Quarterly RAC Program and RAC Trac Update

Data from 4th Quarter, 2014

March 31, 2015
Today’s Webinar

- RAC Policy Update
- RAC Trac Survey Updates and Reporting Standards
- RAC Trac Results, Q4 2014
RAC Policy Update

Melissa Jackson, Senior Associate Director
Much “Buzz” About RAC Issues…

- Dec. 2014: CMS announced changes to future RAC contracts
- Feb. 2015: HHS addressed appeals reforms in its FY 2016 budget
- March 2015: MedPAC considering recommendations on RACs
Future Changes to RAC Program

• In Dec. 2014, CMS announced changes to be incorporated into the next round of RAC contracts
  – Limit RAC lookback period to 6 months on patient status reviews
  – Shorten to 30 days the time RACs have to complete complex reviews
  – Implement potential corrective action for RACs with Level 1 appeals overturn rates over 10 percent
  – Previously-announced changes to additional documentation request limits, discussion period
• Future of contracts still unknown due to legal challenges of contract terms
Appeals Reforms in President’s FY 2016 Budget

• Establish a per-claim filing fee at each level of Medicare appeal. The fee would be returned to appellants who receive a fully favorable appeals decision.
• Increase the minimum amount that must be at issue (for a claim to be adjudicated by an ALJ.
• Implementing a magistrate adjudication program for claims below the minimum amount in controversy.
• Remand appeals to the first level of review when new documentary evidence is submitted at the second level of appeal or above.
• Allow HHS to use sampling and extrapolation to adjudicate appeals and to consolidate appeals into a single administrative appeal at all levels of the appeals system.
MedPAC Recommendations

• As part of its work on issues related to hospital short stays, MedPAC is considering several policy recommendations related to RACs:
  – Modify each RAC’s contingency fees to be based, in part, on its claim denial overturn rate;
  – Direct RACs to focus reviews of short inpatient stays on hospitals with the highest rates of this type of stay;
  – Shorten the RAC lookback period for reviewing short inpatient claims; and
  – Evaluate a formulaic penalty on excess short inpatient stays to substitute for RAC review of short inpatient stays.

• The AHA commends the commission on its interest in realigning the RACs’ financial incentives, but does not believe the other changes would not fully address the program’s systemic problems.
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; www.aharactrac.com](http://www.aha.org/ractrac; www.aharactrac.com)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)
RACTrac Survey Updates and Reporting Standards

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
- Data collection on updated survey questions began in January 2015
- Additional data slides on the new questions will be added in upcoming quarters
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
- Access the September tutorial on the changes to the claim level tool at: www.aha.org/RACTrac
- Contact RAC Trac Support if you need assistance or have questions about the updated tool

My hospital uses 3rd party claim tracking software

- Continue to submit data to RAC Trac using current version of software
- Vendor updates will be rolled out in upcoming months

My hospital does not currently participate in RAC Trac

- Contact RAC Trac Support to register and participate
### RAC TRAC Vendor Status

<table>
<thead>
<tr>
<th>Company</th>
<th>Software</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M™ Health Information Systems</td>
<td>3M™ Audit Expert</td>
<td>Testing</td>
</tr>
<tr>
<td>Bluemark, LLC **</td>
<td>TRACKer Pro</td>
<td>Testing</td>
</tr>
<tr>
<td>Cobius Healthcare Solutions, LLC</td>
<td>Cobius Audit Manager</td>
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<tr>
<td>HealthPort LLC</td>
<td>AudaPro</td>
<td>Testing</td>
</tr>
<tr>
<td>Iatric Systems, Inc.</td>
<td>IatricTRAC: RAC Management</td>
<td>Testing</td>
</tr>
<tr>
<td>Intersect Healthcare</td>
<td>VERACITY™</td>
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<tr>
<td>IOD Incorporated</td>
<td>PRISMAudit</td>
<td>Testing</td>
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<tr>
<td>MRO</td>
<td>AuditTrends™ Online</td>
<td>Testing</td>
</tr>
<tr>
<td>Quadax, Inc.</td>
<td>Audit Control Axis</td>
<td>Testing</td>
</tr>
<tr>
<td>Rycan Technologies, Inc.</td>
<td>RAC Audit Tracking</td>
<td>Testing</td>
</tr>
<tr>
<td>SAI Global Compliance</td>
<td>Compliance 360®</td>
<td>Testing</td>
</tr>
<tr>
<td>The Wellington Group LLC</td>
<td>Rac Guard</td>
<td>Testing</td>
</tr>
</tbody>
</table>

** Not compatible with Version 2 or new vendor
## RAC TRAC Vendor Status cont.

**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

<table>
<thead>
<tr>
<th>Company</th>
<th>Software</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Advisory Board</td>
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<td>In Development</td>
</tr>
<tr>
<td>Array Software, Inc.</td>
<td>TRACK+</td>
<td>In Development</td>
</tr>
<tr>
<td>Craneware</td>
<td>InSight Audit®</td>
<td>In Development</td>
</tr>
<tr>
<td>eSolutions Inc. **</td>
<td>Maven</td>
<td>In Development</td>
</tr>
<tr>
<td>FrameWorkMI, Inc. **</td>
<td>Cleopatra</td>
<td>In Development</td>
</tr>
<tr>
<td>MedAssets</td>
<td>Recovery Audit Management</td>
<td>In Development</td>
</tr>
<tr>
<td>NJHA – Healthcare Business Solutions</td>
<td>Audit-TRAX</td>
<td>In Development</td>
</tr>
<tr>
<td>PACE Healthcare Consulting, LLC</td>
<td>RACTelligence Tracking</td>
<td>In Development</td>
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<tr>
<td>The SSI Group, Inc.</td>
<td>ClinON® RADs</td>
<td>In Development</td>
</tr>
<tr>
<td>Wolters Kluwer Law &amp; Business (MediRegs)</td>
<td>Comply Track</td>
<td>In Development</td>
</tr>
</tbody>
</table>

**Not compatible with Version 2 or new vendor**
Review of Appeal Experience Questions

- Total Appeals – include the total number of claims that have had an appeal filed.
- Overturned – include the total number of claims that have been overturned in favor of the provider.
- Withdrawn / Stopped – include the total number of claims where an appeal has been filed and then either withdrawn or stopped. *Inclusive of those claims withdrawn to accept the CMS 68% settlement offer, those claims withdrawn to rebill under Part B, and any claim withdrawn / not continued for any other reason.*
- CMS 68% Settlement – include those claims that were withdrawn to accept the CMS 68% settlement offer.
- Rebill – include those claims that were withdrawn from the appeals process in order to Rebill under Part B.
- In Process – include all appeals awaiting a determination or awaiting to be filed to the next level of appeal.

### Appeals Experience – Automatic and Complex Combined

1. Total number of appeals filed

2. Total number of appeals overturned in favor of the provider at any level of the appeals process

3. Total number of appeals to date withdrawn or stopped by the provider at any level of the appeals process. (INCLUDE ALL appeals withdrawn / stopped to re-bill, to accept the CMS 68% settlement offer, or withdrawn / not continued for other reasons. Do Not include appeals overturned.)

4. Total number of appeals to date that were initially filed to the FI/MAC and later withdrawn from the process, or not continued in order to accept the CMS 68% settlement offer.

5. Total number of appeals to date that were initially filed to the FI/MAC and later withdrawn from the process, or not continued in order to rebill the claim. (*INCLUDE only those appeals withdrawn and rebilled.*)

6. Total number of appeals currently in process

7. Average administrative cost per appeal (cost associated with the appeals process) $
Review of Appeal Status Questions

- **Total Appeals** – include the cumulative number of claims that have had an appeal filed to Level 1 (or 2, 3 as appropriate) (FI/MAC).
- **Overturned** – include the cumulative number of claims that have been overturned in favor of the provider at Level 1 only (or 2, 3 as appropriate).
- **Withdrawn / Stopped** – include the total number of claims where an appeal has been filed and then either withdrawn or stopped. **DO NOT include those withdrawn to accept the CMS 68% settlement offer** or those withdrawn to Rebill under Part B.
- **CMS 68% Settlement** – include those claims that were withdrawn or stopped to accept the CMS 68% settlement offer at Level 1 (or 2, 3 as appropriate).
- **Rebill** – include those claims that were withdrawn or stopped at Level 1 (or 2, 3 as appropriate) in order to Rebill under Part B.
- **Unfavorable** – include those appeals where an unfavorable determination was received at Level 1 (or 2, 3 as appropriate) after the claim was reviewed.
- **Pending** – include only those appeals that are currently pending a determination at Level 1 (or 2, 3 as appropriate) by the reviewer.

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**Appeal Status - Level 1 (FI/MAC)**

Please complete the following questions for appeal activity at Level 1 (FIMAC) since 2008:

1. Total Cumulative number of denials filed for appeal at Level 1?
2. Cumulative number of denials overturned (in favor of provider) at Level 1?
3. Cumulative number of appeals initially filed and then stopped or withdrawn by hospital at Level 1 excluding those withdrawn for rebilling and those withdrawn to accept the CMS 68% settlement offer.
4. Cumulative number of appeals initially filed and then stopped or withdrawn by hospital at Level 1 in order to accept the CMS 68% settlement offer.
5. Cumulative number of appeals initially filed and then stopped or withdrawn by hospital at Level 1 so claim can be rebilled.
6. Cumulative number of appeals with an unfavorable determination at Level 1.
7. Total number of appeals currently pending determination at Level 1. INCLUDE ONLY those appeals still in process (i.e. awaiting a determination).
Review Appeal Data Validation Prior to Survey Submission

1. If a hospital enters a count of claims in total or at any level, there must be a dollar amount associated with it
2. If a hospital enters a dollar value in total or at any level, there must be a count of claims associated with it
3. The total number of appeals should not be greater than the sum of Complex Overpayments and Auto Denials
4. The number of denials filed for appeal at level 1 cannot be greater than the total number of appeals (same is true of $ value)
5. The number of denials filed for appeal at level 2 cannot be greater than the number of denials filed for appeal at level 1 (same is true of $ value)
6. The number of denials filed for appeal at level 3 cannot be greater than the number of denials filed for appeal at level 2 (same is true of $ value)
7. The number of denials filed for appeal at level 4 cannot be greater than the number of the number of denials filed for appeal at level 3 (same is true of $ value)
April Reporting Period for Q1 2015 RAC Data

• RAC Trac will be open for data submissions from April 1 – April 17

• Your participation is vital in the upcoming quarters, especially with the new questions and data elements
  – RAC Trac will be able to provide important data points on newer issues, such as prepayment audits and rebilling
  – The survey will continue to supply information on retrospective RAC audits, as well as supply greater insight into the appeals process
  – This information will continue to be vital as the AHA advocates for needed reforms to fix the Medicare RAC program
RACTrac Survey Results, Q4 2014
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.
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.
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
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.
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

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

- Outpatient Billing Error: 29%
- Inpatient Coding Error (MS-DRG): 15%
- Duplicate Payment: 7%
- Outpatient Coding Error: 42%
- Incorrect Discharge Status: 5%
- All Other: 2%


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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.
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

<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
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.
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 4\textsuperscript{th} 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>Nationwide</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

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.
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.

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 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.

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

17% Experienced Denied Claims Converted to Full Medical Necessity Denials during Appeals Process

83% Did Not Experience Denied Claims Converted to Full Medical Necessity Denials during Appeals Process

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*

- **Region A**: 36%
- **Region B**: 44%
- **Region C**: 56%
- **Region D**: 54%
- **NATIONWIDE**: 52%

*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>
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<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></td>
<td></td>
<td>45.9%</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.

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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 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>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). 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.
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.

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

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). 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.
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

- **Denial Rate**: 50%
- **Appeal Rate**: 74%
- **Appeal Overturn Rate**: 36%

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

http://www.aha.org/ractrac