Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC TRAC Survey, 4th Quarter 2014

March 30, 2015
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 RAC TRAC 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  - The appeals overturn rate may be impacted by appeals withdrawn by hospitals for rebilling, until all hospitals begin using the new survey format.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 RACTRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RACTRAC by RAC Region, through 4th Quarter 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals Nationwide</th>
<th>Percent of Participating Hospitals by Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare and Medicaid Services
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 4\textsuperscript{th} 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.

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.

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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

<table>
<thead>
<tr>
<th>Region</th>
<th>Overpayment Determination</th>
<th>Underpayment Determination</th>
<th>No Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>36%</td>
<td>4%</td>
<td>63%</td>
</tr>
<tr>
<td>Region B</td>
<td>36%</td>
<td>3%</td>
<td>62%</td>
</tr>
<tr>
<td>Region C</td>
<td>46%</td>
<td>4%</td>
<td>50%</td>
</tr>
<tr>
<td>Region D</td>
<td>49%</td>
<td>3%</td>
<td>48%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>42%</td>
<td>3%</td>
<td>55%</td>
</tr>
</tbody>
</table>

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.
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

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$851</td>
<td>$5,613</td>
</tr>
<tr>
<td>Region A</td>
<td>$588</td>
<td>$5,450</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,247</td>
<td>$5,173</td>
</tr>
<tr>
<td>Region C</td>
<td>$921</td>
<td>$5,752</td>
</tr>
<tr>
<td>Region D</td>
<td>$523</td>
<td>$5,896</td>
</tr>
</tbody>
</table>

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.
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.

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.
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.

- 50%: All Other
- 25%: Inpatient Coding Error (MS-DRG)
- 8%: Outpatient Billing Error
- 8%: Duplicate Payment
- 8%: Outpatient Coding Error
- 8%: Incorrect Discharge Status

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.

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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
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 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.

- Outpatient Billing Error: 32%
- Inpatient Coding Error (MS-DRG): 3%
- Duplicate Payment: 3%
- Outpatient Coding Error: 6%
- Incorrect Discharge Status: 18%
- All Other: 38%

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 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.

- 32% Outpatient Billing Error
- 32% Inpatient Coding Error (MS-DRG)
- 20% Duplicate Payment
- 12% Outpatient Coding Error
- 4% Incorrect Discharge Status
- 4% All Other

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.

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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
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.
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.

- Short Stay Medically Unnecessary Less Than 2-midnights: 5%
- Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights: 23%
- Other Medically Unnecessary: 7%
- Incorrect MS-DRG or Other Coding Error: 4%
- No or Insufficient Documentation in the Medical Record: 2%
- Incorrect APC or Other Outpatient Coding/Billing Error: 5%
- Incorrect Discharge Status: 2%
- All Other: 52%

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: 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.

- 43% Short Stay Medically Unnecessary Less Than 2-midnights
- 40% Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- 10% Other Medically Unnecessary
- 5% Incorrect MS-DRG or Other Coding Error
- 2% No or Insufficient Documentation in the Medical Record
- 1% Incorrect APC or Other Outpatient Coding/Billing Error
- 1% Incorrect Discharge Status
- 2% All Other

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 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.

- **46%**: Incorrect Discharge Status
- **15%**: Short Stay Medically Unnecessary Less Than 2-midnights
- **13%**: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- **10%**: Other Medically Unnecessary
- **6%**: Incorrect MS-DRG or Other Coding Error
- **4%**: No or Insufficient Documentation in the Medical Record
- **4%**: Incorrect APC or Other Outpatient Coding/Billing Error
- **2%**: All Other

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 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.

- 56%: Incorrect Discharge Status
- 29%: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- 7%: Other Medically Unnecessary
- 4%: Incorrect APC or Other Outpatient Coding/Billing Error
- 1%: No or Insufficient Documentation in the Medical Record
- 1%: Incorrect MS-DRG or Other Coding Error
- 1%: Medically Unnecessary Inpatient Stay Less than or equal to 2-midnights
- 1%: Short Stay Medically Unnecessary Less Than 2-midnights
- 1%: All Other

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.

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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
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.

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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, 4\textsuperscript{th} Quarter 2014

<table>
<thead>
<tr>
<th>Reversed Denials by RAC Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>54%</td>
<td>39%</td>
<td>7%</td>
</tr>
<tr>
<td>Region B</td>
<td>22%</td>
<td>72%</td>
<td>6%</td>
</tr>
<tr>
<td>Region C</td>
<td>41%</td>
<td>54%</td>
<td>5%</td>
</tr>
<tr>
<td>Region D</td>
<td>32%</td>
<td>63%</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.

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

<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>515,761</td>
<td>230,338</td>
</tr>
<tr>
<td>Region A</td>
<td>86,009</td>
<td>33,099</td>
</tr>
<tr>
<td>Region B</td>
<td>96,451</td>
<td>44,146</td>
</tr>
<tr>
<td>Region C</td>
<td>227,603</td>
<td>112,533</td>
</tr>
<tr>
<td>Region D</td>
<td>105,698</td>
<td>40,560</td>
</tr>
<tr>
<td><strong>Nationwide</strong></td>
<td><strong>515,761</strong></td>
<td><strong>230,338</strong></td>
</tr>
</tbody>
</table>

- **Region A**: 62% Not Appealed, 38% Appealed
- **Region B**: 54% Not Appealed, 46% Appealed
- **Region C**: 51% Not Appealed, 49% Appealed
- **Region D**: 62% Not Appealed, 38% Appealed

* 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.

<table>
<thead>
<tr>
<th>Denial Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Coding</td>
<td>20%</td>
</tr>
<tr>
<td>Discharge Status</td>
<td>19%</td>
</tr>
<tr>
<td>Short Stay Medically Unnecessary Less Than 2-Midnights</td>
<td>15%</td>
</tr>
<tr>
<td>Outpatient Coding</td>
<td>13%</td>
</tr>
<tr>
<td>Outpatient Billing</td>
<td>10%</td>
</tr>
<tr>
<td>No Documentation</td>
<td>6%</td>
</tr>
<tr>
<td>Duplicate Payment</td>
<td>5%</td>
</tr>
<tr>
<td>Medically Unnecessary Greater than or Equal to 2-Midnights</td>
<td>4%</td>
</tr>
<tr>
<td>Other Medically Unnecessary</td>
<td>17%</td>
</tr>
<tr>
<td>Other Complex Review</td>
<td>11%</td>
</tr>
<tr>
<td>Other Automated Review</td>
<td>30%</td>
</tr>
</tbody>
</table>

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

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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

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.
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

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.
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*

*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.

Manual survey entries only for Region A.
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

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

*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*

<table>
<thead>
<tr>
<th></th>
<th>Appealed</th>
<th>Percent of DenialsAppealed</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>206,530</td>
<td>46%</td>
<td>107,354</td>
<td>27,671</td>
<td>61,034</td>
<td>69%</td>
</tr>
<tr>
<td>Region A *</td>
<td>9,291</td>
<td>42%</td>
<td>3,346</td>
<td>3,047</td>
<td>2,358</td>
<td>44%</td>
</tr>
<tr>
<td>Region B</td>
<td>44,146</td>
<td>46%</td>
<td>19,211</td>
<td>6,877</td>
<td>14,879</td>
<td>68%</td>
</tr>
<tr>
<td>Region C</td>
<td>112,533</td>
<td>49%</td>
<td>63,000</td>
<td>12,679</td>
<td>30,868</td>
<td>71%</td>
</tr>
<tr>
<td>Region D</td>
<td>40,560</td>
<td>38%</td>
<td>21,797</td>
<td>5,068</td>
<td>12,929</td>
<td>72%</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 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.
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.

- 49% Care provided was found to be medically necessary
- 35% Additional information provided by the hospital substantiated the claim
- 20% The RAC made an error in its determination process
- 14% The claim is currently under review by a different auditor
- 18% Other

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.
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

<table>
<thead>
<tr>
<th></th>
<th>Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Pre-Pay Reviews</td>
<td>1,828</td>
</tr>
<tr>
<td>Average Dollar Amount Of Pre-Pay Claims Reviewed</td>
<td>$8,005</td>
</tr>
<tr>
<td>Number Pre-Pay Denials</td>
<td>922</td>
</tr>
<tr>
<td>Average Dollar Amount Of Pre-Pay Denials</td>
<td>$7,252</td>
</tr>
</tbody>
</table>

*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.
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
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.
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

<table>
<thead>
<tr>
<th>Type of Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Administrative costs</td>
<td>31%</td>
</tr>
<tr>
<td>Conducted training &amp; education</td>
<td>30%</td>
</tr>
<tr>
<td>Purchased Tracking software</td>
<td>29%</td>
</tr>
<tr>
<td>Modified Admission criteria</td>
<td>18%</td>
</tr>
<tr>
<td>Added Administrative role for clinical staff</td>
<td>16%</td>
</tr>
<tr>
<td>Employed Additional staff</td>
<td>13%</td>
</tr>
<tr>
<td>Initiated a new internal task force</td>
<td>10%</td>
</tr>
<tr>
<td>Had to make cutbacks</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>No impact</td>
<td>35%</td>
</tr>
</tbody>
</table>

* 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
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.

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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

- Not receiving a demand letter informing the hospital of a RAC denial: 46%
- Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim: 37%
- Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice: 34%
- Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance: 34%
- RAC not meeting 60-day deadline to make a determination on a claim: 33%
- Long lag (greater than 30 days) between date on review results letter and receipt of demand letter: 32%
- Long lag (greater than 15 days) between date on demand letter and receipt of demand letter: 25%

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

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

- RAC is rescinding medical record requests after you have already submitted the records: 23%
- Problems with remittance advice RAC code N432: 15%
- RAC is mailing medical record requests to wrong hospital or wrong contact at your hospital: 10%
- Problems with postage reimbursement: 5%
- RACs auditing claims that are older than the 3 year look-back period: 3%
- RAC is issuing more than one medical record request within a 45-day period: 3%
- RAC is auditing a particular MS-DRG or type of claim that is not approved by CMS: 2%
- Other issues/problems: 7%

*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.
For more information visit AHA’s RAC TRAC website:

http://www.aha.org/ractrac