Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC TRAC Survey, 3rd Quarter 2013

November 21, 2013
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.
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 2013.

- Survey registration information and RAC TRAC support can be accessed at ractracsupport@providercs.com or 1-888-722-8712.
Executive Summary

- 2,452 hospitals have participated in RAC TRAC since data collection began in January of 2010. 1,269 hospitals participated this quarter.
- Participants continue to report dramatic increases in RAC activity:
  - Cumulative medical record requests have increased by 13% since Q1 2013.
  - The number of cumulative complex audit denials reported by respondents has increased by 28% since Q1 2013.
- 58% of medical records reviewed by RACs did not contain an overpayment, according to the RAC.
- 67% of hospitals indicated medical necessity denials were the most costly complex denials.
- 64% of short-stay denials for medical necessity were because the care was provided in the wrong setting, not because the care was medically unnecessary
Executive Summary (cont.)

• Hospitals reported appealing 47% of all RAC denials, with a 67% success rate in the appeals process.
  – The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling.
• 43% of participating hospitals reported having a RAC denial reversed through utilization of the discussion period.
• 70% of all hospitals filing a RAC appeal during the 3rd quarter of 2013 reported appealing short stay medically unnecessary denials.
• 71% of all appealed claims are still sitting in the appeals process.
• 68% of all hospitals reported spending more than $10,000 managing the RAC process during the third quarter of 2013, 49% spent more than $25,000 and 12% spent over $100,000.
There are four RAC regions nationwide. Participation in RAC TRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC TRAC by RAC Region, through 3rd Quarter 2013

<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>16%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>26%</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 September 2013.

Percent of Participating Hospitals Experiencing RAC Activity, 2nd and 3rd Quarter 2013

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Experiencing RAC Activity</th>
<th>No RAC Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Quarter, 2013</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>3rd Quarter, 2013</td>
<td>93%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 3rd Quarter 2013

- General Medical & Surgical: 1,739
- CAH: 316
- Long-Term Acute Care: 15
- Inpatient Rehabilitation: 20
- Psychiatric: 19
- Children's: 10
- Other*: 7
- Reporting No RAC Activity: 55
- Reporting RAC Activity: 162

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

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 3rd Quarter 2013

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
RAC Region C has the highest number of hospitals reporting RAC activity.

Number of Participating Hospitals Reporting RAC Activity by Region, through 3rd Quarter 2013

Source: AHA. (October 2013). RACTrac Survey. AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 Reviews
Participants continue to report increases in RAC denials and medical record requests.

Reported Automated Denials, Complex Denials and Medical Records Requests by Participating Hospitals, through 3rd Quarter 2013*

<table>
<thead>
<tr>
<th></th>
<th>All activity through Quarter 1, 2013</th>
<th>All activity through Quarter 2, 2013</th>
<th>All activity through Quarter 3, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automated Denials</strong></td>
<td>84,304</td>
<td>93,644</td>
<td>91,404</td>
</tr>
<tr>
<td><strong>Complex Denials</strong></td>
<td>343,992</td>
<td>369,615</td>
<td>441,936</td>
</tr>
<tr>
<td><strong>Medical Record Requests</strong></td>
<td>1,012,334</td>
<td>1,061,639</td>
<td>1,147,073</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (October 2013). RAC TrAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 reports the highest total number of medical record requests; Region A has the highest average number of medical record requests per hospital.

**Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 3rd Quarter 2013***

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Number of Medical Record Requests per Reporting Hospital, through Q3 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>1,726</td>
</tr>
<tr>
<td>Region B</td>
<td>1,150</td>
</tr>
<tr>
<td>Region C</td>
<td>1,089</td>
</tr>
<tr>
<td>Region D</td>
<td>1,310</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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, over $10 billion in Medicare payments were targeted for medical record requests through the 3\textsuperscript{rd} quarter of 2013.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 3\textsuperscript{rd} Quarter 2013, in Millions*

<table>
<thead>
<tr>
<th>Region</th>
<th>2\textsuperscript{nd} Quarter 2013</th>
<th>3\textsuperscript{rd} Quarter 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$3,106</td>
<td>$3,184</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,928</td>
<td>$2,196</td>
</tr>
<tr>
<td>Region C</td>
<td>$2,394</td>
<td>$2,722</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,934</td>
<td>$1,962</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.
Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 3rd Quarter 2013

- **Region A**: $10,137
- **Region B**: $8,682
- **Region C**: $8,061
- **Region D**: $8,095

Source: AHA. (October 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
56% 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 2013

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
57% of hospitals reported that over three-fourths of their claims were requested by a RAC after the timely filing window had elapsed.

Percent of Participating Hospitals Reporting the Percentage of Medical Records Requested after the Timely Filing Window had Elapsed, through 3rd Quarter 2013

Source: AHA. (October 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
RAC Denials
$2.5 billion in denials were reported through the 3\textsuperscript{rd} quarter of 2013.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 3\textsuperscript{rd} Quarter 2013, in Millions*

*Response rates vary by quarter.
Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
97% of denied dollars were for complex denials.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 3rd Quarter 2013

- **Automated Denials**: $75.6 million (3%)
- **Complex Medical Record Denials**: $2.5 billion (97%)

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
RAC denials are spread among all four RAC regions.

Percent of Automated and Complex Denials by RAC Region for Participating Hospitals, through 3rd Quarter 2013

- Region A: 22%
- Region B: 17%
- Region C: 36%
- Region D: 25%

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 $697 and the average dollar value of a complex denial was $5,663.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3rd Quarter 2013

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$697</td>
<td>$5,663</td>
</tr>
<tr>
<td>Region A</td>
<td>$392</td>
<td>$5,859</td>
</tr>
<tr>
<td>Region B</td>
<td>$694</td>
<td>$5,075</td>
</tr>
<tr>
<td>Region C</td>
<td>$896</td>
<td>$5,486</td>
</tr>
<tr>
<td>Region D</td>
<td>$399</td>
<td>$6,124</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 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, 3rd Quarter 2013

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

Automated Denials

- 73% Outpatient
- 20% Other (i.e., Physician Services, DME)
- 6% Psych/Rehab/SNF
- 1% Other

Complex Denials

- 92% Inpatient
- 3% Outpatient
- 3% Psych/Rehab/SNF
- 2% Other

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.

Number of Reported Automated Denials for Participating Hospitals, by Region, through 3rd Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 2, 2013</th>
<th>All activity through Quarter 3, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>13,504</td>
<td>15,627</td>
</tr>
<tr>
<td>Region B</td>
<td>9,742</td>
<td>10,736</td>
</tr>
<tr>
<td>Region C</td>
<td>56,665</td>
<td>47,672</td>
</tr>
<tr>
<td>Region D</td>
<td>13,733</td>
<td>17,369</td>
</tr>
</tbody>
</table>

* Response rates vary by quarter.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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, 3rd Quarter 2013

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

- Outpatient Billing Error: 46%
- Inpatient Coding Error (MSDRG): 22%
- Duplicate Payment: 6%
- Outpatient Coding Error: 4%
- Incorrect Discharge Status: 2%
- All Other: 2%

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 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, 3rd Quarter 2013, Region A

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

- Outpatient Billing Error: 24%
- Inpatient Coding Error (MSDRG): 27%
- Outpatient Coding Error: 4%
- All Other: 45%

Source: AHA. (October 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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, 3rd Quarter 2013, Region B

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

Source: AHA. (October 2013). RACTract Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 2013, Region C

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

- Outpatient Billing Error: 49%
- Inpatient Coding Error (MSDRG): 19%
- Duplicate Payment: 5%
- Outpatient Coding Error: 18%
- Incorrect Discharge Status: 4%
- All Other: 5%

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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: Over 40% of hospitals cited outpatient billing 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, 3rd Quarter 2013, Region D

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

- **Outpatient Billing Error**: 43%
- **Inpatient Coding Error (MS-DRG)**: 24%
- **Duplicate Payment**: 16%
- **Outpatient Coding Error**: 11%
- **Incorrect Discharge Status**: 4%
- **All Other**: 2%

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
Complex RAC Denials
The most commonly cited reason for a complex denial was ‘short-stay medically unnecessary.’

<table>
<thead>
<tr>
<th>Reason</th>
<th>1st Quarter 2013</th>
<th>2nd Quarter 2013</th>
<th>3rd Quarter 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Stay Medically Unnecessary</td>
<td>75%</td>
<td>73%</td>
<td>71%</td>
</tr>
<tr>
<td>Inpatient Coding</td>
<td>46%</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Discharge Status</td>
<td>22%</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Other Medically Unnecessary</td>
<td>25%</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>Medically Unnecessary Longer than 3 Days</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>No Documentation</td>
<td>9%</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>Outpatient Coding</td>
<td>5%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
64% of short-stay denials for medical necessity were because the care was provided in the wrong setting, not because the care was medically unnecessary.

Reason for Medical Necessity Denials by Length of Stay Among Hospitals Reporting Medical Necessity Denials, through 3rd Quarter 2013

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 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
All regions are reporting a significant number of complex denials.

Number of Reported RAC Complex Denials for Participating Hospitals, by Region, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2013

- Region A: Quarter 2, 2013 - 95,126, Quarter 3, 2013 - 100,788
- Region B: Quarter 2, 2013 - 60,596, Quarter 3, 2013 - 80,626
- Region C: Quarter 2, 2013 - 115,824, Quarter 3, 2013 - 145,993
- Region D: Quarter 2, 2013 - 98,069, Quarter 3, 2013 - 114,529

Source: AHA. (October 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
64% of hospitals indicated short-stay medical necessity denials were the most costly complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2013

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

- 50% Short Stay Medically Unnecessary
- 18% Medically Unnecessary Inpatient Stay Longer than 3 days
- 7% Other Medically Unnecessary
- 5% Incorrect MS-DRG or Other Coding Error
- 2% No or Insufficient Documentation in the Medical Record
- 2% Incorrect Discharge Status
- 1% All Other

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 50% 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 2013, Region A

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

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 72% 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 2013, Region B

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

- **72%** Short Stay Medically Unnecessary
- **22%** Medically Unnecessary Inpatient Stay Longer than 3 days
- **1%** Other Medically Unnecessary
- **1%** Incorrect MS-DRG or Other Coding Error
- **1%** Incorrect APC or Other Outpatient Coding Error
- **1%** Error/Outpatient Billing Error
- **1%** No Documentation Provided or Insufficient Documentation in the Medical Record
- **2%** All Other

Source: AHA. (October 2013). RACTRAC Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 70% 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 2013, Region C

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

- **Short Stay Medically Unnecessary**: 70%
- **Medically Unnecessary Inpatient Stay Longer than 3 days**: 1%
- **Other Medically Unnecessary**: 1%
- **Incorrect MS-DRG or Other Coding Error**: 6%
- **Incorrect APC or Other Outpatient Coding Error/Outpatient Billing Error**: 4%
- **No Documentation Provided or Insufficient Documentation in the Medical Record**: 11%
- **Incorrect Discharge Status**: 3%
- **All Other**: 4%

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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: Short-stay medically unnecessary was identified by 55% 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 2013, Region D

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

- **55%** Short Stay Medically Unnecessary
- **21%** Medically Unnecessary Inpatient Stay Longer than 3 days
- **12%** Other Medically Unnecessary
- **2%** Incorrect MS-DRG or Other Coding Error
- **3%** Incorrect APC or Other Outpatient Coding Error/Outpatient Billing Error
- **2%** No Documentation Provided or Insufficient Documentation in the Medical Record
- **1%** Incorrect Discharge Status
- **1%** All Other

Source: AHA. (October 2013). RACTrac Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
Stents and Syncope & Collapse were the top MS-DRGs denied by RACs, in terms of dollar impact.

Percent of Participating Hospitals Reporting the MS-DRG for Medically Unnecessary and all Other Complex Denials with the Largest Financial Impact, through 3rd Quarter 2013

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>19%</td>
</tr>
<tr>
<td>312</td>
<td>SYNCOPE &amp; COLLAPSE</td>
<td>15%</td>
</tr>
<tr>
<td>392</td>
<td>ESOPHAGITIS, GASTROENT &amp; MISC DIGEST DISORDERS W/O MCC</td>
<td>11%</td>
</tr>
<tr>
<td>313</td>
<td>CHEST PAIN</td>
<td>10%</td>
</tr>
<tr>
<td>69</td>
<td>TRANSIENT ISCHEMIA</td>
<td>4%</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>5%</td>
</tr>
<tr>
<td>981</td>
<td>EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC</td>
<td>4%</td>
</tr>
<tr>
<td>247</td>
<td>PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC</td>
<td>4%</td>
</tr>
<tr>
<td>392</td>
<td>ESOPHAGITIS, GASTROENT &amp; MISC DIGEST DISORDERS W/O MCC</td>
<td>4%</td>
</tr>
<tr>
<td>682</td>
<td>RENAL FAILURE W MCC</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
Underpayments
Over three-quarters of participating hospitals nationwide with RAC activity report receiving at least one underpayment determination.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 3rd Quarter 2013

- Region A: 82%
- Region B: 82%
- Region C: 72%
- Region D: 70%
- Nationwide: 76%

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
64% of hospitals with underpayment determinations cited incorrect MS-DRG as the reason for the underpayment and 24% cited discharge disposition.

Percent of Participating Hospitals with RAC Activity Experiencing Underpayments by Reason, 3rd Quarter 2013

Survey participants were asked to select all reasons for underpayment.

- Incorrect MS-DRG: 64%
- Inpatient Discharge Disposition: 24%
- Billing Error: 18%
- Outpatient Coding Error: 9%
- Other: 21%

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
43% of participating hospitals report having a denial reversed during the discussion period, including 56% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 3rd Quarter 2013

<table>
<thead>
<tr>
<th>Reversed Denials by RAC Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>56%</td>
<td>33%</td>
<td>11%</td>
</tr>
<tr>
<td>Region B</td>
<td>47%</td>
<td>45%</td>
<td>8%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>50%</td>
<td>11%</td>
</tr>
<tr>
<td>Region D</td>
<td>32%</td>
<td>57%</td>
<td>11%</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 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 is approaching $1.5 billion dollars. Hospitals report appealing an average of 309 claims to date.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 3rd Quarter 2013, Millions

<table>
<thead>
<tr>
<th></th>
<th>Percent of Hospitals with Any Appealed Denials</th>
<th>Average Number of Appealed Denials per Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>88%</td>
<td>309</td>
</tr>
<tr>
<td>Region A</td>
<td>85%</td>
<td>306</td>
</tr>
<tr>
<td>Region B</td>
<td>91%</td>
<td>219</td>
</tr>
<tr>
<td>Region C</td>
<td>91%</td>
<td>314</td>
</tr>
<tr>
<td>Region D</td>
<td>83%</td>
<td>408</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 47% of all denials and over half of all denials in Region D.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 3rd Quarter 2013

<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>533,340</td>
<td>248,988</td>
</tr>
<tr>
<td>Region A</td>
<td>116,415</td>
<td>47,993</td>
</tr>
<tr>
<td>Region B</td>
<td>91,632</td>
<td>43,755</td>
</tr>
<tr>
<td>Region C</td>
<td>193,665</td>
<td>87,045</td>
</tr>
<tr>
<td>Region D</td>
<td>131,898</td>
<td>70,195</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 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
70% of all hospitals filing a RAC appeal during the 3rd Quarter of 2013 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 3rd Quarter 2013

Survey participants were asked to select all reasons for denial.

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 are receiving many notices from QICs stating that issuing a determination on a RAC appeal will take longer than the statutory maximum of 60 days.

Average Number of Claims per Participating Hospital Where the QIC Reported the Inability to Complete an Appeal Review within the Required 60 Day Window from Receipt, through 3rd Quarter 2013

Source: AHA. (October 2013). RACTrAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
94% of reporting hospitals have experienced at least one delay longer than the statutory limit of 90 days for an ALJ determination to be issued.

Percentage of Reporting Hospitals by Longest Delay Experienced for ALJ to Issue a Decision on an Appeal, for Participating Hospitals, 3rd Quarter 2013

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 over 40% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 3rd Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>44%</td>
</tr>
<tr>
<td>Region B</td>
<td>38%</td>
</tr>
<tr>
<td>Region C</td>
<td>39%</td>
</tr>
<tr>
<td>Region D</td>
<td>42%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTracker Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
18% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 3rd Quarter 2013

© American Hospital Association

Source: AHA. (October 2013). RACTract Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
Over 70% 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 2013*

<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>65%</td>
</tr>
<tr>
<td>Region C</td>
<td>74%</td>
</tr>
<tr>
<td>Region D</td>
<td>73%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>71%</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.

Manual survey entries only for Region A.
Of the claims that have completed the appeals process, 67% 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 2013*

<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>217,016</td>
<td>48%</td>
<td>155,839</td>
<td>19,917</td>
<td>41,029</td>
<td>67%</td>
</tr>
<tr>
<td>Region A*</td>
<td>16,021</td>
<td>45%</td>
<td>11,992</td>
<td>1,471</td>
<td>2,557</td>
<td>63%</td>
</tr>
<tr>
<td>Region B</td>
<td>43,755</td>
<td>48%</td>
<td>28,238</td>
<td>5,121</td>
<td>10,368</td>
<td>67%</td>
</tr>
<tr>
<td>Region C</td>
<td>87,045</td>
<td>45%</td>
<td>64,389</td>
<td>6,378</td>
<td>16,215</td>
<td>72%</td>
</tr>
<tr>
<td>Region D</td>
<td>70,195</td>
<td>53%</td>
<td>51,220</td>
<td>6,947</td>
<td>11,889</td>
<td>63%</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 ending/withdrawn/overturned appeals.

** May include appeals withdrawn to rebill.

*Response rates vary by quarter.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 67% of the time. Region C has the highest overturn rate upon appeal at 72%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 3rd Quarter 2013*

- Region A: 63%
- Region B: 67%
- Region C: 72%
- Region D: 63%
- NATIONWIDE: 67%

*Response rates vary by quarter.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.

Manual survey entries only for Region A.
Hospitals reported a total of $241.1 million in overturned denials, with $79.5 million in Region C alone.

Value of Denials Overturned in the Appeals Process, by Region, through 3\textsuperscript{rd} Quarter 2013, in Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Value (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$34.5</td>
</tr>
<tr>
<td>Region B</td>
<td>$54.5</td>
</tr>
<tr>
<td>Region C</td>
<td>$79.5</td>
</tr>
<tr>
<td>Region D</td>
<td>$72.6</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>$241.1</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
63% of 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, 3rd Quarter 2013

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

- 63% of hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.
- 39% of hospitals had a denial reversed because additional information provided by the hospital substantiated the claim.
- 15% of hospitals had a denial reversed because the RAC made an error in its determination process.
- 8% of hospitals had a denial reversed because the claim is currently under review by a different auditor.
- 14% of hospitals had a denial reversed for other reasons.

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
Hospitals experience many types of impacts due to RACs; over half of all reporting hospitals noted they had increased administrative costs due to the program.

Impact of RAC on Participating Hospitals* by Type of Impact, 3rd Quarter 2013

* Includes participating hospitals with and without RAC activity

Source: AHA. (October 2013). RACTRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
68% of all hospitals reported spending more than $10,000 managing the RAC process during the 3rd quarter of 2013, 49% 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 2013

* Includes participating hospitals with and without RAC activity
Source: AHA. (October 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 2013

Source: AHA. (October 2013). RACTracer Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 2013

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization Management Consultant</td>
<td>$ 49,174</td>
</tr>
<tr>
<td>External Legal Counsel</td>
<td>$ 27,949</td>
</tr>
<tr>
<td>RAC Claim Management Tool</td>
<td>$ 13,632</td>
</tr>
<tr>
<td>RAC Claim Tracking Service</td>
<td>$ 7,701</td>
</tr>
<tr>
<td>Medical Record Copying Service</td>
<td>$ 4,012</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 2013). RACTrac Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 out of five 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 2013

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>37%</td>
<td>49%</td>
<td>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>38%</td>
<td>45%</td>
<td>17%</td>
</tr>
<tr>
<td>Region C</td>
<td>31%</td>
<td>59%</td>
<td>10%</td>
</tr>
<tr>
<td>Region D</td>
<td>19%</td>
<td>70%</td>
<td>11%</td>
</tr>
</tbody>
</table>
For those hospitals that have received education, the perceived quality varied by region.

Percent of Participating Hospitals Reporting the Effectiveness of Received Education from CMS or its Contractors, National and by Region, through 3\textsuperscript{rd} Quarter 2013

### 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>57%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>1%</td>
<td>35%</td>
<td>49%</td>
<td>15%</td>
</tr>
<tr>
<td>Region C</td>
<td>3%</td>
<td>38%</td>
<td>47%</td>
<td>13%</td>
</tr>
<tr>
<td>Region D</td>
<td>3%</td>
<td>41%</td>
<td>41%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

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

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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.
52% of hospitals reporting RAC process issues cite “excessively long delays between receipt of the review results letter and the demand letter” as an issue.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2013

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long lag (greater than 30 days) between date on review results letter and receipt of demand letter</td>
<td>52%</td>
</tr>
<tr>
<td>Not receiving a demand letter informing the hospital of a RAC denial</td>
<td>46%</td>
</tr>
<tr>
<td>RAC is rescinding medical record requests after you have already submitted the records</td>
<td>42%</td>
</tr>
<tr>
<td>Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim</td>
<td>42%</td>
</tr>
<tr>
<td>Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice</td>
<td>41%</td>
</tr>
<tr>
<td>RAC not meeting 60-day deadline to make a determination on a claim</td>
<td>38%</td>
</tr>
<tr>
<td>Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance</td>
<td>38%</td>
</tr>
</tbody>
</table>

* Includes participating hospitals with and without RAC activity

Source: AHA. (October 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 continue to report a wide variety of RAC process problems.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2013

- Long lag (greater than 15 days) between date on demand letter and receipt of demand letter: 30%
- Problems with remittance advice RAC code N432: 20%
- RAC is mailing medical record requests to wrong hospital or wrong contact at your hospital: 14%
- RACs auditing claims that are older than the 3 year look-back period: 8%
- RAC is issuing more than one medical record request within a 45-day period: 7%
- Problems with postage reimbursement: 5%
- RAC is auditing a particular MS-DRG or type of claim that is not approved by CMS: 3%
- Other issues/problems: 15%

*Includes participating hospitals with and without RAC activity

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

AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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
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 2013

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

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 C.

### Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 3rd Quarter 2013

<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>18%</td>
<td>63%</td>
<td>17%</td>
<td>2%</td>
</tr>
<tr>
<td>Region B</td>
<td>5%</td>
<td>54%</td>
<td>32%</td>
<td>9%</td>
</tr>
<tr>
<td>Region C</td>
<td>1%</td>
<td>40%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>Region D</td>
<td>3%</td>
<td>57%</td>
<td>33%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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 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, 3rd Quarter 2013

- 24 hours: 17%
- 1-3 days: 46%
- 7 days: 18%
- 14 or more days: 12%
- No response received: 7%

Source: AHA. (October 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated 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, 3rd Quarter 2013

<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>39%</td>
<td>44%</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>11%</td>
<td>53%</td>
<td>18%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Region C</td>
<td>10%</td>
<td>39%</td>
<td>26%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>13%</td>
<td>49%</td>
<td>17%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2013). RACTrac Survey
AHA analysis of survey data collected from 2,452 hospitals: 2,164 reporting activity, 288 reporting no activity through September 2013. 1,269 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
For more information visit AHA’s RAC TRAC website:

http://www.aha.org/ractrac