Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTRAC Survey, 4th Quarter 2013

March 27, 2014
Agenda

• Thanks for making RAC Trac a success!
• RAC legislative update
• RAC policy update
• RAC Trac Analyzer
• Key findings of the RAC Trac Report, Q4 2013
• Q&A session
THANK YOU
To All Participating Hospitals for Submitting Data to RAC Trac!

2,478 Responding Hospitals; 1,240 Participating This Quarter
RAC Legislative Update

Robyn Bash, Senior Associate Director
RAC Policy Update

Melissa Jackson, Senior Associate Director
The Two-midnight and Part B Rebilling Policies

Regulatory Advisory

August 30, 2013

CMS Finalizes Rebilling and Inpatient Admissions Criteria Policies

At a Glance

The Issue:
On Aug. 2, as part of its fiscal year 2014 hospital inpatient prospective payment system (PPS) final rule, the Centers for Medicare & Medicaid Services (CMS) finalized its policy on rebilling Medicare Part A claims and its requirements for admission and medical review criteria for hospital inpatient services under Medicare Part A. These new policies are effective Oct. 1. The final rebilling policy allows hospitals to rebill under Part B for most services after a Part A claim has been denied because the admission was found not reasonable and necessary, although the Part B claim must be submitted within one year of the date of service. CMS also finalized its “two-midnight” policy and will generally consider hospital inpatient admissions spanning two midnights as reasonable and necessary for payment under Part A. To educate providers about this new “two-midnight” policy, CMS held a national Open Door Forum Aug. 8 and intends to hold additional forums, issue implementation instructions, and develop guidance and educational materials to ensure that hospitals, physicians and Medicare contractors will be able to apply the new policy on a consistent basis. See our separate Regulatory Advisory for further details on the other policies included in the inpatient PPS final rule.

Our Take:
The AHA is extremely disappointed that CMS’s final rule does not fundamentally reform its policy on rebilling and continues to deny hospitals reimbursement for all reasonable and necessary services they provide to their Medicare patients. The AHA plans to press ahead with the rebilling litigation we initiated last year. Further, while we appreciate CMS’s efforts to provide clarification and make modifications regarding when an inpatient admission is reasonable and necessary, we are concerned that the new “two-midnight” policy will not reduce the number of appeals of Part A claim denials—particularly if the guidance issued by CMS is not precisely written and enforced—and, more importantly, could be applied in a manner that undermines medical judgment. CMS is seeking provider input on this guidance to providers and Medicare contractors, which will be critical to implementing the final rule provisions in a fair and consistent manner. A number of statements in the final rule could be helpful to hospitals if incorporated appropriately in the guidance. The AHA intends to provide feedback to CMS to help shape its guidance and ensure consistent application of the new policies across providers and Medicare contractors. Further, the AHA continues to urge Congress to support changes included in the Medicare Audit Improvement Act (H.R. 1225/S. 1012).

What You Can Do:
✓ Share this advisory with your senior management team, including your chief financial officer and your director of billing.
✓ Identify whether your hospital has denials of claims as not reasonable and necessary under Part A that are still eligible for appeal, or appeals currently in process, that you may want to rebill under Part B.
✓ Submit comments to CMS on the two midnight policy at IP/EAdmissions@cms.hhs.gov and participate in upcoming Open Door Forums (dates to be announced by CMS) to help shape subregulatory guidance and ensure the agency appropriately operationalizes the policy for providers and Medicare contractors.
✓ Conduct training for physicians and staff on the rule’s documentation requirements regarding the two midnight policy.
✓ Look for additional communications from the AHA, including a member call on the two midnight policy.

Further Questions: For questions, contact Melissa Jackson, AHA senior associate director of policy, at (202) 625-2356 or mjackson@aha.org

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The Two-midnight Rule: Status

- CMS has extended its partial enforcement delay through Sept. 30, 2014.
- MACs will continue “Probe & Educate” audits during this period.
  - Could be up to 3 audits/hospital
  - Number of records pulled depends on size of hospital
  - MACs to conduct education based on findings
- RACs may not conduct patient status reviews for claims with dates of service between Oct. 1, 2013 and Sept. 30, 2014.
Part B Rebilling: Status

• AHA has urged CMS to address a number of issues raised by members related to MACs’ application of the new Part B billing policy:
  – Same services billed on 12x and 13x denied as duplicates
  – Denials for services performed after the admission order
  – Timely filing denials
  – Slow processing times

• AHA has pressed forward with its lawsuit against HHS on the rebilling policy.
  – The one-year timely filing rule continues to limit hospital payment.
  – **Key issue: CMS is not reimbursing hospitals for all medically necessary care delivered to Medicare beneficiaries.**
Delay in ALJ Appeals

• In late 2013, Office of Medicare Hearings and Appeals (OMHA) temporarily suspended assignment of ALJ hearings for at least 24 months.

• In response, AHA urged CMS to:
  – Suspend RAC program until system catches up
  – Delay recoupment until after ALJ hearing
  – Enforce statutory appeals timelines
  – Increase oversight of RACs

• Feb. 12 appellants’ forum
  – OMHA shared appeals statistics and tips for streamlining appeals, available at:
    http://www.hhs.gov/omha/omha_medicare_appellant_forum.html
  – AHA urged RAC reform to avoid unnecessary appeals.
RAC “Pause”

• On Feb. 18, CMS announced a “pause” in RAC operations.
  – No new post-payment ADRs after Feb. 21
  – No new pre-payment ADRs after Feb. 28
  – Last day to send claims to MACs for adjustment: June 1
  – Automated reviews will continue

• In the meantime, CMS will continue its procurement process to secure new RAC contracts.
  – Bid protests in all four new A/B RAC regions
  – Government Accountability Office has 100 days to resolve – mid-May

• Bottom line: hospitals will have a short breather from complex medical reviews, but RACs will be back, possibly by summer.
RAC Program: Future Changes

A/B Recovery Audit Program Regions

Region 1   Region 2   Region 3   Region 4

Effective Date: TBD
RAC Program: Future Changes

- On Feb. 18 CMS also announced future changes to the RAC program that will be effective with the new contracts:
  - Encourage hospital use of discussion period
    - RACs must confirm receipt of discussion request within 3 days
    - RACs cannot send claim to MAC for recoupment for 30 days
  - Delay of RAC contingency payment until after QIC hearing
  - Changes to ADR limits
    - Limits based on claim types
    - RACs to adjust hospitals’ limits based on hospital error rates
- AHA will monitor and provide member updates on these changes and any future changes announced.
AHA is Helping Hospitals Improve Payment Accuracy and Advocating for Needed Improvements to the Medicare RAC Program

- RAC Updates on latest RAC news and other RAC resources: [www.aha.org/rac](http://www.aha.org/rac)
- AHA RAC Trac: [www.aha.org/ractrac; www.aharactrac.com](http://www.aha.org/ractrac; www.aharactrac.com)
- 2012 AHA Audit Series: [www.aha.org/auditseries](http://www.aha.org/auditseries)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)
RACTrac Analyzer
RAC Trac Analyzer

- RAC Trac Analyzer is an interactive, user-driven, data tool based on the web that is accessed through www.aharactrac.com.
  - Gain insights into how RACs impact specific groups of hospitals

- Hospitals can use the Analyzer to compare their experience to others in their peer group, as defined by:
  - State
  - RAC region
  - Bed size
  - Urban/rural
  - For profit/not-for-profit/government
  - Teaching status
  - Critical access hospital status

- Reports can be printed or copied into other documents created by the user
Upcoming Changes to Analyzer

• Analyzer data has been updated to include Q4 2013 RAC Trac results

• Hospital access to Analyzer will soon be limited to only hospitals that have submitted data during at least one of the last four reporting periods
  – When the next RAC Trac results deck is posted, access will be available to hospitals submitting data during or after Q2 2013

• RAC Trac Analyzer webinar recording available at www.aharactrac.com
  – Live walk through demonstrating:
    • Report options available to users,
    • How to create a report
    • How to export data into other documents
RAC Trac Results
Background on RAC Trac Data for Stakeholders

- **RAC Trac** is the most up-to-date available source of data on RACs
  - Most recent data publicly available from CMS is for FY 2012

- **RAC Trac** measures the impact of RACs on our nation’s hospitals
  - Other data sources or numbers may include other providers, including durable medical equipment, physicians, and post-acute care providers

- **RAC Trac** results are reliable, accurate and consistent
  - Hospitals submit data to RAC Trac through their claim tracking tools
    - 21 external vendors offer an upload function to export a hospital’s RAC data to RAC Trac
  - The RAC Trac survey and data results are compiled and verified by independent consultants, Booz Allen Hamilton and Provider Consulting Solutions
  - RAC Trac results come from a large number of hospitals – on average, over 1,200 hospitals report each quarter
Executive Summary

- 58% of medical records reviewed by RACs did not contain an overpayment, according to the RAC.
- 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.
- Hospitals reported appealing 49% of all RAC denials, with a 64% success rate in the appeals process.
  - The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling. An additional 5,880 claims were reported as withdrawn from the appeals process by hospitals during Q4 2013.
- 49% of participating hospitals reported having a RAC denial reversed through utilization of the discussion period, an increase of 6% over the previous quarter.
- 55% – a sharp decline from 70% in Q3 2013 – of all hospitals filing a RAC appeal during the 4th quarter of 2013 reported appealing short stay medically unnecessary denials.
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 4th Quarter 2013*

*Response rates vary by quarter.
Source: AHA. (January 2014). RACTRAC Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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, almost $10 billion in Medicare payments were targeted for medical record requests through the 4th quarter of 2013.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 4th Quarter 2013, in Millions*

*Response rates vary by quarter.

Source: AHA. (January 2014). RAC TRAC Survey
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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 4th Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Underpayment Determination</th>
<th>Overpayment Determination</th>
<th>No Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>2%</td>
<td>35%</td>
<td>63%</td>
</tr>
<tr>
<td>Region B</td>
<td>1%</td>
<td>36%</td>
<td>63%</td>
</tr>
<tr>
<td>Region C</td>
<td>3%</td>
<td>49%</td>
<td>48%</td>
</tr>
<tr>
<td>Region D</td>
<td>3%</td>
<td>49%</td>
<td>48%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>2%</td>
<td>42%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.
49% 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 4th Quarter 2013

- 29% less than 45%
- 16% 45%-54%
- 12% 55%-64%
- 8% 65%-74%
- 9% 75%-84%
- 5% 85%-94%
- 21% 95% or more

Source: AHA. (January 2014). RAC Trac Survey
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$2.6 billion in denials were reported through the 4th quarter of 2013.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 4th Quarter 2013, in Millions*

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 2, 2013</th>
<th>All activity through Quarter 3, 2013</th>
<th>All activity through Quarter 4, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$566.6</td>
<td>$604.5</td>
<td>$603.5</td>
</tr>
<tr>
<td>Region B</td>
<td>$310.4</td>
<td>$471.9</td>
<td>$406.8</td>
</tr>
<tr>
<td>Region C</td>
<td>$886.6</td>
<td>$820.9</td>
<td>$699.9</td>
</tr>
<tr>
<td>Region D</td>
<td>$664.4</td>
<td>$633.9</td>
<td>$604.5</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

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AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.

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The average dollar value of an automated denial was $882 and the average dollar value of a complex denial was $5,659.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 4th 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>$882</td>
<td>$5,659</td>
</tr>
<tr>
<td>Region A</td>
<td>$426</td>
<td>$5,863</td>
</tr>
<tr>
<td>Region B</td>
<td>$858</td>
<td>$5,212</td>
</tr>
<tr>
<td>Region C</td>
<td>$792</td>
<td>$5,424</td>
</tr>
<tr>
<td>Region D</td>
<td>$1518</td>
<td>$6,198</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2014). RAC TRAC Survey
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Automated RAC Denials
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 2013

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

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outpatient Billing Error</td>
<td>40%</td>
</tr>
<tr>
<td>Inpatient Coding Error (MSDRG)</td>
<td>23%</td>
</tr>
<tr>
<td>Duplicate Payment</td>
<td>19%</td>
</tr>
<tr>
<td>Outpatient Coding Error</td>
<td>8%</td>
</tr>
<tr>
<td>Incorrect Discharge Status</td>
<td>7%</td>
</tr>
<tr>
<td>All Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2014). RACTrac Survey
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Complex RAC Denials
The most commonly cited reason for a complex denial was ‘short-stay medically unnecessary.’

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 2\textsuperscript{nd} Quarter 2013 – 4\textsuperscript{th} Quarter 2013

Survey participants were asked to select all reasons for denial.

Source: AHA. (January 2014). RAC TRAC Survey
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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 4th 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. (January 2014). RACTrac Survey
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50% of hospitals indicated short-stay medical necessity denials were the most costly complex denials.

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

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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 4th 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>18%</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>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>5%</td>
</tr>
<tr>
<td>313</td>
<td>CHEST PAIN</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>166</td>
<td>OTHER RESP SYSTEM O.R. PROCEDURES W MCC</td>
<td>4%</td>
</tr>
</tbody>
</table>

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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 4th Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>80%</th>
<th>79%</th>
<th>74%</th>
<th>72%</th>
<th>76%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region B</td>
<td>79%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region C</td>
<td>74%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region D</td>
<td>72%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationwid</td>
<td>76%</td>
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</tbody>
</table>

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Appeals
49% of participating hospitals report having a denial reversed during the discussion period, including 65% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 4th Quarter 2013

Reversed Denials by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>65%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>49%</td>
<td>46%</td>
<td>5%</td>
</tr>
<tr>
<td>Region C</td>
<td>48%</td>
<td>43%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>37%</td>
<td>59%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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

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Nationwide hospitals report appealing 49% of RAC denials including 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 4th 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>547,451</td>
<td>268,414</td>
</tr>
<tr>
<td>Region A</td>
<td>118,757</td>
<td>54,434</td>
</tr>
<tr>
<td>Region B</td>
<td>100,423</td>
<td>46,452</td>
</tr>
<tr>
<td>Region C</td>
<td>207,950</td>
<td>101,462</td>
</tr>
<tr>
<td>Region D</td>
<td>120,321</td>
<td>66,066</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.

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55% of all hospitals filing a RAC appeal during the 4\textsuperscript{th} Quarter of 2013 reported appealing short stay medically unnecessary denials.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Stay Medically Unnecessary</td>
<td>55%</td>
</tr>
<tr>
<td>Inpatient Coding</td>
<td>26%</td>
</tr>
<tr>
<td>Outpatient Coding</td>
<td>18%</td>
</tr>
<tr>
<td>Medically Unnecessary Greater than 3 Days</td>
<td>18%</td>
</tr>
<tr>
<td>Discharge Status</td>
<td>12%</td>
</tr>
<tr>
<td>No Documentation</td>
<td>10%</td>
</tr>
<tr>
<td>Outpatient Billing</td>
<td>8%</td>
</tr>
<tr>
<td>Duplicate Payment</td>
<td>2%</td>
</tr>
<tr>
<td>Other Medically Unnecessary</td>
<td>27%</td>
</tr>
<tr>
<td>Other Complex Review</td>
<td>14%</td>
</tr>
<tr>
<td>Other Automated Review</td>
<td>11%</td>
</tr>
</tbody>
</table>

Survey participants were asked to select all reasons for denial.

Source: AHA. (January 2014). RACTRAC Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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 50% 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 4th Quarter 2013

Source: AHA. (January 2014). RACTrac Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.

Source: AHA. (January 2014). RAC Trac Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 4th Quarter 2013
67% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 4th Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>65%</td>
</tr>
<tr>
<td>Region B</td>
<td>62%</td>
</tr>
<tr>
<td>Region C</td>
<td>72%</td>
</tr>
<tr>
<td>Region D</td>
<td>67%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>67%</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (January 2014). RACTrac Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.
Of the claims that have completed the appeals process, 64% 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 4\textsuperscript{th} 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>233,607</td>
<td>50%</td>
<td>159,112</td>
<td>25,797</td>
<td>46,297</td>
<td>64%</td>
</tr>
<tr>
<td>Region A*</td>
<td>19,627</td>
<td>48%</td>
<td>12,757</td>
<td>3,084</td>
<td>3,626</td>
<td>54%</td>
</tr>
<tr>
<td>Region B</td>
<td>46,452</td>
<td>46%</td>
<td>29,023</td>
<td>6,119</td>
<td>10,754</td>
<td>64%</td>
</tr>
<tr>
<td>Region C</td>
<td>101,462</td>
<td>49%</td>
<td>73,344</td>
<td>8,514</td>
<td>19,089</td>
<td>69%</td>
</tr>
<tr>
<td>Region D</td>
<td>66,066</td>
<td>55%</td>
<td>43,988</td>
<td>8,080</td>
<td>12,828</td>
<td>61%</td>
</tr>
</tbody>
</table>

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

** May include appeals withdrawn to re-bill.

*Response rates vary by quarter.
Source: AHA. (January 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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.
Importance of New Rebilling Questions in Administrative Burden Section

• The RAC Trac appeals calculation is for claims that have completed the appeals process. An appeal is considered to be complete when:
  – The denial is overturned by an appeals body
  – A hospital chooses to not appeal a denial further when a denial is upheld
  – A hospital actively withdraws a claim from the appeals process
    • An appeal can be withdrawn for a number of reasons, including in order to rebill a Part A claim under Part B

• The appeals overturn rate has declined from 72% in Q4 2012 to 64% in Q4 2013.
  – The appeals overturn rate is actively impacted by appeals withdrawn by hospitals for rebilling. 13,443 claims have been reported as withdrawn from the appeals process by hospitals since April 2013. Prior to April, only 12,354 claims had been withdrawn from the appeals process since the start of the RAC program
Importance of New Rebilling Questions in Administrative Burden Section

• A new question were added to the beginning of the survey in Q4 2013 to track denials withdrawn from the appeals process in order to rebill the claim
  – Question: “How many claims has your hospital withdrawn from the appeals process in order to rebill for Part B payment?”
  – Hospitals must manually enter this information – it is not included in the vendor-supplied upload file
  – The AHA is working with vendors to update the survey with a complete set of questions around rebilling experience and other relevant policy issues. However, vendors will not be able to update their products until later this year.

• Please submit data for the new rebilling question
  – Quality assurance: ensure total number of claims withdrawn to rebill is lower than the number of total claims appealed, et al.
55% 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, 4th Quarter 2013

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

- 55% of hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.
- 42% of hospitals had a denial reversed because additional information provided by the hospital substantiated the claim.
- 9% of hospitals had a denial reversed because the RAC made an error in its determination process.
- 9% of hospitals had a denial reversed because the claim is currently under review by a different auditor.
- 15% of hospitals had a denial reversed for other reasons.

Source: AHA. (January 2014). RAC TRAC Survey
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Administrative Burden
68% of all hospitals reported spending more than $10,000 managing the RAC process during the 4th quarter of 2013, 50% spent more than $25,000 and 12% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 4th Quarter 2013

* Includes participating hospitals with and without RAC activity

Source: AHA. (January 2014). RAC Trac Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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 4th Quarter 2013

<table>
<thead>
<tr>
<th>Reported Education by RAC Region</th>
<th>National Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>Region A</td>
<td>32%</td>
</tr>
<tr>
<td>Region B</td>
<td>25%</td>
</tr>
<tr>
<td>Region C</td>
<td>28%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity*

Source: AHA (January 2014). RAC Trac Survey

AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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 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 4th 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>3%</td>
<td>43%</td>
<td>45%</td>
<td>10%</td>
</tr>
<tr>
<td>Region B</td>
<td>2%</td>
<td>46%</td>
<td>41%</td>
<td>11%</td>
</tr>
<tr>
<td>Region C</td>
<td>0%</td>
<td>38%</td>
<td>49%</td>
<td>13%</td>
</tr>
<tr>
<td>Region D</td>
<td>2%</td>
<td>40%</td>
<td>47%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

Source: AHA. (January 2014). RAC TRAC Survey

AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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 report widespread RAC process-related issues, including extensive problems with MACs providing hospitals with a demand letter in a timely fashion.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 4th Quarter 2013

- Not receiving a demand letter informing the hospital of a RAC denial: 49%
- Long lag (greater than 30 days) between date on review results letter and receipt of demand letter: 48%
- RAC is rescinding medical record requests after you have already submitted the records: 42%
- Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice: 41%
- Demand letters lack a detailed explanation of the RAC's rationale for denying the claim: 40%
- RAC not meeting 60-day deadline to make a determination on a claim: 39%
- Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance: 35%

* Includes participating hospitals with and without RAC activity

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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 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>15%</td>
<td>68%</td>
<td>15%</td>
<td>2%</td>
</tr>
<tr>
<td>Region B</td>
<td>3%</td>
<td>54%</td>
<td>38%</td>
<td>5%</td>
</tr>
<tr>
<td>Region C</td>
<td>6%</td>
<td>42%</td>
<td>44%</td>
<td>8%</td>
</tr>
<tr>
<td>Region D</td>
<td>5%</td>
<td>45%</td>
<td>43%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2014). RACTrac Survey
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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, 4th Quarter 2013

- 24 hours: 16%
- 1-3 days: 45%
- 7 days: 21%
- 14 or more days: 12%
- No response received: 6%

Source: AHA. (January 2014). RACTRAC Survey
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RAC response time varied by region.

Average Number of Days For RACs to Respond to Hospital Inquiries for Participating Hospitals, by Region, 4th 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>32%</td>
<td>41%</td>
<td>17%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Region B</td>
<td>12%</td>
<td>53%</td>
<td>19%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Region C</td>
<td>11%</td>
<td>46%</td>
<td>23%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>13%</td>
<td>40%</td>
<td>24%</td>
<td>19%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: AHA. (January 2014). RAC Trac Survey
AHA analysis of survey data collected from 2,478 hospitals: 2,195 reporting activity, 283 reporting no activity through December 2013. 1,240 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