



# Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTRAC Survey, 4<sup>th</sup> Quarter 2013

December 18, 2014

# Agenda

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- RAC legislative update
- RAC policy update
- Update on RAC *Trac* survey changes
- Key findings of the RAC *Trac* Report, Q4 2013
- Q&A session



## **American Hospital Association**

**THANK YOU**

To All Participating Hospitals for Submitting Data  
to *RACTrac*!

2,528 Responding Hospitals; 1,037 Participating This Quarter



## RAC Legislative Update



## RAC Legal Update

*Lawrence Hughes, Associate Counsel*



## RAC Policy Update

*Melissa Jackson, Senior Associate Director*

# AHA RAC and Audit Resources

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- 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)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)





## Update on RAC Trac Survey Changes

*Michael Ward, Senior Associate Director*

# Overview

- AHA has updated the RAC *TRAC* survey to align with recent changes to the RAC program. Recent changes now addressed in the survey include:
  - revised medical necessity review criteria
  - rebilling
  - RAC pre-payment demonstration program, and
  - insight into the extended appeals process
- Questions have been both added and deleted from the current survey
- Administrative burden section has been condensed
- New questions will require limited additional information for facilities that utilize the AHA Claim Level Tool
- Data collection on updated survey questions begins in January 2015



# How Does This Update Impact My Hospital?

My hospital uses the AHA claim level tool

Download the new claim level tool from:  
[www.aha.org/RACTrac](http://www.aha.org/RACTrac)

Access the September tutorial on the changes to the claim level tool at: [www.aha.org/RACTrac](http://www.aha.org/RACTrac)

Contact RACTrac Support if you need assistance or have questions about the updated tool

My hospital uses 3<sup>rd</sup> party claim tracking software

Continue to submit data to RACTrac using current version of software

Vendor updates will be rolled out in upcoming months

My hospital does not currently participate in RACTrac

Contact RACTrac Support to register and participate



# RACTRAC Vendor Status

Company	Software	Status
3M™ Health Information Systems	3M™ Audit Expert	In Process
HealthPort LLC	AudaPro	In Process
Iatric Systems, Inc.	IatricTRAC: RAC Management	In Process
Intersect Healthcare	VERACITY™	In Process
IOD Incorporated	PRISMAudit	In Process
MedeAnalytics	Compliance	In Process
MRO	AuditTrends™ Online	In Process
Quadax, Inc.	Audit Control Axis	In Process
Rycan Technologies, Inc.	RAC Audit Tracking	In Process
SAI Global Compliance	Compliance 360®	In Process
The Wellington Group LLC	Rac Guard	In Process



# RACTRAC Vendor Status cont.

Company	Software	Status
Advisory Board	Revenue Integrity Compass	In Development
Array Software, Inc.	TRACK+	In Development
Cobius Healthcare Solutions, LLC	Cobius Audit Manager	In Development
Craneware	InSight Audit®	In Development
MedAssets	Recovery Audit Management	In Development
NJHA – Healthcare Business Solutions	Audit-TRAX	In Development
PACE Healthcare Consulting, LLC	RACTelligence Tracking	In Development
The SSI Group, Inc.	ClinON® RADs	In Development
Wolters Kluwer Law & Business (MediRegs)	Comply Track	In Development

Updated vendor compatibility list:

<http://www.aha.org/content/14/ractraccompatible.pdf>

Hospital to vendor sample letter:

<http://www.aha.org/content/14/ractraclettertovendor.pdf>



RAC Trac Results, Q3 2014

*Michael Ward, Senior Associate Director*

# Executive Summary

- 2,528 hospitals have participated in RAC<sup>TRAC</sup> since data collection began in January of 2010. 1,037 hospitals participated this quarter.
- 28% of hospitals indicated they experienced outpatient coding denials – an increase of 18% of hospitals since Q1 2014. 25% of hospitals also received denials for inpatient coding.
- Hospitals reported appealing 48% of all RAC denials, with a 70% success rate in the appeals process.
  - The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling.
- 59% of all appealed claims are still sitting in the appeals process.
- 58% of all hospitals reported spending more than \$10,000 managing the RAC process during the 3rd quarter of 2014, 39% spent more than \$25,000 and 9% spent over \$100,000.

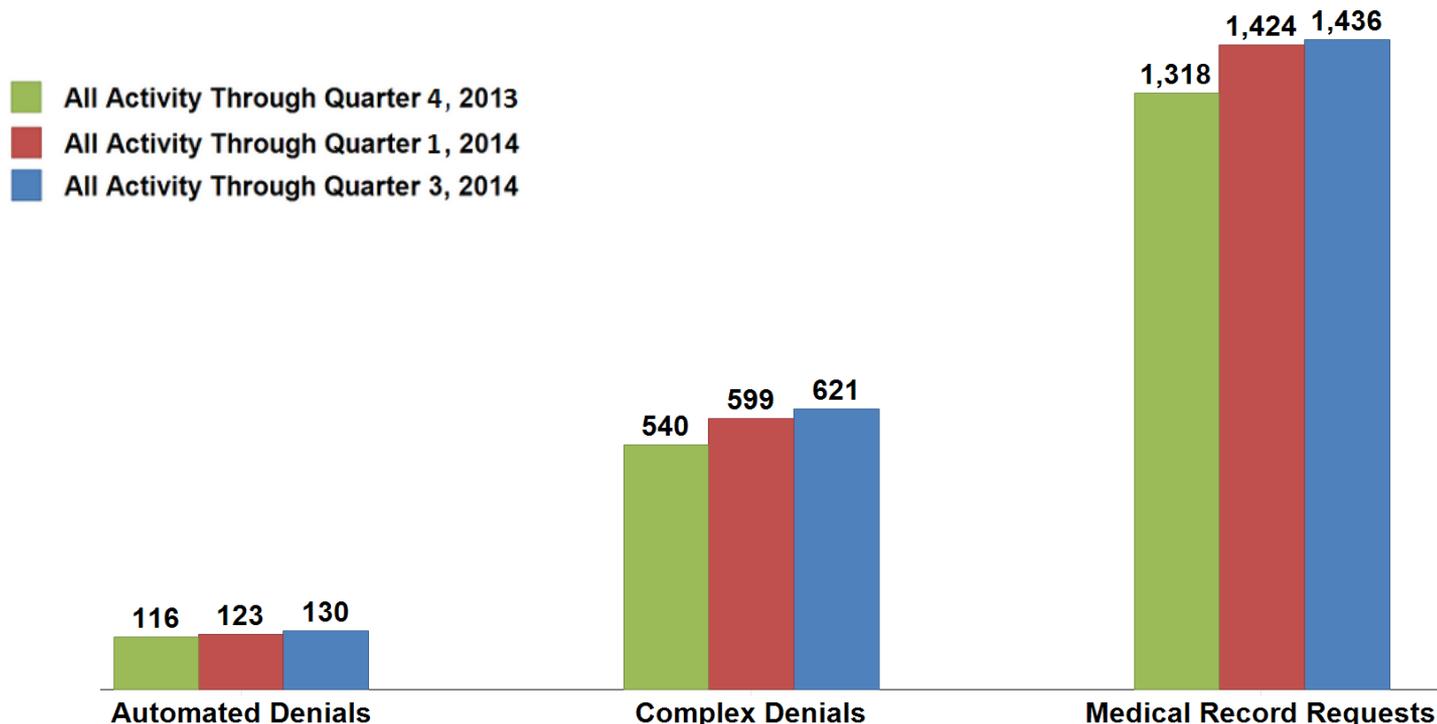




# RAC Reviews

# The average number of medical record requests and denials increased between Quarter 1 and Quarter 3 of 2014.

## Average Automated Denials, Complex Denials and Medical Records Requests Among Participating Hospitals, through 3<sup>rd</sup> Quarter 2014\*



\*Response rates vary by quarter.

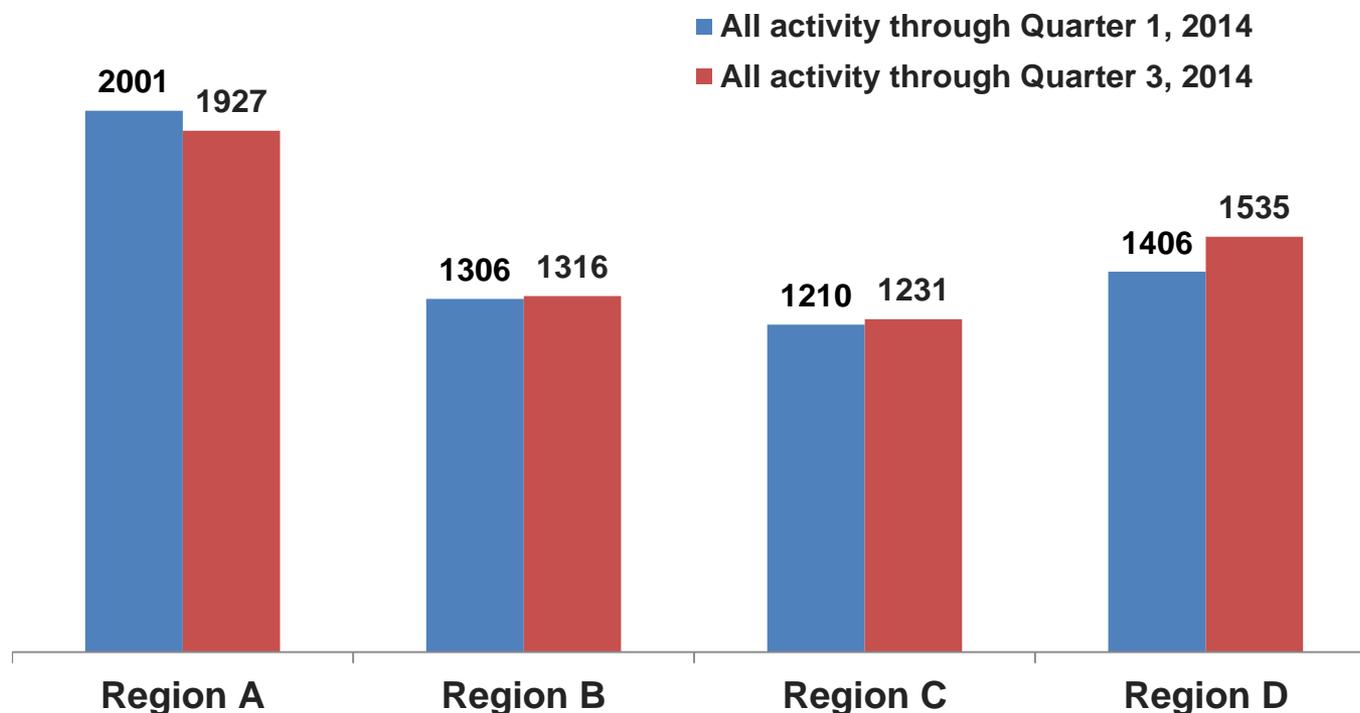
Source: AHA. (October 2014). RAC TRAC Survey

AHA analysis of survey data collected from 2,528 hospitals: 2,254 reporting activity, 274 reporting no activity through September 2014. 1,037 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 has the highest average number of medical record requests, on a per hospital basis.

## Average Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 3<sup>rd</sup> Quarter 2014\*



\*Response rates vary by quarter.

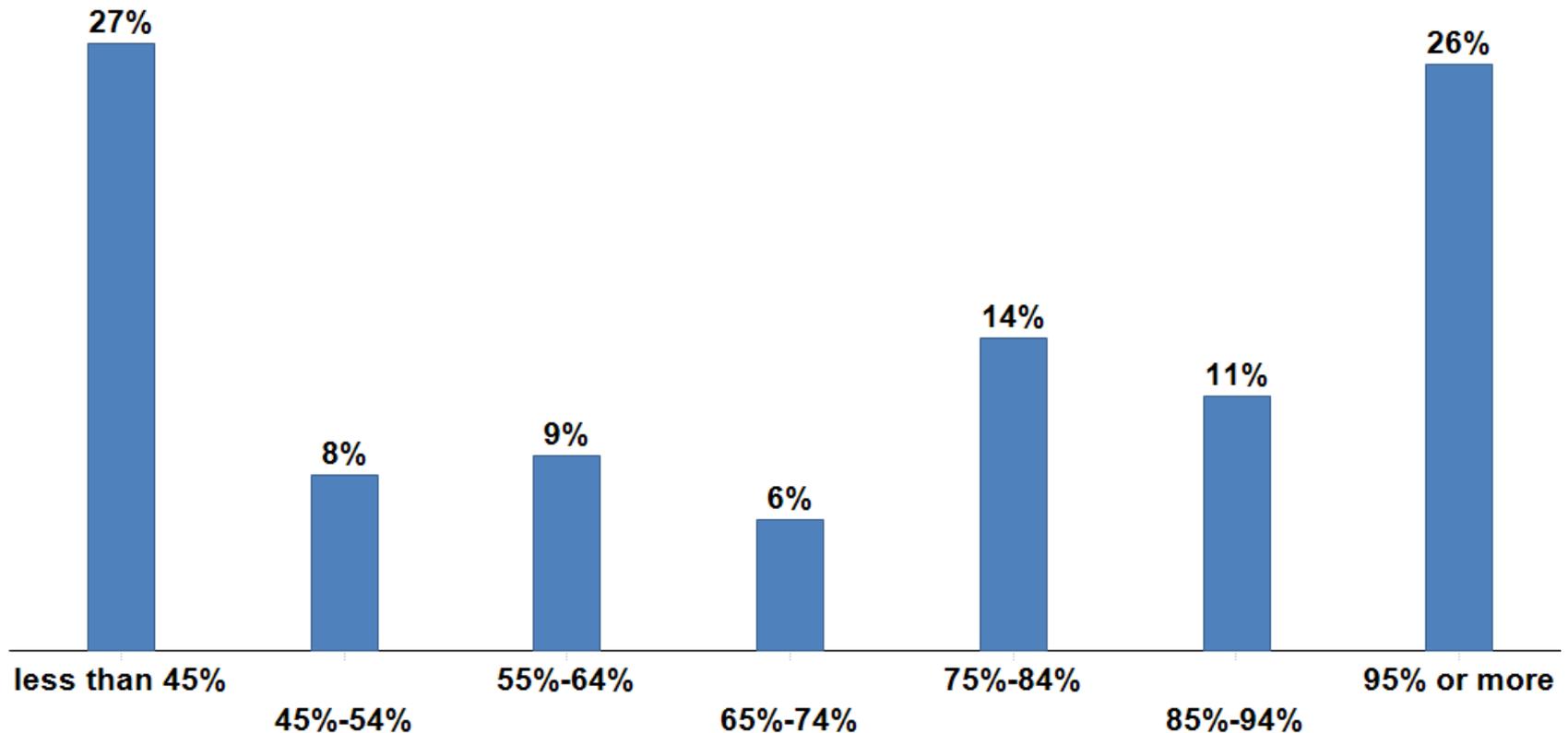
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51% of hospitals reported that over three-fourths of their claims were requested by a RAC after the timely filing window had elapsed.

### Percent of Participating Hospitals Reporting the Percentage of Medical Records Requested after the Timely Filing Window had Elapsed, through 3<sup>rd</sup> Quarter 2014



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

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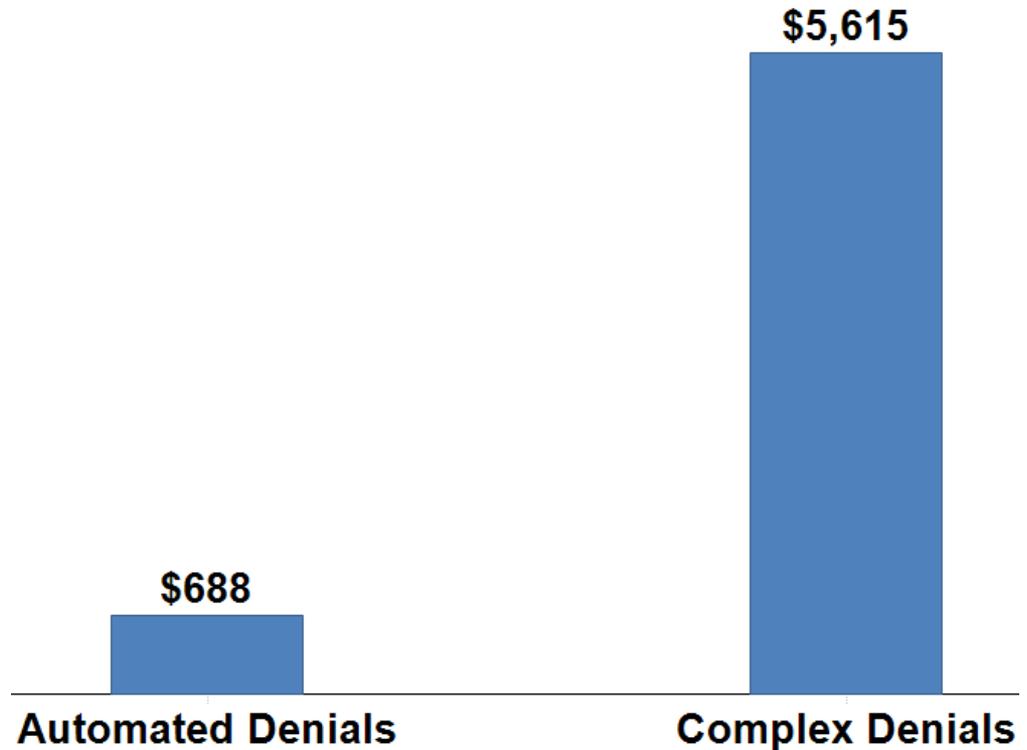


## RAC Denials

The average dollar value of an automated denial was \$688 and the average dollar value of a complex denial was \$5,615.

## Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3<sup>rd</sup> Quarter 2014

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$688	\$5,615
Region A	\$529	\$5,535
Region B	\$841	\$5,284
Region C	\$792	\$5,618
Region D	\$422	\$5,999



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

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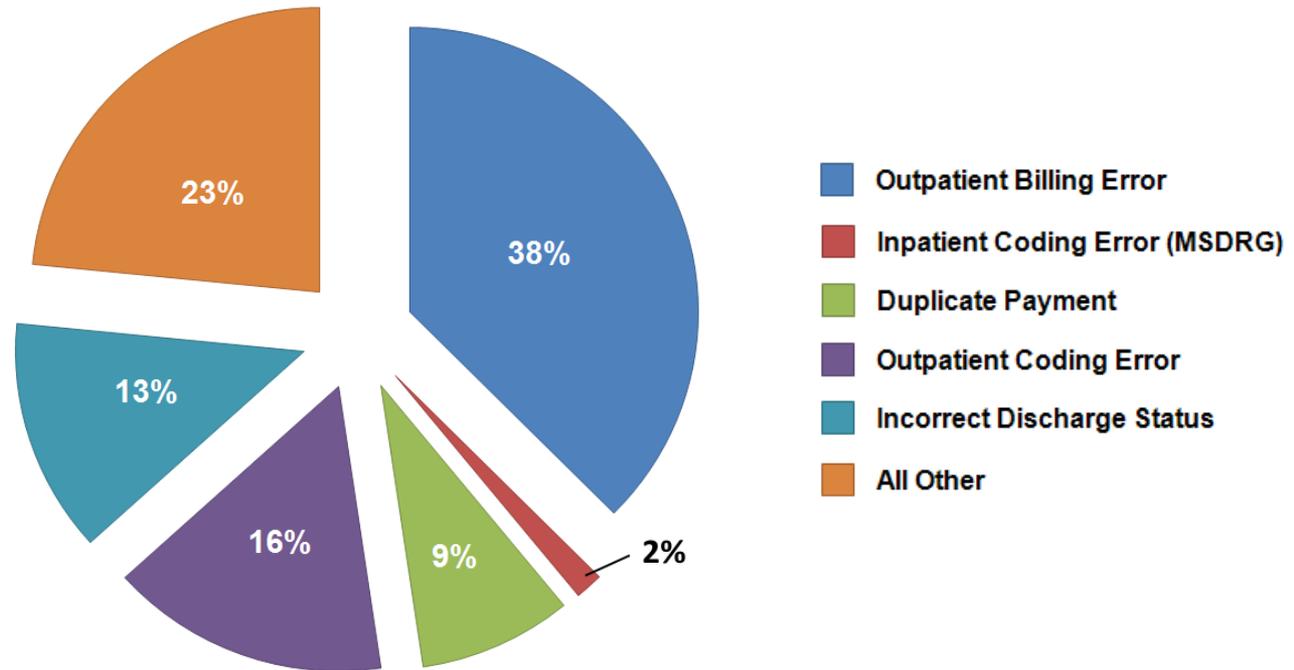


## Automated RAC Denials

# 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, 3<sup>rd</sup> Quarter 2014

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



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

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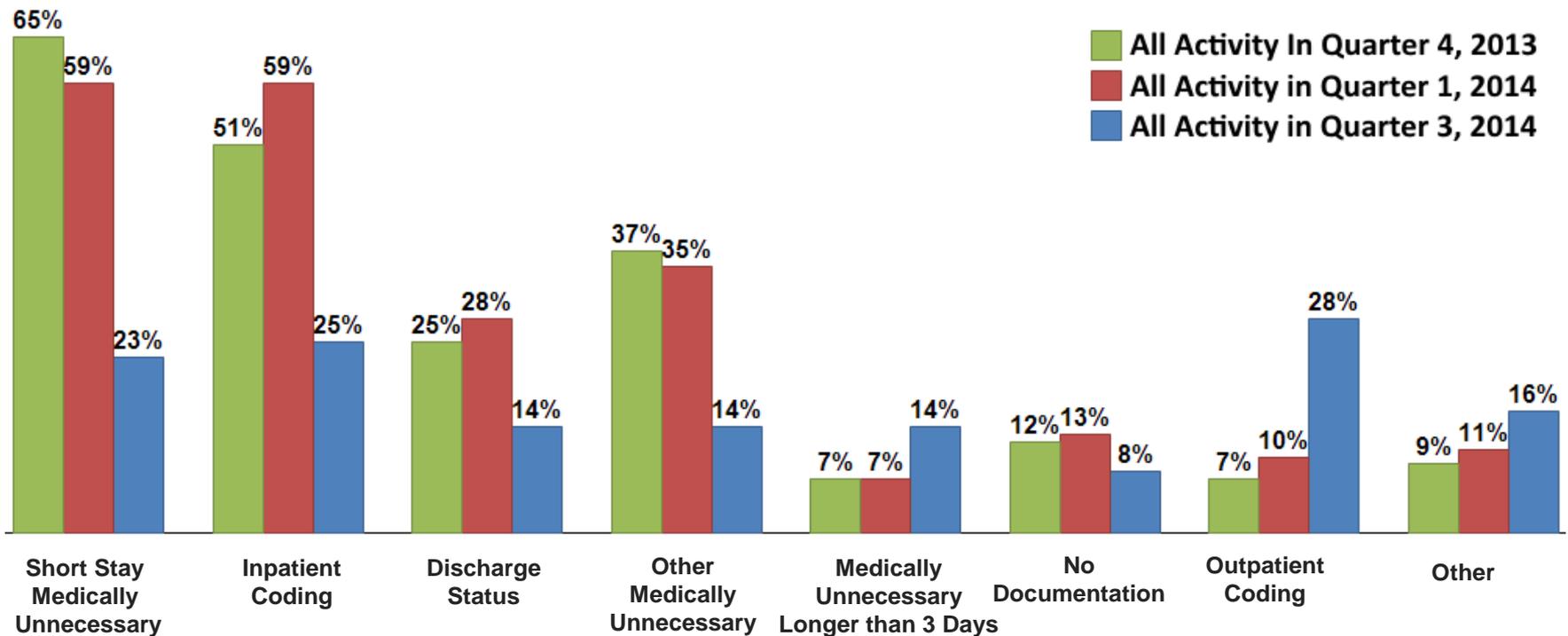


## Complex RAC Denials

# The most commonly cited reasons for a complex denial are “outpatient coding” and “inpatient coding.”

## Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, through 3<sup>rd</sup> Quarter 2014

Survey participants were asked to select all reasons for denial.



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

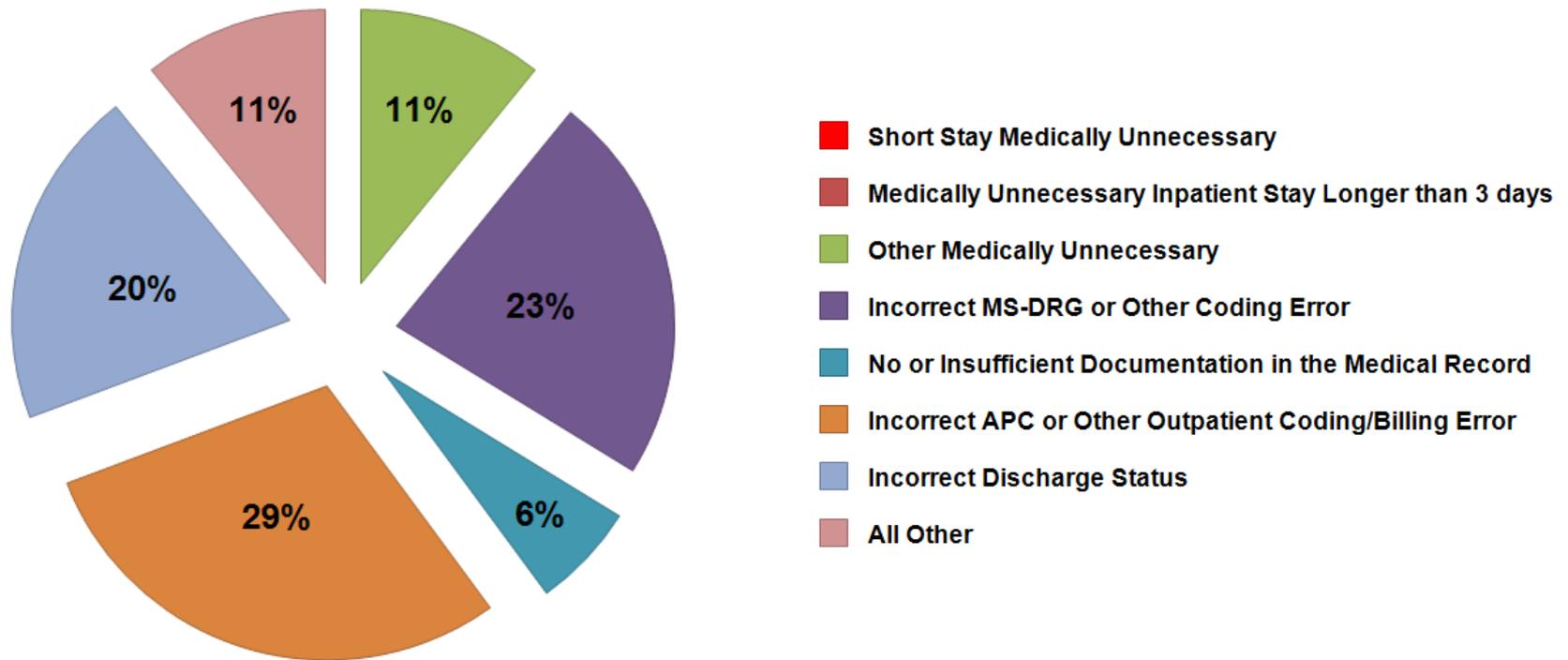
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# Nationally, hospitals reported a higher percentage of denials for incorrect outpatient coding/billing error and for incorrect discharge status.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2014

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



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

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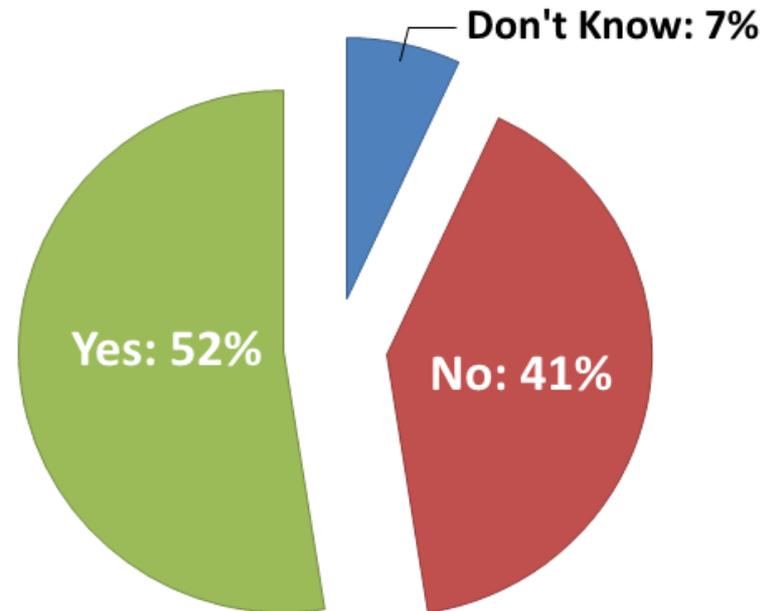
Appeals

# 52% of participating hospitals report having a denial reversed during the discussion period, including 71% of hospitals in Region A.

## Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 3<sup>rd</sup> Quarter 2014

### Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	71%	22%	7%
Region B	54%	40%	6%
Region C	50%	43%	7%
Region D	31%	61%	8%



*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 2014). RAC TRAC Survey

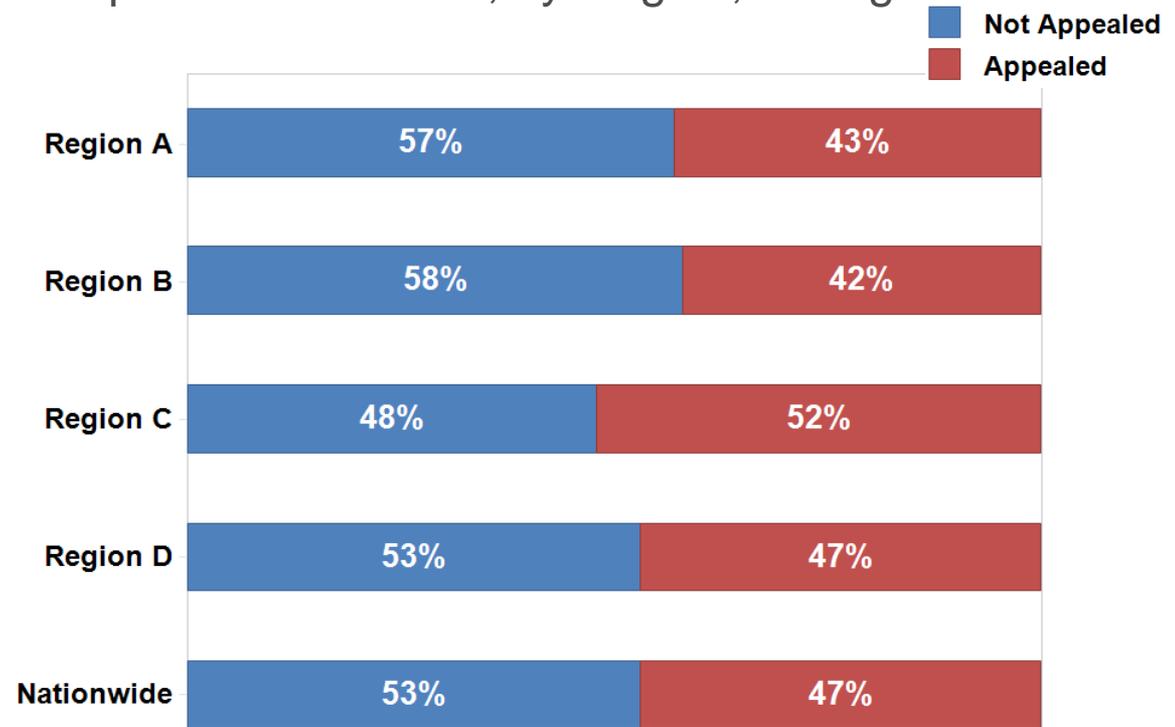
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# Nationwide hospitals report appealing 47% of RAC denials including over half of all denials in Region D.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 3<sup>rd</sup> Quarter 2014

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	540,203	254,537
Region A	106,939	46,500
Region B	103,472	43,409
Region C	215,773	111,352
Region D	113,975	53,276



\* 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 2014). RAC TRAC Survey

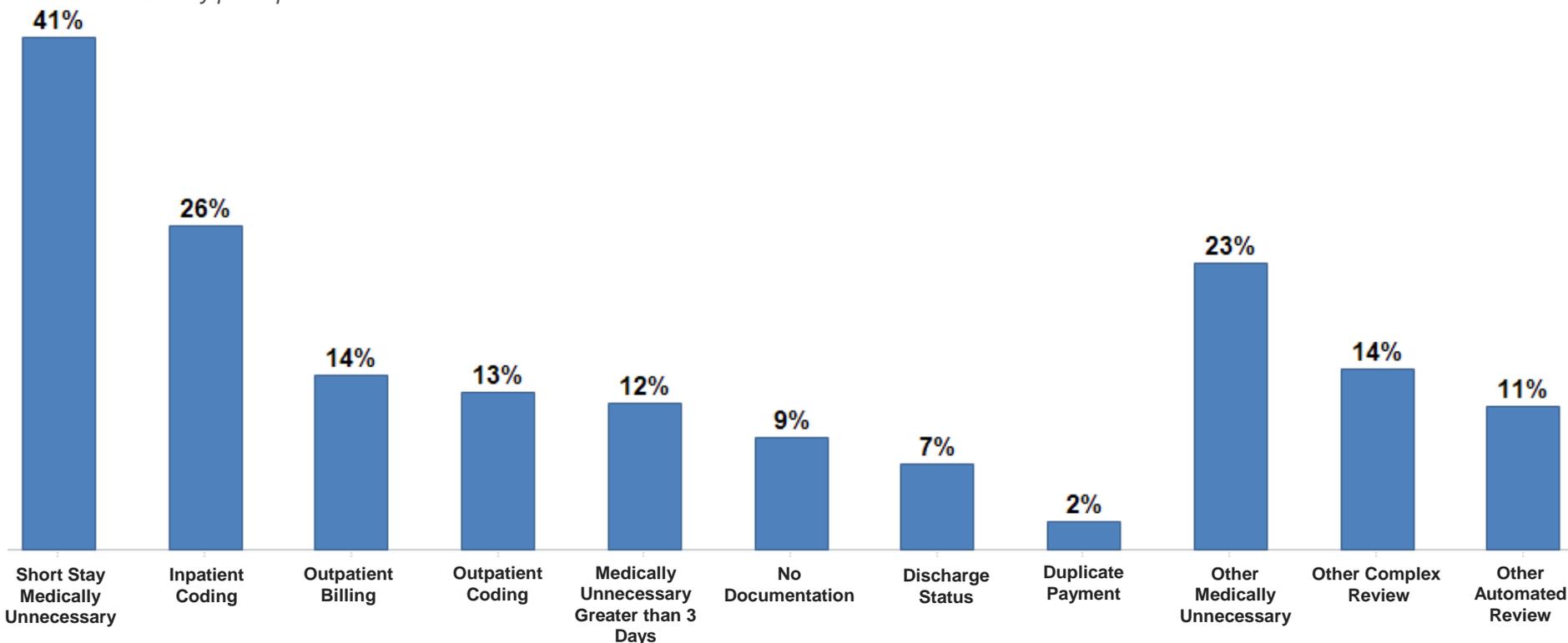
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# 41% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q3 2014 reported appealing short stay medically unnecessary denials.

## Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 3<sup>rd</sup> Quarter 2014

Survey participants were asked to select all reasons for denial.



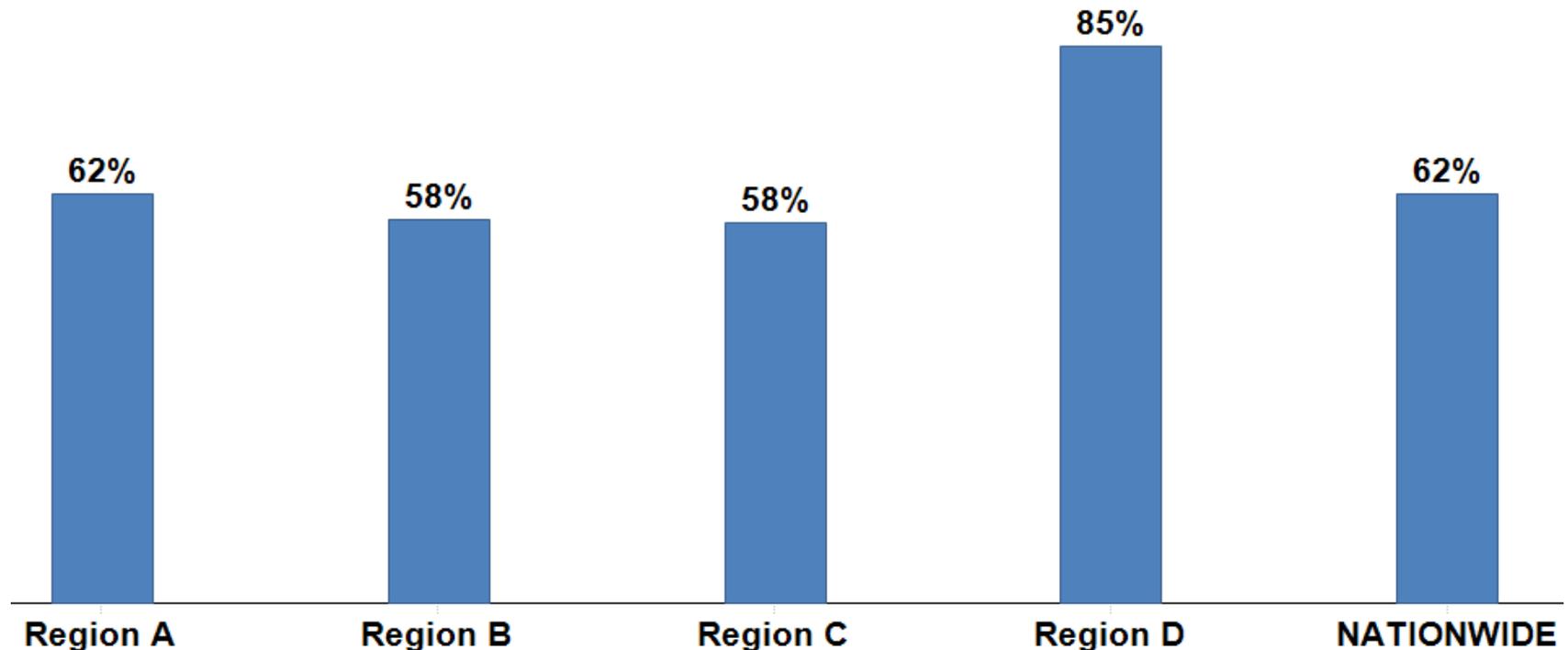
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For over 62% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 3<sup>rd</sup> Quarter 2014



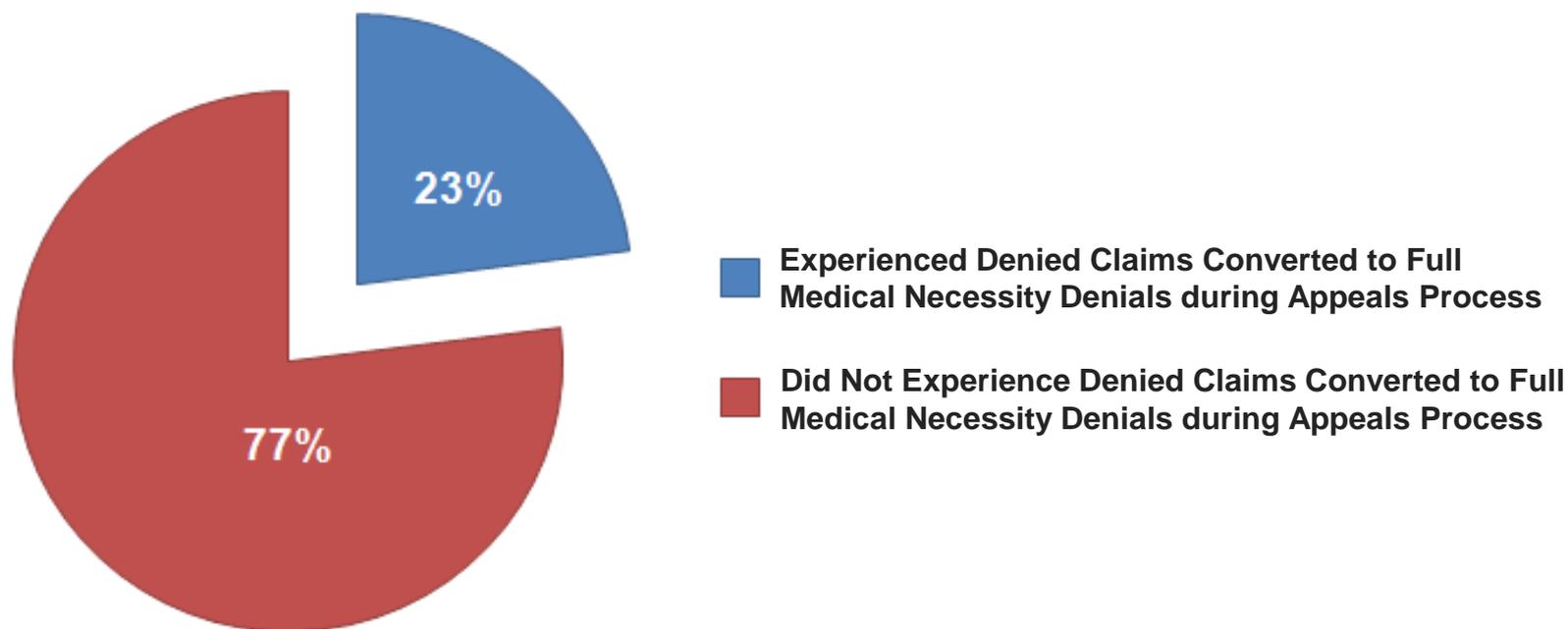
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# 23% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 3<sup>rd</sup> Quarter 2014



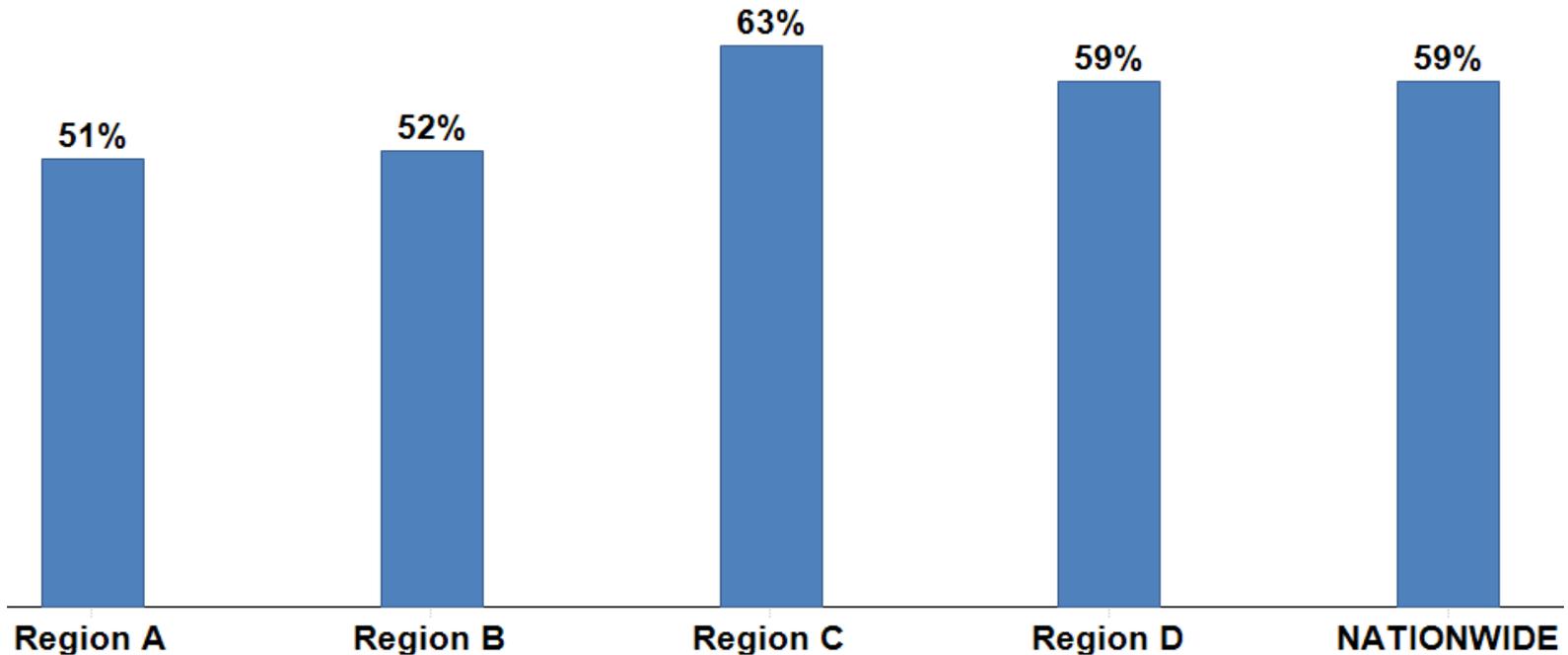
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# 59% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 3<sup>rd</sup> Quarter 2014\*



*Manual survey entries only for Region A.*

\*Response rates vary by quarter.

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

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# Of the claims that have completed the appeals process, 70% 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 3<sup>rd</sup> Quarter 2014\*

	Appealed	Percent of Denials Appealed	Number of Denials Awaiting Appeals Determination	Completed Appeals		
				Number of Denials Not Overturned from Appeals Process** (Withdrawn/Not Continued)	Number of Denials Overturned in the Appeals Process	Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)
NATIONWIDE	223,942	48%	132,593	26,329	60,396	70%
Region A *	15,905	51%	8,063	3,655	3,442	48%
Region B	43,409	42%	22,389	6,090	13,717	69%
Region C	111,352	52%	70,543	10,566	28,037	73%
Region D	53,276	47%	31,598	6,018	15,200	72%

\*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. (October 2014). RAC TRAC Survey

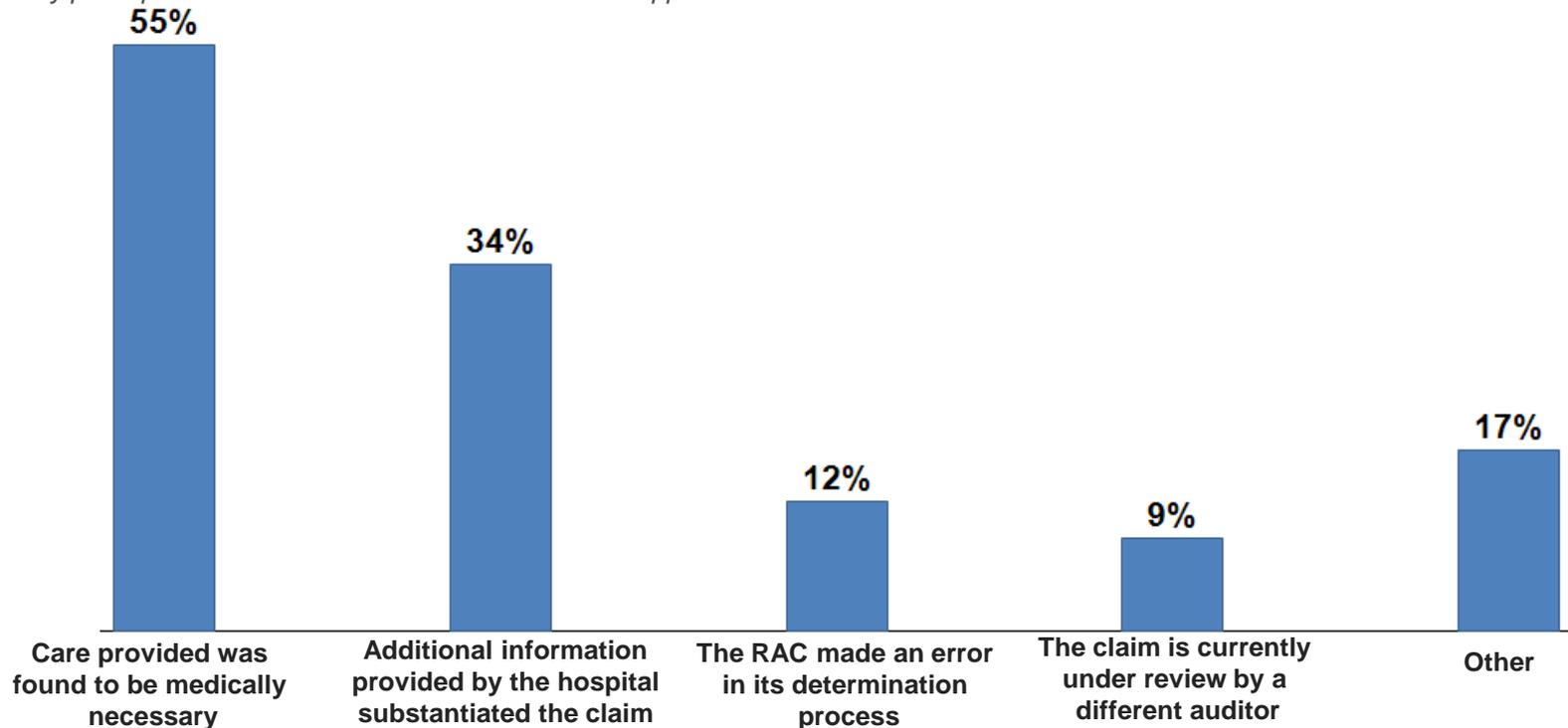
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# 55% of hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.

## Percent of Participating Hospitals That Had a Denial Overturned by Reason, 3<sup>rd</sup> Quarter 2014

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



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

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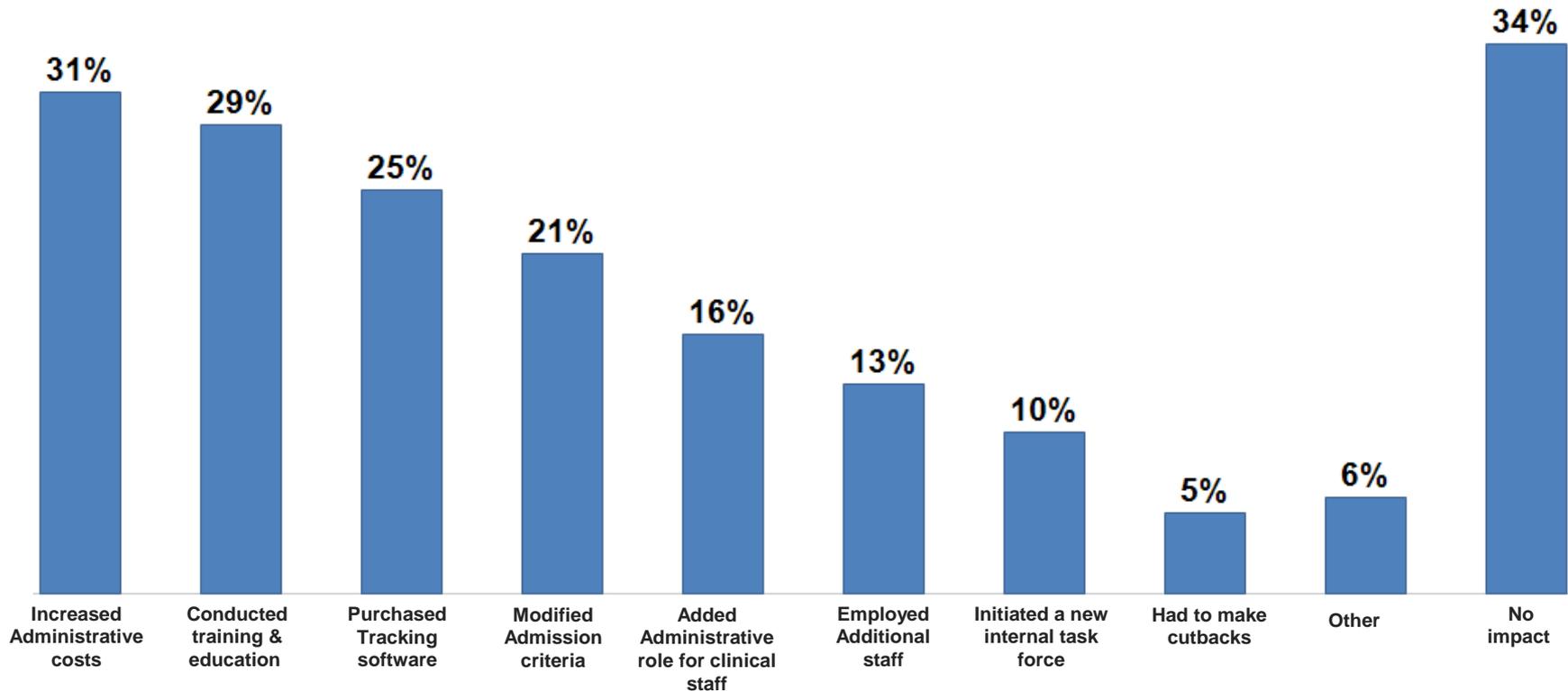
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# Administrative Burden

# Hospitals experience many types of administrative impacts due to RACs.

Impact of RAC on Participating Hospitals\* by Type of Impact, 3<sup>rd</sup> Quarter 2014



\* Includes participating hospitals with and without RAC activity

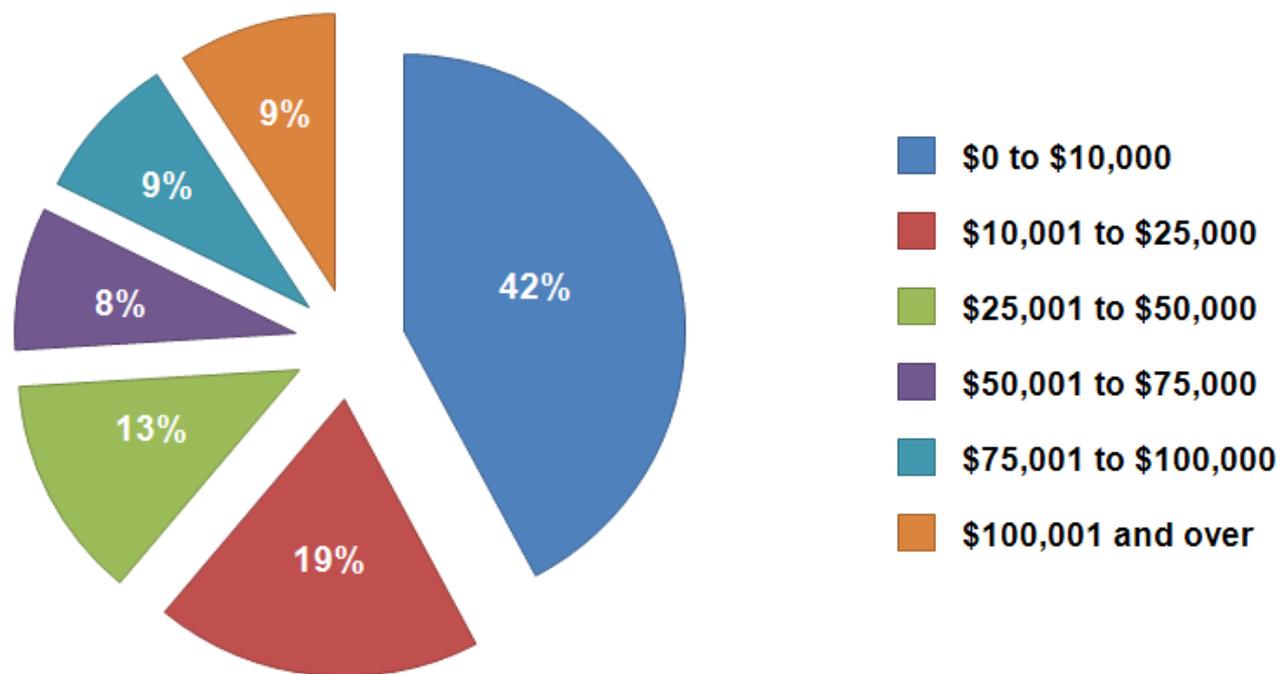
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58% of all hospitals reported spending more than \$10,000 managing the RAC process during the 3rd quarter of 2014, 39% spent more than \$25,000 and 9% spent over \$100,000.

## Percent of Participating Hospitals\* Reporting Average Cost Dealing with the RAC Program, 3<sup>rd</sup> Quarter 2014



\* Includes participating hospitals with and without RAC activity

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

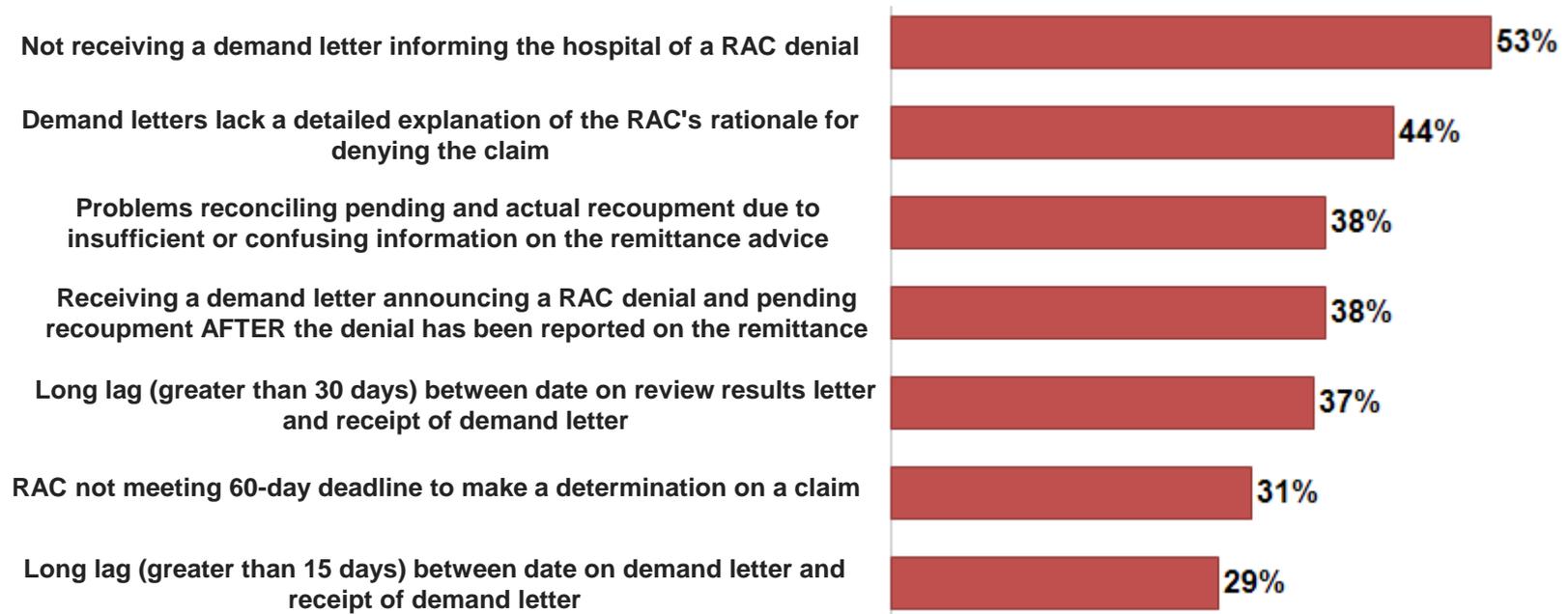
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# Hospitals report widespread RAC process-related issues, including multiple problems with MACs and the demand letter process.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3<sup>rd</sup> Quarter 2014



\* Includes participating hospitals with and without RAC activity

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For more information visit AHA's RAC *TRAC* website:

[www.aha.org/ractrac](http://www.aha.org/ractrac)