2), 200,941 (Q3)
- Medical Record Requests: 447,523 (Q1), 546,311 (Q2), 662,710 (Q3)
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 3rd Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Number of Medical Record Requests per Reporting Hospital, through Q3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>977</td>
</tr>
<tr>
<td>Region B</td>
<td>780</td>
</tr>
<tr>
<td>Region C</td>
<td>546</td>
</tr>
<tr>
<td>Region D</td>
<td>839</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.
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

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 2, 2012</th>
<th>All activity through Quarter 3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$1,422</td>
<td>$1,595</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,486</td>
<td>$1,840</td>
</tr>
<tr>
<td>Region C</td>
<td>$1,269</td>
<td>$1,473</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,081</td>
<td>$1,191</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RACTrac 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 3rd Quarter 2012

- Region A: $10,019
- Region B: $9,514
- Region C: $8,790
- Region D: $8,348

Source: AHA. (October 2012). RACTrac 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 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.
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 3rd Quarter 2012, in Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Quarter 1, 2012</th>
<th>Quarter 2, 2012</th>
<th>Quarter 3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$174.4</td>
<td>$190.2</td>
<td>$231.4</td>
</tr>
<tr>
<td>B</td>
<td>$160.8</td>
<td>$177.6</td>
<td>$218.3</td>
</tr>
<tr>
<td>C</td>
<td>$184.4</td>
<td>$237.5</td>
<td>$342.1</td>
</tr>
<tr>
<td>D</td>
<td>$221.1</td>
<td>$294.0</td>
<td>$341.1</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.
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

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

Source: AHA. (October 2012). RACTrac Survey
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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 3rd Quarter 2012

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

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.
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 3rd Quarter 2012

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$736</td>
<td>$5,556</td>
</tr>
<tr>
<td>Region A</td>
<td>$539</td>
<td>$5,412</td>
</tr>
<tr>
<td>Region B</td>
<td>$475</td>
<td>$4,824</td>
</tr>
<tr>
<td>Region C</td>
<td>$865</td>
<td>$5,623</td>
</tr>
<tr>
<td>Region D</td>
<td>$639</td>
<td>$6,197</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.
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>Total Number of Automated Denials by RAC Region through 3rd Quarter 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>7,246</td>
</tr>
<tr>
<td>Region B</td>
<td>10,099</td>
</tr>
<tr>
<td>Region C</td>
<td>38,243</td>
</tr>
<tr>
<td>Region D</td>
<td>8,989</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2012). RACTract 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**: 3%
- **All Other**: 20%

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.
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, 3rd Quarter 2012, Region A

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

- **36%** Outpatient Billing Error
- **22%** Inpatient Coding Error (MSDRG)
- **16%** Outpatient Coding Error
- **26%** All Other

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, 3rd Quarter 2012, Region B

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

- Outpatient Billing Error: 64%
- Inpatient Coding Error: 19%
- (MSDRG) Duplicate Payment: 10%
- Outpatient Coding Error: 4%
- 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.
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, 3rd Quarter 2012, Region C

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

- Outpatient Billing Error: 27%
- Inpatient Coding Error (MSDRG): 22%
- Duplicate Payment: 15%
- Outpatient Coding Error: 26%
- Incorrect Discharge Status: 7%
- All Other: 3%

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, 3rd Quarter 2012, Region D

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

- Outpatient Billing Error: 36%
- Inpatient Coding Error (MS-DRG): 31%
- Duplicate Payment: 10%
- Outpatient Coding Error: 10%
- Incorrect Discharge Status: 7%
- All Other: 6%

Source: AHA. (October 2012). RACTrAC 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\textsuperscript{st}, 2\textsuperscript{nd} and 3\textsuperscript{rd} Quarter, 2012

Survey participants were asked to select all reasons for denial.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Quarter 1, 2012</th>
<th>Quarter 2, 2012</th>
<th>Quarter 3, 2012</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>23%</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>

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

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

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

- **2%** of hospitals indicated medically unnecessary inpatient stay longer than 3 days.

- **12%** of hospitals indicated other medically unnecessary denials.

- **9%** of hospitals indicated incorrect MS-DRG or other coding error.

- **8%** of hospitals indicated no or insufficient documentation in the medical record.

- **3%** of hospitals indicated incorrect discharge status.

- **1%** of hospitals indicated all other denials.

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 3rd Quarter 2012

- 39%, $110m for All other medical necessity denials
- 61%, $172m for Medically necessary care provided in the wrong setting
- 58%, $38m for > 1 Day Stay
- 42%, $28m for 1 Day Stay

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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All regions are reporting a significant number of complex denials.

Percent and Number of Reported RAC Complex Denials for Participating Hospitals, by Region, 2\textsuperscript{nd} and 3\textsuperscript{rd} Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Claims with Overpayment Determination</th>
<th>Quarter 2, 2012</th>
<th>Quarter 3, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>44,039</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Region B</td>
<td>45,058</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>Region C</td>
<td>57,456</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>Region D</td>
<td>54,388</td>
<td>29%</td>
<td>27%</td>
</tr>
</tbody>
</table>

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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, 3rd Quarter 2012, Region A

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

- Medically unnecessary was identified by 75% of hospitals as the top reason for complex denials.

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.
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, 3rd Quarter 2012, Region B

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

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.

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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, 3rd Quarter 2012, Region C

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

- **71%** Medically unnecessary
- **2%** Short Stay Medically Unnecessary
- **3%** Medically Unnecessary Inpatient Stay Longer than 3 days
- **3%** Other Medically Unnecessary
- **9%** Incorrect MS-DRG or Other Coding Error
- **3%** No or Insufficient Documentation in the Medical Record
- **10%** Incorrect Discharge Status
- **2%** All Other

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, 3rd 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.
Syncope & Collapse, Stents were the top MS-DRGs denied by RACs in terms of dollar impact.

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.

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>
<td>5%</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>4%</td>
</tr>
<tr>
<td>491</td>
<td>BACK &amp; NECK PROC EXC SPINAL FUSION W/O CC/MCC</td>
<td>4%</td>
</tr>
<tr>
<td>981</td>
<td>EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC</td>
<td>5%</td>
</tr>
<tr>
<td>166</td>
<td>OTHER RESP SYSTEM O.R. PROCEDURES W MCC</td>
<td>4%</td>
</tr>
</tbody>
</table>

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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

- Region A: 80%
- Region B: 72%
- Region C: 66%
- Region D: 74%
- NationWide: 72%

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

Total Dollar Value of Underpayment Determinations for Participating Hospitals, By Region, through 2\textsuperscript{nd} and 3\textsuperscript{rd} Quarter 2012, in Millions

<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>

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.
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
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.
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

<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.

Source: AHA. (October 2012). RACTrak 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.
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 Appeled Claims for Hospitals with Automated or Complex RAC Denials, through 3rd Quarter 2012, Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals with Any Appealed Denials</th>
<th>Average Number of Appeled 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>

$120.8 $129.6 $177.3 $197.3 $624.9

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.
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 3\textsuperscript{rd} Quarter of 2012 reported appealing short stay medically unnecessary denials.

Source: AHA. (October 2012). RAC\textit{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>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>75%</td>
</tr>
<tr>
<td>B</td>
<td>59%</td>
</tr>
<tr>
<td>C</td>
<td>72%</td>
</tr>
<tr>
<td>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.
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>Region</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.
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 3rd Quarter 2012

Region A: 82%
Region B: 78%
Region C: 77%
Region D: 61%
Nationwide: 74%

Manual survey entries only for Region A.

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 $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 3rd Quarter 2012, in Millions

- Region A: $16.7 million
- Region B: $35.6 million
- Region C: $27.1 million
- Region D: $23.3 million
- Nationwide: $102.7 million

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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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.

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

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

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased administrative costs</td>
<td>56%</td>
</tr>
<tr>
<td>Training &amp; Education</td>
<td>38%</td>
</tr>
<tr>
<td>Tracking Software</td>
<td>33%</td>
</tr>
<tr>
<td>Employed additional staff</td>
<td>25%</td>
</tr>
<tr>
<td>Modified admission criteria</td>
<td>22%</td>
</tr>
<tr>
<td>Additional administrative role of clinical staff</td>
<td>20%</td>
</tr>
<tr>
<td>Initiated a new internal task force</td>
<td>15%</td>
</tr>
<tr>
<td>Had to make cutbacks</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
<tr>
<td>No impact</td>
<td>21%</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.
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, 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.
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, 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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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: 33 hours
- Physician: 29 hours
- Medical Records Director: 26 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). 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.

© American Hospital Association
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). 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 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). 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.
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

### Reported Effectiveness of Education by RAC Region

<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). RACTracer 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

- **Excellent**: 6%
- **Fair**: 36%
- **Good**: 54%
- **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 |
|---|---|---|---|---|
| | 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% |

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.
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%

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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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>
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</thead>
<tbody>
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<td>Region A</td>
<td>49%</td>
<td>27%</td>
<td>13%</td>
<td>7%</td>
<td>4%</td>
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<tr>
<td>Region B</td>
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<td>22%</td>
<td>32%</td>
<td>22%</td>
<td>15%</td>
<td>9%</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.
For more information visit AHA’s RACTRAC website:

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