Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTRAC Survey, 4th Quarter 2012

March 8, 2013
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 4th 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

- 2,335 hospitals have participated in RAC TRAC since data collection began in January of 2010. 1,233 hospitals participated this quarter.
- Participants continue to report dramatic increases in RAC activity:
  - Nearly 60,000 medical record requests have been requested of survey respondents since last quarter.
  - Over 30,000 complex audit denials have been issued to respondents since 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.
- 68% 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 72% success rate in the appeals process.

- 61% of all hospitals filing a RAC appeal during the 4th quarter of 2012 reported appealing short stay medically unnecessary denials.

- Nearly three-fourths of all appealed claims are still sitting in the appeals process.

- 63% of all hospitals reported spending more than $10,000 managing the RAC process during the fourth quarter of 2012, 43% spent more than $25,000 and 13% spent over $100,000.

- Over one-third of participating hospitals reported having a RAC denial reversed through utilization of the discussion period.
Importance of Consistent Reporting

• Participation in RAC Trac declined during Q4 2012
  – 66 fewer hospitals reported data during this quarter overall
  – 257 hospitals reported in Q3 that did not in Q4
  – 164 hospitals reported in Q4 that did not in Q3

• The continued, consistent participation of hospitals in RAC Trac is essential to the AHA’s RAC advocacy efforts
  – The survey is voluntary and we appreciate all of your efforts!!!
  – By reporting your data on a consistent basis, it enables the AHA to create high quality, reliable data points that can be used to show the increasing impact of the program on providers to CMS, Congress and the media.
There are four RAC regions nationwide. Participation in RAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC by RAC Region, through 4th 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>25%</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
Nine out of ten hospitals participating in RAC TRAC reported experiencing RAC activity through December 2012.

Percent of Participating Hospitals Experiencing RAC Activity, 3rd and 4th Quarter 2012

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

4th Quarter, 2012
- Experiencing RAC Activity: 90%
- No RAC Activity: 10%

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 are general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 4th Quarter 2012

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

Source: AHA. (January 2013). RACTrA2 Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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.
Most hospitals, regardless of characteristics, are reporting that they are experiencing RAC reviews.

Percent Reporting RAC Activity vs. No RAC Activity by Type of Participating Hospital, through 4th Quarter 2012

<table>
<thead>
<tr>
<th>Type of Hospital</th>
<th>Reporting No RAC Activity</th>
<th>Reporting RAC Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200 beds</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>200 - 399 beds</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>400+ beds</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>Urban</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Rural</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Teaching</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>Non Teaching</td>
<td>85%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 4th Quarter 2012

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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.

Reported Automated Denials, Complex Denials and Medical Records Requests by Participating Hospitals, through 4th Quarter 2012*

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTrAC Survey

AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Regions A, C and D reported increases in medical record requests.

Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 4th Quarter 2012*

<table>
<thead>
<tr>
<th>Average Number of Medical Record Requests per Reporting Hospital, through Q4, 2012</th>
<th>Region A</th>
<th>Region B</th>
<th>Region C</th>
<th>Region D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>1,183</td>
<td>159,202</td>
<td>184,526</td>
<td>193,355</td>
</tr>
<tr>
<td>Region B</td>
<td>868</td>
<td>190,010</td>
<td>190,010</td>
<td>190,010</td>
</tr>
<tr>
<td>Region C</td>
<td>671</td>
<td>167,546</td>
<td>181,884</td>
<td>181,884</td>
</tr>
<tr>
<td>Region D</td>
<td>1,026</td>
<td>142,607</td>
<td>164,170</td>
<td>164,170</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.
Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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Among participating hospitals, $6.4 billion in Medicare payments were targeted for medical record requests through the 4th quarter of 2012.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 4th Quarter 2012, in Millions*

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 3, 2012</th>
<th>All activity through Quarter 4, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$1,595</td>
<td>$1,777</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,840</td>
<td>$1,755</td>
</tr>
<tr>
<td>Region C</td>
<td>$1,473</td>
<td>$1,530</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,191</td>
<td>$1,353</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 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 4th Quarter 2012

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 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 4th Quarter 2012

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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
$1.3 billion in denials were reported through the fourth quarter of 2012.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 4th Quarter 2012, in Millions*

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 4th Quarter 2012

- Complex Medical Record Denials, $1.2 billion (96%)
- Automated Denials, $42.9 million (4%)

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
RAC denials are spread among all four RAC regions.

Percent of Automated and Complex Denials by RAC Region for Participating Hospitals, through 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Denial Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>24%</td>
</tr>
<tr>
<td>B</td>
<td>21%</td>
</tr>
<tr>
<td>C</td>
<td>34%</td>
</tr>
<tr>
<td>D</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 $734 and the average dollar value of a complex denial was $5,358.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 4th 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>$734</td>
<td>$5,358</td>
</tr>
<tr>
<td>Region A</td>
<td>$392</td>
<td>$5,348</td>
</tr>
<tr>
<td>Region B</td>
<td>$493</td>
<td>$5,025</td>
</tr>
<tr>
<td>Region C</td>
<td>$933</td>
<td>$5,075</td>
</tr>
<tr>
<td>Region D</td>
<td>$476</td>
<td>$5,921</td>
</tr>
</tbody>
</table>
In terms of dollars, 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, 4th Quarter 2012

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

Source: AHA. (January 2013). RACTAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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.
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 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Automated Denials by RAC Region through 4th Quarter 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>6,139</td>
</tr>
<tr>
<td>Region B</td>
<td>10,582</td>
</tr>
<tr>
<td>Region C</td>
<td>33,744</td>
</tr>
<tr>
<td>Region D</td>
<td>7,961</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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.
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, 4th Quarter 2012

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

- Outpatient Billing Error: 23%
- Inpatient Coding Error (MSDRG): 4%
- Duplicate Payment: 13%
- Outpatient Coding Error: 5%
- Incorrect Discharge Status: 11%
- All Other: 44%

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 A: A significant portion of hospitals cited outpatient coding error 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, 4th Quarter 2012, Region A

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

- Outpatient Billing Error: 22%
- Inpatient Coding Error (MSDRG): 6%
- Outpatient Coding Error: 50%
- All Other: 22%

Source: AHA. (January 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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: 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, 4th Quarter 2012, Region B

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

- Outpatient Billing Error: 56%
- Inpatient Coding Error (MSDRG): 12%
- Duplicate Payment: 9%
- Outpatient Coding Error: 12%
- Incorrect Discharge Status: 1%
- All Other: 10%

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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, 4th Quarter 2012, Region C

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

- Outpatient Billing Error: 44%
- Inpatient Coding Error (MSDRG): 26%
- Duplicate Payment: 3%
- Outpatient Coding Error: 17%
- Incorrect Discharge Status: 8%
- All Other: 2%

Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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: 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, 4th Quarter 2012, Region D

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

- **Outpatient Billing Error**: 38%
- **Inpatient Coding Error (MS-DRG)**: 22%
- **Duplicate Payment**: 13%
- **Outpatient Coding Error**: 13%
- **Incorrect Discharge Status**: 3%
- **All Other**: 11%

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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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, 2\textsuperscript{nd}, 3\textsuperscript{rd} and 4\textsuperscript{th} Quarter, 2012

Survey participants were asked to select all reasons for denial.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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70% of hospitals indicated short-stay medical necessity denials were the most costly complex denials.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 70% 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 4th Quarter 2012

- **1 Day Stay**
  - 32%, $68 m (All other medical necessity denials)
  - 68%, $143 m (Medically necessary care provided in the wrong setting)

- **> 1 Day Stay**
  - 53%, $28 m
  - 47%, $25 m

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. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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All regions are reporting a significant number of complex denials.

Percent and Number of Reported RAC Complex Denials for Participating Hospitals, by Region, 3rd and 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Claims with Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>55,193</td>
</tr>
<tr>
<td>Region B</td>
<td>50,683</td>
</tr>
<tr>
<td>Region C</td>
<td>65,982</td>
</tr>
<tr>
<td>Region D</td>
<td>61,911</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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: Short-stay medically unnecessary was identified by 66% 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, 4th Quarter 2012, Region A

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

- **66%** Short Stay Medically Unnecessary
- **4%** Medically Unnecessary Inpatient Stay Longer than 3 days
- **17%** Other Medically Unnecessary
- **9%** Incorrect MS-DRG or Other Coding Error
- **2%** Incorrect Discharge Status
- **2%** All Other

Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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: Short-stay medically unnecessary was identified by 78% 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, 4th Quarter 2012, Region B

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

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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: Short-stay medically unnecessary was identified by 73% 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, 4th Quarter 2012, Region C

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

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 D: Short-stay medically unnecessary was identified by 58% 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, 4th Quarter 2012, Region D

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

- **Short Stay Medically Unnecessary**: 58%
- **Medically Unnecessary Inpatient Stay Longer than 3 days**: 1%
- **Other Medically Unnecessary**: 14%
- **Incorrect MS-DRG or Other Coding Error**: 7%
- **Incorrect Discharge Status**: 2%
- **All Other**: 18%
- **Other**:

Source: AHA. (January 2013). RACTrac Survey
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Syncope & Collapse and 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 4th 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>21%</td>
</tr>
<tr>
<td>312</td>
<td>SYNCOPE &amp; COLLAPSE</td>
<td>14%</td>
</tr>
<tr>
<td>392</td>
<td>ESOPHAGITIS, GASTROENT &amp; MISC DIGEST DISORDERS W/O MCC</td>
<td>13%</td>
</tr>
<tr>
<td>313</td>
<td>CHEST PAIN</td>
<td>13%</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>4%</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>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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.
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 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>75%</td>
</tr>
<tr>
<td>Region B</td>
<td>74%</td>
</tr>
<tr>
<td>Region C</td>
<td>70%</td>
</tr>
<tr>
<td>Region D</td>
<td>71%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>72%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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69% of hospitals with underpayment determinations cited incorrect MS-DRG as a reason for the underpayment and 22% cited discharge disposition.

Percent of Participating Hospitals with RAC Activity Experiencing Underpayments by Reason, 4th Quarter 2012

Survey participants were asked to select all reasons for underpayment.

- 69% Incorrect MS-DRG
- 22% Inpatient Discharge Disposition
- 9% Billing Error
- 4% Outpatient Coding Error
- 12% Other
Over 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, 4th 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>58%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Region B</td>
<td>34%</td>
<td>55%</td>
<td>11%</td>
</tr>
<tr>
<td>Region C</td>
<td>28%</td>
<td>62%</td>
<td>10%</td>
</tr>
<tr>
<td>Region D</td>
<td>35%</td>
<td>55%</td>
<td>10%</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. (January 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 value of appealed claims exceeds $670 million dollars. On average, hospitals report appealing 170 claims to date.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 4th Quarter 2012, Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals with Any Appealed Denials</th>
<th>Average Number of Appealed Denials per Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>86%</td>
<td>170</td>
</tr>
<tr>
<td>Region A</td>
<td>88%</td>
<td>185</td>
</tr>
<tr>
<td>Region B</td>
<td>88%</td>
<td>118</td>
</tr>
<tr>
<td>Region C</td>
<td>86%</td>
<td>170</td>
</tr>
<tr>
<td>Region D</td>
<td>81%</td>
<td>229</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

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

### Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 4th 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>292,195</td>
<td>121,672</td>
</tr>
<tr>
<td>Region A</td>
<td>61,332</td>
<td>25,122</td>
</tr>
<tr>
<td>Region B</td>
<td>61,265</td>
<td>23,566</td>
</tr>
<tr>
<td>Region C</td>
<td>99,726</td>
<td>39,301</td>
</tr>
<tr>
<td>Region D</td>
<td>69,872</td>
<td>33,683</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. (January 2013). RACTrac Survey

AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 60% of all hospitals filing a RAC appeal during the 4th Quarter of 2012 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 4th Quarter 2012

Survey participants were asked to select all reasons for denial.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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
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 4th Quarter 2012*

<table>
<thead>
<tr>
<th>Region</th>
<th>Pending Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>72%</td>
</tr>
<tr>
<td>Region B</td>
<td>64%</td>
</tr>
<tr>
<td>Region C</td>
<td>78%</td>
</tr>
<tr>
<td>Region D</td>
<td>80%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>74%</td>
</tr>
</tbody>
</table>

Manual survey entries only for Region A.

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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, 72% 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 4th Quarter 2012*

<table>
<thead>
<tr>
<th></th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Denials Awaiting Appeals Determination</th>
<th>Number of Denials Not Overturned from Appeals Process (Withdrawn/Not Continued)</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>105,944</td>
<td>42%</td>
<td>79,493</td>
<td>7,367</td>
<td>18,905</td>
<td>72%</td>
</tr>
<tr>
<td>Region A*</td>
<td>9,394</td>
<td>50%</td>
<td>6,810</td>
<td>503</td>
<td>2,081</td>
<td>81%</td>
</tr>
<tr>
<td>Region B</td>
<td>23,566</td>
<td>38%</td>
<td>15,121</td>
<td>2,174</td>
<td>6,243</td>
<td>74%</td>
</tr>
<tr>
<td>Region C</td>
<td>39,301</td>
<td>39%</td>
<td>30,565</td>
<td>2,143</td>
<td>6,490</td>
<td>75%</td>
</tr>
<tr>
<td>Region D</td>
<td>33,683</td>
<td>48%</td>
<td>26,997</td>
<td>2,547</td>
<td>4,091</td>
<td>62%</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.

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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When hospitals choose to appeal, they win 72% of the time. Region A has the highest overturn rate upon appeal at 81%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 4th Quarter 2012*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>81%</td>
</tr>
<tr>
<td>Region B</td>
<td>74%</td>
</tr>
<tr>
<td>Region C</td>
<td>75%</td>
</tr>
<tr>
<td>Region D</td>
<td>62%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>72%</td>
</tr>
</tbody>
</table>

Manual survey entries only for Region A.

*Response rates vary by quarter.

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 a total of $104.9 million in overturned denials, with $35.8 million in Region B alone.

Value of Denials Overturned in the Appeals Process, by Region, through 4\textsuperscript{th} Quarter 2012, in Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Value (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$21.4</td>
</tr>
<tr>
<td>B</td>
<td>$35.8</td>
</tr>
<tr>
<td>C</td>
<td>$23.5</td>
</tr>
<tr>
<td>D</td>
<td>$24.2</td>
</tr>
<tr>
<td>Nationwide</td>
<td>$104.9</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
More than half of all hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.

Percent of Participating Hospitals That Had a Denial Overturned by Reason, 4th Quarter 2012

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

- Care provided was found to be medically necessary: 61%
- Additional information provided by the hospital substantiated the claim: 39%
- The RAC made an error in its determination process: 15%
- The claim is currently under review by a different auditor: 8%
- Other: 15%

Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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
Administrative Burden
81% of all participating hospitals reported that RAC impacted their organization this quarter and 55% reported increased administrative costs.

### Impact of RAC on Participating Hospitals* by Type of Impact, 4th Quarter 2012

<table>
<thead>
<tr>
<th>Type of Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased administrative costs</td>
<td>55%</td>
</tr>
<tr>
<td>Training &amp; education</td>
<td>37%</td>
</tr>
<tr>
<td>Tracking software</td>
<td>33%</td>
</tr>
<tr>
<td>Additional administrative role of clinical staff</td>
<td>26%</td>
</tr>
<tr>
<td>Employed additional staff</td>
<td>23%</td>
</tr>
<tr>
<td>Modified admission criteria</td>
<td>22%</td>
</tr>
<tr>
<td>Initiated a new internal task force</td>
<td>16%</td>
</tr>
<tr>
<td>Had to make cutbacks</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
<tr>
<td>No impact</td>
<td>19%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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63% of all hospitals reported spending more than $10,000 managing the RAC process during the third quarter of 2012, 43% spent more than $25,000 and 13% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost dealing with the RAC Program, 4th Quarter 2012

* Includes participating hospitals with and without RAC activity
Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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, 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>$0 to $10,000</th>
<th>$10,001 to $25,000</th>
<th>$25,001 to $50,000</th>
<th>$50,001 to $75,000</th>
<th>$75,001 to $100,000</th>
<th>$100,001 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>29%</td>
<td>21%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
<td>18%</td>
</tr>
<tr>
<td>Region B</td>
<td>45%</td>
<td>26%</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Region C</td>
<td>43%</td>
<td>13%</td>
<td>14%</td>
<td>6%</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>Region D</td>
<td>31%</td>
<td>13%</td>
<td>11%</td>
<td>6%</td>
<td>4%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrAC Survey

AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 participating hospitals this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Hospital staff spend hundreds of hours responding to RAC activity.

Average Hours of Staff Time Spent Per Participating Hospital* on RAC by Staff Type, 4th Quarter 2012

- RAC Coordinator: 111
- Nurse: 101
- Medical Records Staff: 83
- Internal Audit Staff/QA Staff: 69
- Administrative/Clerical Staff: 68
- Case Managers: 67
- Utilization Management: 66
- Decision Support/Data Analyst: 63
- Patient Financial Services-Staff: 61
- Pharmacy/Laboratory or other Ancillary Staff: 50
- Physician: 49
- Revenue Cycle Management: 45
- Coders/HIM: 43
- Medical Records Director: 28
- Compliance Officer: 26
- IT: 25
- Legal Counsel/Lawyer: 25
- Patient Financial Services-Director: 24
- Medical Director/VP Medical Affairs: 18
- Vice President (Other than CFO): 16
- CFO/VP Finance: 13
- CEO: 10
- Other: 73

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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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*, 4th Quarter 2012

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Legal Counsel</td>
<td>$49,381</td>
</tr>
<tr>
<td>Utilization Management Consultant</td>
<td>$34,077</td>
</tr>
<tr>
<td>RAC Claim Tracking Service</td>
<td>$8,834</td>
</tr>
<tr>
<td>RAC Claim Management Tool</td>
<td>$8,470</td>
</tr>
<tr>
<td>Medical Record Copying Service</td>
<td>$6,030</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. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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61% 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 4th 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>18%</td>
<td>66%</td>
<td>16%</td>
</tr>
<tr>
<td>Region B</td>
<td>23%</td>
<td>58%</td>
<td>19%</td>
</tr>
<tr>
<td>Region C</td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>Region D</td>
<td>23%</td>
<td>63%</td>
<td>14%</td>
</tr>
</tbody>
</table>

National Reporting

- Don’t know: 18%
- Yes: 21%
- No: 61%

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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For those receiving education, the perceived quality varies by region.

Percent of Participating Hospitals Reporting the Effectiveness of Received Education from CMS or its Contractors, National and by Region, through 4th 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>46%</td>
<td>42%</td>
<td>12%</td>
</tr>
<tr>
<td>Region B</td>
<td>4%</td>
<td>42%</td>
<td>42%</td>
<td>12%</td>
</tr>
<tr>
<td>Region C</td>
<td>2%</td>
<td>42%</td>
<td>38%</td>
<td>19%</td>
</tr>
<tr>
<td>Region D</td>
<td>8%</td>
<td>39%</td>
<td>39%</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2013). RACTrac Survey

AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 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, 4th Quarter 2012

- **Not receiving a demand letter informing the hospital of a RAC denial**: 47%
- **Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim**: 43%
- **Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice**: 40%
- **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**: 34%
- **Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance**: 32%
- **Long lag (greater than 15 days) between date on demand letter and receipt of demand letter**: 27%

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2013). RACTrac Survey

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

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 4th Quarter 2012

- **RAC is rescinding medical record requests after you have already submitted the records**: 24%
- **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%
- **Problems with postage reimbursement**: 6%
- **RACs auditing claims that are older than the 3 year look-back period**: 4%
- **RAC is issuing more than one medical record request within a 45-day period**: 2%
- **RAC is auditing a particular MS-DRG or type of claim that is not approved by CMS**: 2%

*Includes participating hospitals with and without RAC activity*

Source: AHA. (January 2013). RAC Trac Survey

AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 hospital respondents indicated RAC responsiveness and overall communication was “fair” or “good.”

Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 4th Quarter 2012

Source: AHA. (January 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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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Participating hospitals rated RAC responsiveness and communication lowest in region C.

Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>22%</td>
<td>59%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>3%</td>
<td>55%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Region C</td>
<td>1%</td>
<td>51%</td>
<td>39%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>4%</td>
<td>56%</td>
<td>38%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 average wait time for a RAC response varied significantly, with over 20 percent 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, 4th Quarter 2012

- 24 hours: 22%
- 1-3 days: 46%
- 7 days: 11%
- 14 or more days: 13%
- No response received: 8%

Source: AHA. (January 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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 response time varied by region.

Average Number of Days For RACs to Respond to Hospital Inquiries for Participating Hospitals, by Region, 4th Quarter 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>24 hours</th>
<th>1-3 days</th>
<th>7 days</th>
<th>14 or more days</th>
<th>No Response Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>36%</td>
<td>44%</td>
<td>6%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Region B</td>
<td>10%</td>
<td>50%</td>
<td>17%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Region C</td>
<td>27%</td>
<td>44%</td>
<td>6%</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>17%</td>
<td>47%</td>
<td>14%</td>
<td>16%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2013). RACTrac Survey
AHA analysis of survey data collected from 2,335 hospitals: 1,998 reporting activity, 337 reporting no activity through December 2012. 1,233 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