



Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC *TRAC* Survey, 4th Quarter 2014

March 30, 2015

RAC 101

- Centers for Medicare & Medicaid Services (CMS) Recovery Audit Contractors (RACs) conduct reviews of Medicare payments to health care providers, including:
 - automated reviews that use computer software to detect improper payments
 - complex reviews that utilize human review of medical records and other medical documentation
- Improper payments include:
 - incorrect payment amounts;
 - incorrectly coded services (including Medicare severity diagnosis-related group (MS-DRG) miscoding);
 - non-covered services (including services that are not reasonable and necessary); and
 - duplicate services
- Automated activity includes the traditional automated activity as described above as well as semi-automated review activity. These claims are denied in an automated manner if supporting documentation is not received on a timely basis.



RAC^{TRAC} Background

- AHA created RAC^{TRAC}—a free, web-based survey—in response to a lack of data provided by CMS on the impact of the RAC program on America's hospitals.
 - Hospitals use AHA's online survey application, RAC^{TRAC} (accessed at www.aharactrac.com), to submit their data regarding the impact of the RAC program.
 - Many survey questions are designed to collect *cumulative* RAC experience data, from the inception of a hospital's RAC activity through the 4th quarter of 2014.
 - Survey registration information and RAC^{TRAC} support can be accessed at ractracsupport@providercs.com or 1-888-722-8712.
 - Hospitals submit data to RAC^{Trac} through their claim tracking tools
 - Many external vendors offer an upload function to export a hospital's RAC data to RAC^{Trac}, or hospitals can choose to utilize the claim-level tracking tool provided by the AHA.



Executive Summary

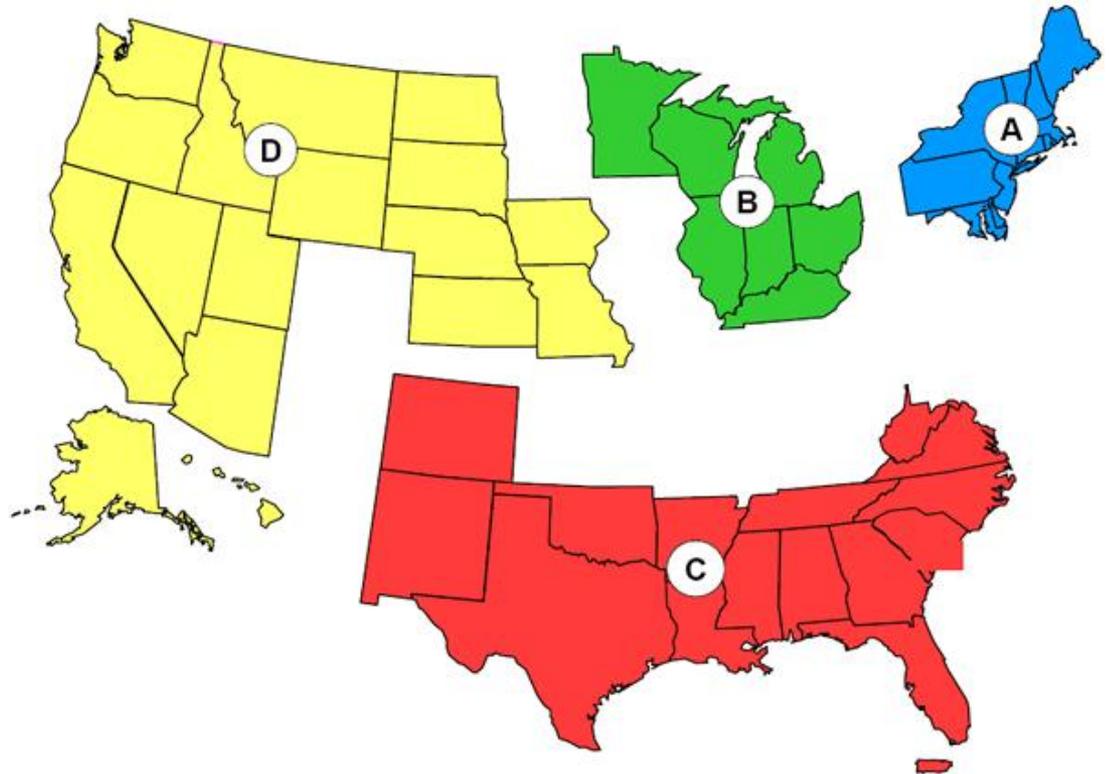
- 2,545 hospitals have participated in RACTRAC since data collection began in January of 2010. 879 hospitals participated this quarter.
- 70% of hospitals indicated they experienced inpatient coding denials – the most widespread reason for RAC denials reported this quarter.
- Hospitals reported appealing 46% of all RAC denials, with a 69% success rate in the appeals process.
 - The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling, until all hospitals begin using the new survey format.
- 52% of all appealed claims are still sitting in the appeals process.
- 53% of all hospitals reported spending more than \$10,000 managing the RAC process during the 4th quarter of 2014, 32% spent more than \$25,000 and 8% 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 4th Quarter 2014

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	16%
Region B	19%	23%
Region C	40%	35%
Region D	26%	26%



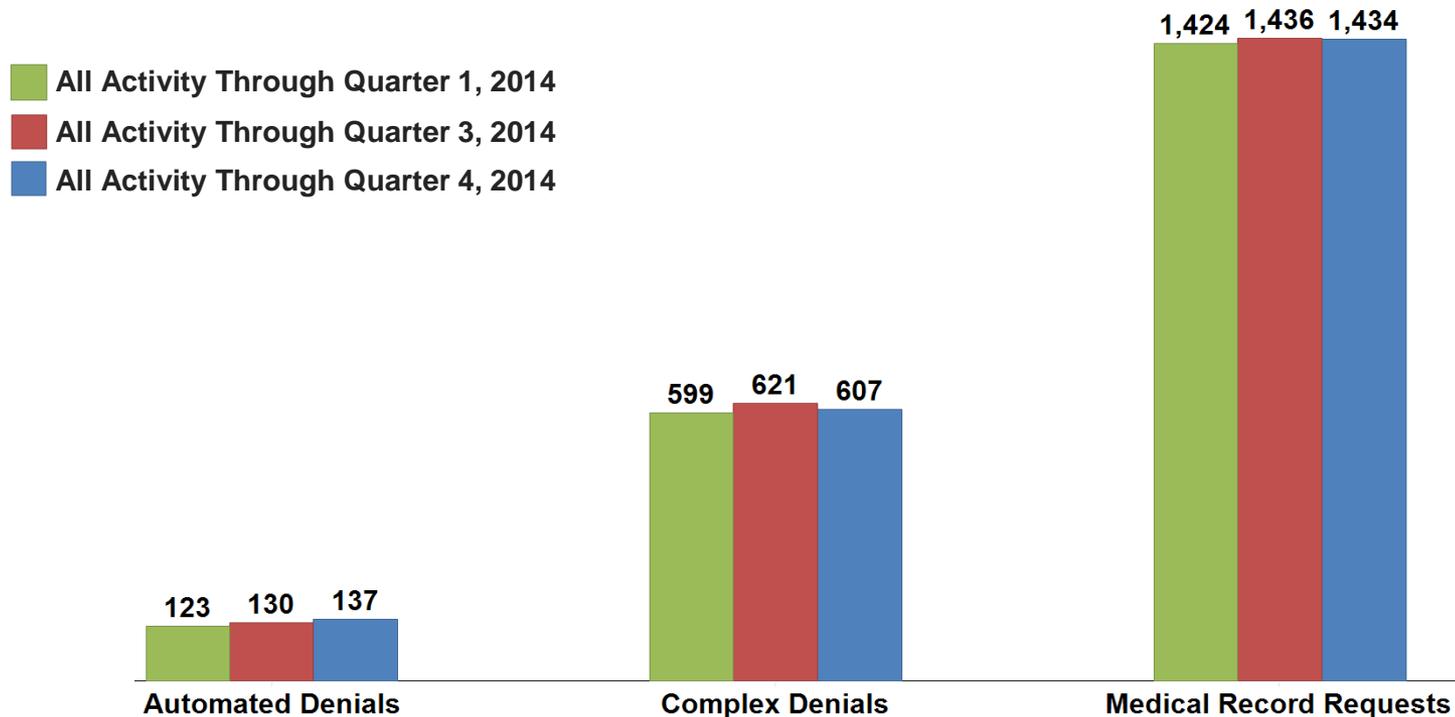
Source: Centers for Medicare and Medicaid Services



RAC Reviews

The average number of medical record requests and denials remained steady between Quarter 1 and Quarter 4 of 2014.

Average Automated Denials, Complex Denials and Medical Records Requests Among Participating Hospitals, through 4th Quarter 2014*



*Response rates vary by quarter.

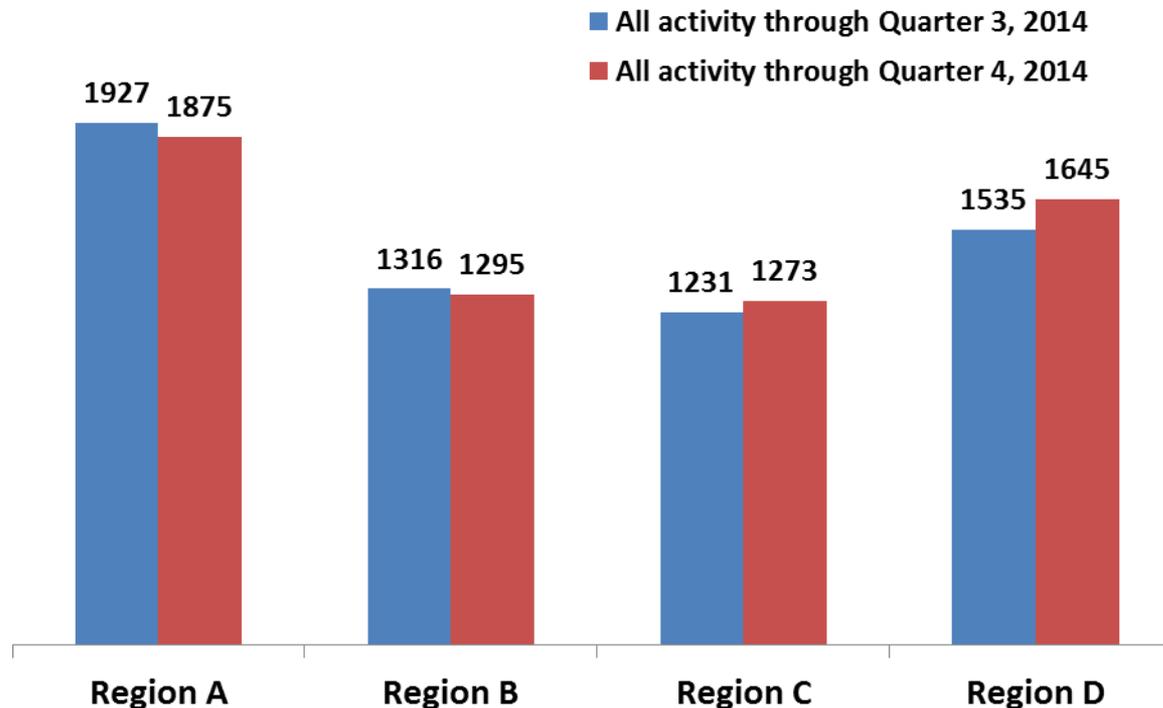
Source: AHA. (January 2015). RAC TRAC Survey

AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 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 per hospital.

Average Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 4th Quarter 2014*



*Response rates vary by quarter.

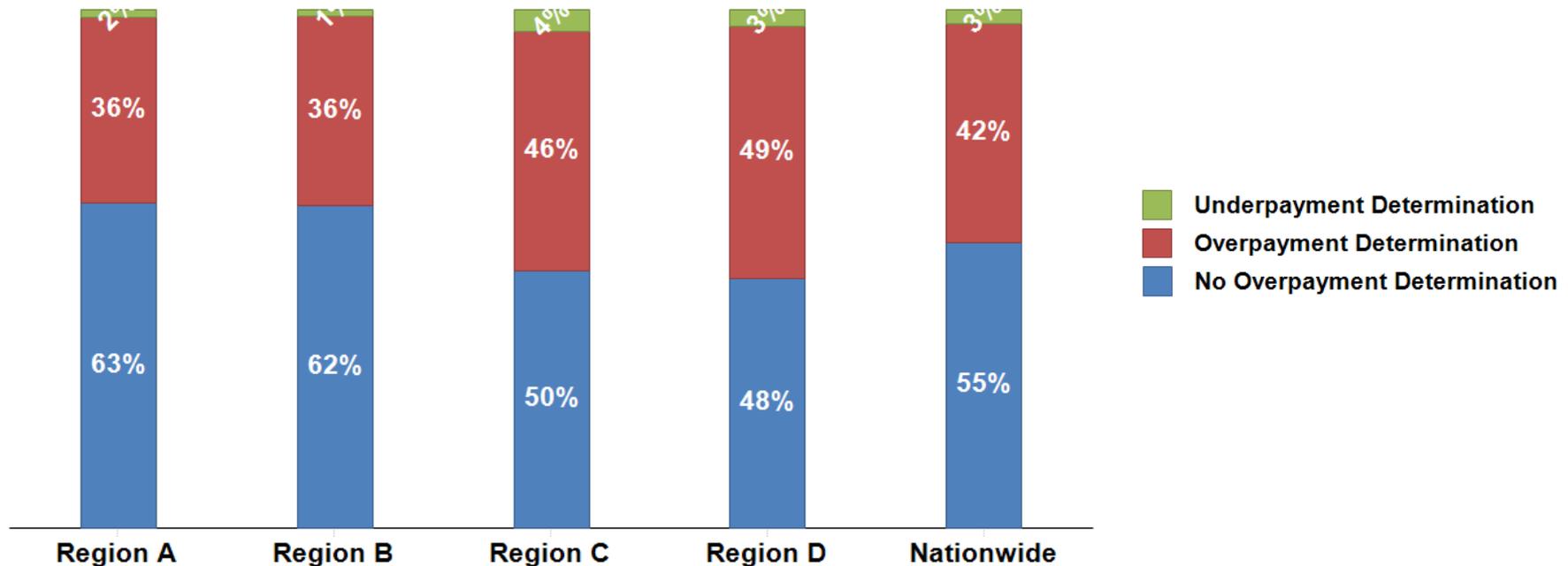
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55% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 4th Quarter 2014



Source: AHA. (January 2015). RAC TRAC Survey

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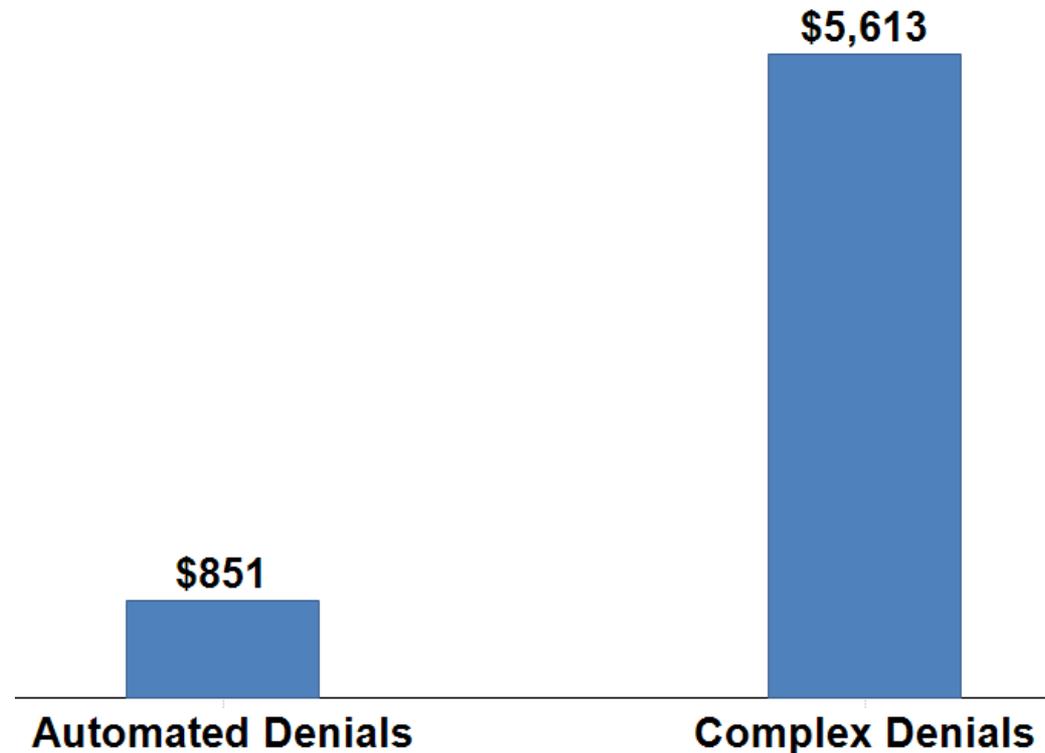


RAC Denials

The average dollar value of an automated denial was \$851 and the average dollar value of a complex denial was \$5,613.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 4th Quarter 2014

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$851	\$5,613
Region A	\$588	\$5,450
Region B	\$1,247	\$5,173
Region C	\$921	\$5,752
Region D	\$523	\$5,896



Source: AHA. (January 2015). RAC TRAC Survey

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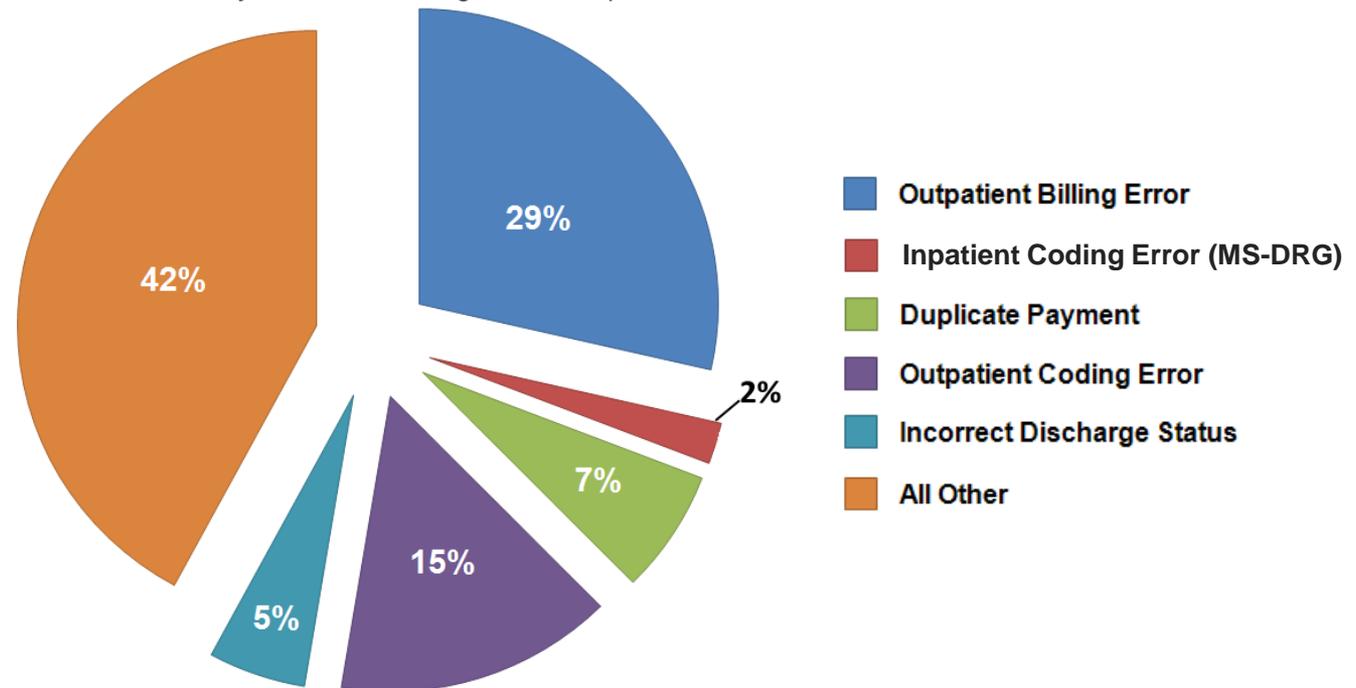


Automated RAC Denials

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 2014

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



Source: AHA. (January 2015). RAC TRAC Survey

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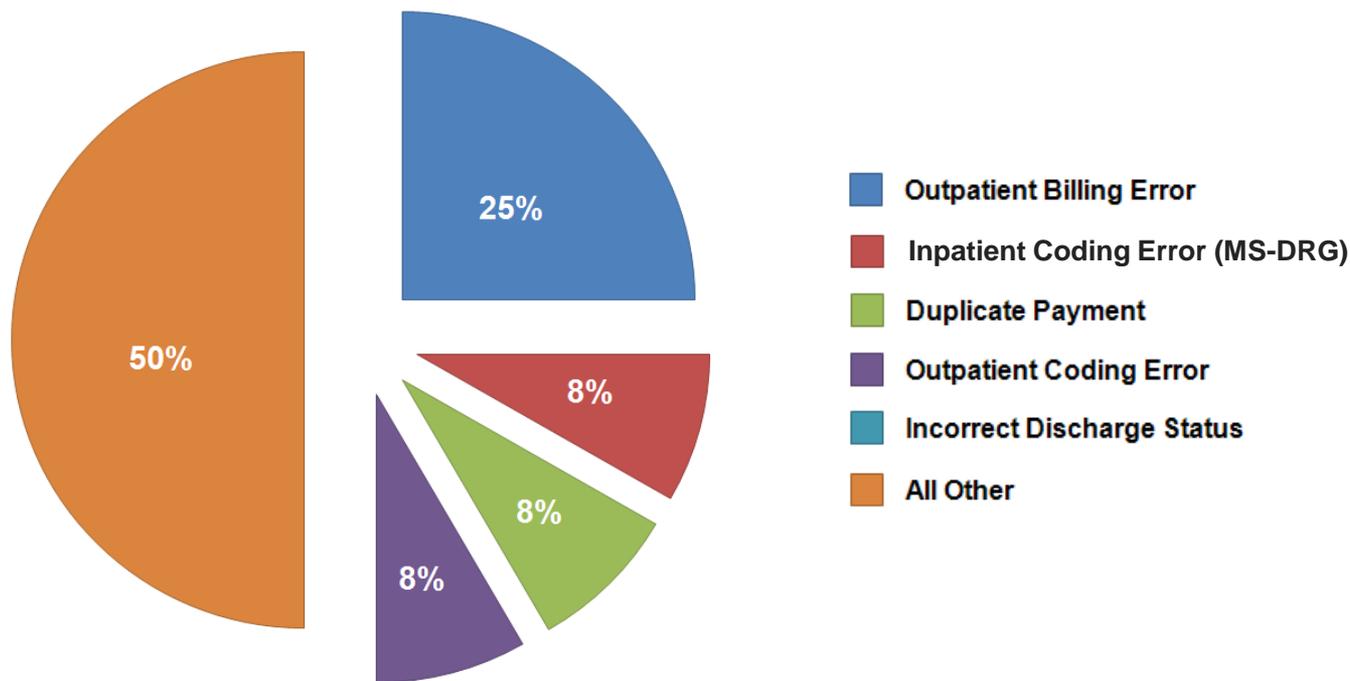
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Region A: Half of hospitals cited “All Other” as the top reason for automated denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region A

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



Source: AHA. (January 2015). RAC TRAC Survey

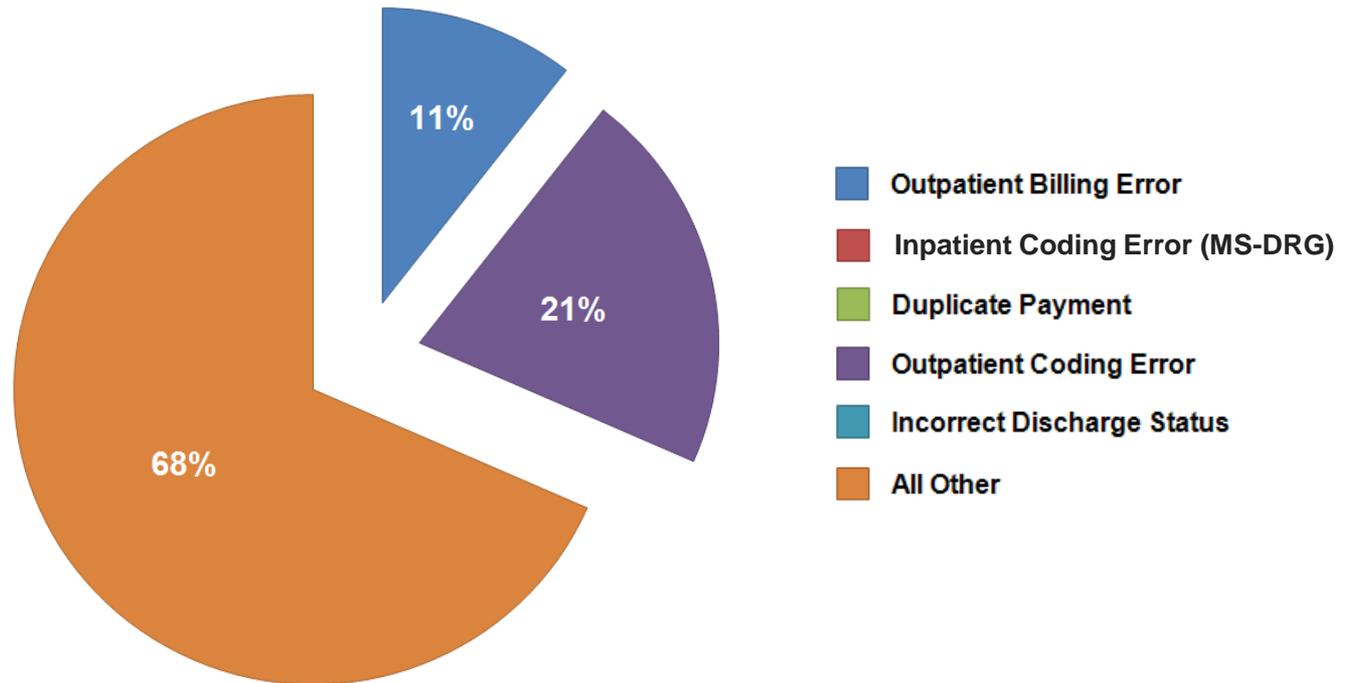
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Region B: Hospitals reported “All Other” as the top reason for automated denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region B

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



Source: AHA. (January 2015). RAC TRAC Survey

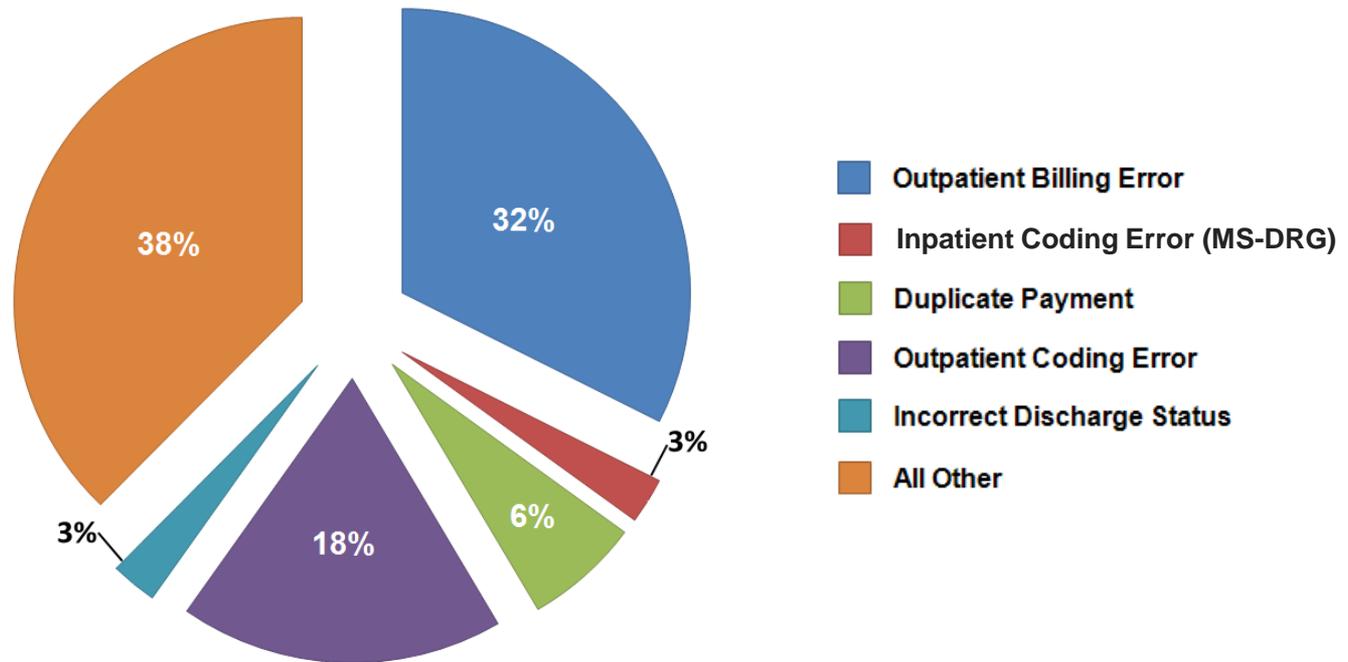
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Region C: Hospitals reported “All Other” and outpatient billing error as the top reasons for RAC denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region C

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



Source: AHA. (January 2015). RAC TRAC Survey

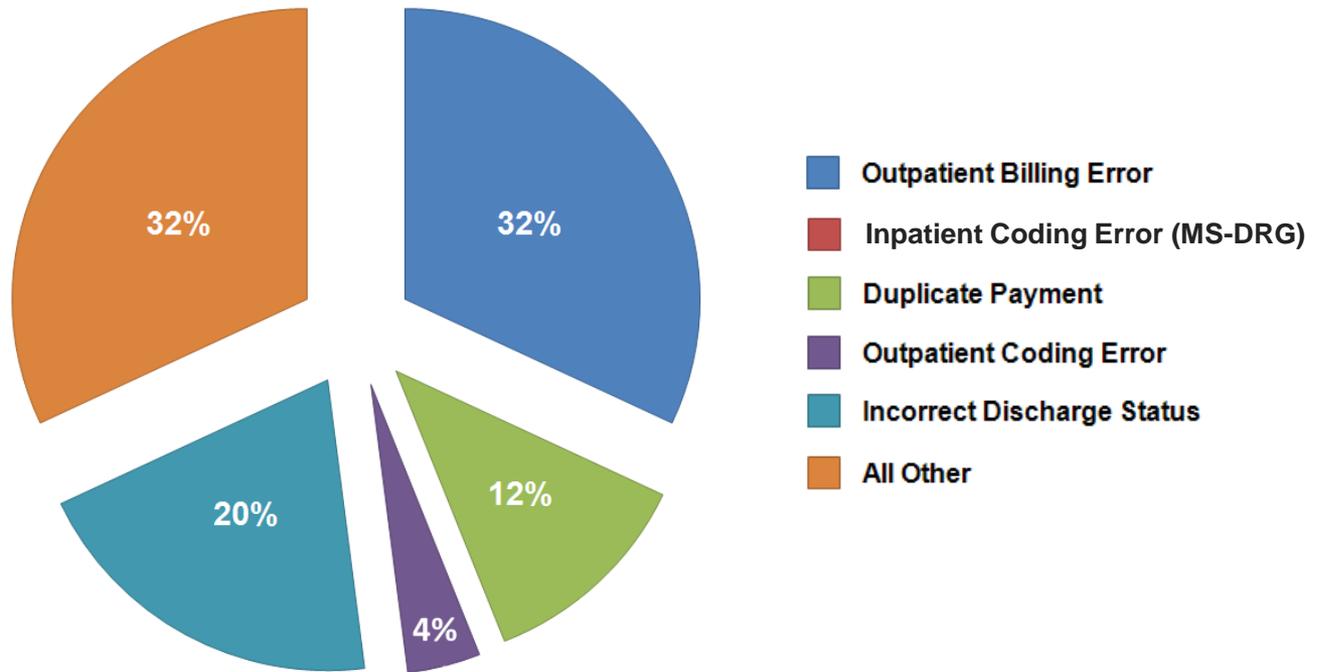
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Region D: Hospitals reported a large percentage of denials for outpatient billing error and “All Other.”

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region D

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



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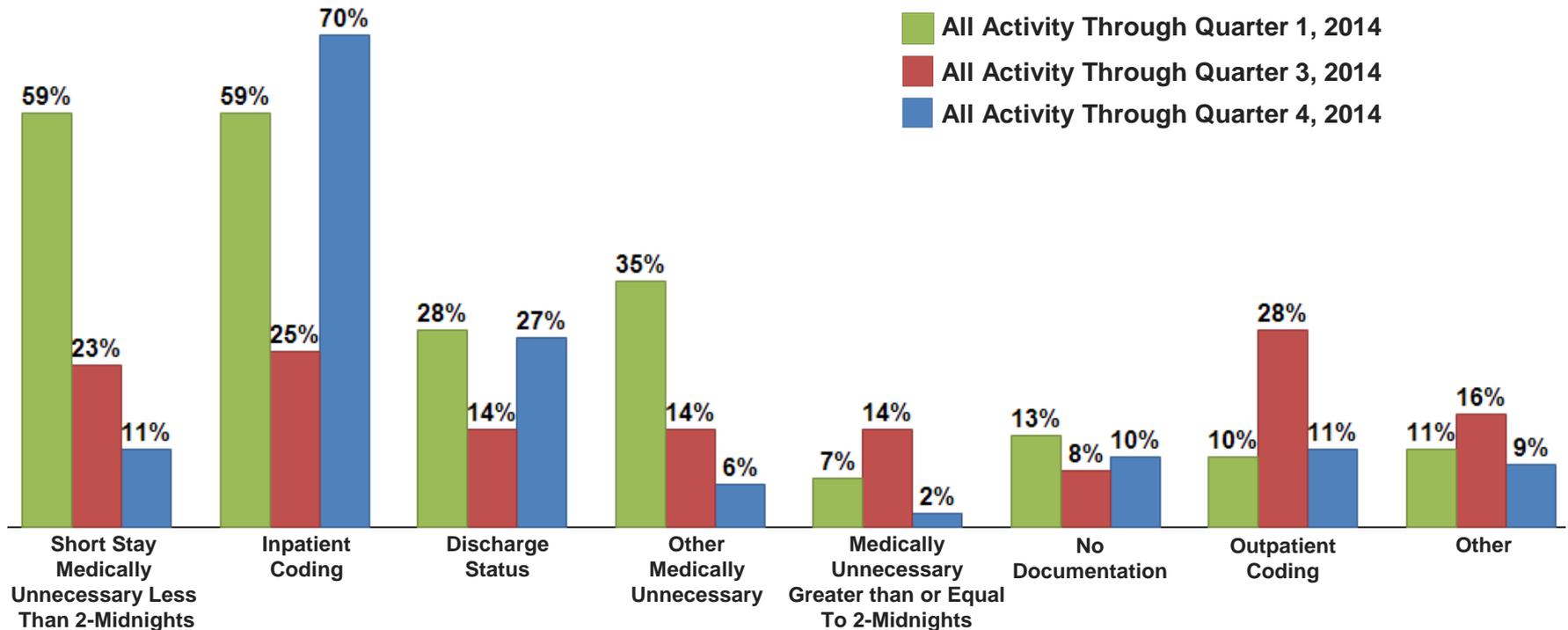


Complex RAC Denials

The most commonly cited reasons for a complex denial is inpatient coding, while the number of hospitals experiencing short stay denials has dropped significantly.

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 4th Quarter 2014

Survey participants were asked to select all reasons for denial.



Source: AHA. (January 2015). RAC TRAC Survey

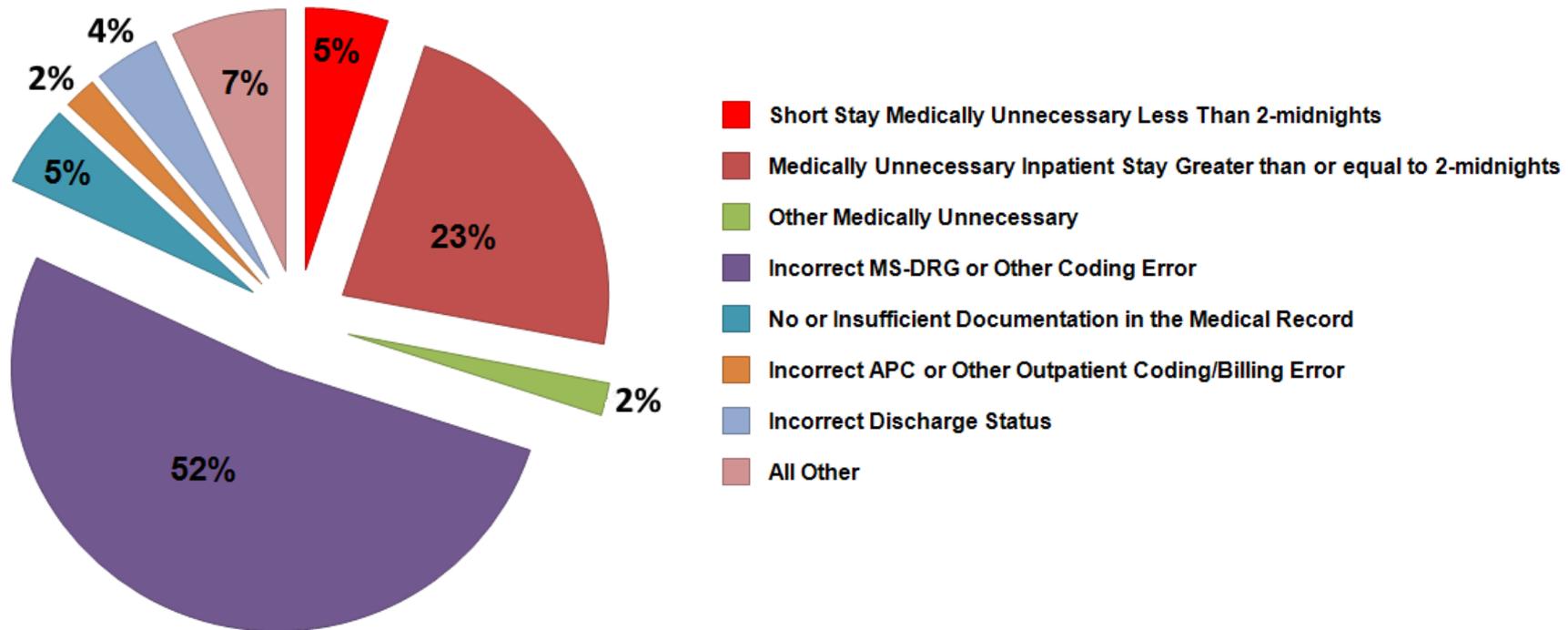
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Nationally, hospitals reported a higher percentage of denials on incorrect outpatient coding/billing error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014

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



Source: AHA. (January 2015). RAC TRAC Survey

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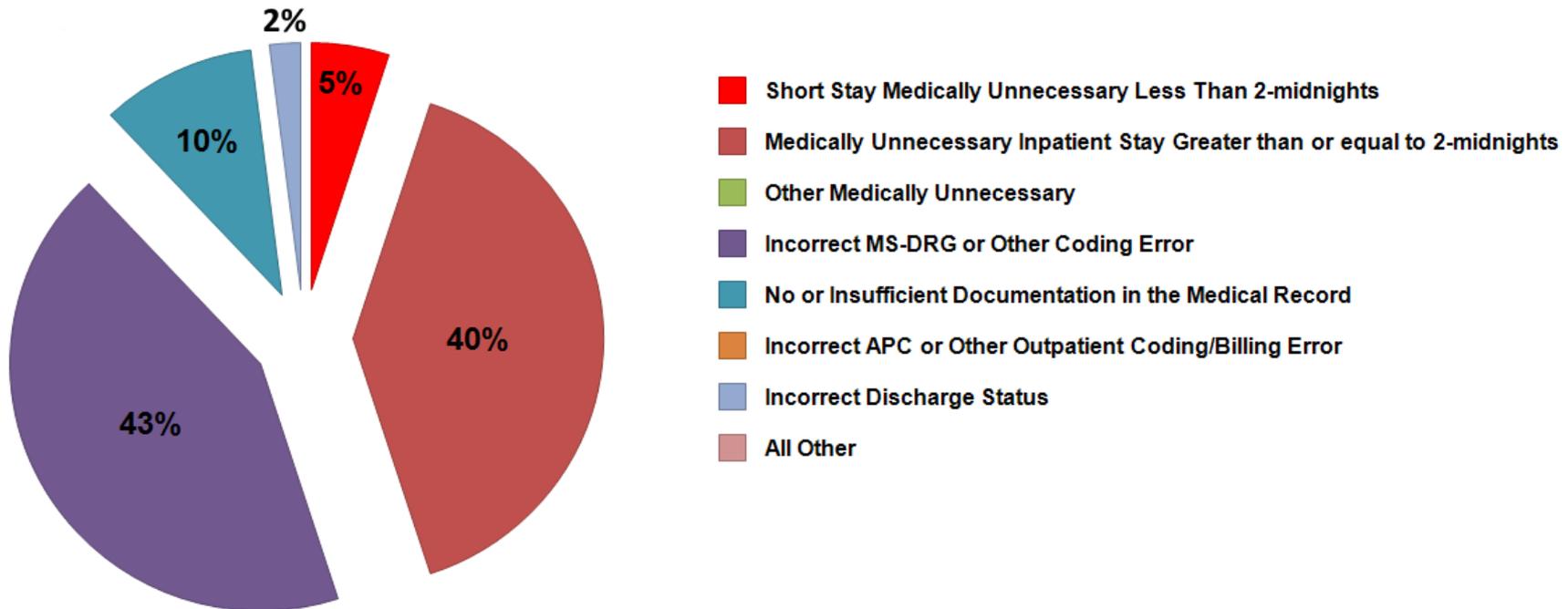
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Region A: Hospitals reported the highest percentage of denials on incorrect MS-DRG or coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region A

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



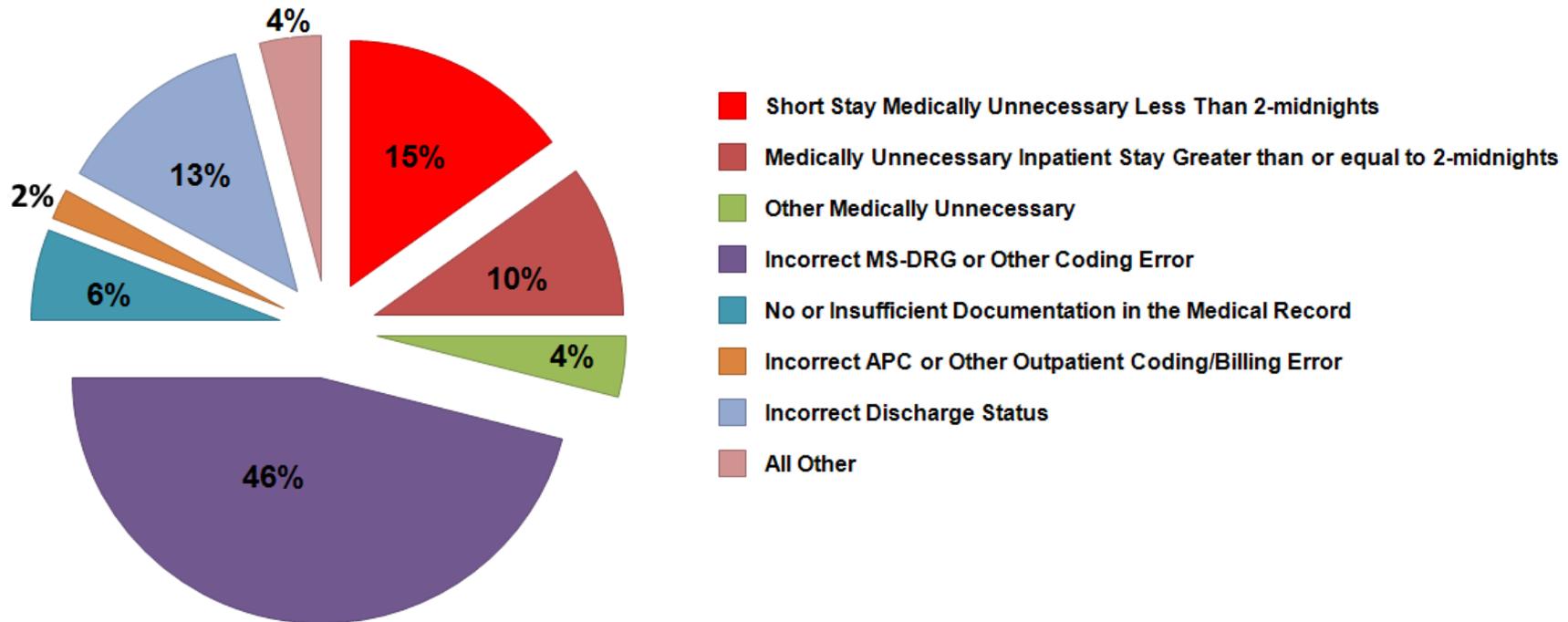
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Region B: Hospitals reported an increase in the percentage of denials for incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region B

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



Source: AHA. (January 2015). RAC TRAC Survey

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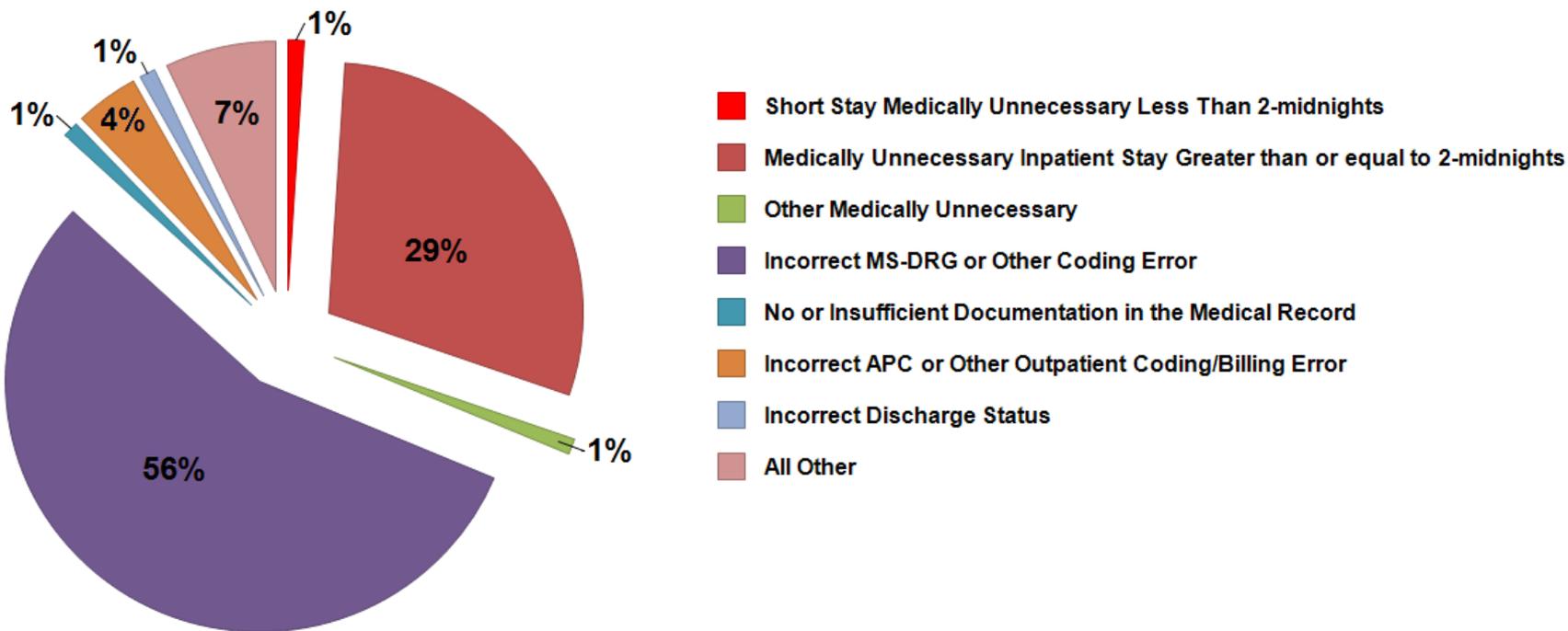
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Region C: Hospitals reported a higher percentage of denials for incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region C

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



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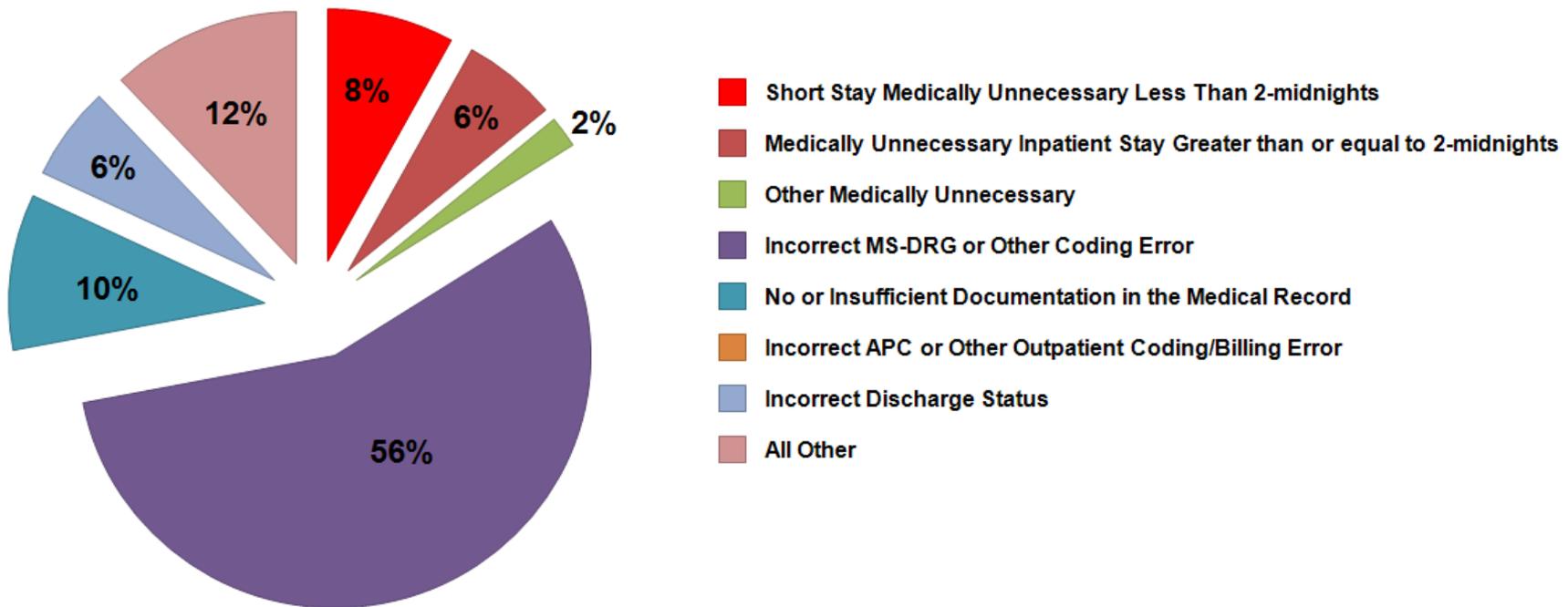
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Region D: Hospitals noted an increase in the percentage of denials related to incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2014, Region D

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



Source: AHA. (January 2015). RAC TRAC Survey

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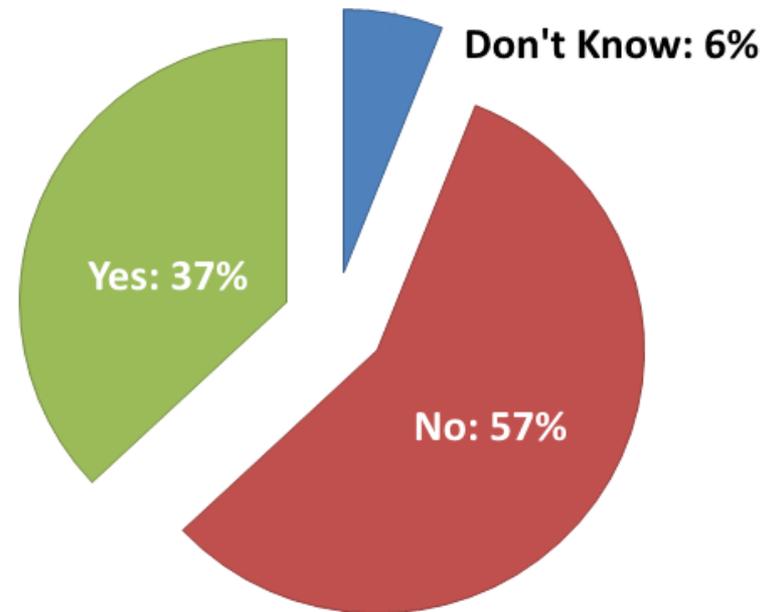
Appeals

37% of participating hospitals report having a denial reversed during the discussion period, including 54% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 4th Quarter 2014

Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	54%	39%	7%
Region B	22%	72%	6%
Region C	41%	54%	5%
Region D	32%	63%	5%



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

Source: AHA. (January 2015). RAC TRAC Survey

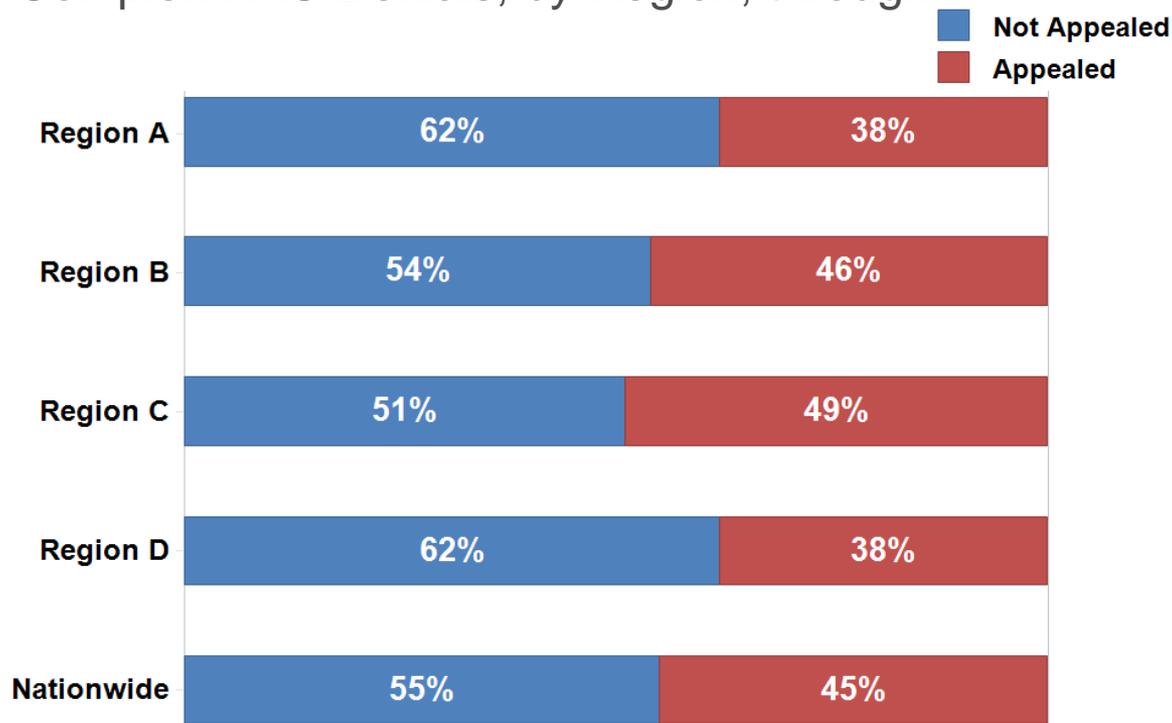
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Nationwide, hospitals report appealing 45% of RAC denials.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 4th Quarter 2014

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	515,761	230,338
Region A	86,009	33,099
Region B	96,451	44,146
Region C	227,603	112,533
Region D	105,698	40,560



* Available for appeal means that the hospital received a demand letter for this claim, as a result of either automated or complex review.

Source: AHA. (January 2015). RAC TRAC Survey

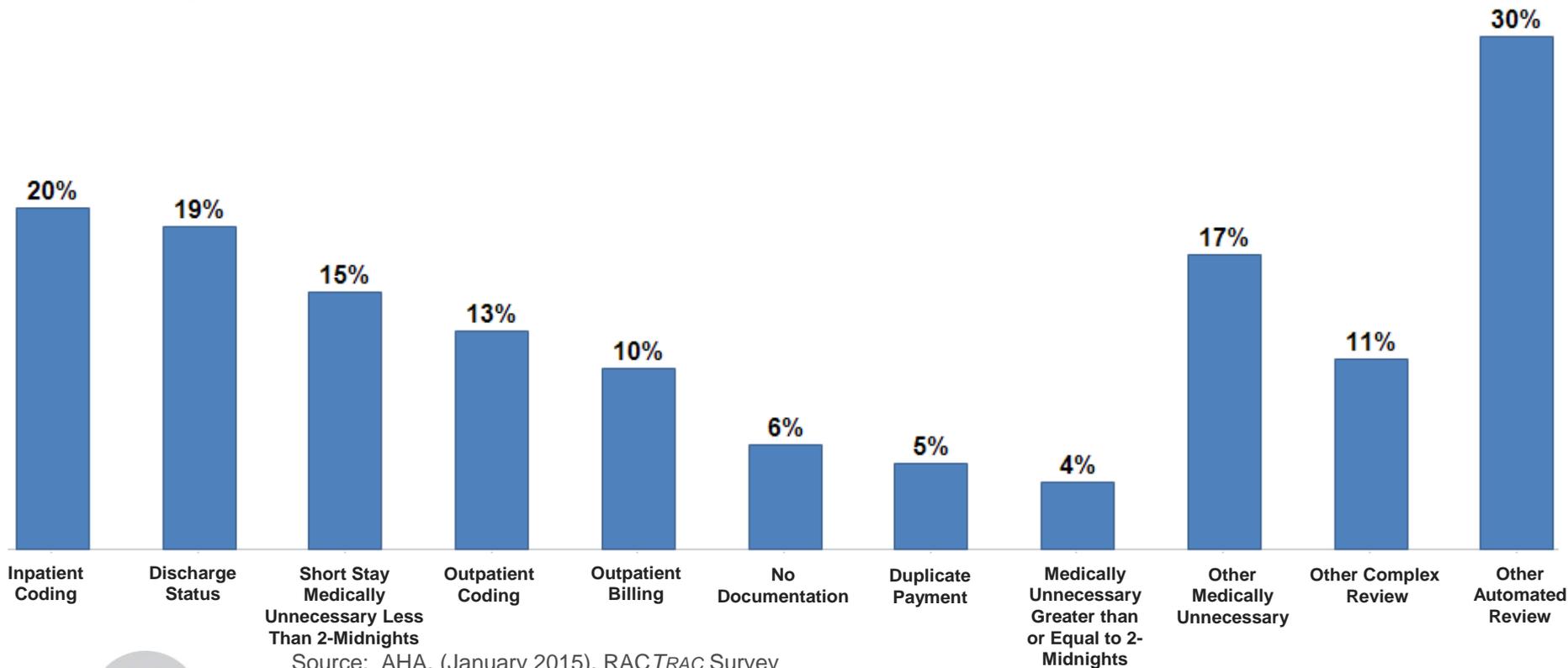
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30% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q4 2014 reported appealing “Other automated reviews,” up from 11% last quarter.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 4th Quarter 2014

Survey participants were asked to select all reasons for denial.



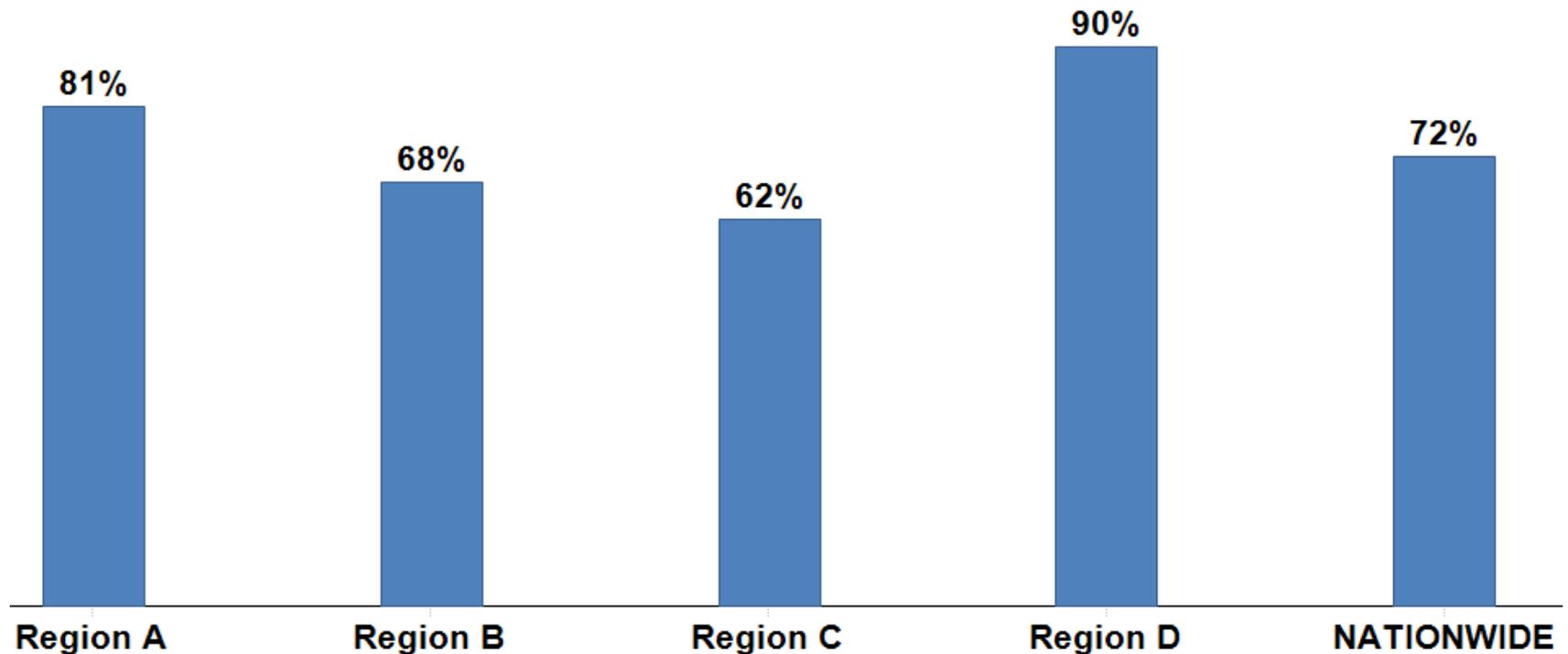
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For over 72% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 4th Quarter 2014



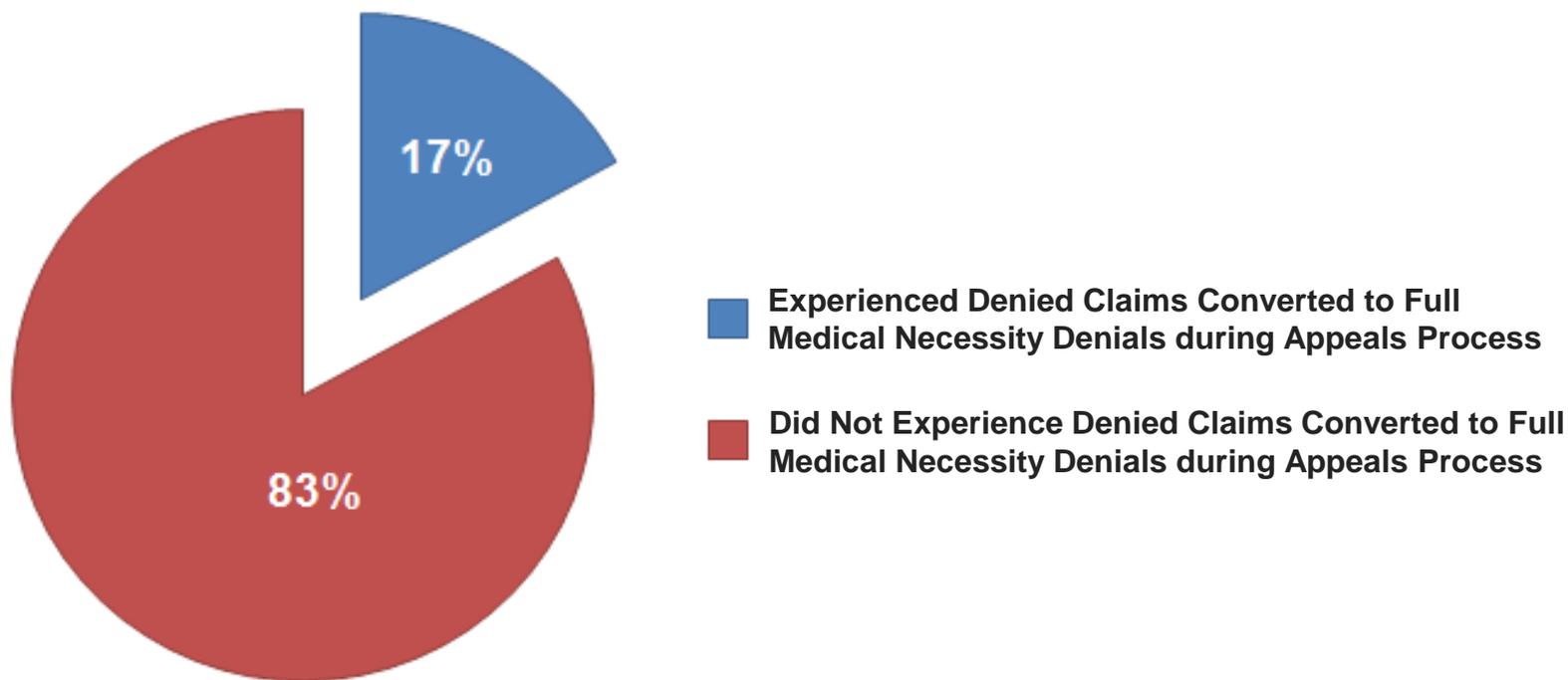
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17% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 4th Quarter 2014



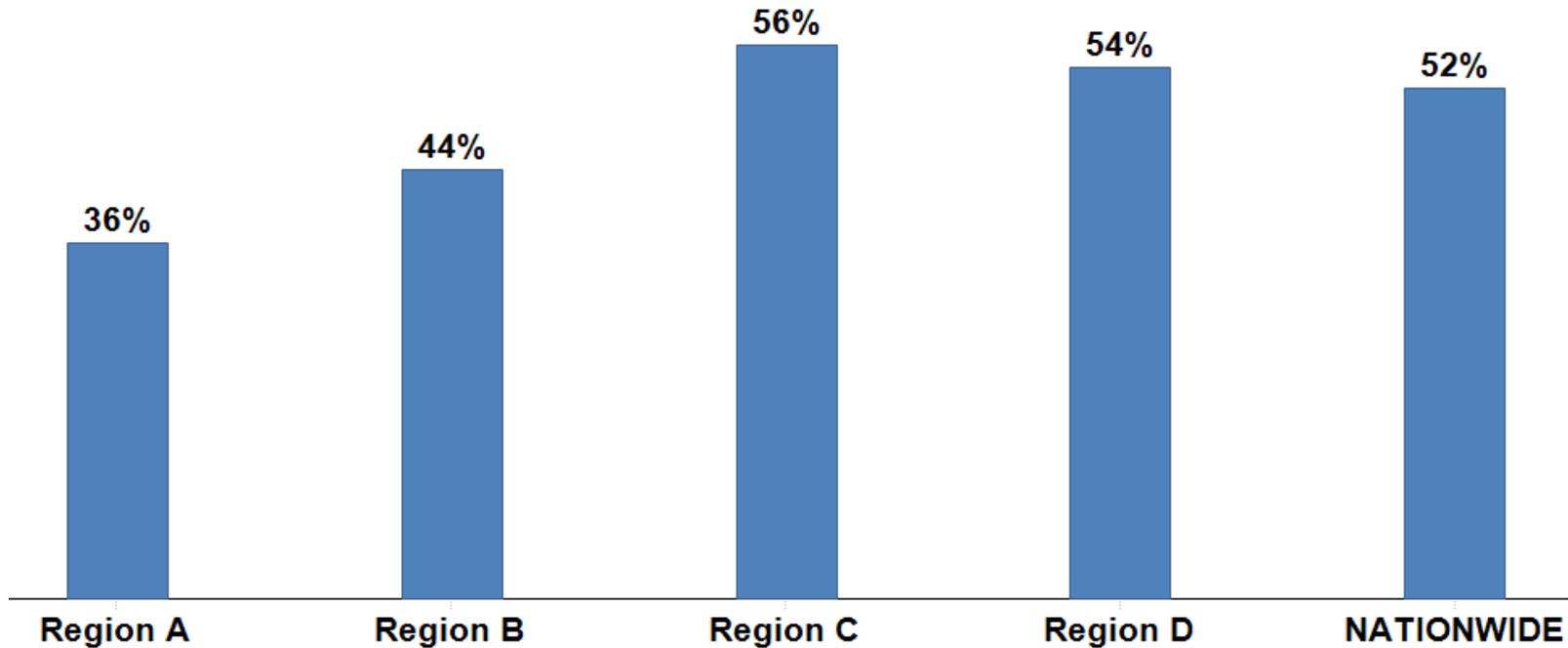
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52% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 4th Quarter 2014*



Manual survey entries only for Region A.

*Response rates vary by quarter.

Source: AHA. (January 2015). RAC TRAC Survey

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For complex denials that are re-billed under Part B, hospitals report receiving 46% of the original Part A reimbursement.

*** NEW *** Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 4th Quarter, 2014

	Number of Participating Hospitals	Number of Level of Care Denials Re-billed	Part A Denied Amount of Re-billed Claims	Number of Level of Care Denials Re-billed and Reimbursed under Part B	Average Part B Reimbursed	Average % of Part A Denied Amount Reimbursed Under Part B
Nationwide	113	14,042	\$85,414,969	9,520	\$2,867	45.9%
Region A	26	2,671	\$15,361,883	1,450	\$2,509	45.9%
Region B	38	3,476	\$22,969,425	2,580	\$4,206	63.9%
Region C	41	6,871	\$43,709,401	4,850	\$2,496	38.8%
Region D*	* too few hospital responses					

*Response rates vary by quarter.

Source: AHA. (January 2015). RAC TRAC Survey

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Of the claims that have completed the appeals process, 69% were overturned in favor of the provider.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Automated or Complex RAC Denials, through 4th Quarter 2014*

				Completed Appeals		
	Appealed	Percent of Denials Appealed	Number of Denials Awaiting Appeals Determination	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	206,530	46%	107,354	27,671	61,034	69%
Region A *	9,291	42%	3,346	3,047	2,358	44%
Region B	44,146	46%	19,211	6,877	14,879	68%
Region C	112,533	49%	63,000	12,679	30,868	71%
Region D	40,560	38%	21,797	5,068	12,929	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. (January 2015). RAC TRAC Survey

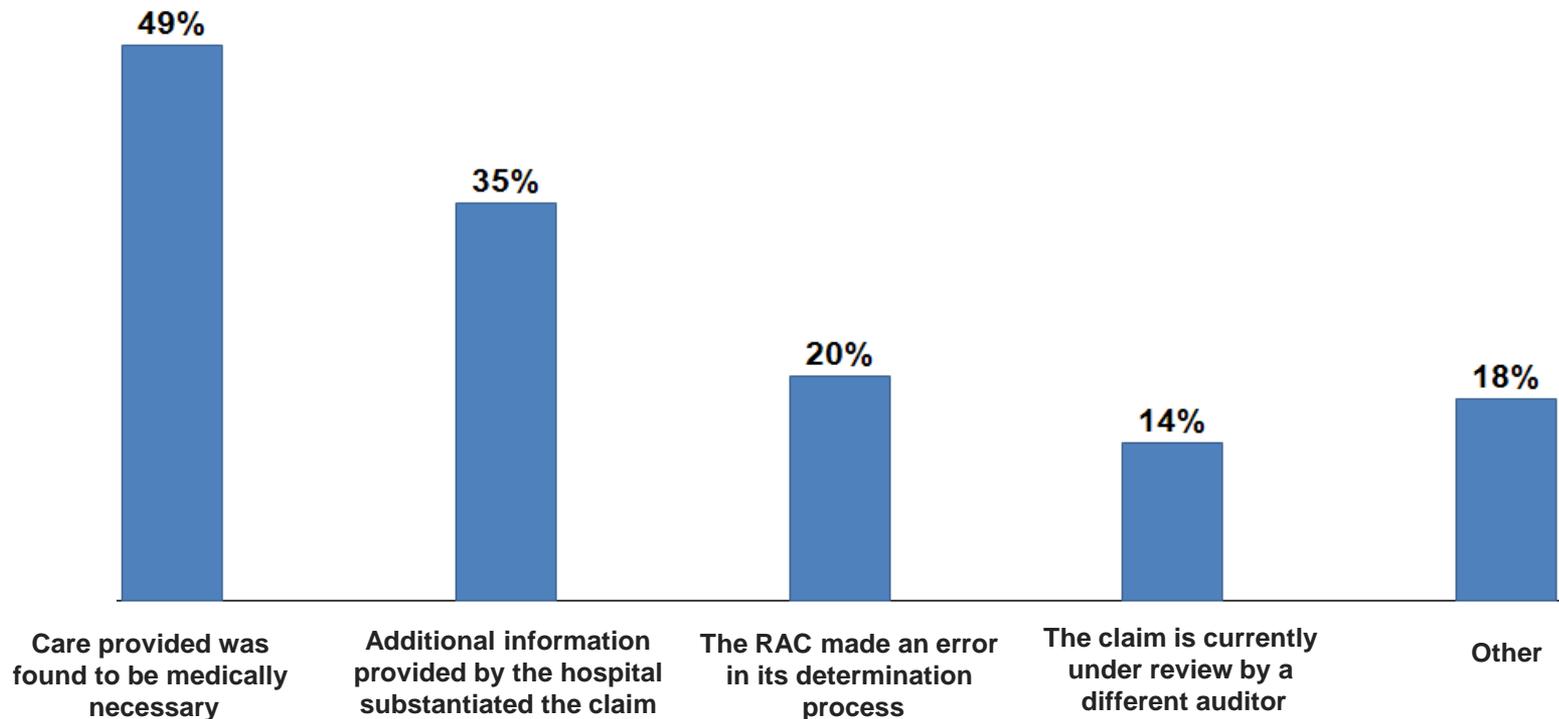
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49% of hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.

Percent of Participating Hospitals That Had a Denial Overturned by Reason, 4th Quarter 2014

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



Source: AHA. (January 2015). RAC TRAC Survey

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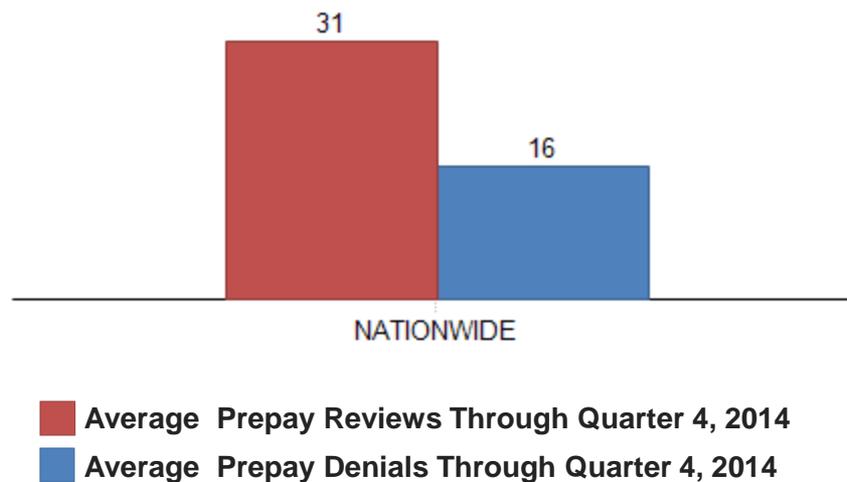


RAC Pre-payment Reviews

Hospitals experiencing pre-payment denials report higher average dollar amounts associated with reviewed and denied claims, when compared to retrospective denials.

*** NEW *** Total Number and Average Dollar Amount of Prepayment Reviews and Denials Reported by Hospitals in the Demonstration States, through 4th Quarter, 2014

	Nationwide
Number Pre-Pay Reviews	1,828
Average Dollar Amount Of Pre-Pay Claims Reviewed	\$8,005
Number Pre-Pay Denials	922
Average Dollar Amount Of Pre-Pay Denials	\$7,252



*Response rates vary by quarter.

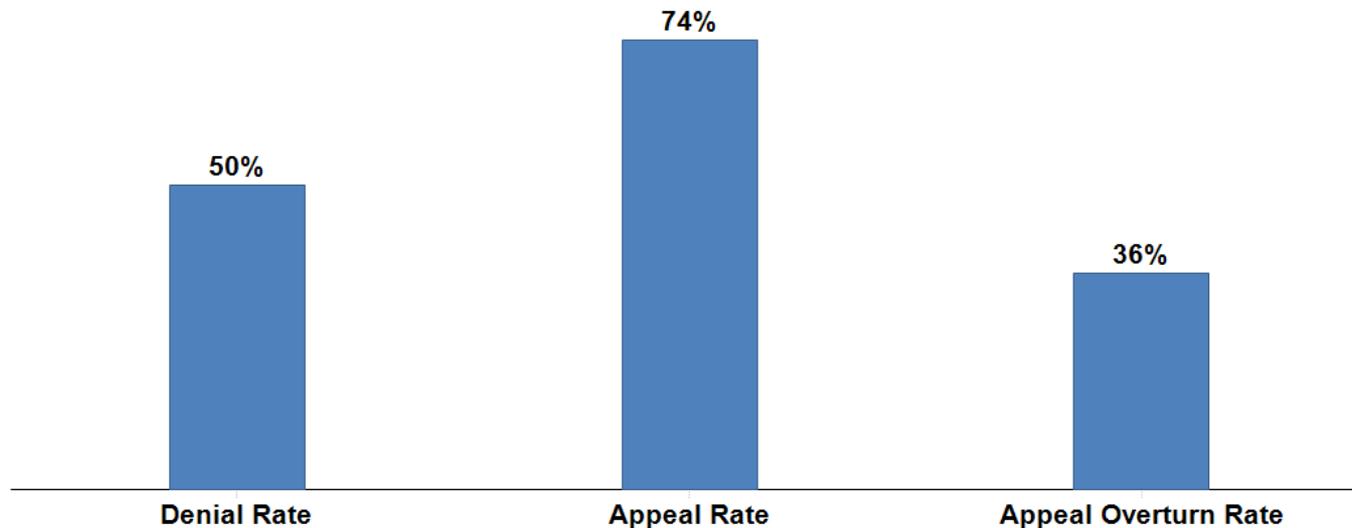
Source: AHA. (January 2015). RAC/TrAC Survey

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Half of all prepayment reviews are denied by a RAC and hospitals are appealing 74% of denied claims.

*** NEW *** Summary of Denial Rate, Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Reported Prepayment Reviews in the Demonstration States, through 4th Quarter, 2014



*Response rates vary by quarter.

Source: AHA. (January 2015). RAC TRAC Survey

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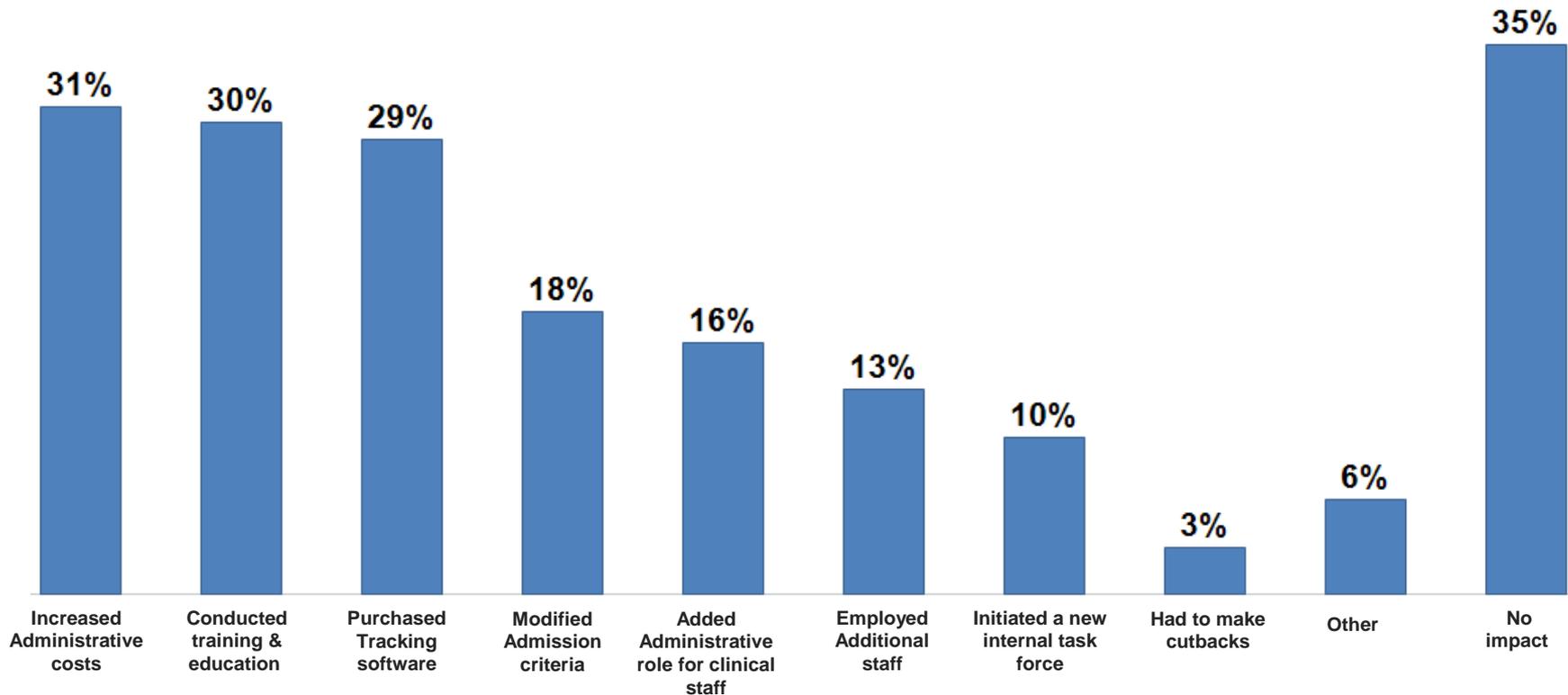




Administrative Burden

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

Impact of RAC on Participating Hospitals* by Type of Impact, 4th Quarter 2014



* Includes participating hospitals with and without RAC activity

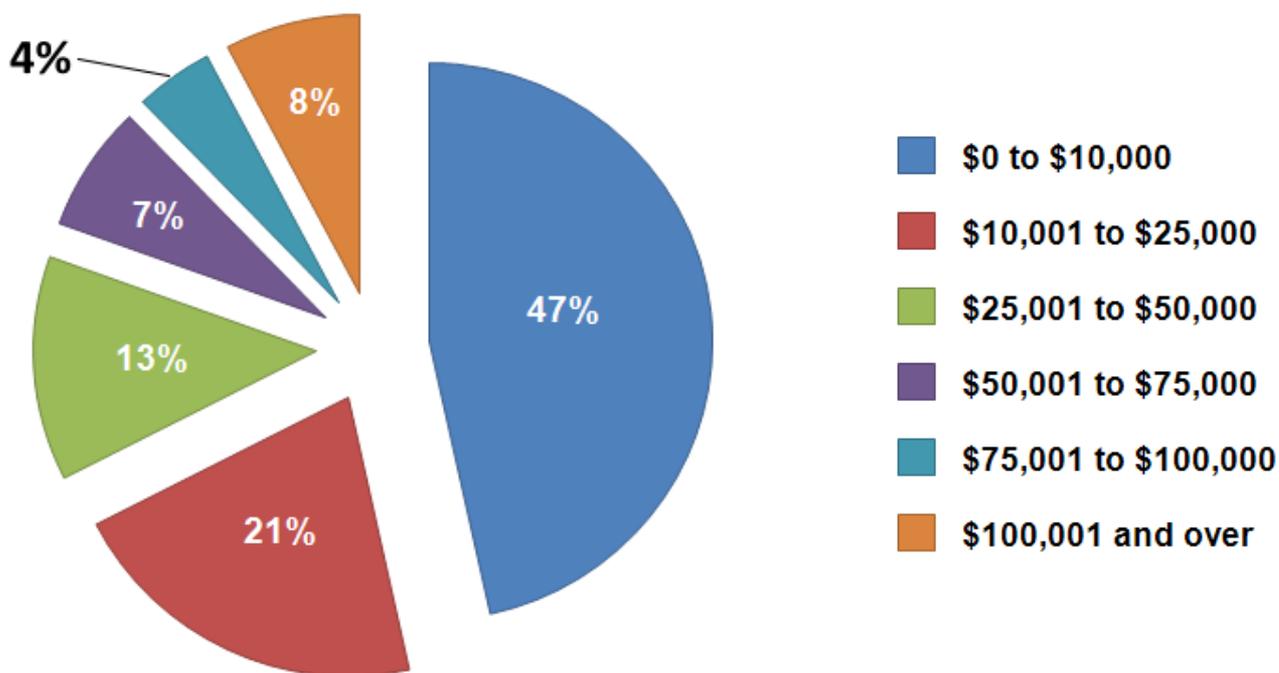
Source: AHA. (January 2015). RAC TRAC Survey

AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 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.



53% of all hospitals reported spending more than \$10,000 managing the RAC process during the 4th quarter of 2014, 32% spent more than \$25,000 and 8% spent over \$100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 4th Quarter 2014



* Includes participating hospitals with and without RAC activity

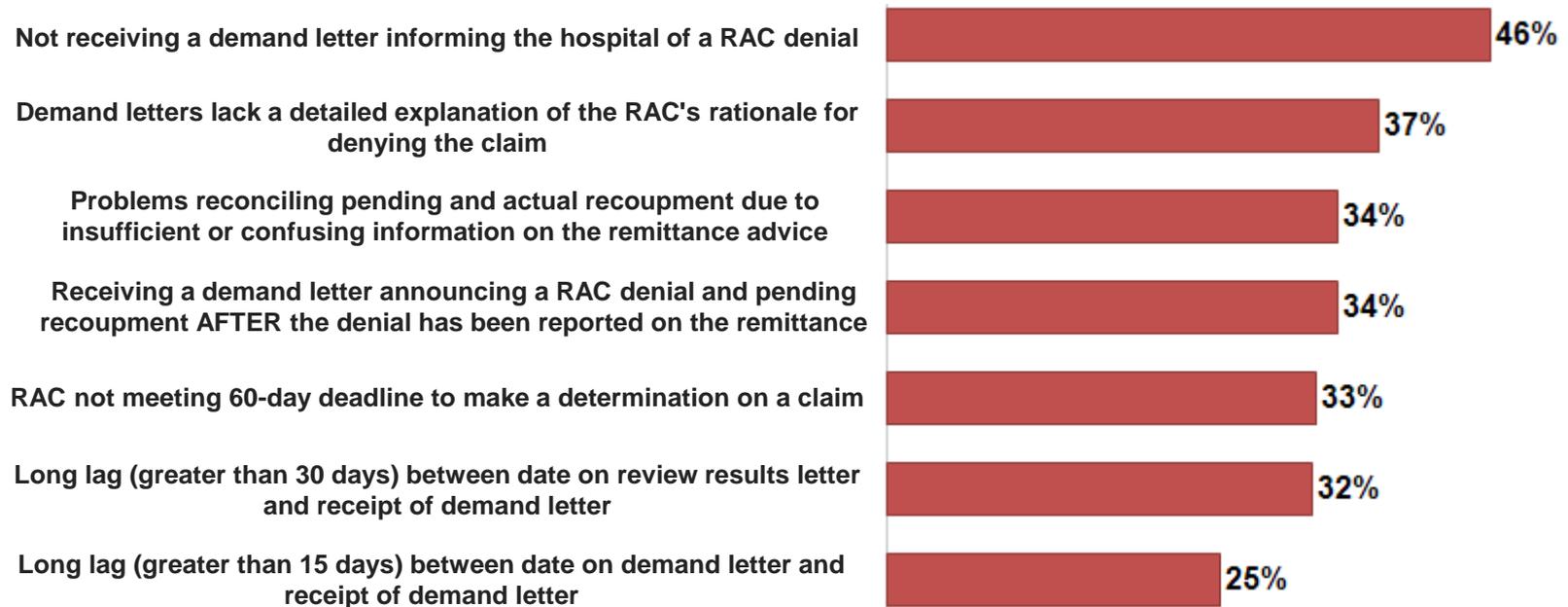
Source: AHA. (January 2015). RAC TRAC Survey

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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, 4th Quarter 2014



* Includes participating hospitals with and without RAC activity

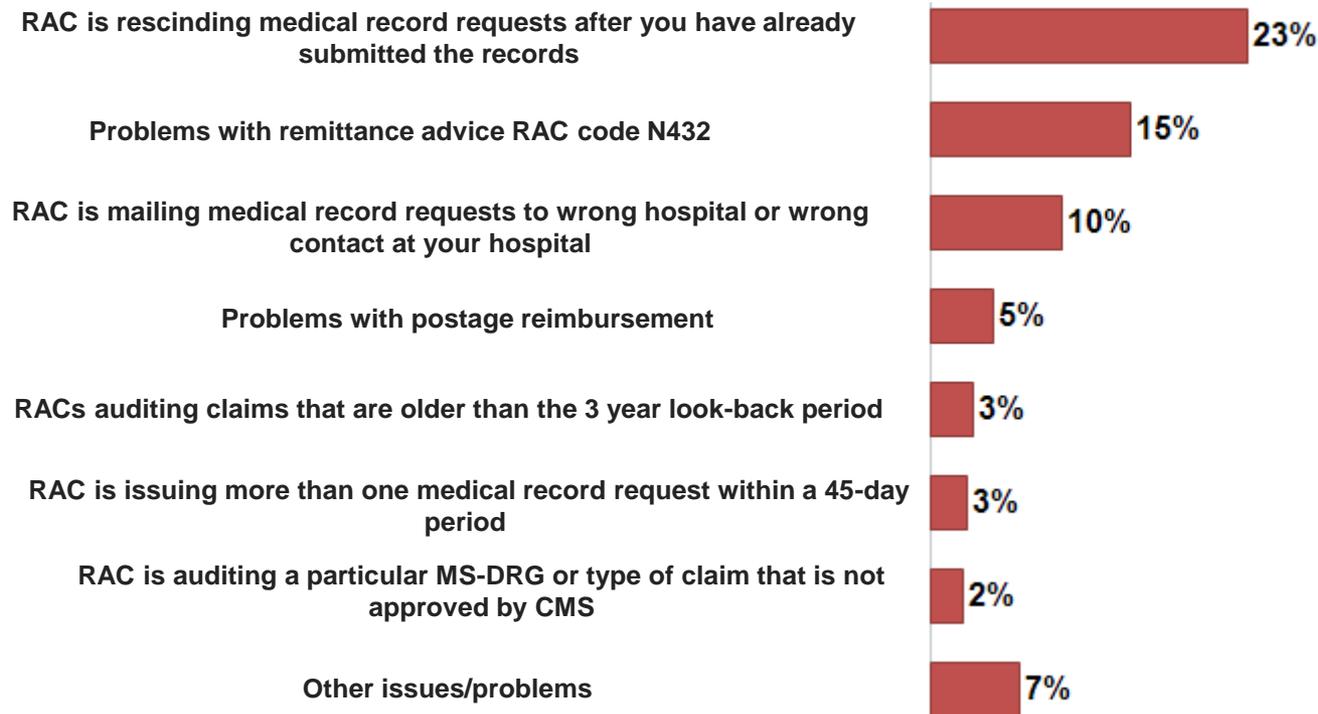
Source: AHA. (January 2015). RACTRAC Survey

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

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 4th Quarter 2014



* Includes participating hospitals with and without RAC activity

Source: AHA. (January 2015). RACTRAC Survey

AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 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>