



# Quarterly RAC Program and RAC *Trac* Update

Data from 4<sup>th</sup> Quarter, 2014

March 31, 2015

# Today's Webinar

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- 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...

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- 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)
- RAC News Group signup (for AHA members): <http://www.aha.org/advocacy-issues/rac/newsgroup.shtml>
- AHA RAC *Trac*: [www.aha.org/ractrac](http://www.aha.org/ractrac); [www.aharactrac.com](http://www.aharactrac.com)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)



**AHA Audit  
Education Series™**





# 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](http://www.aha.org/RACTrac)

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

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

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

Continue to submit data to RACTrac using current version of software

Vendor updates will be rolled out in upcoming months

My hospital does not currently participate in RACTrac

Contact RACTrac Support to register and participate



# RACTRAC Vendor Status

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

\*\* Not compatible with Version 2 or new vendor

# RACTRAC Vendor Status cont.

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

\*\* Not compatible with Version 2 or new vendor

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>

# Review of Appeal Experience Questions

APPEALS EXPERIENCE – AUTOMATIC AND COMPLEX COMBINED	
1. Total number of appeals filed	<input type="text"/>
2. Total number of appeals overturned in favor of the provider at any level of the appeals process	<input type="text"/>
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.)	<input type="text"/>
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.	<input type="text"/>
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).	<input type="text"/>
6. Total number of appeals currently in process	<input type="text"/>
7. Average administrative cost per appeal (cost associated with the appeals process)	\$ <input type="text"/>

- 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.



# Review of Appeal Status Questions

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

Please complete the following questions for appeal activity at Level 1 (F  
[Exclude appeals of pre-payment denials] CUMULATIVE 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).

- 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.



# 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

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- 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<sup>TRAC</sup> 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 4<sup>th</sup> quarter of 2014, 32% spent more than \$25,000 and 8% spent over \$100,000.

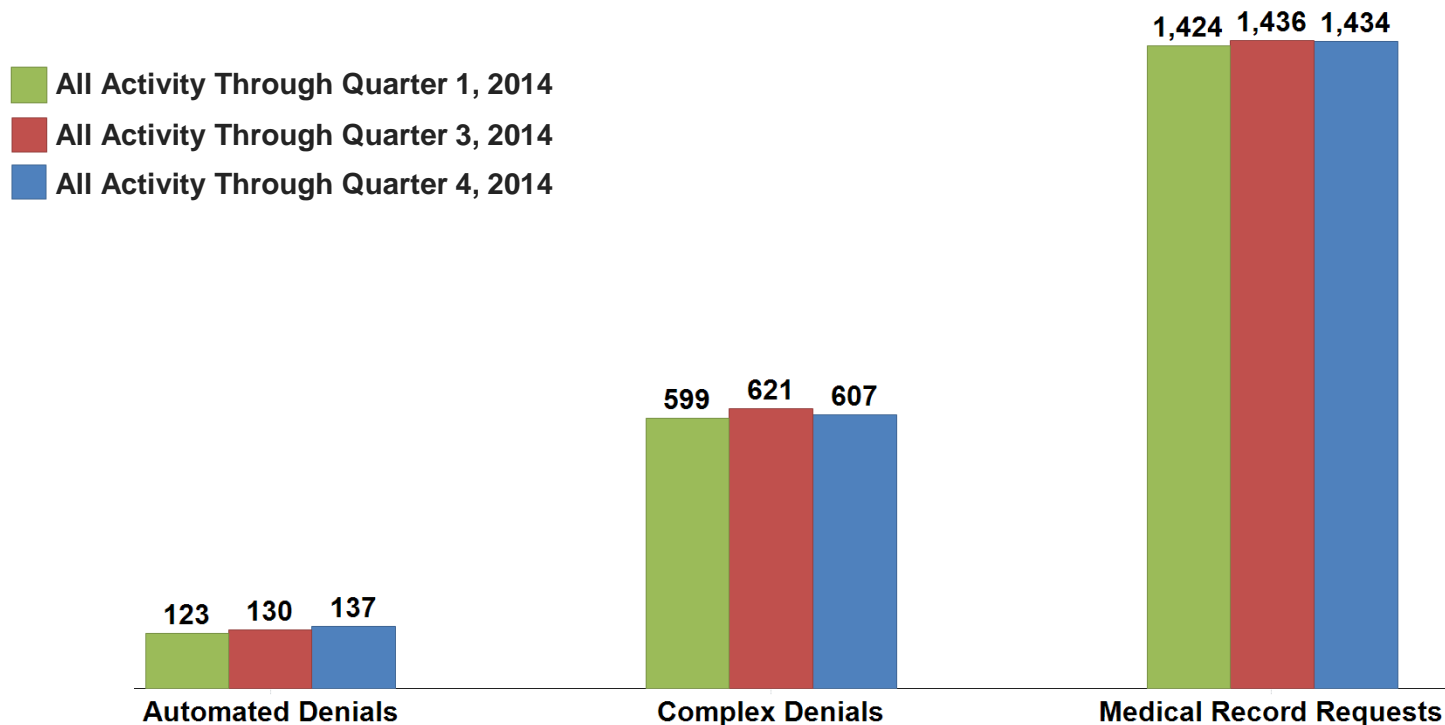




# RAC Reviews

# 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<sup>th</sup> Quarter 2014\*



\*Response rates vary by quarter.

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

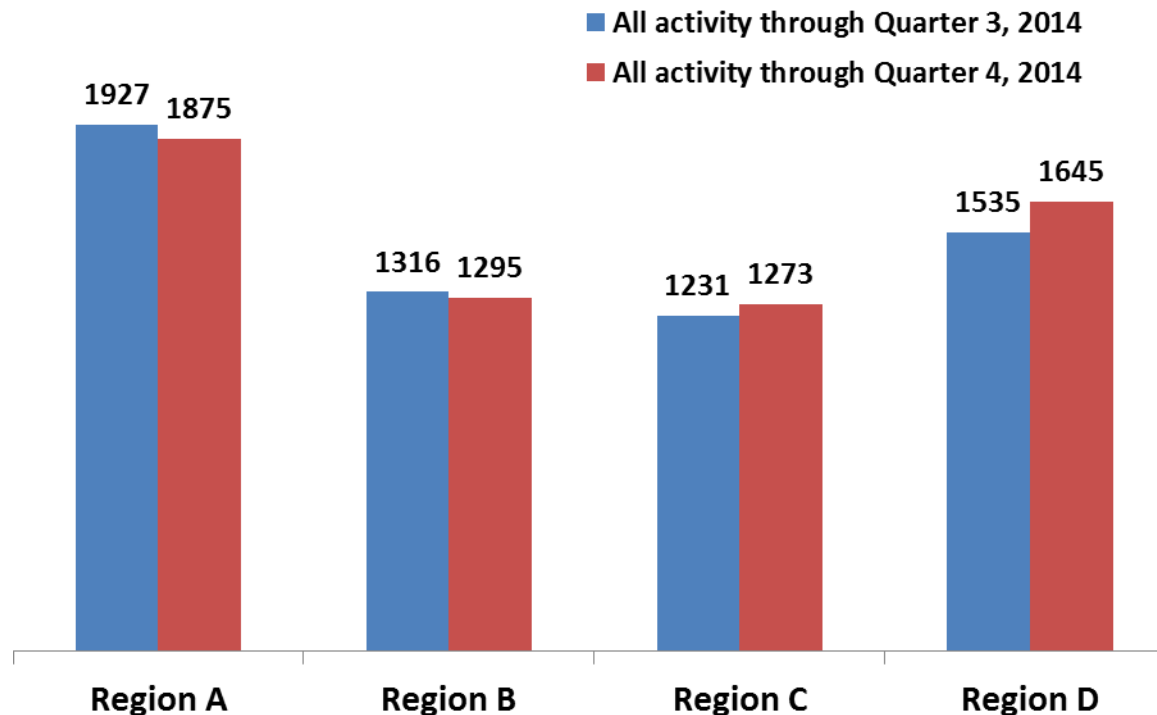
AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

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# 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 4<sup>th</sup> Quarter 2014\*



\*Response rates vary by quarter.

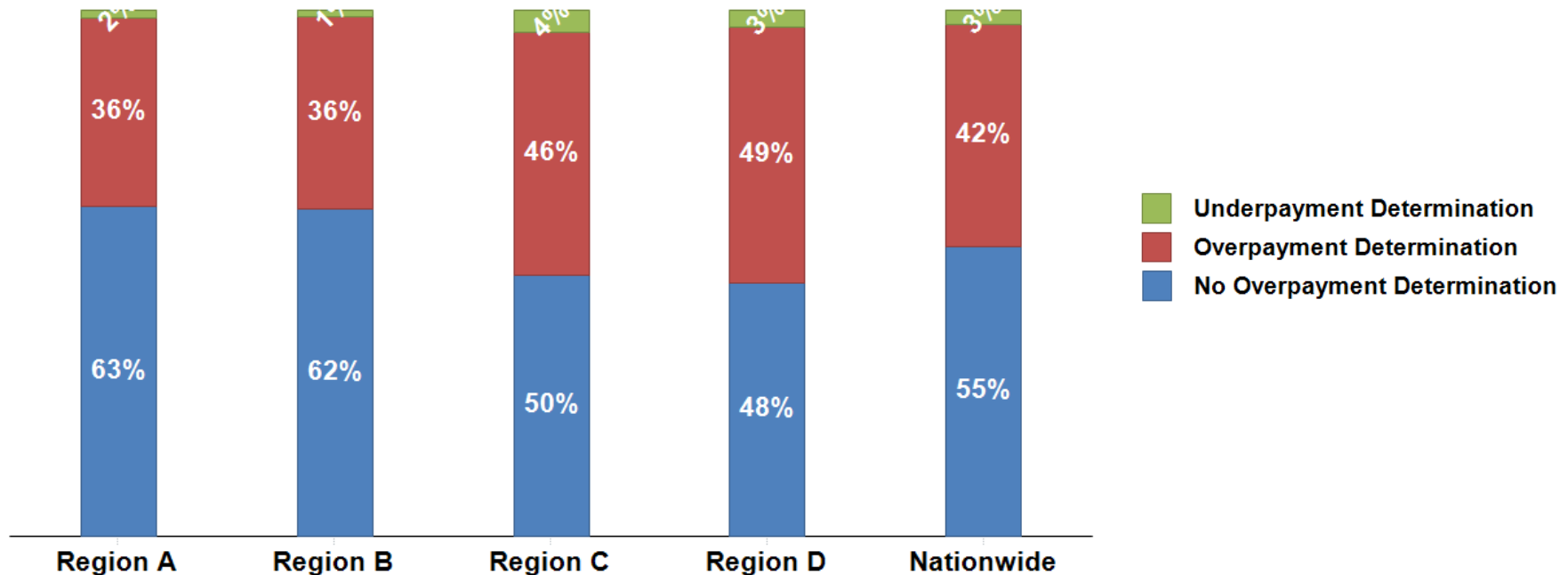
Source: AHA. (January 2015). RAC TRAC Survey

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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 4<sup>th</sup> Quarter 2014



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

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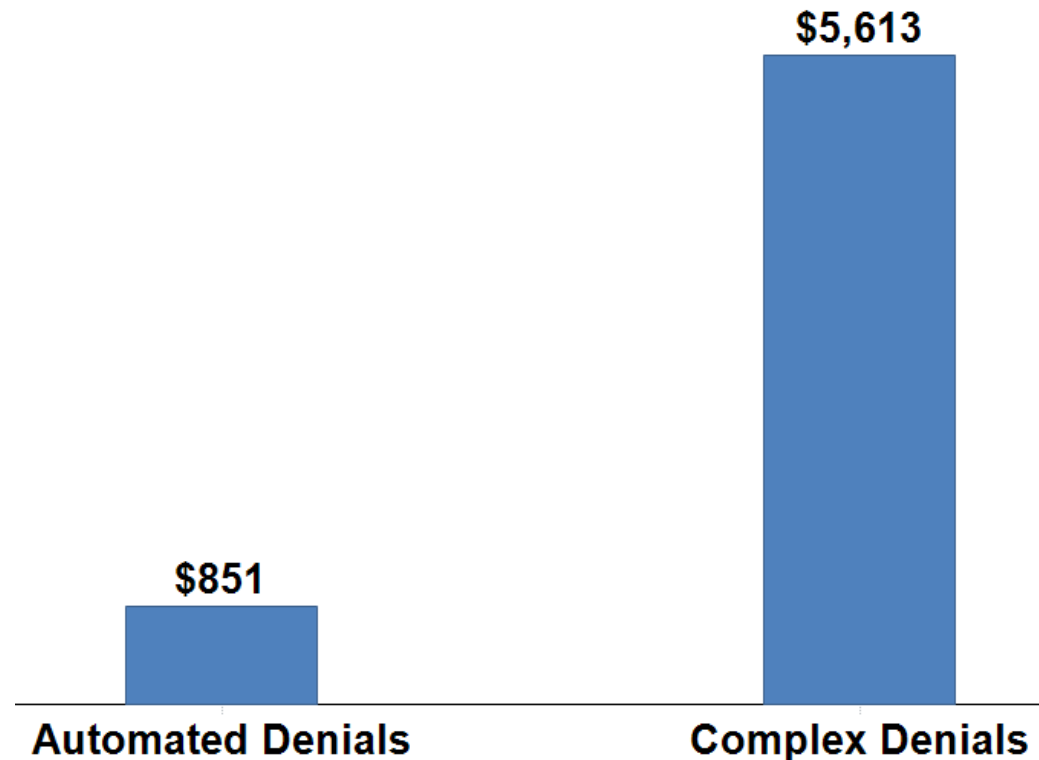
# RAC Denials



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 4<sup>th</sup> 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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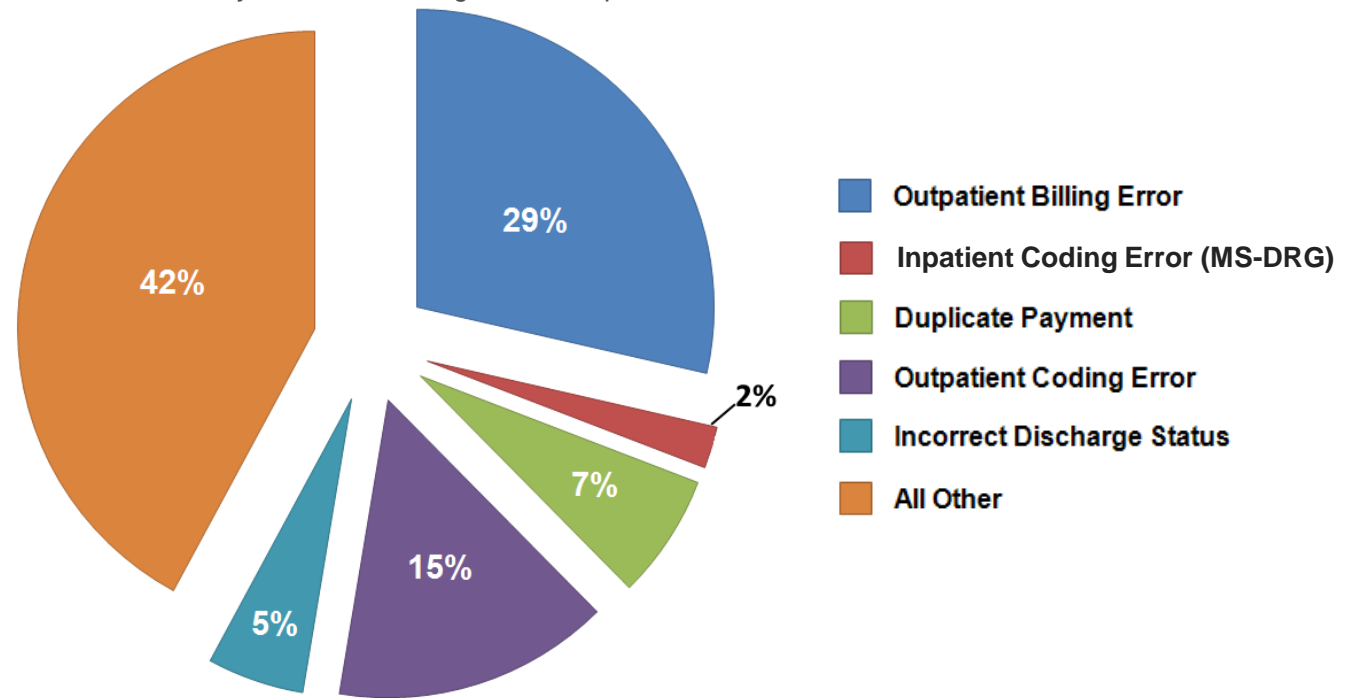


## Reasons for RAC Denials

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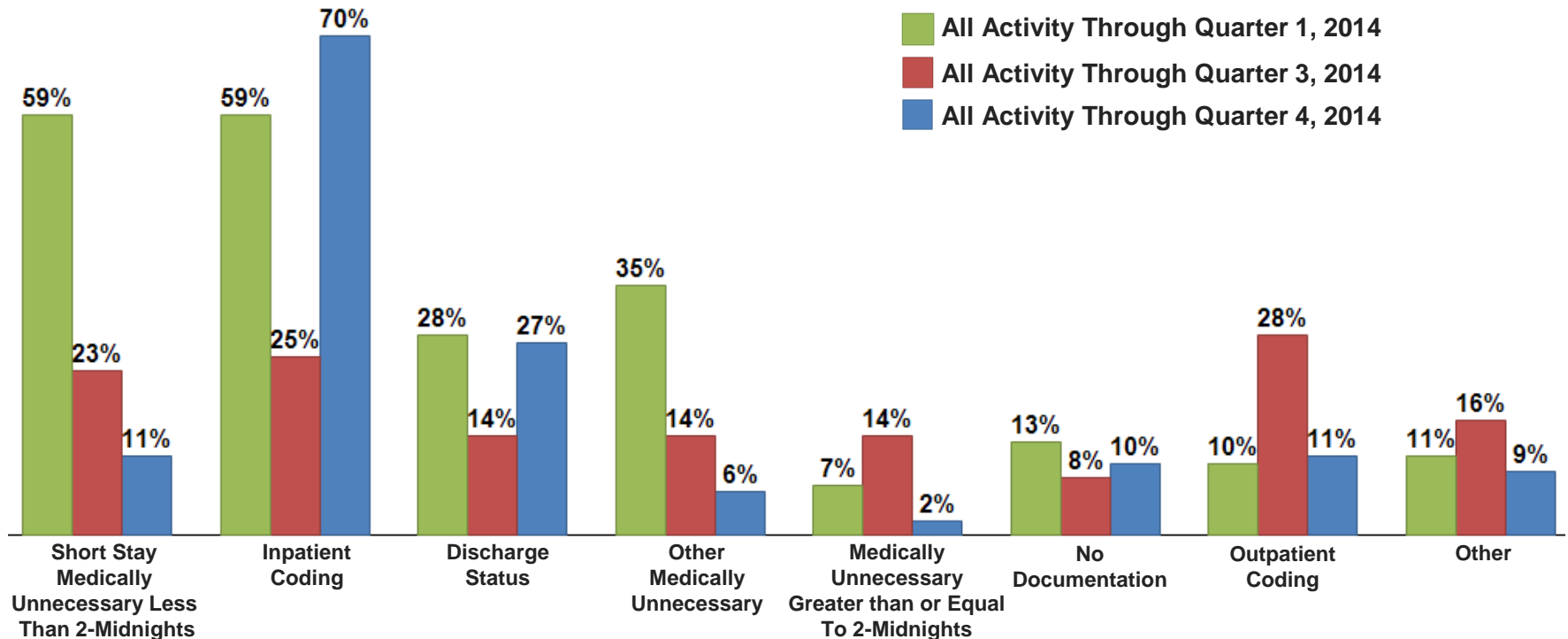
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# The most commonly cited reasons for a complex denial is inpatient coding, while the number of hospitals experiencing short stay denials has dropped significantly.

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

Survey participants were asked to select all reasons for denial.



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

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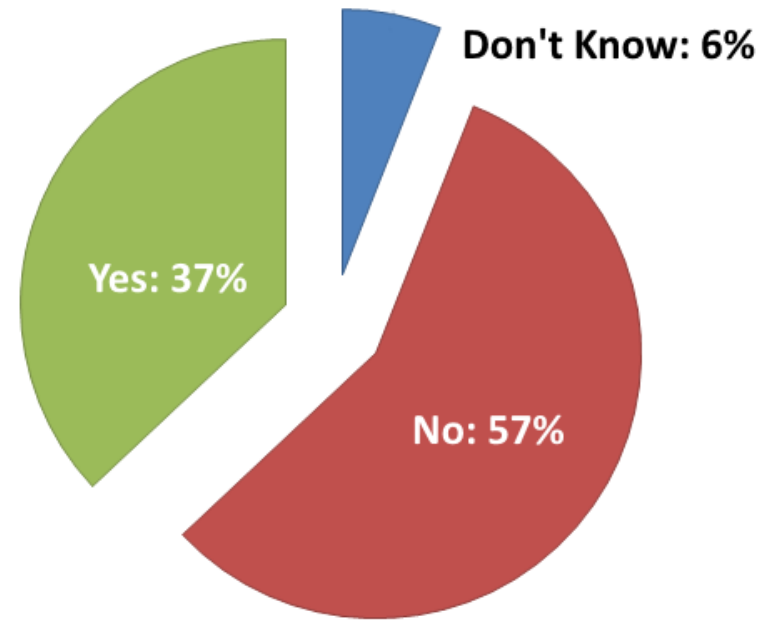
Appeals

# 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, 4<sup>th</sup> 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). RACTRAC Survey

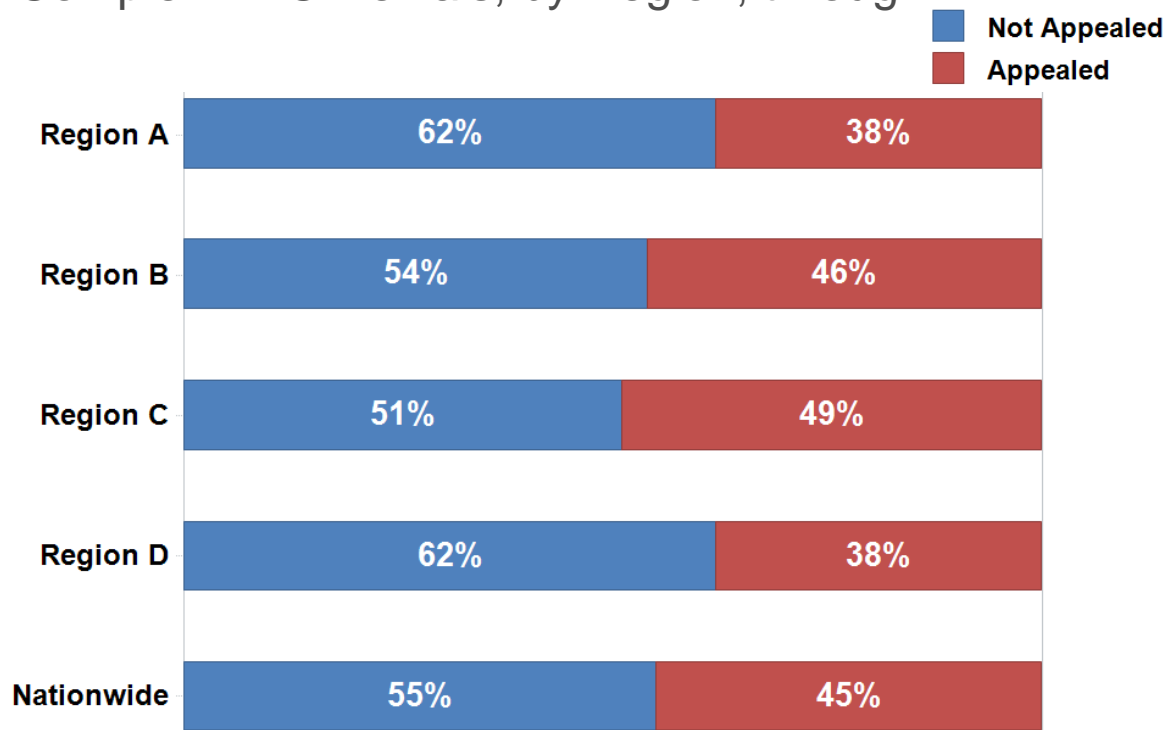
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# Nationwide, hospitals report appealing 45% of RAC denials.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 4<sup>th</sup> 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

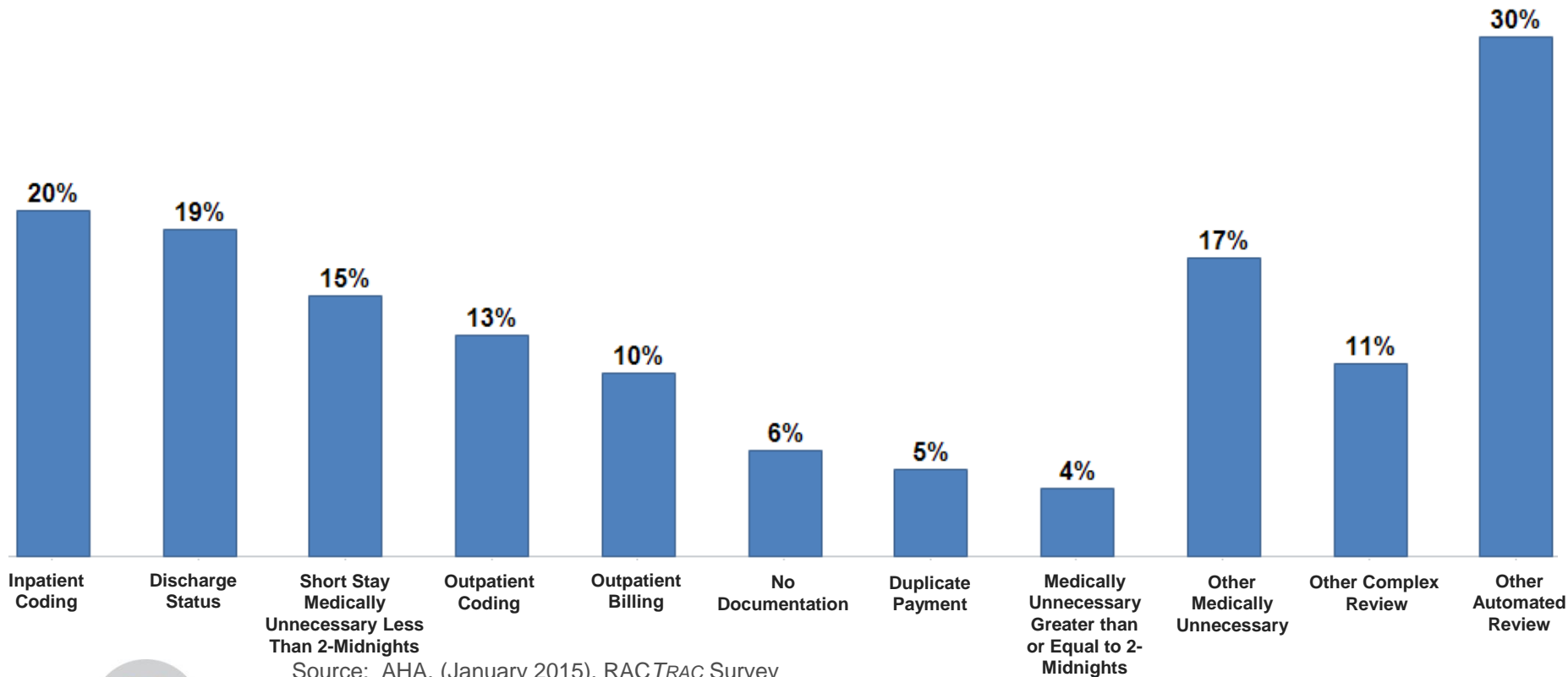
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30% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q4 2014 reported appealing “Other automated reviews,” up from 11% last quarter.

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

Survey participants were asked to select all reasons for denial.



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

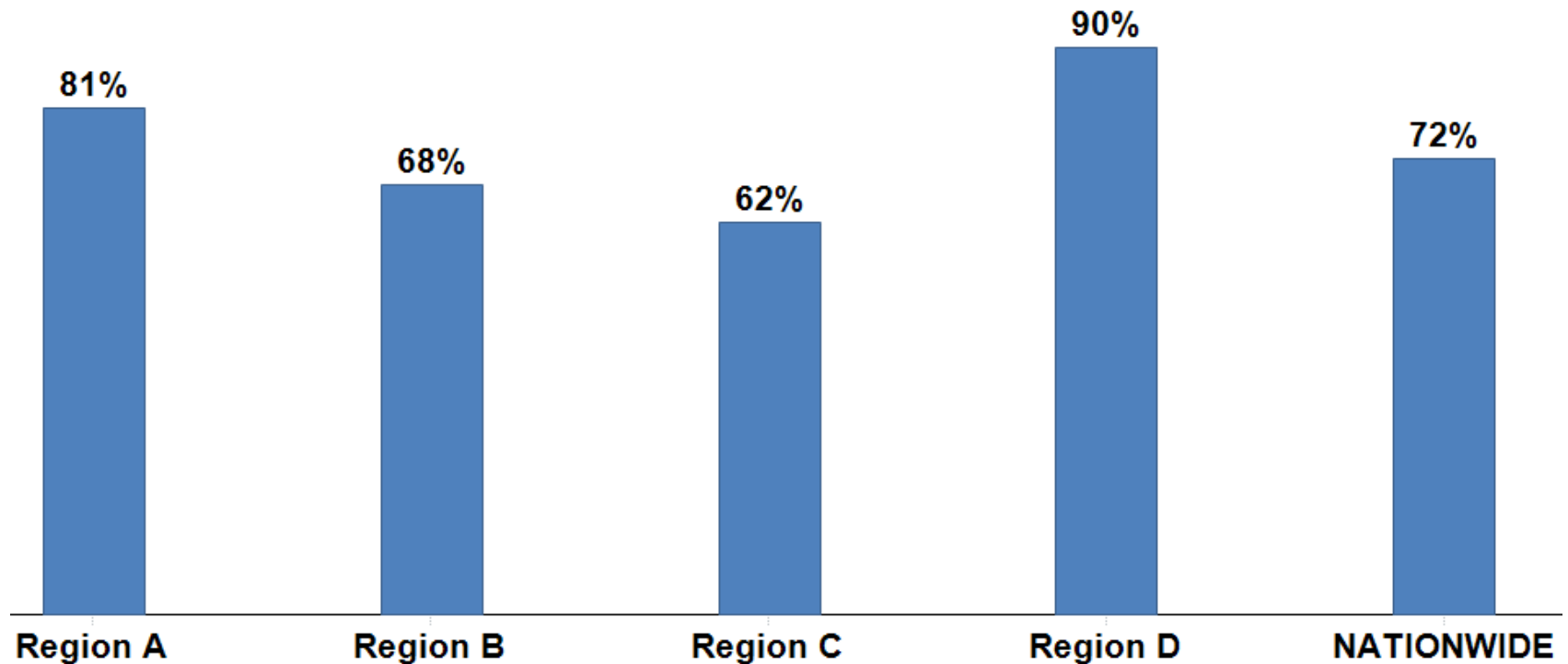
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For over 72% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

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



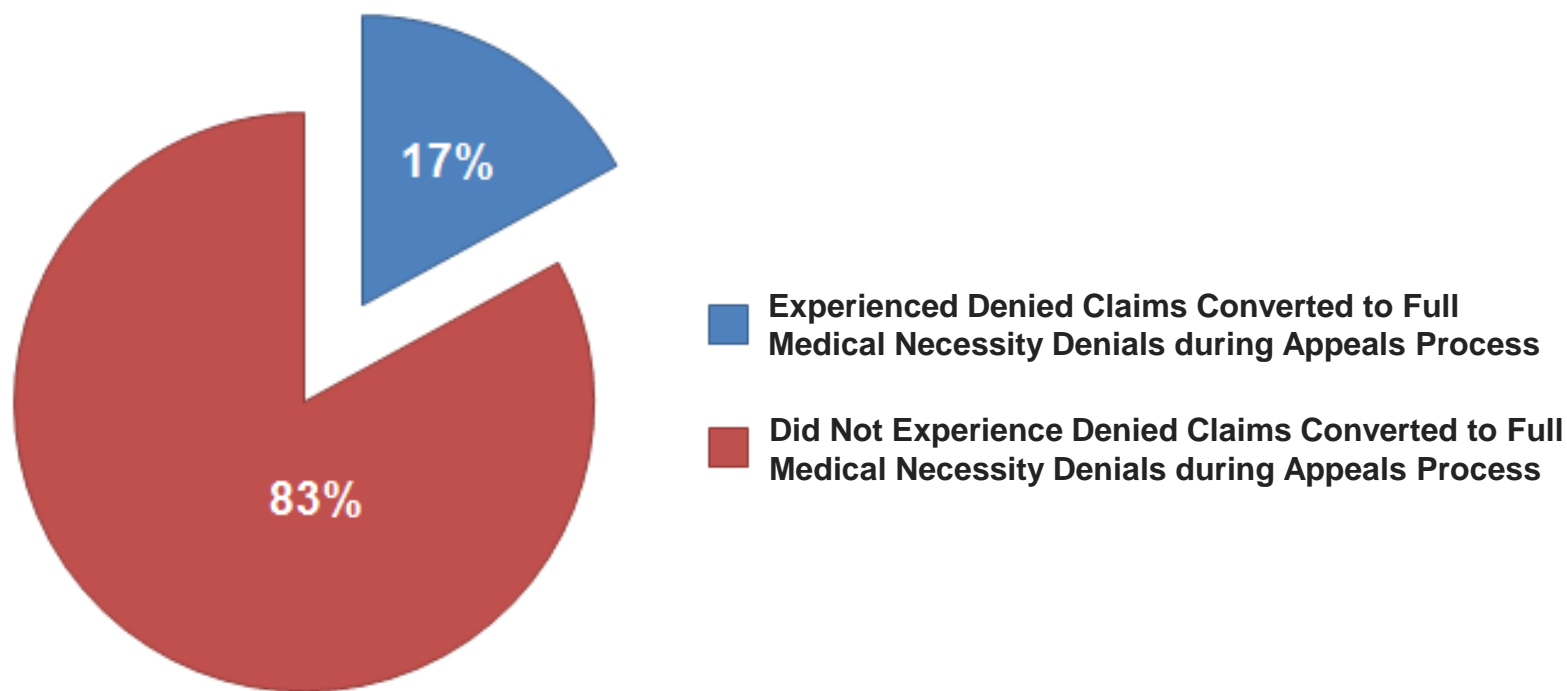
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# 17% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

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



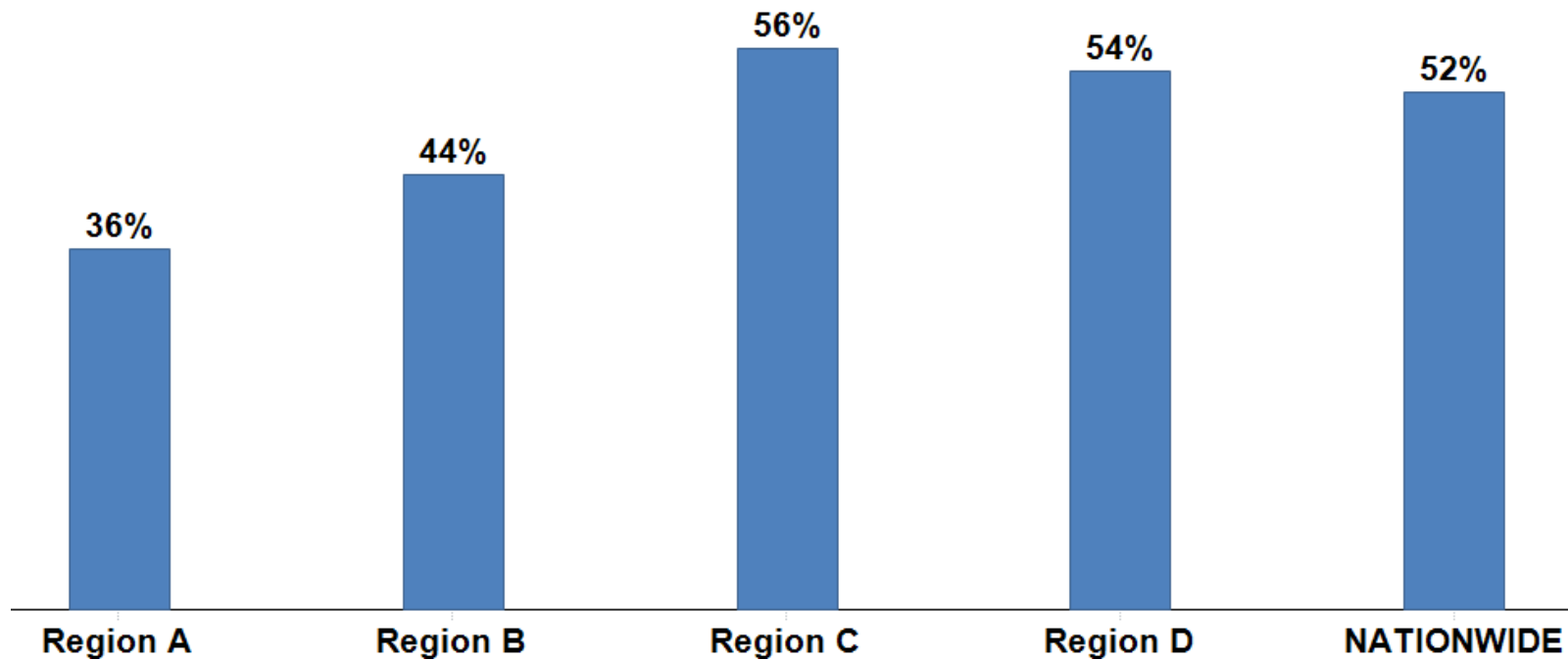
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# 52% of all cumulative claims appealed are still sitting in the appeals process.

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

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 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 4<sup>th</sup> 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 4<sup>th</sup> 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

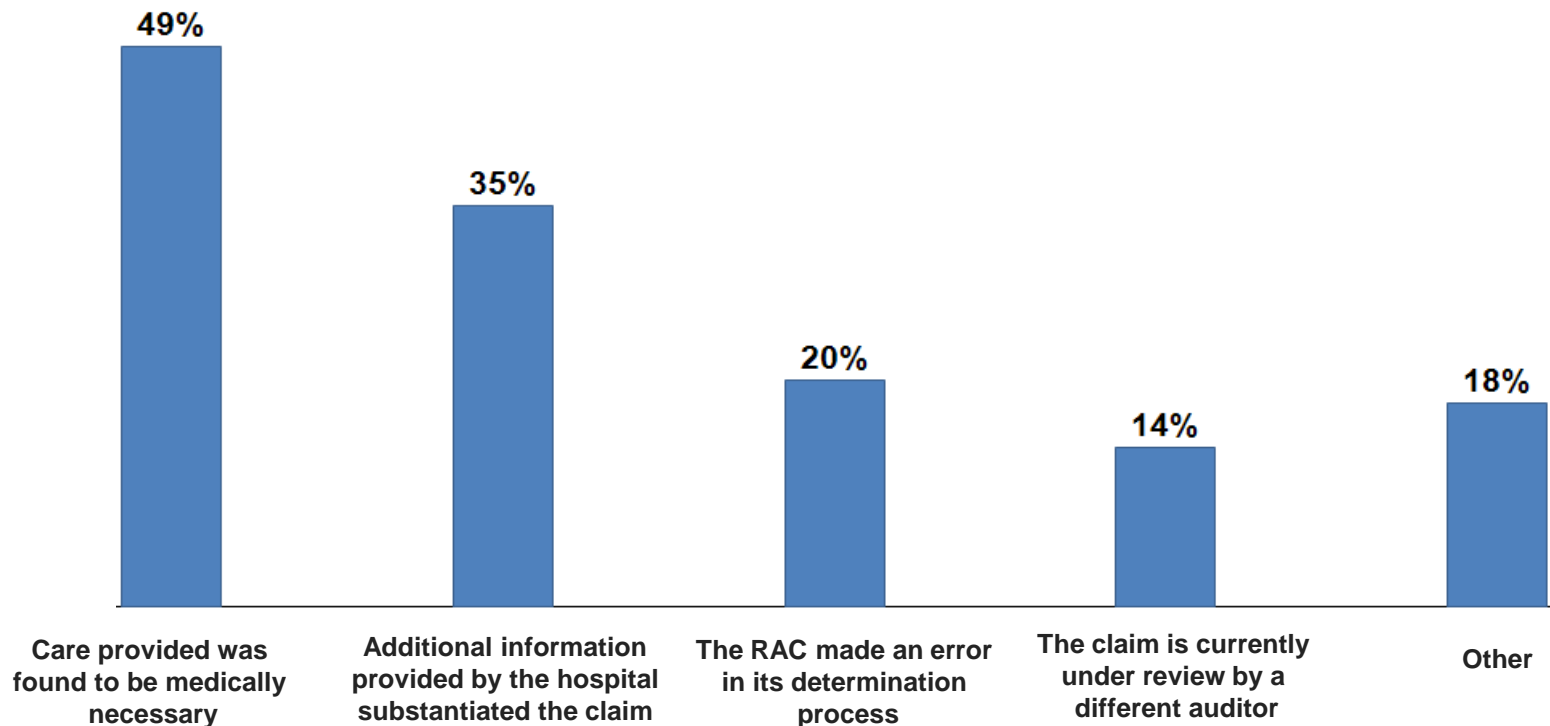
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# 49% of hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.

## 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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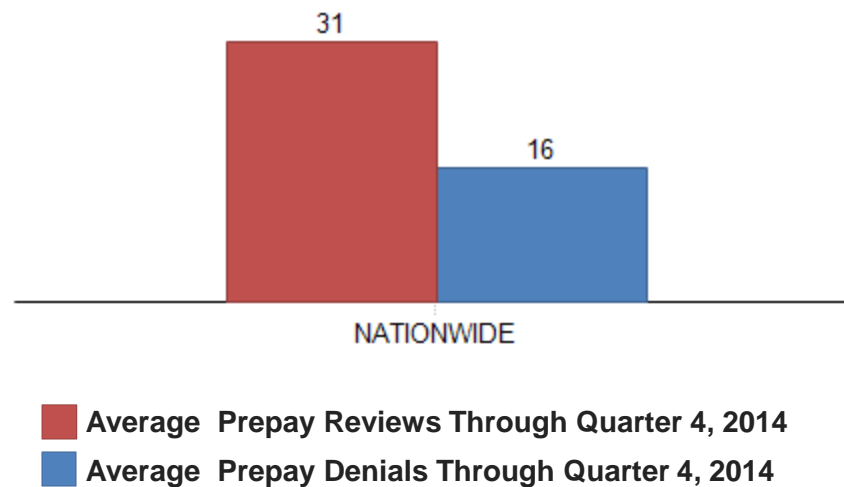


## RAC Pre-payment Reviews

# 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 4<sup>th</sup> 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

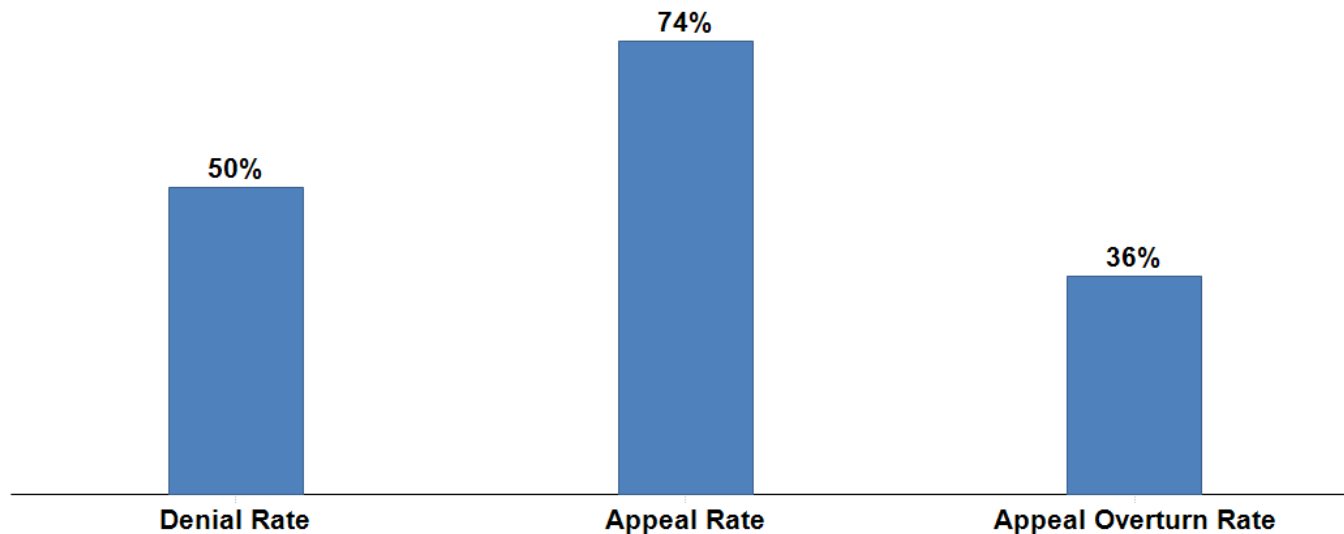
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# Half of all prepayment reviews are denied by a RAC and hospitals are appealing 74% of denied claims.

**\* 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 4<sup>th</sup> 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.

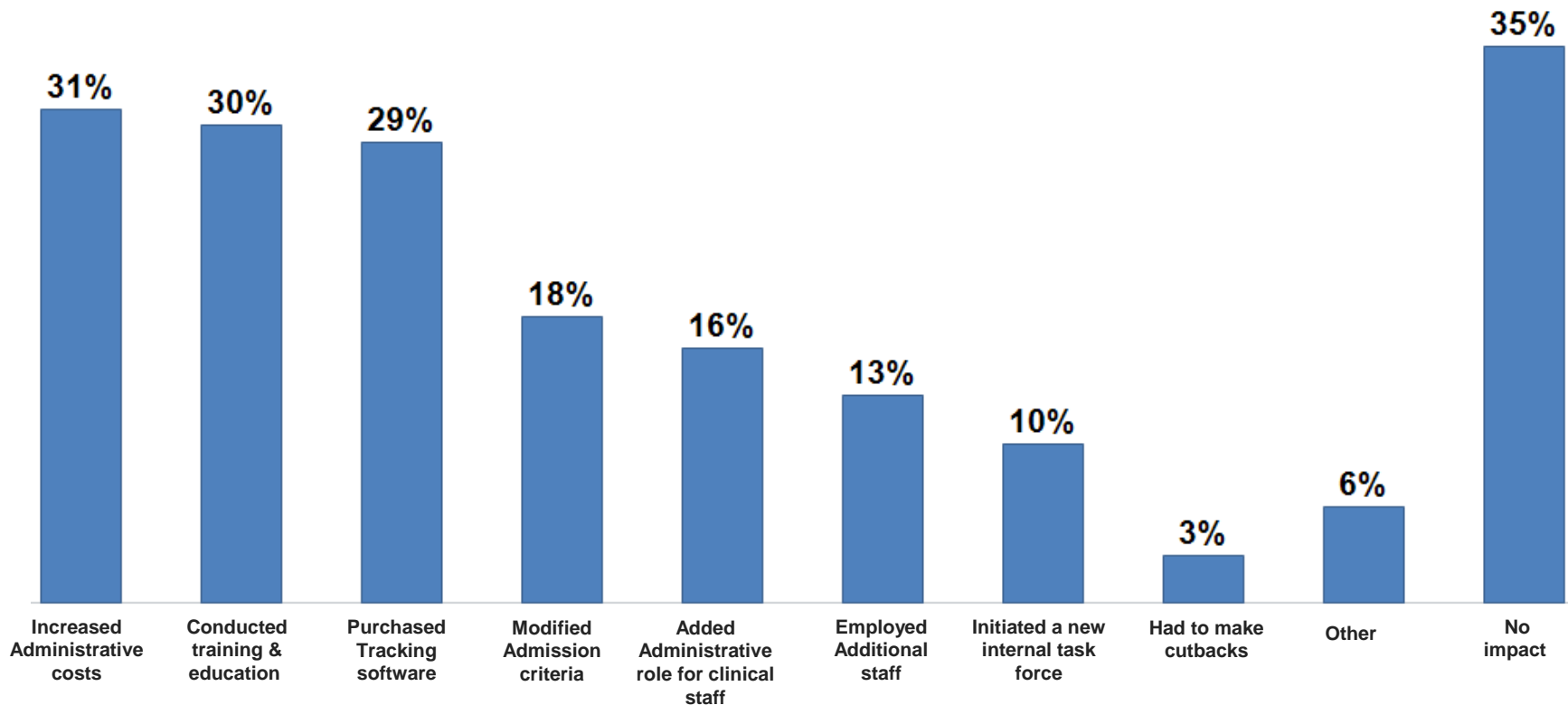




## Administrative Burden

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

Impact of RAC on Participating Hospitals\* by Type of Impact, 4<sup>th</sup> Quarter 2014



\* Includes participating hospitals with and without RAC activity

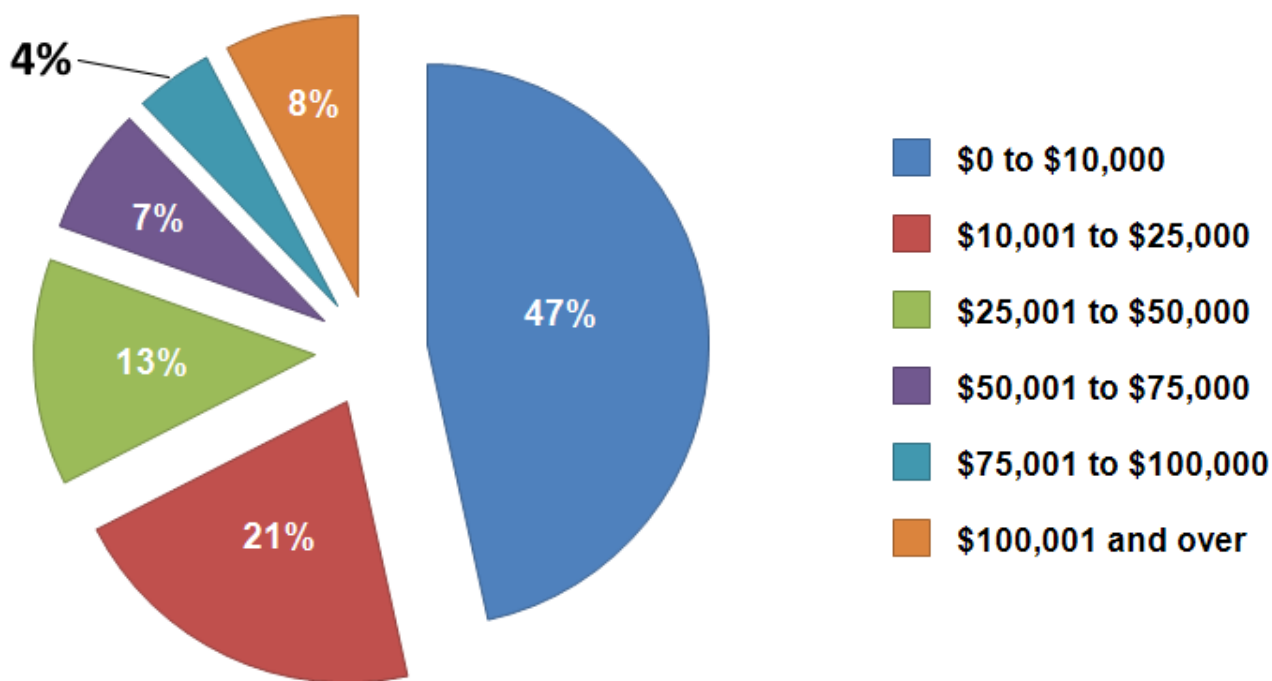
Source: AHA. (January 2015). RAC TRAC Survey

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

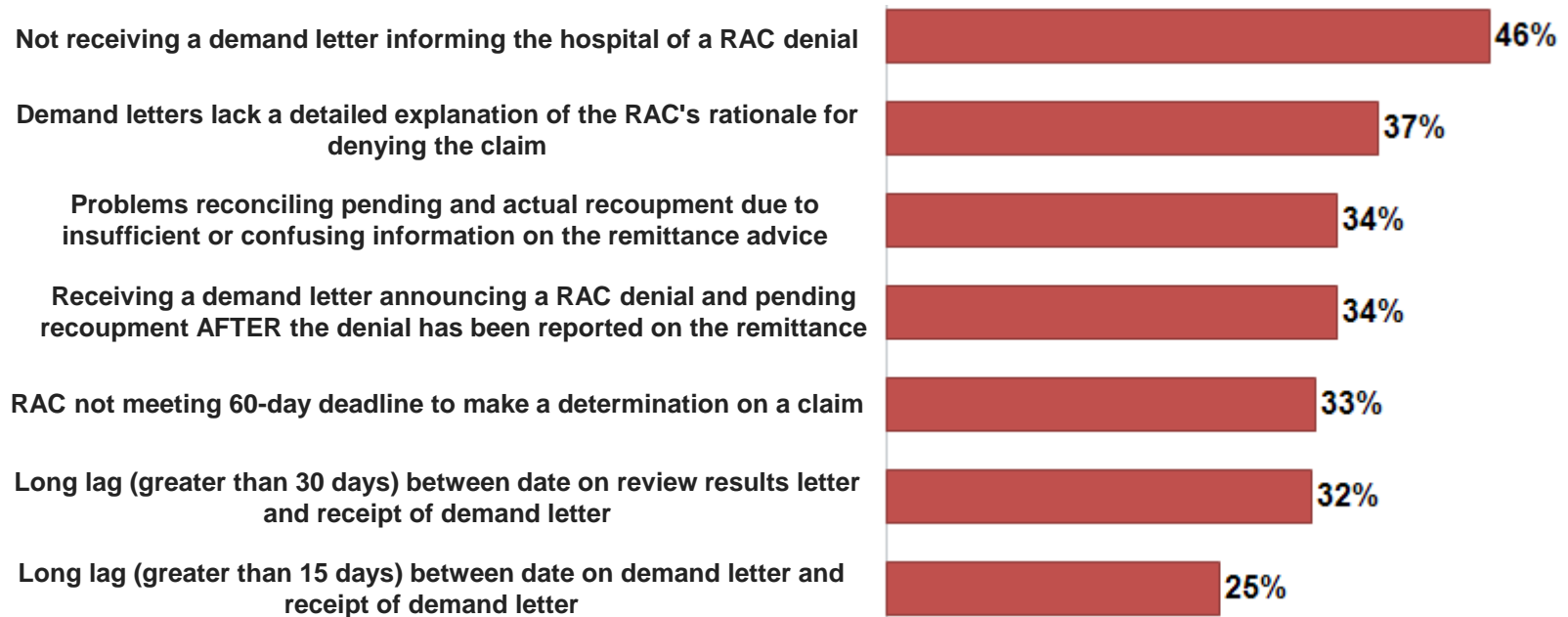
Source: AHA. (January 2015). RAC TRAC Survey

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 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

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>