Exploring the Impact of the RAC Program on Hospitals Nationwide

Quarterly National Webinar

June 24, 2014
Today’s Webinar

- Advocacy Update
- Legal Update
- Policy Update
- **NEW**: RAC Trac survey update to launch starting in October 2014
- RAC Trac Analyzer update
- Q1 2014 RAC Trac results
THANK YOU
To Participating Hospitals for Submitting Data to RAC Trac!

2,489 Responding Hospitals; 1,165 Participating This Quarter
RAC Advocacy Update

Robyn Bash, Executive Director, Federal Relations
RAC Legal Update

Lawrence Hughes, Assistant General Counsel
Legal Resources: AHA Litigation

Escalating Claims Appeals

AHA, Hospitals Sue to Require HHS to Meet Deadlines for Deciding Appeals

AHA, hospitals mandamus complaint to compel timely administrative review of Medicare claims denials, May 22, 2014

- Exhibit 1
- AHA News Now article

AHA, Hospital Associations, Hospitals Sue HHS Over Two-midnight Inpatient Admissions Rule

AHA, Associations, Hospitals Motion for Summary Judgment — 0.2 Percent Offset, May 23, 2014

- [Proposed] Order
- Exhibit A
- Exhibit B
- Exhibit C

AHA, Hospital Associations, Hospitals Complaint Regarding Two-midnight Rule, April 14, 2014

AHA, Hospital Associations, Hospitals Complaint Regarding .2% payment cut, April 14, 2014

First steps taken to challenge 2-midnight rule, AHA News Now, January 22, 2014

PRRB Appeal: .2 percent payment cut

AHA, Hospital Systems Sue HHS for Unfair Medicare Rebilling Practices
Please fill out the form in order to download the file.

Fields with (*) asterix are required in order to submit

- *First Name: 
- *Last Name: 
- *Title: 
- *Hospital Organization: 
- *City: 
- *State: 
- *Phone: 
- *E-Mail: 

Continue
RAC Policy Update

Melissa Jackson, Senior Associate Director
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

• CMS continues its procurement process to secure new RAC contracts.
  – Bid protests in all four new A/B RAC regions were resolved by the Government Accountability Office in CMS’s favor
  – One RAC has sued CMS over terms of the proposed contract; the impact on the process is unclear.
CMS’s goal: to improve communications between the agency and providers and to “help increase program transparency and offer more efficient resolutions to providers affected by the medical review process.”

Providers may raise audit process issues (ex. noncompliance with ADR limits) or to suggest process improvements.

Contact: Lateshia Walker
- RAC@cms.hhs.gov (for Recovery Auditor review process concerns/suggestions)
- MedicareMedicalReview@cms.hhs.gov (for MAC review process concerns/suggestions)
AHA RAC and Audit Resources

**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](http://www.aha.org/ractrac); [www.aharactrac.com](http://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)
Upcoming Rapid Response Survey for RAC Administrative Burden

• There is a lack of information around the actual time and burden associated with RAC audits, denials and Medicare appeals

• The AHA hopes to provide additional information to stakeholders and to the field on this issue

• Currently planning to issue a Rapid Response survey to the field in July to help quantify RAC administrative burden
The AHA has made changes to questions in the manual section of the survey in recent years; however, in recent months we have been working on a more comprehensive update of the survey.

- **Updates to questions**
  - New questions for relevant policy issues, including rebilling
  - Appeals data at a more granular level (by appeals level)
  - Stopping data collection on questions that have limited policy-related application

- **Increased automation and organization**
  - Many questions were added to “Administrative Burden” because the AHA could edit it without a vendor update
  - Many of these questions are being moved into the automated sections of the survey, lowering provider burden
RAC Trac Update Process

• Updates to AHA-provided claim level tool
  – Finalization and testing currently underway; will be made available to hospitals in Q3 2014
• Partnering with vendors to update tools
  – 21 vendors were previously compatible with RAC Trac – we have asked all vendors to update their survey to report data on these new questions
  – Asked all vendors to certify compatibility by August 15, 2014
  – However, vendors are more likely to recertify if their customer hospitals tell them that RAC Trac compatibility is a priority
    • Encourage hospitals to tell their customer representatives directly and/or send letters and emails to their vendor asking for them to recertify
      – AHA will provide model letter as a starting point for vendor communications
• Hospital education
  – Multiple opportunities for hospitals to participate in webinars during mid to late Q3 for education on the new questions and submitting accurate data
RACTrac Analyzer
Recent Changes to Analyzer

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

- Hospital access to Analyzer is now limited to hospitals that have submitted data in one of the last four reporting periods
  - When the next RAC *Trac* results deck is posted, access will be updated to include hospitals submitting data during or after Q2 2013
  - Allied associations will have access on an ongoing basis

- Access RAC *Trac* Analyzer through the [www.aharactrac.com](http://www.aharactrac.com) portal after log in

- Any questions regarding access to RAC *Trac* Analyzer can be sent to ractracsupport@providercs.com
Accessing RAC Trac Analyzer

Welcome

Please do not use the internet browser buttons (e.g., back, refresh) while in RAC Trac.

RacTrac Updates

<table>
<thead>
<tr>
<th>Date Posted</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 16, 2012</td>
<td>Alert for Organization IDs</td>
<td>Note: If you have received your organization ID and are having difficulties registering, please validate that you enter three zeros.</td>
</tr>
</tbody>
</table>

Welcome

Last login to this hospital: 01/15/2014 11:49AM

Access RacTrac Analyzer

VIEW THE RESULTS OF RACTRAC’S LATEST NATIONWIDE DATA COLLECTION

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Authentication for RAC Trac Analyzer

Welcome

Please do not use the internet browser buttons (e.g., back, refresh) while in RACTrac.

Username:

Click to Access RACTrac Analyzer
RAC Trac Results – Q1 2014
Executive Summary

- 2,489 hospitals have participated in RAC TRAC since data collection began in January of 2010. 1,165 hospitals participated this quarter.
- 57% of medical records reviewed by RACs did not contain an overpayment, according to the RAC.
- 59% of hospitals indicated they experienced short-stay medical necessity denials. 59% of hospitals also received denials for inpatient coding, an increase of 8% from Q4 2013.
- 66% 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 50% of all RAC denials, with a 66% success rate in the appeals process.
  - The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling.
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 1st Quarter 2014*

- **Automated Denials**
  - All Activity Through Quarter 3, 2013: 91,404
  - All Activity Through Quarter 4, 2013: 91,393
  - All Activity Through Quarter 1, 2014: 100,136

- **Complex Denials**
  - All Activity Through Quarter 3, 2013: 441,936
  - All Activity Through Quarter 4, 2013: 456,058
  - All Activity Through Quarter 1, 2014: 513,587

- **Medical Record Requests**
  - All Activity Through Quarter 3, 2013: 1,147,073
  - All Activity Through Quarter 4, 2013: 1,153,286
  - All Activity Through Quarter 1, 2014: 1,251,756

*Response rates vary by quarter.

Source: AHA. (April 2014). RACTRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 $11 billion in Medicare payments were targeted for medical record requests through the 1st quarter of 2014.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 1st Quarter 2014, in Millions*

*Response rates vary by quarter.

Source: AHA. (April 2014). RACTrac Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 1st Quarter 2014

- Region A: $10,952
- Region B: $8,622
- Region C: $8,197
- Region D: $7,835

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 1st Quarter 2014

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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
$3.0 billion in denials were reported through the 1st quarter of 2014.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 1st Quarter 2014, in Millions*

*Response rates vary by quarter.
Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.
96% of denied dollars were for complex denials.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 1st Quarter 2014

Automated Denials, $115.1 million
4%

Complex Medical Record Denials, $2.9 billion
96%

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 $1,150 and the average dollar value of a complex denial was $5,701.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 1st Quarter 2014

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$1,150</td>
<td>$5,701</td>
</tr>
<tr>
<td>Region A</td>
<td>$513</td>
<td>$5,864</td>
</tr>
<tr>
<td>Region B</td>
<td>$762</td>
<td>$5,209</td>
</tr>
<tr>
<td>Region C</td>
<td>$1,204</td>
<td>$5,605</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,698</td>
<td>$6,081</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2014). RAC Trac Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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, 1st Quarter 2014

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

Source: AHA. (April 2014). RAC Trac Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 1st Quarter 2014*

<table>
<thead>
<tr>
<th>Region</th>
<th>All Activity Through Quarter 4, 2013</th>
<th>All Activity Through Quarter 1, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>13,055</td>
<td>13,482</td>
</tr>
<tr>
<td>B</td>
<td>11,488</td>
<td>11,215</td>
</tr>
<tr>
<td>C</td>
<td>49,912</td>
<td>57,497</td>
</tr>
<tr>
<td>D</td>
<td>16,938</td>
<td>17,942</td>
</tr>
</tbody>
</table>

* Response rates vary by quarter.

Source: AHA. (April 2014). RACTRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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, 1st Quarter 2014

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

Source: AHA. (April 2014). RACTrAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 reasons for a complex denial are “short-stay medically unnecessary” and “inpatient coding.”

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 3rd Quarter 2013 – 1st Quarter 2014

Survey participants were asked to select all reasons for denial.

Source: AHA. (April 2014). RACTrac Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.

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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 1st Quarter 2014

<table>
<thead>
<tr>
<th>Length of Stay</th>
<th>Denial Reason</th>
<th>Total Denials</th>
<th>Total RACs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Day Stay</td>
<td>All other medical necessity denials</td>
<td>34% $131 m</td>
<td>66% $257 m</td>
</tr>
<tr>
<td></td>
<td>Medically necessary care provided in the wrong setting</td>
<td>47% $93 m</td>
<td>53% $104 m</td>
</tr>
</tbody>
</table>

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. (April 2014). RACTrac Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.
38% of hospitals indicated short-stay medical necessity denials were the most costly complex denials, a 12 percentage point decrease since Q4 2013.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2014

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

- 38% of hospitals indicated short-stay medically unnecessary denials were the most costly complex denials, a 12 percentage point decrease since Q4 2013.
- 25% of hospitals indicated medically unnecessary inpatient stay longer than 3 days denials were the second most costly complex denials.
- 18% of hospitals indicated other medically unnecessary denials were the third most costly complex denials.
- 4% of hospitals indicated incorrect MS-DRG or other coding error denials were the fourth most costly complex denials.
- 4% of hospitals indicated no or insufficient documentation in the medical record denials were the fifth most costly complex denials.
- 2% of hospitals indicated incorrect APC or other outpatient coding/billing error denials were the sixth most costly complex denials.
- 2% of hospitals indicated incorrect discharge status denials were the seventh most costly complex denials.
- 2% of hospitals indicated all other denials were the eighth most costly complex denials.

Source: AHA. (April 2014). RAC TRAC Survey
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Appeals
50% of participating hospitals report having a denial reversed during the discussion period, including 72% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 1st Quarter 2014

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>72%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>Region B</td>
<td>54%</td>
<td>40%</td>
<td>7%</td>
</tr>
<tr>
<td>Region C</td>
<td>43%</td>
<td>47%</td>
<td>10%</td>
</tr>
<tr>
<td>Region D</td>
<td>39%</td>
<td>58%</td>
<td>3%</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. (April 2014). RAC Trac Survey
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The value of appealed claims exceeds $1.8 billion dollars. Hospitals report appealing an average of 386 claims to date.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 1st Quarter 2014, 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>89%</td>
<td>386</td>
</tr>
<tr>
<td>Region A</td>
<td>89%</td>
<td>390</td>
</tr>
<tr>
<td>Region B</td>
<td>89%</td>
<td>279</td>
</tr>
<tr>
<td>Region C</td>
<td>91%</td>
<td>388</td>
</tr>
<tr>
<td>Region D</td>
<td>84%</td>
<td>502</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 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 1st Quarter 2014

<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>613,723</td>
<td>306,527</td>
</tr>
<tr>
<td>Region A</td>
<td>129,034</td>
<td>57,275</td>
</tr>
<tr>
<td>Region B</td>
<td>107,059</td>
<td>52,717</td>
</tr>
<tr>
<td>Region C</td>
<td>239,684</td>
<td>118,720</td>
</tr>
<tr>
<td>Region D</td>
<td>137,946</td>
<td>77,815</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. (April 2014). RACTRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.
55% of all hospitals filing a RAC appeal during the 1st Quarter of 2014 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 1st Quarter 2014

Survey participants were asked to select all reasons for denial.

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 1st Quarter 2014

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.
62% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 1st Quarter 2014*

![Bar chart showing the percent of appealed claims pending determination for participating hospitals by region.](chart.png)

*Response rates vary by quarter.

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

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Of the claims that have completed the appeals process, 66% 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 1st Quarter 2014*

<table>
<thead>
<tr>
<th>Region</th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Denials Awaiting Appeals Determination</th>
<th>Number of Denials Not Overturned from Appeals Process** (Withdrawn/Not Continued)</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>267,085</td>
<td>52%</td>
<td>171,967</td>
<td>29,621</td>
<td>58,748</td>
<td>66%</td>
</tr>
<tr>
<td>Region A *</td>
<td>17,833</td>
<td>53%</td>
<td>10,418</td>
<td>3,393</td>
<td>3,135</td>
<td>48%</td>
</tr>
<tr>
<td>Region B</td>
<td>52,717</td>
<td>49%</td>
<td>29,427</td>
<td>7,938</td>
<td>13,372</td>
<td>63%</td>
</tr>
<tr>
<td>Region C</td>
<td>118,720</td>
<td>50%</td>
<td>81,458</td>
<td>10,338</td>
<td>25,043</td>
<td>71%</td>
</tr>
<tr>
<td>Region D</td>
<td>77,815</td>
<td>56%</td>
<td>50,664</td>
<td>7,952</td>
<td>17,198</td>
<td>68%</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. (April 2014). RAC TRAC Survey
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Administrative Burden
69% of all hospitals reported spending more than $10,000 managing the RAC process during the 1st quarter of 2014, 48% spent more than $25,000 and 11% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 1st Quarter 2014

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.
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, 1st Quarter 2014

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Legal Counsel</td>
<td>$53,574</td>
</tr>
<tr>
<td>Utilization Management Consultant</td>
<td>$44,613</td>
</tr>
<tr>
<td>Medical Record Copying Service</td>
<td>$22,665</td>
</tr>
<tr>
<td>RAC Claim Management Tool</td>
<td>$9,086</td>
</tr>
<tr>
<td>RAC Claim Tracking Service</td>
<td>$6,485</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. (April 2014). RAC TRAC Survey

AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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.

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Hospitals report widespread RAC process-related issues, including extensive problems with MACs providing hospitals with a demand letter in a timely fashion after a RAC denial.

### Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 1st Quarter 2014

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not receiving a demand letter informing the hospital of a RAC denial</td>
<td>52%</td>
</tr>
<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>RAC is rescinding medical record requests after you have already submitted the records</td>
<td>47%</td>
</tr>
<tr>
<td>Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice</td>
<td>43%</td>
</tr>
<tr>
<td>Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim</td>
<td>41%</td>
</tr>
<tr>
<td>RAC not meeting 60-day deadline to make a determination on a claim</td>
<td>40%</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. (April 2014). RAC Survey

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

Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 1st Quarter 2014

- **Excellent:** 6%
- **Fair:** 36%
- **Good:** 51%
- **Poor:** 7%

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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 18% 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, 1st Quarter 2014

- 1-3 days: 46%
- 7 days: 16%
- 24 hours: 20%
- 14 or more days: 12%
- No response received: 6%

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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, 1st Quarter 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>24 hours</th>
<th>1-3 days</th>
<th>7 days</th>
<th>14 or more days</th>
<th>No Response Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>36%</td>
<td>51%</td>
<td>4%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Region B</td>
<td>20%</td>
<td>49%</td>
<td>16%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Region C</td>
<td>9%</td>
<td>51%</td>
<td>15%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Region D</td>
<td>24%</td>
<td>27%</td>
<td>31%</td>
<td>13%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2014). RAC TRAC Survey
AHA analysis of survey data collected from 2,489 hospitals: 2,221 reporting activity, 268 reporting no activity through March 2014. 1,165 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:

www.aha.org/ractrac
www.aharactrac.com