



Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC *TRAC* Survey, 1st Quarter 2015

June 24, 2015

RAC 101

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



RAC^{TRAC} Background

- AHA created RAC^{TRAC}—a free, web-based survey—in response to a lack of data provided by CMS on the impact of the RAC program on America's hospitals.
 - Hospitals use AHA's online survey application, RAC^{TRAC} (accessed at www.aharactrac.com), to submit their data regarding the impact of the RAC program.
 - Many survey questions are designed to collect *cumulative* RAC experience data, from the inception of a hospital's RAC activity through the 1st quarter of 2015.
 - Survey registration information and RAC^{TRAC} support can be accessed at ractracsupport@providerchs.com or 1-888-722-8712.
 - Hospitals submit data to RAC^{Trac} through their claim tracking tools
 - 21 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

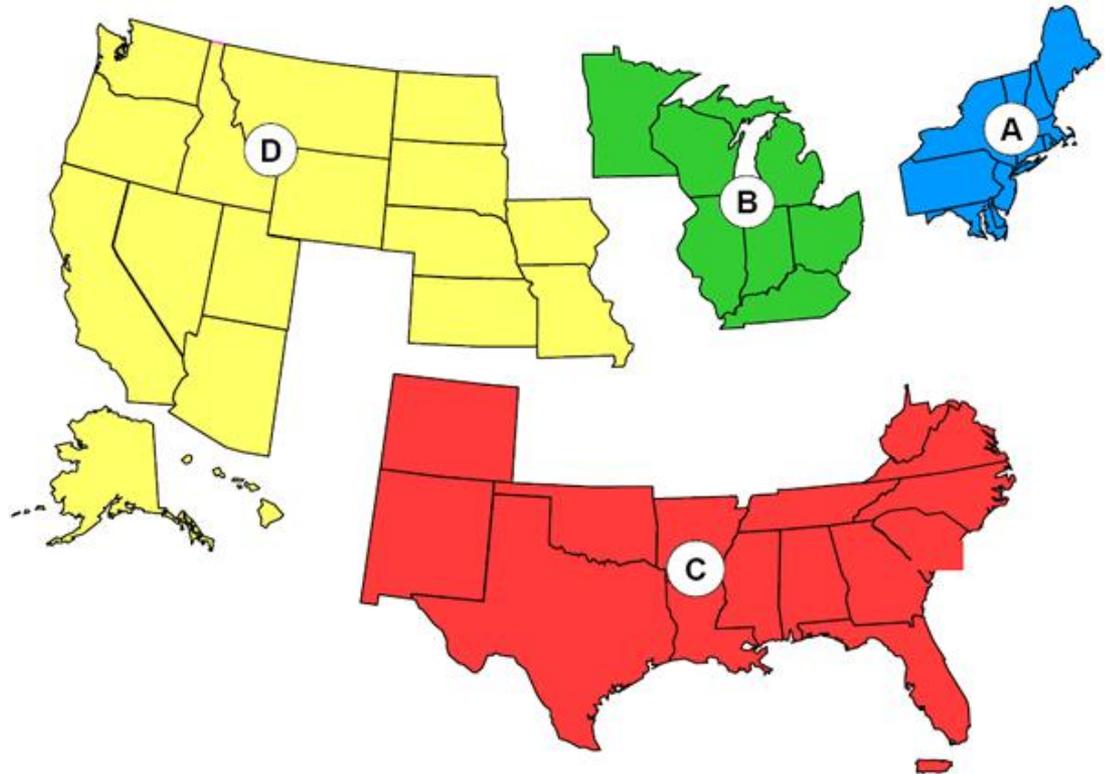
- 2,559 hospitals have participated in RAC^{TRAC} since data collection began in January of 2010. 872 hospitals participated this quarter.
- 35% of hospitals indicated they experienced automated denials for an outpatient billing error.
- 75% of hospitals received a complex denial based on inpatient coding in Q1 2015.
- Hospitals report appealing 44% of all RAC denials.
- 73% of appeals are eventually overturned in favor of the hospital.
- 41% of hospitals report having a denial reversed in the discussion period.
- 44% 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 1st quarter of 2015, 33% spent more than \$25,000 and 7% spent over \$100,000.



There are four RAC regions nationwide. Participation in RAC TRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC TRAC by RAC Region, through 1st Quarter 2015

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



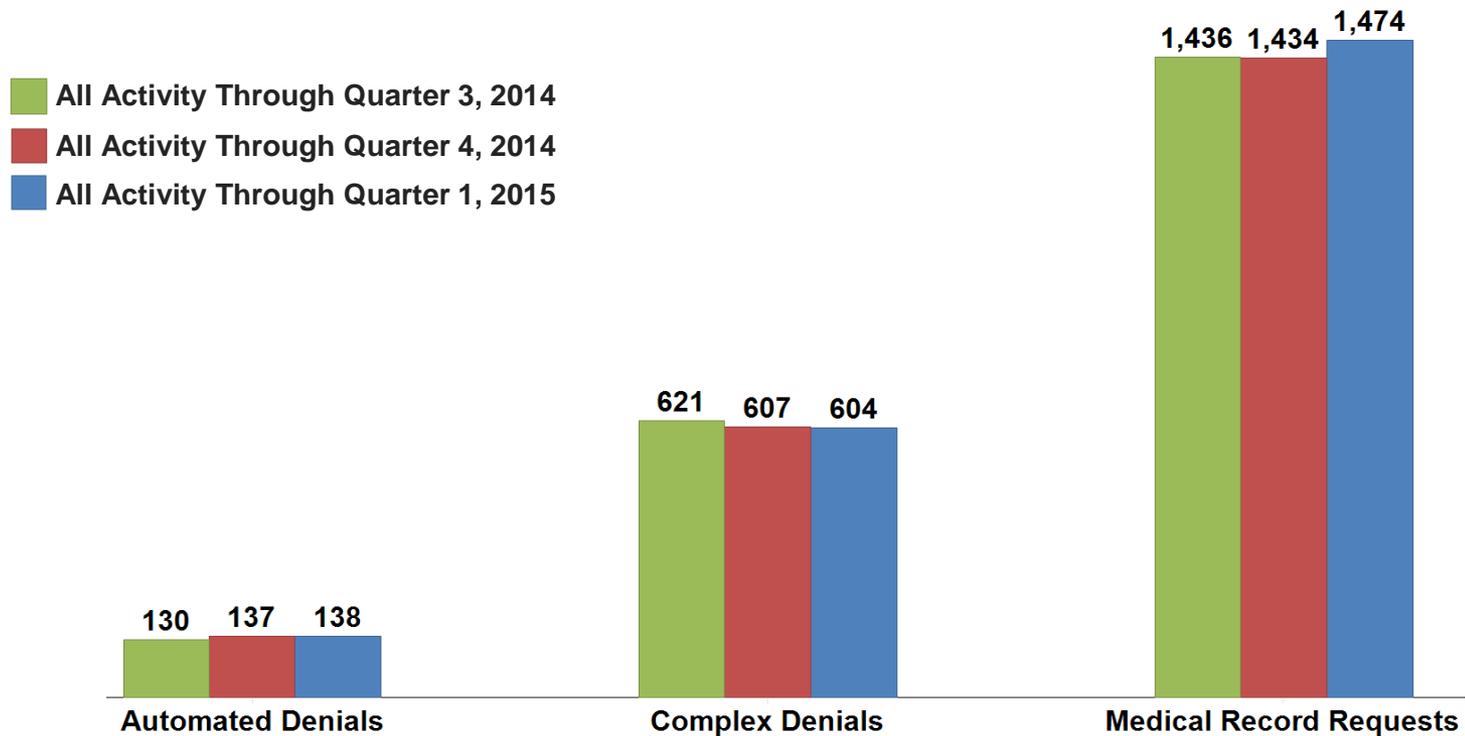
Source: Centers for Medicare and Medicaid Services



RAC Reviews

The average number of medical record requests increased in Q1 2015.

Average Automated Denials, Complex Denials and Medical Records Requests Per Participating Hospital, through 1st Quarter 2015*



*Response rates vary by quarter.

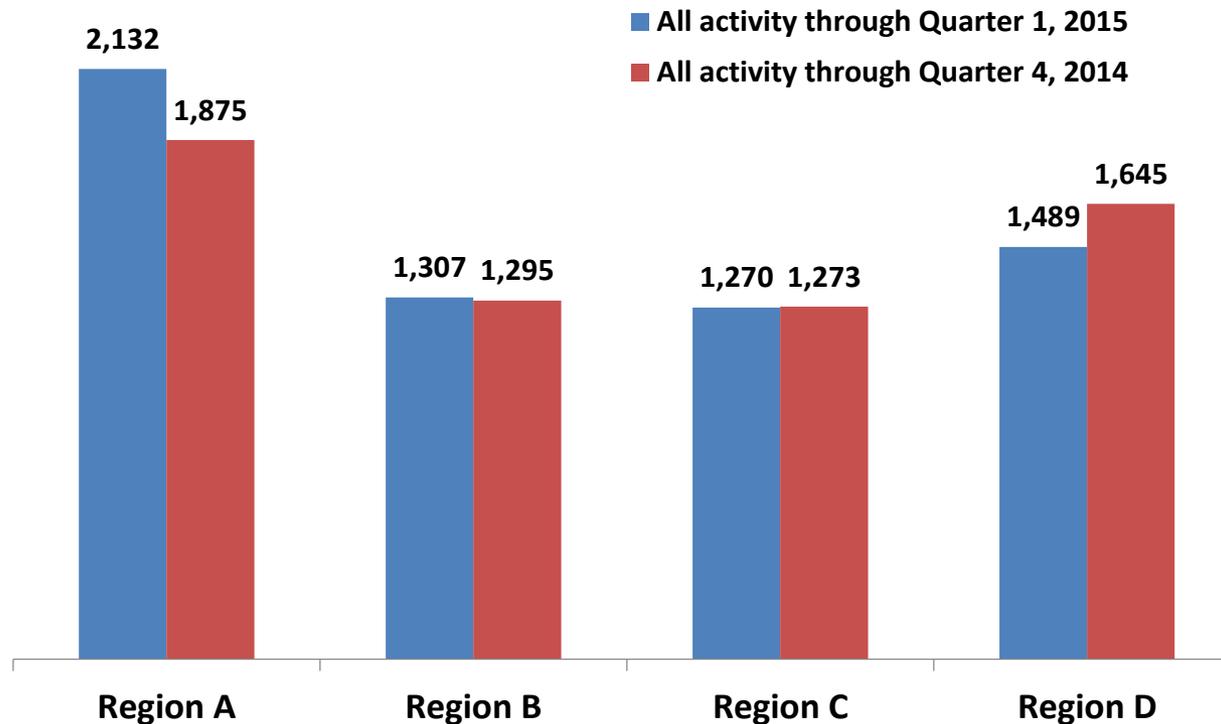
Source: AHA. (April 2015). RACTRAC Survey

AHA analysis of survey data collected from 2,559 hospitals: 2,297 reporting activity, 262 reporting no activity through March 2015. 872 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 Per Participating Hospital With Complex Medical Record RAC Activity, through 1st Quarter 2015*



*Response rates vary by quarter.

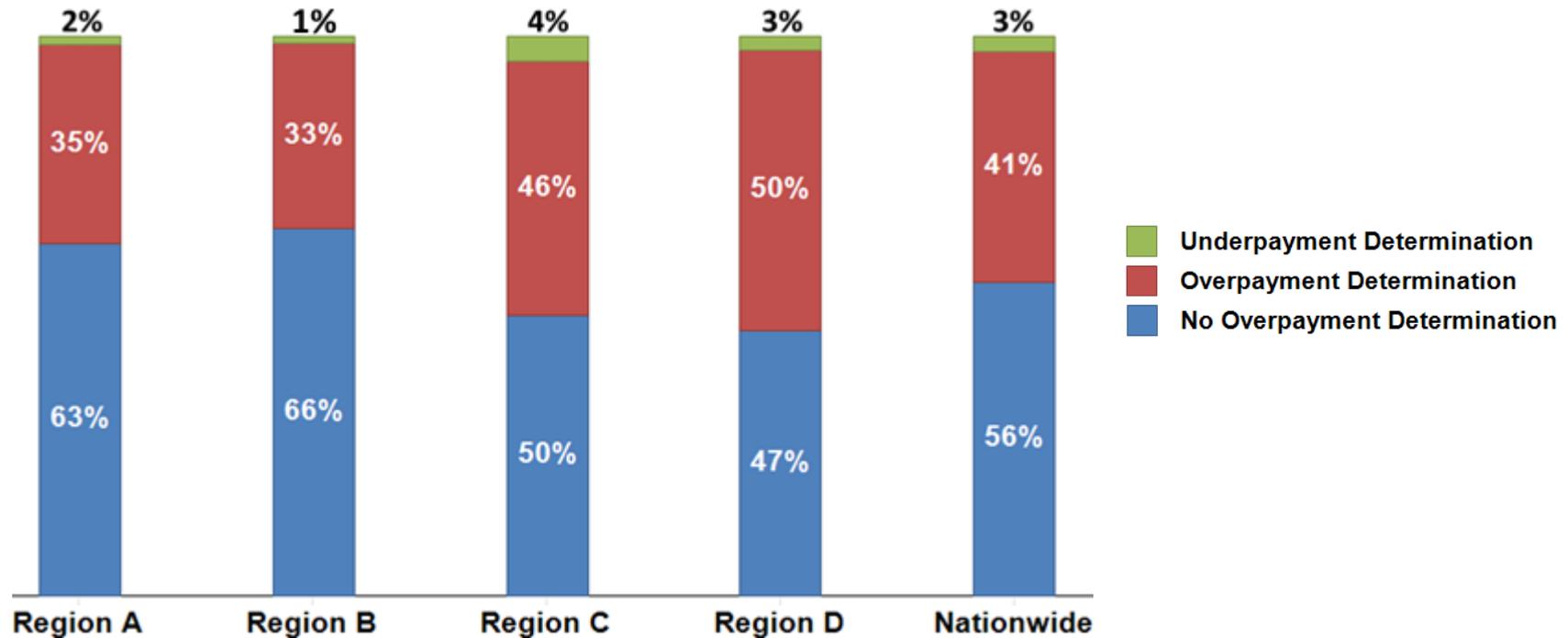
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59% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 1st Quarter 2015



Source: AHA. (April 2015). RACTRAC Survey

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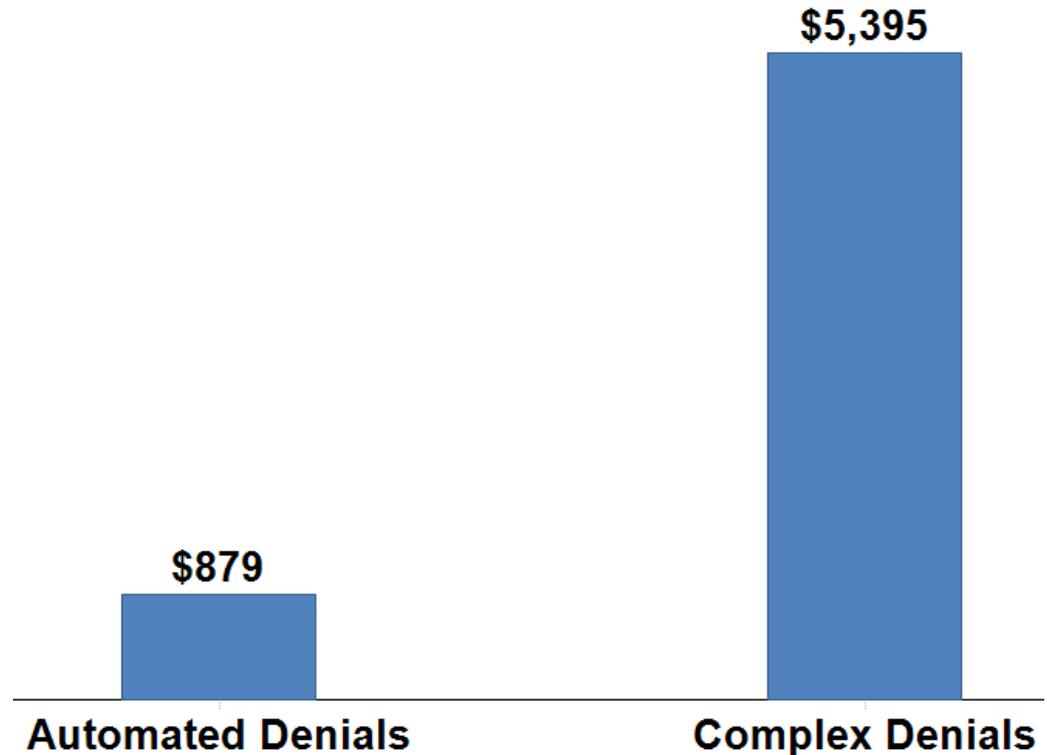


RAC Denials

The average dollar value of an automated denial was \$879 and the average dollar value of a complex denial was \$5,395.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 1st Quarter 2015

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$879	\$5,395
Region A	\$599	\$5,524
Region B	\$1,596	\$4,485
Region C	\$938	\$5,393
Region D	\$418	\$5,757



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

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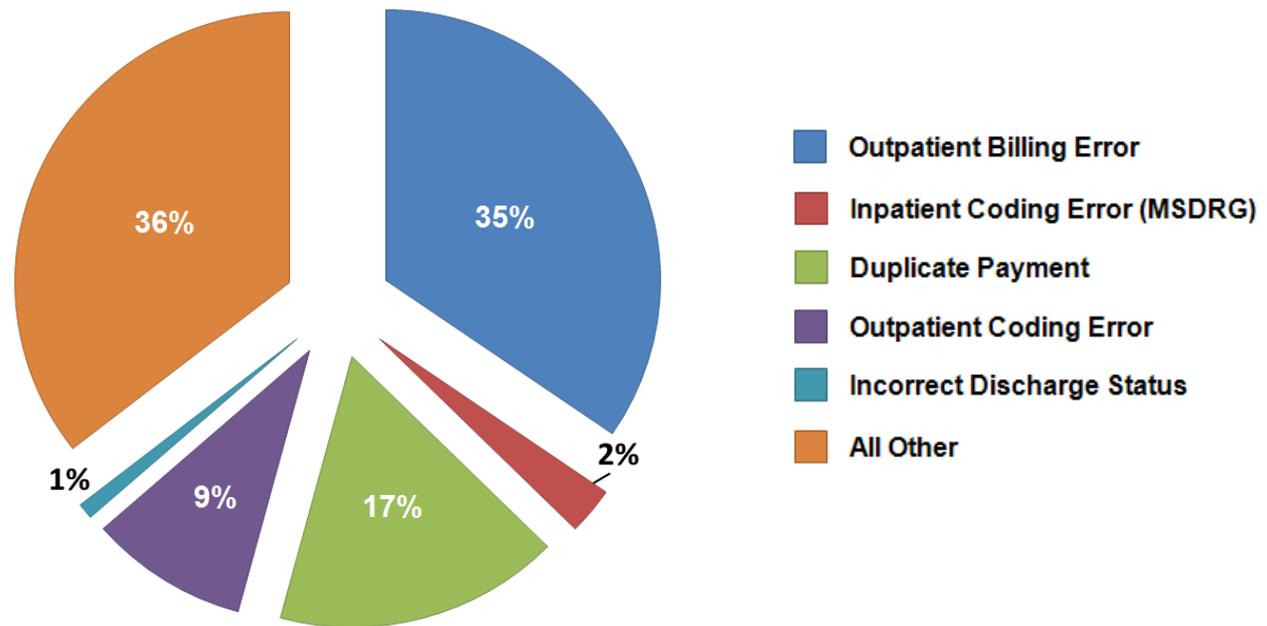


Automated RAC Denials

RACs are issuing automated denials for many different reasons.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015

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



Source: AHA. (April 2015). RACTRAC Survey

AHA analysis of survey data collected from 2,559 hospitals: 2,297 reporting activity, 262 reporting no activity through March 2015. 872 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: Too few hospitals answered this question in Q1 2015 to provide results.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region A

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

- Outpatient Billing Error
- Inpatient Coding Error (MSDRG)
- Duplicate Payment
- Outpatient Coding Error
- Incorrect Discharge Status
- All Other

* too few hospital responses



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

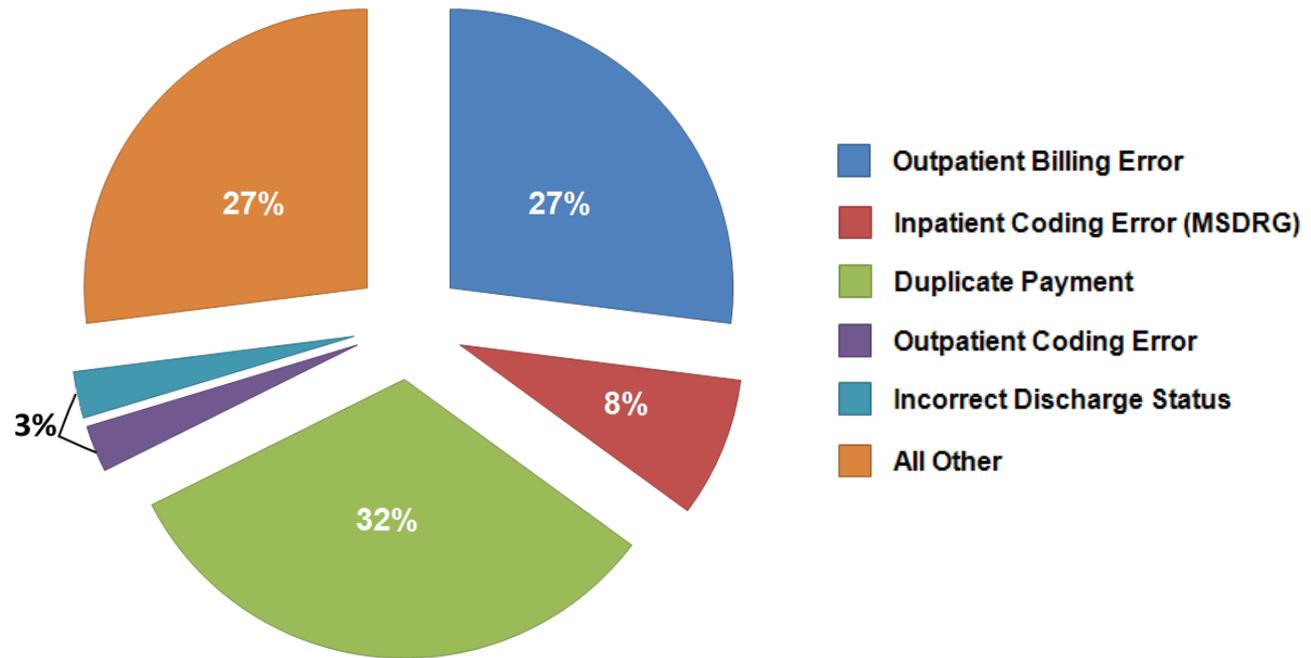
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Region B: Hospitals reported duplicate payment as the top reason for automated denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region B

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



Source: AHA. (April 2015). RACTRAC Survey

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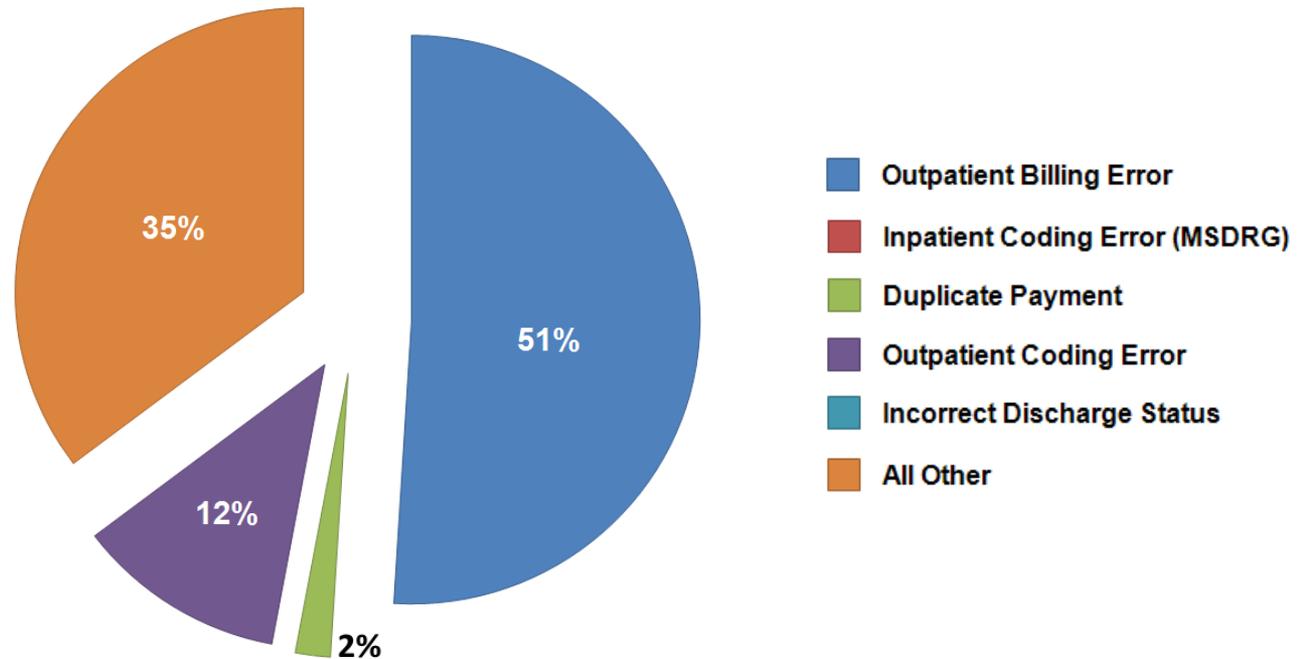
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Region C: Hospitals reported outpatient billing error as the top reason for RAC denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region C

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



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

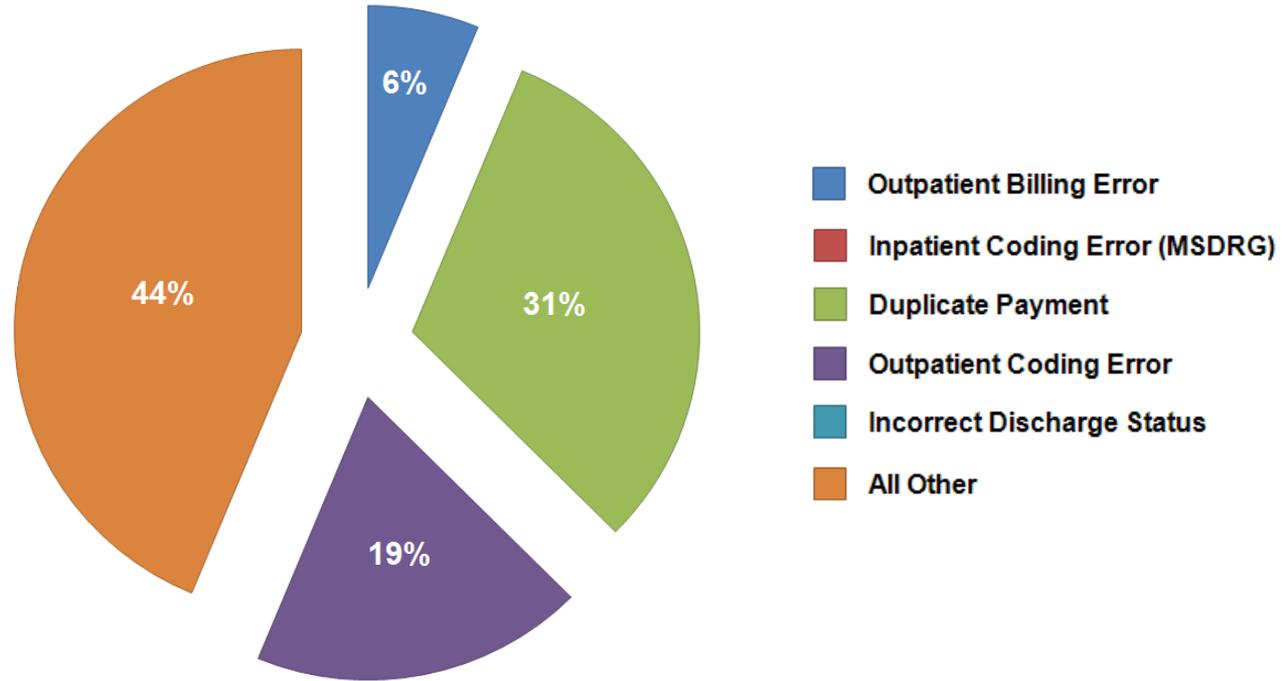
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Region D: Hospitals reported a large percentage of denials for duplicate payment and for “all other.”

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region D

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



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

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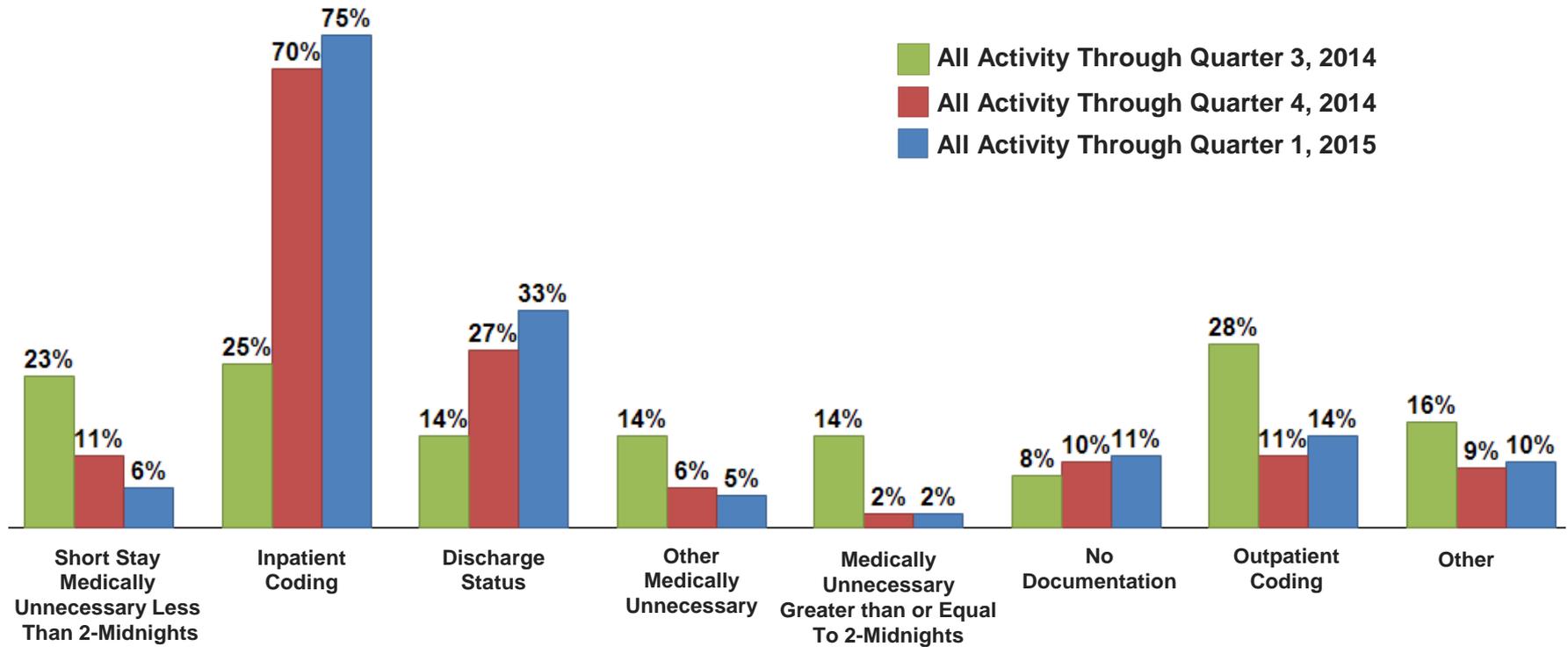


Complex RAC Denials

The most commonly cited reasons for a complex denial are inpatient coding and discharge status.

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, through 1st Quarter 2015

Survey participants were asked to select all reasons for denial.



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

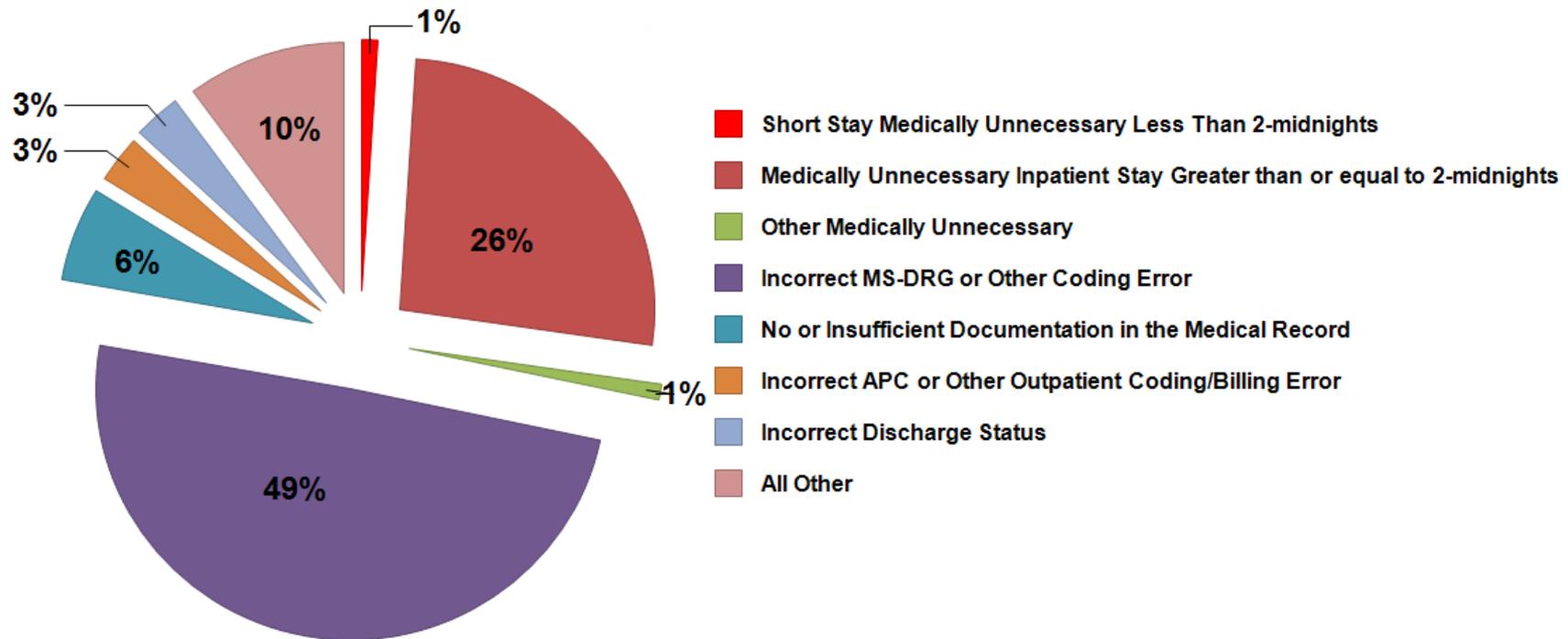
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Nationally, hospitals reported denials for incorrect MS-DRG or other coding error had the greatest dollar impact in Q1 2015.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015

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



Source: AHA. (April 2015). RACTRAC Survey

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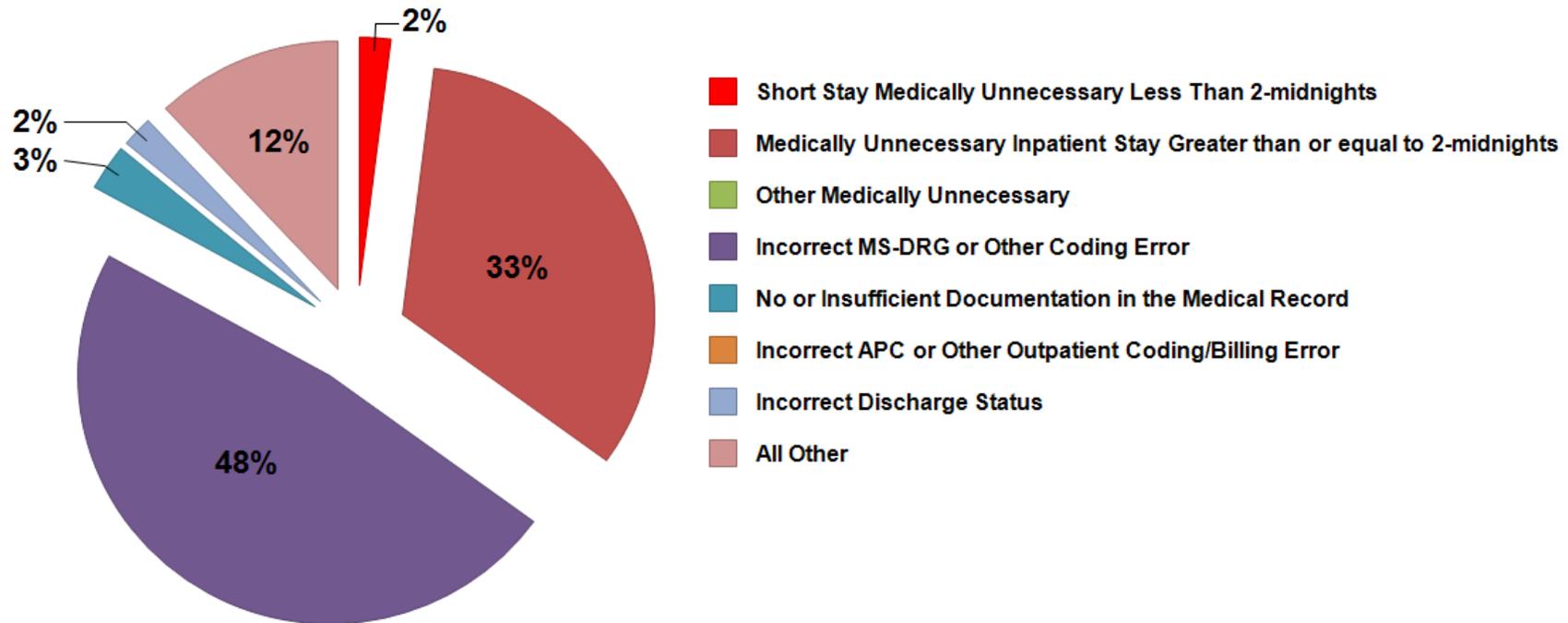
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Region A: Hospitals reported denials for incorrect MS-DRG or other coding error had the greatest dollar impact in Q1 2015.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region A

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



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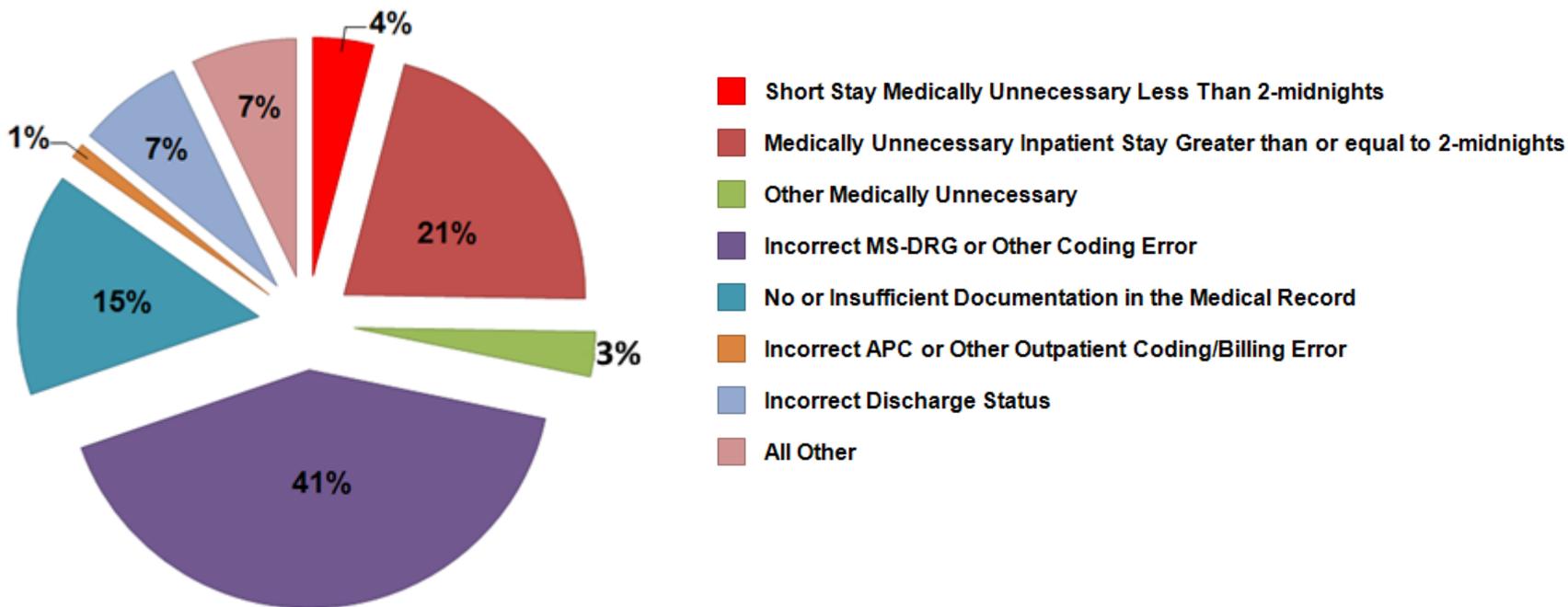
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Region B: Hospitals reported denials for incorrect MS-DRG or other coding error had the greatest dollar impact in Q1 2015.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region B

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



Source: AHA. (April 2015). RACTRAC Survey

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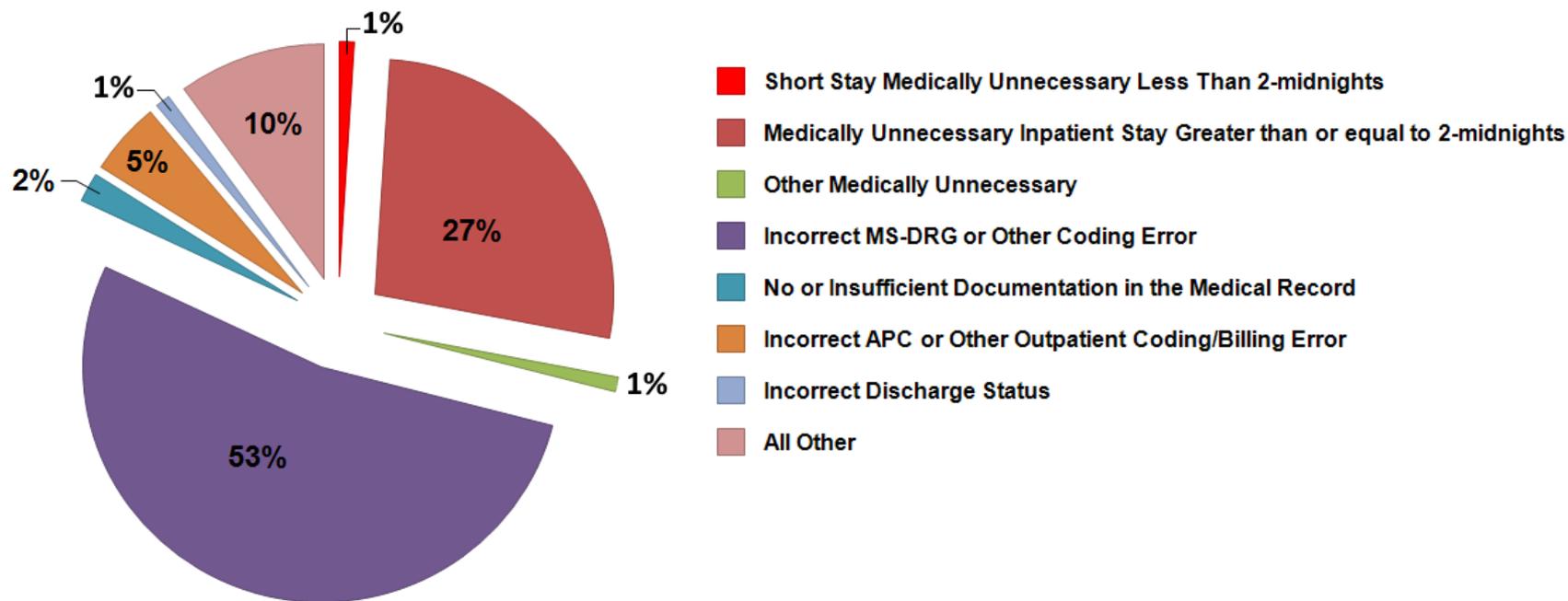
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Region C: Hospitals reported denials for incorrect MS-DRG or other coding error had the greatest dollar impact in Q1 2015.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region C

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



Source: AHA. (April 2015). RACTRAC Survey

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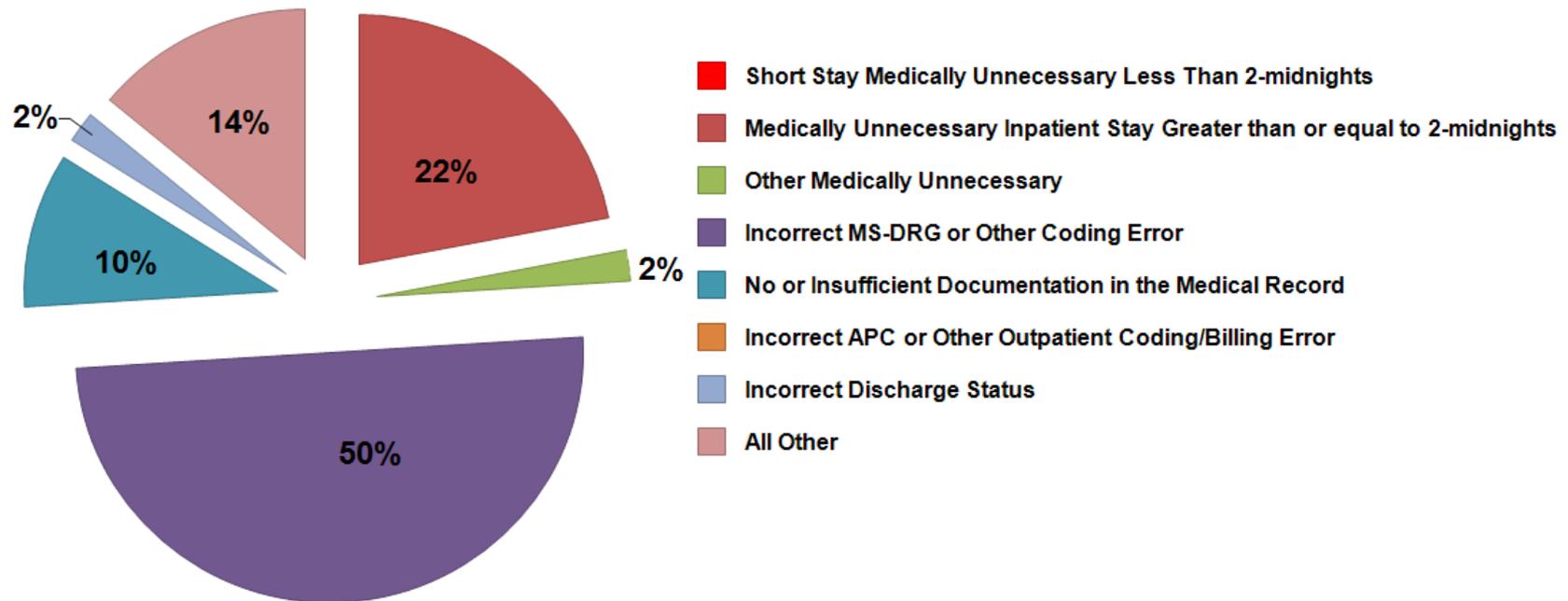
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Region D: Hospitals reported denials for incorrect MS-DRG or other coding error had the greatest dollar impact in Q1 2015.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2015, Region D

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



Source: AHA. (April 2015). RACTRAC Survey

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Appeals

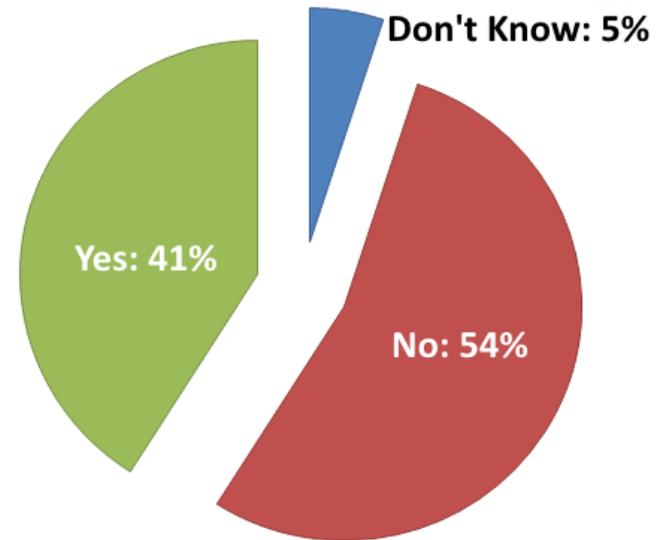
41% of participating hospitals report having a denial reversed during the discussion period, including 59% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 1st Quarter 2015

Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	59%	34%	7%
Region B	37%	58%	5%
Region C	40%	56%	4%
Region D	31%	67%	3%

National Experience



*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. (April 2015). RACTRAC Survey

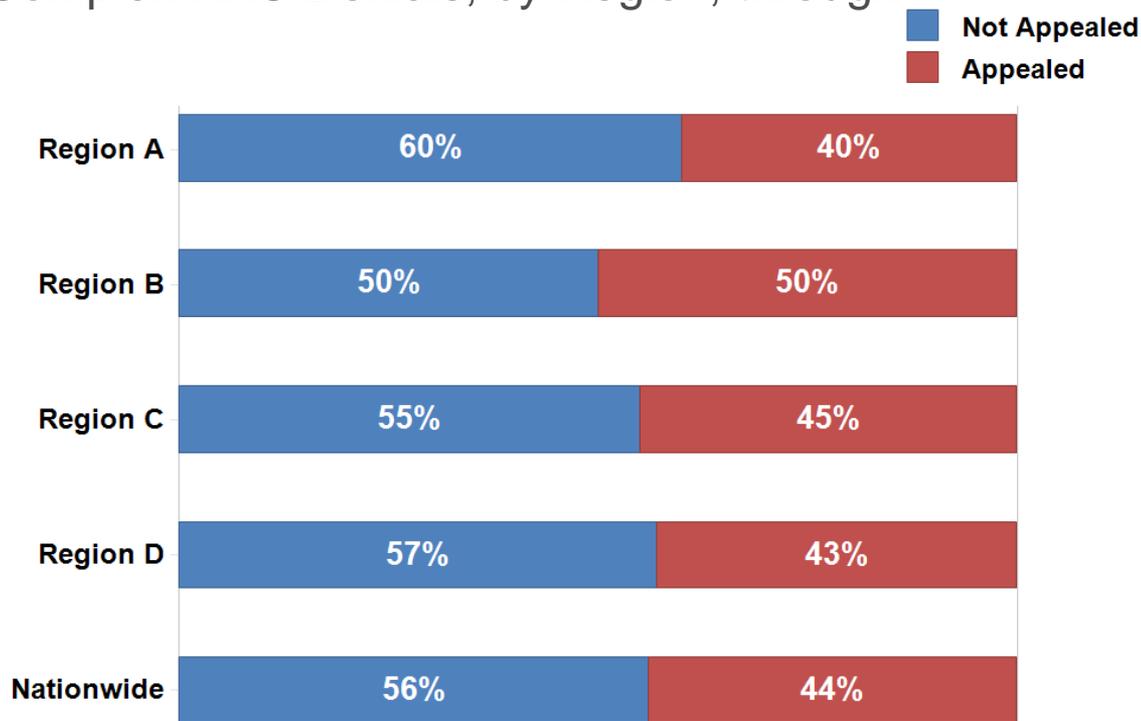
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Nationwide hospitals report appealing 44% of RAC denials including half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 1st Quarter 2015

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	494,387	218,583
Region A	102,388	41,130
Region B	74,253	36,937
Region C	220,171	98,695
Region D	97,575	41,821



* 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. (April 2015). RACTRAC Survey

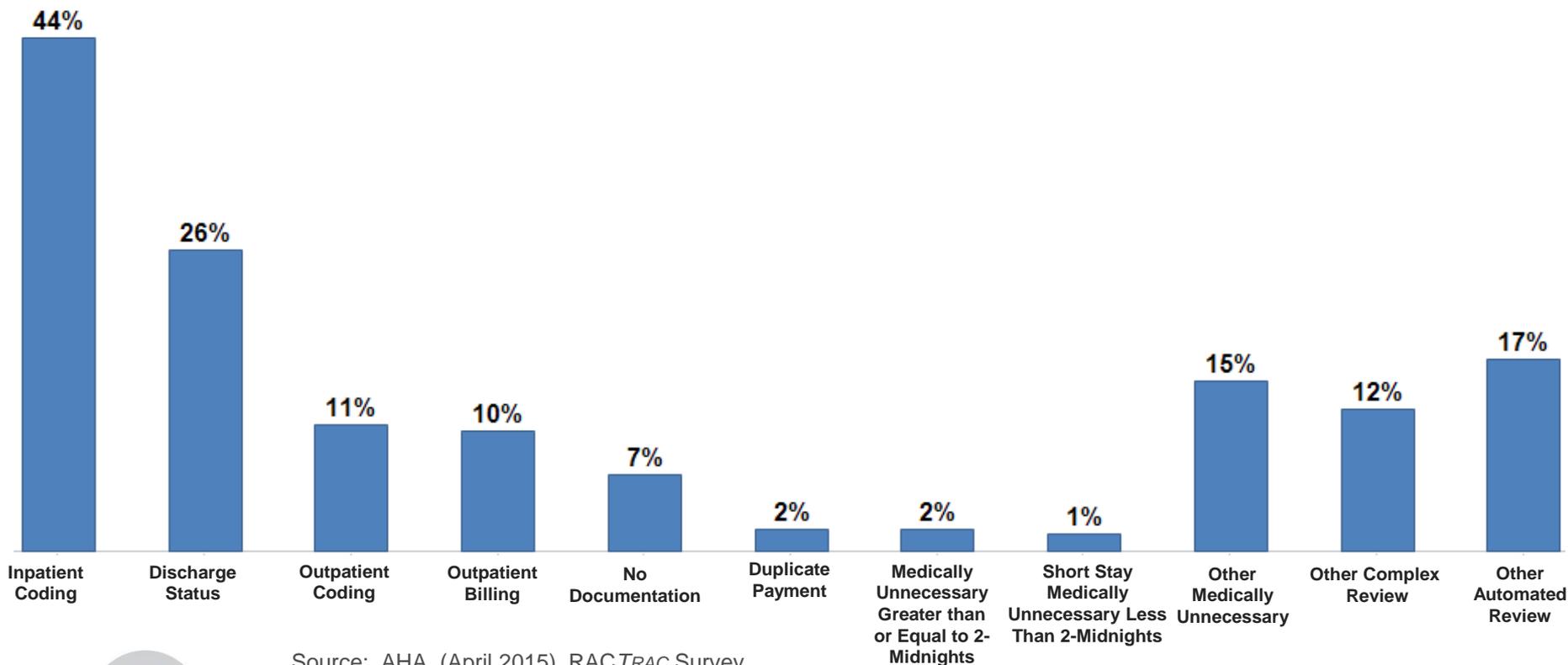
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44% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q1 2015 reported appealing inpatient coding denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 1st Quarter 2015

Survey participants were asked to select all reasons for denial.



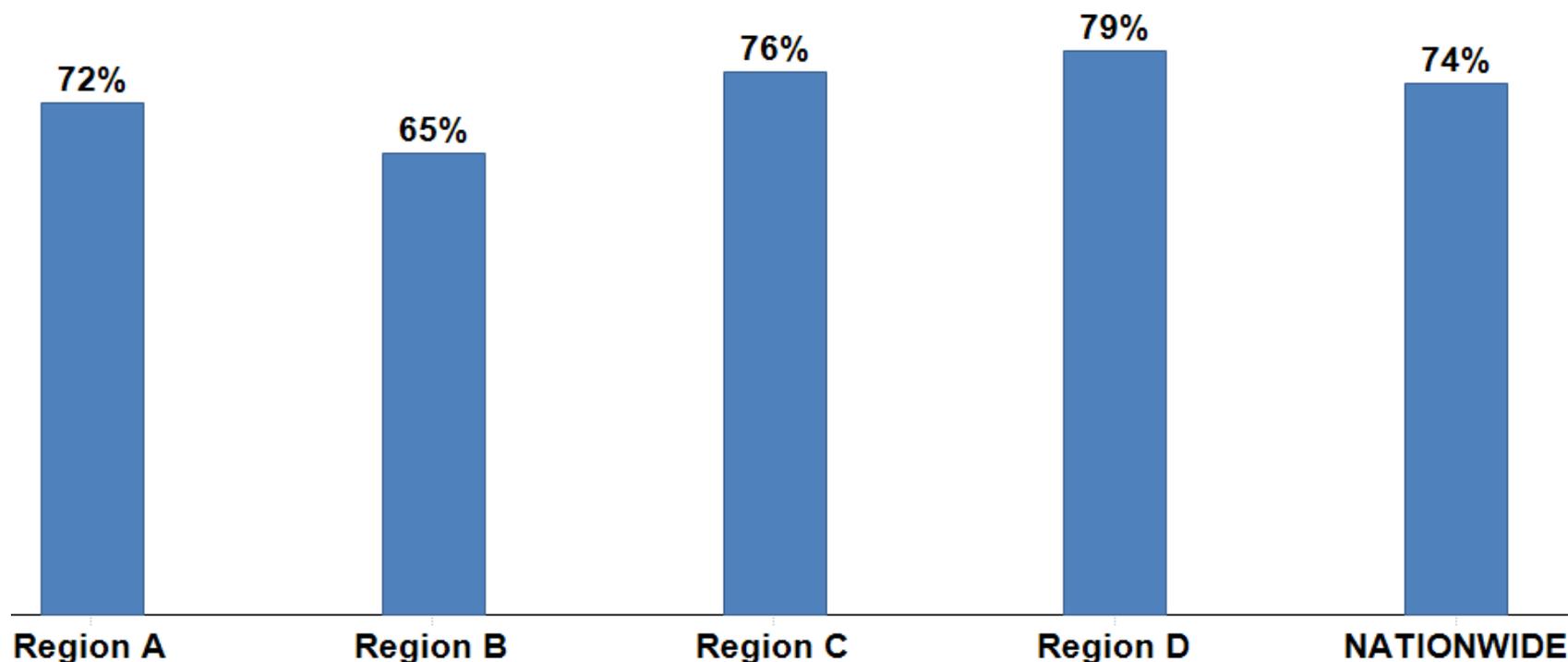
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For 74% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 1st Quarter 2015



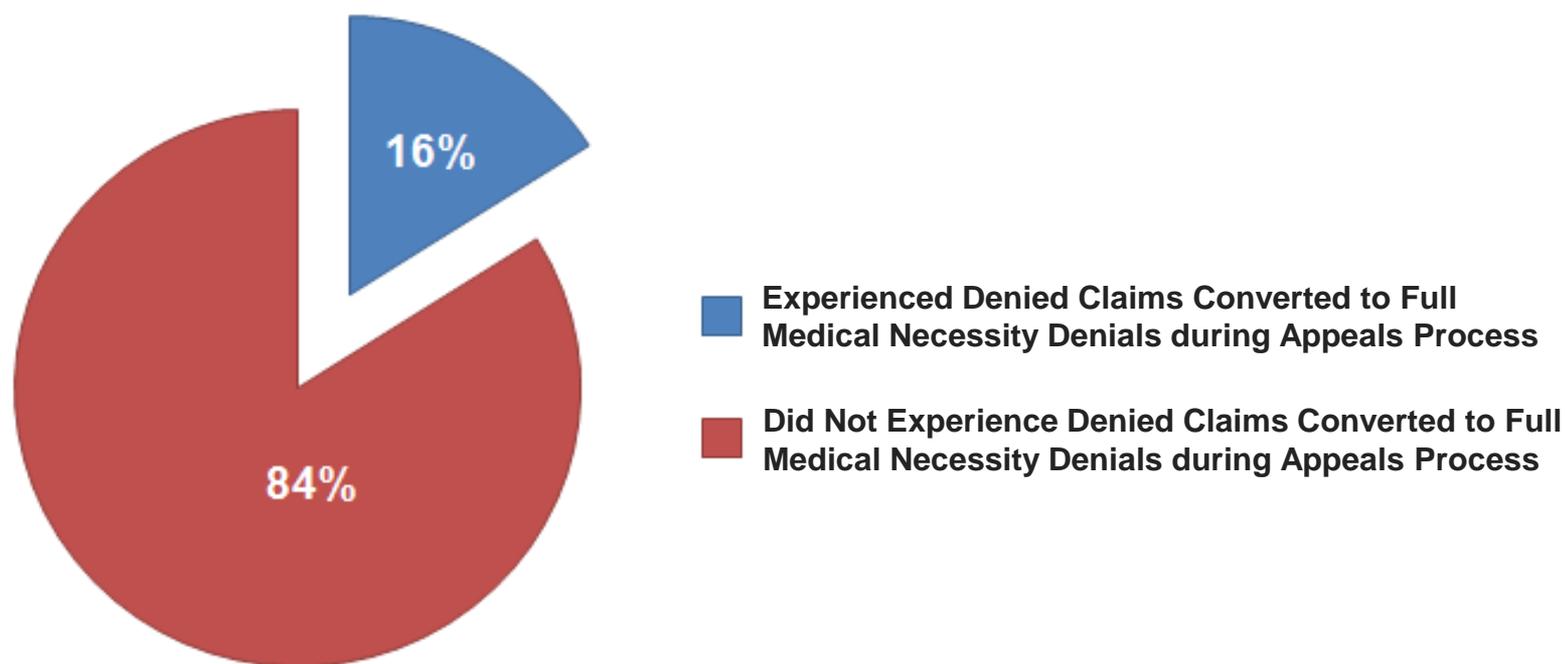
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16% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 1st Quarter 2015



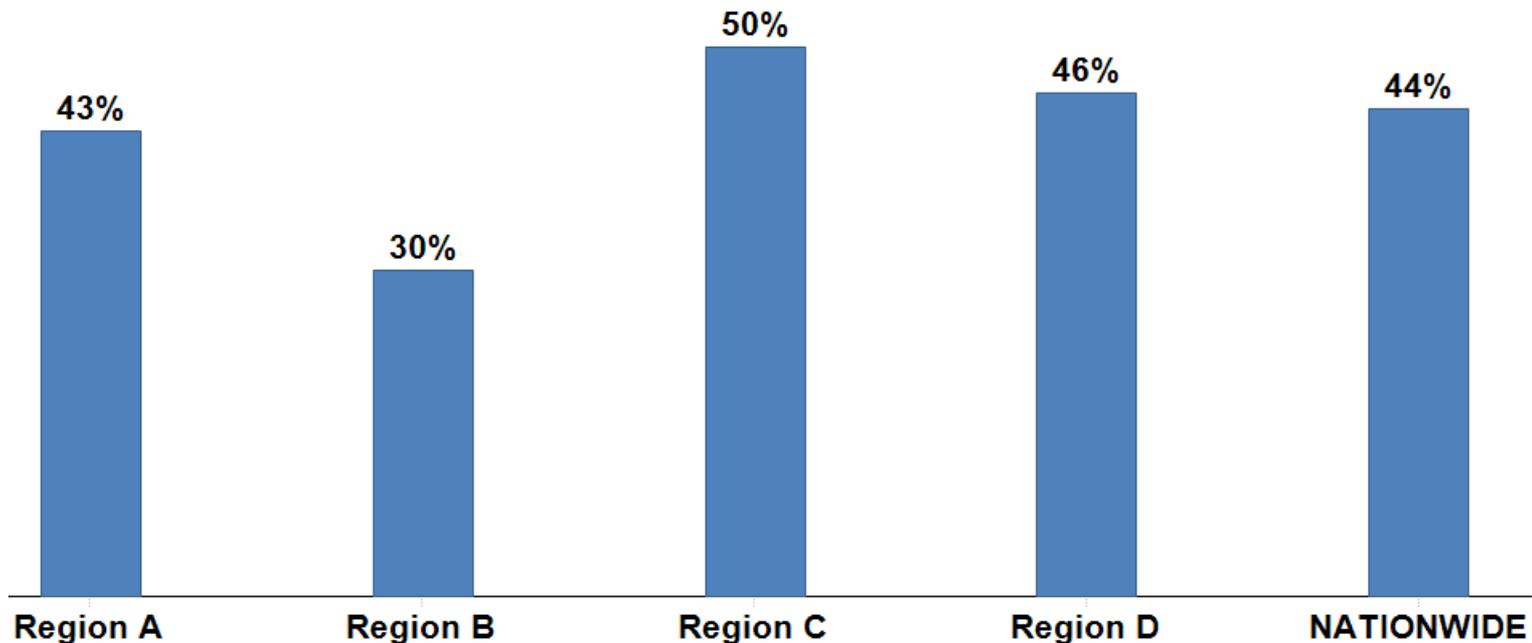
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44% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 1st Quarter 2015*



*Response rates vary by quarter.

Source: AHA. (April 2015). RAC^{TRAC} Survey

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For complex denials that are re-billed under Part B, hospitals report receiving 49% of the original Part A reimbursement.

*** NEW *** Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 1st Quarter, 2015

Region	Hospital Count	Total # Level of Care Denials Re-billed	Total Part A Denied Amount of Re-billed Claims	Total # Level of Care Denials Re-billed and Reimbursed under Part B	Average Part B Reimbursement	Average Part A Reimbursement	Average % of Part A Denied Amount Reimbursed Under Part B
Nationwide	127	14,891	\$71,230,799	9,567	\$2,412	\$4,914	49%
Region A	26	2,932	\$16,959,592	1,661	\$2,493	\$5,449	46%
Region B	38	3,875	\$20,556,879	1,823	\$3,257	\$4,471	73%
Region C	50	6,626	\$29,515,517	5,058	\$2,212	\$5,145	43%
Region D	13	1,458	\$4,198,809	1,025	\$1,760	\$3,691	48%

* too few hospital responses

*Response rates vary by quarter.

Source: AHA. (April 2015). RACTRAC Survey

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Of the claims that have completed the appeals process, 73% 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 1st Quarter 2015*

	Appealed	Percent of Denials Appealed	Number of Denials Awaiting Appeals Determination	Completed Appeals		
				Number of Denials Not Overturned from Appeals Process* (Withdrawn/Not Continued)	Number of Denials Overturned in the Appeals Process	Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)
NATIONWIDE	218,583	44%	97,180	22,554	62,178	73%
Region A	41,130	40%	17,490	1,261	11,584	90%
Region B	36,937	50%	11,016	4,141	12,734	75%
Region C	98,695	45%	49,437	9,933	25,669	72%
Region D	41,821	43%	19,237	7,219	12,191	63%

* May include appeals withdrawn to re-bill.

*Response rates vary by quarter.

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

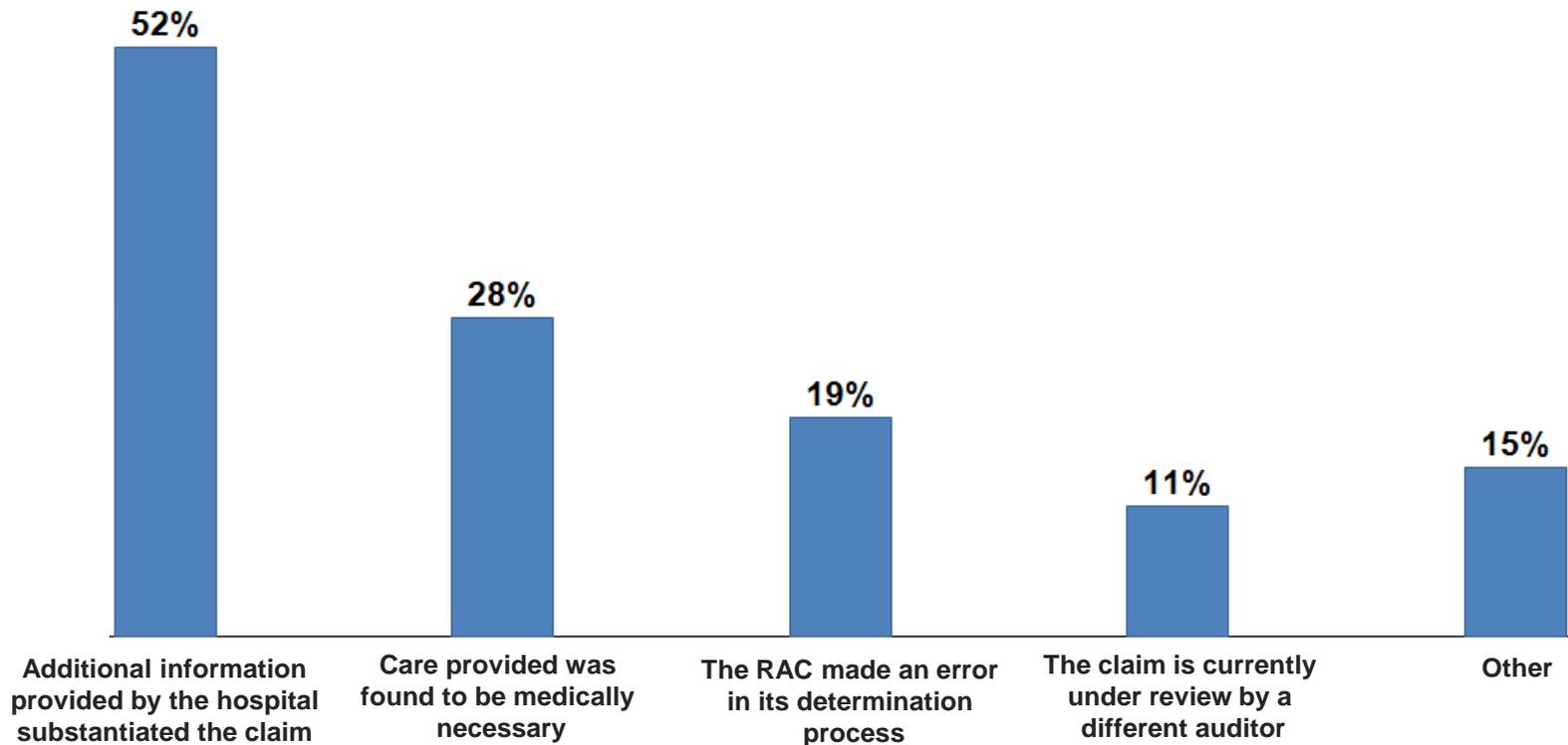
AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals),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



52% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

Percent of Participating Hospitals That Had a Denial Overturned by Reason, 1st Quarter 2015

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



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

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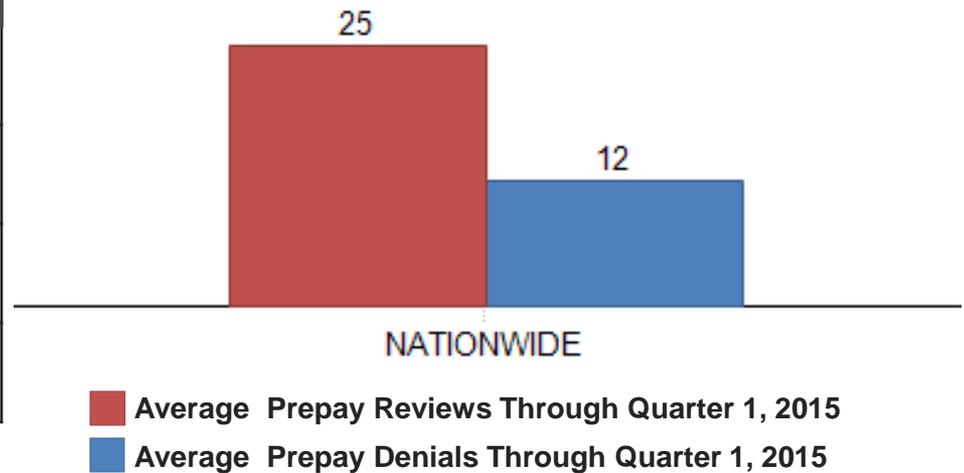


RAC Pre-payment Reviews

Hospitals experiencing pre-payment denials report similar 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 1st Quarter, 2015

	Nationwide
Number Pre-Pay Reviews	1,291
Average Dollar Amount Of Pre-Pay Claims Reviewed	\$6,489
Number Pre-Pay Denials	634
Average Dollar Amount Of Pre-Pay Denials	\$5,849



*Response rates vary by quarter.

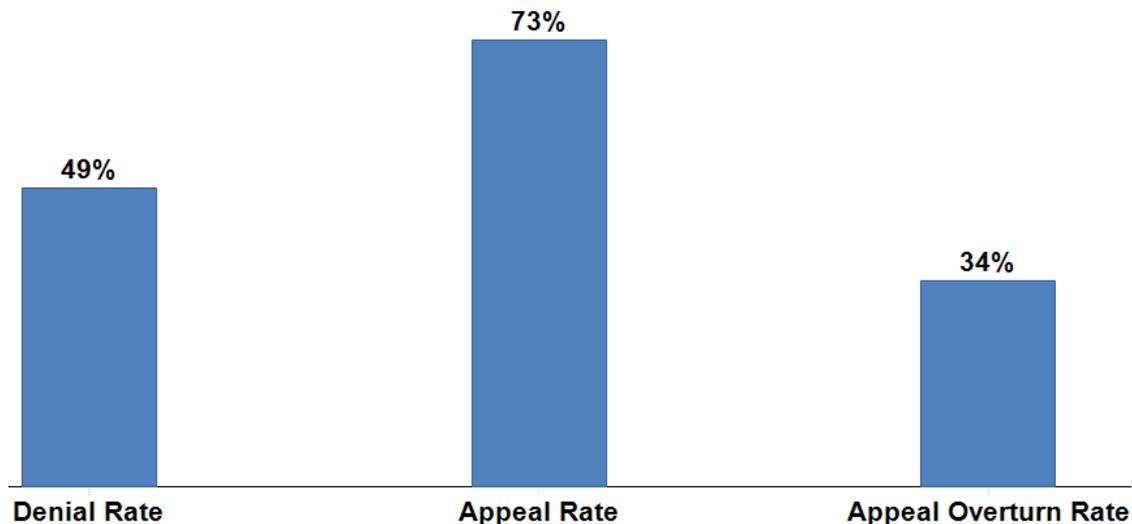
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Half of all prepayment reviews are denied by a RAC and hospitals are appealing 73% of denied claims.

*** 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 1st Quarter, 2015



*Response rates vary by quarter.

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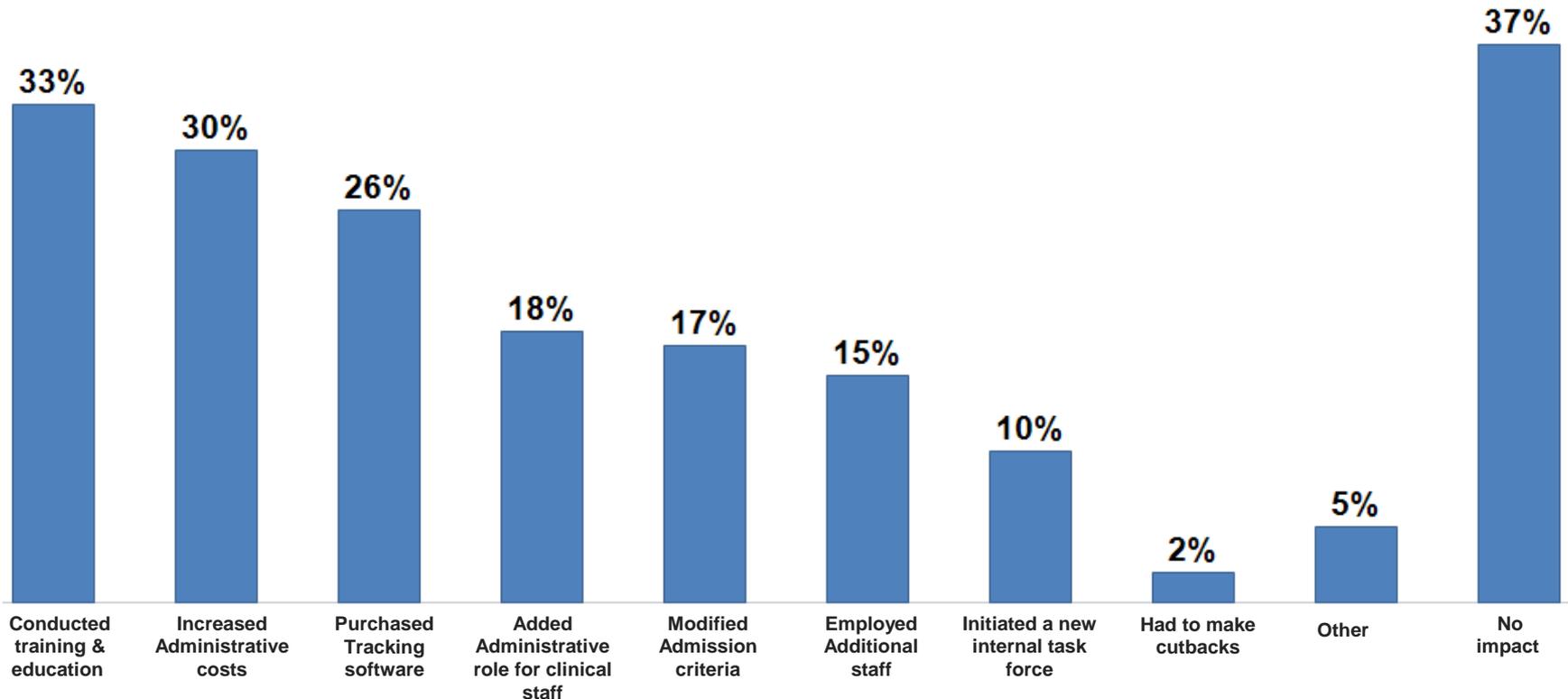




Administrative Burden

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

Impact of RAC on Participating Hospitals* by Type of Impact, 1st Quarter 2015



* Includes participating hospitals with and without RAC activity

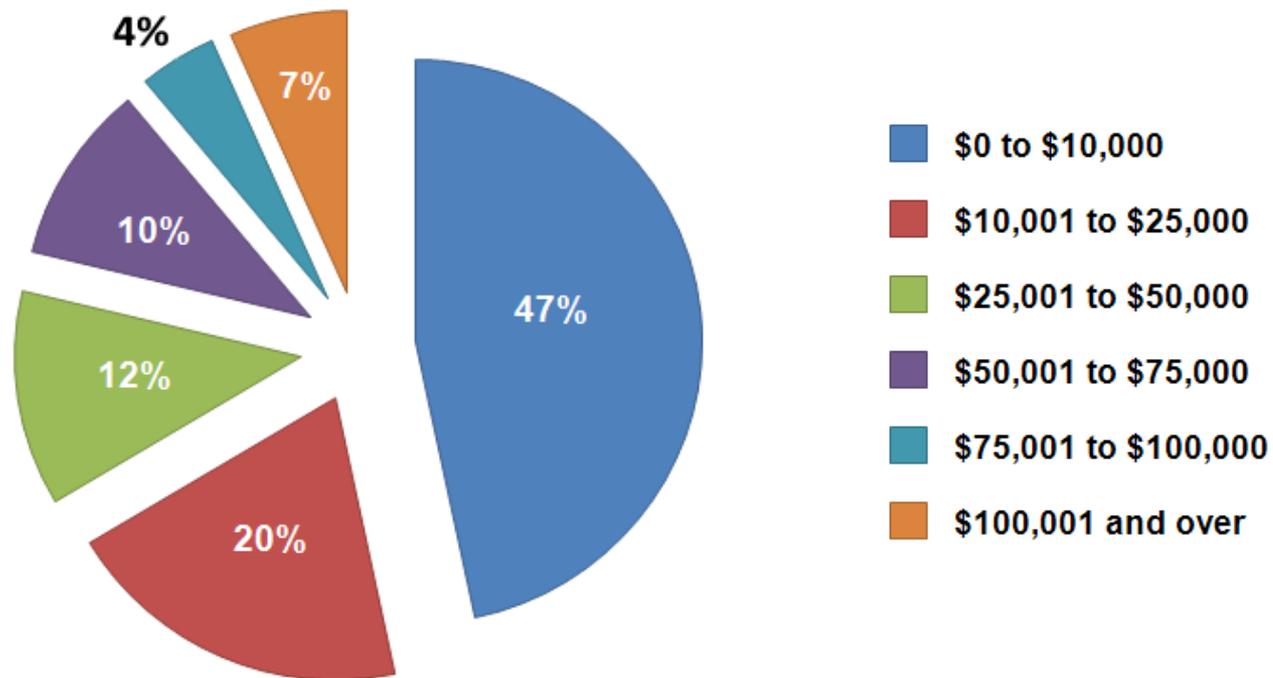
Source: AHA. (April 2015). RAC TRAC Survey

AHA analysis of survey data collected from 2,559 hospitals: 2,297 reporting activity, 262 reporting no activity through March 2015. 872 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 1st quarter of 2015, 33% spent more than \$25,000 and 7% spent over \$100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 1st Quarter 2015



* Includes participating hospitals with and without RAC activity

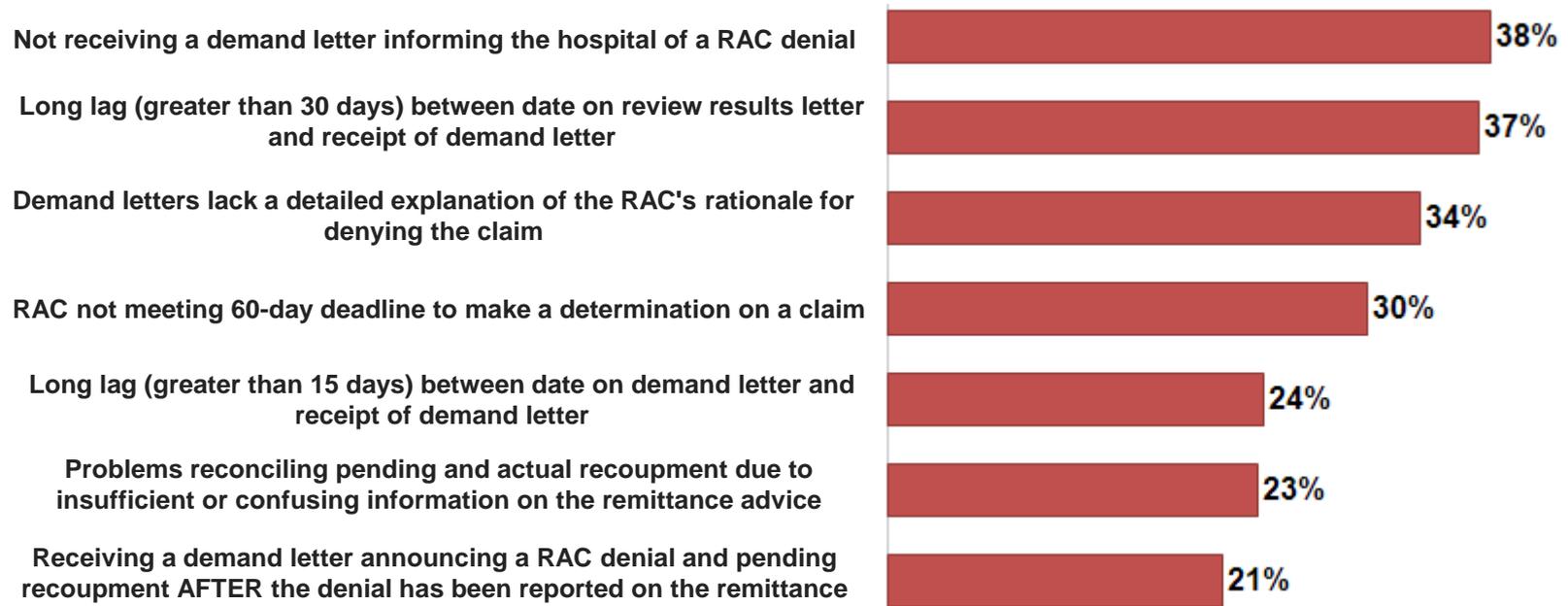
Source: AHA. (April 2015). RACTRAC Survey

AHA analysis of survey data collected from 2,559 hospitals: 2,297 reporting activity, 262 reporting no activity through March 2015. 872 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, 1st Quarter 2015



* Includes participating hospitals with and without RAC activity

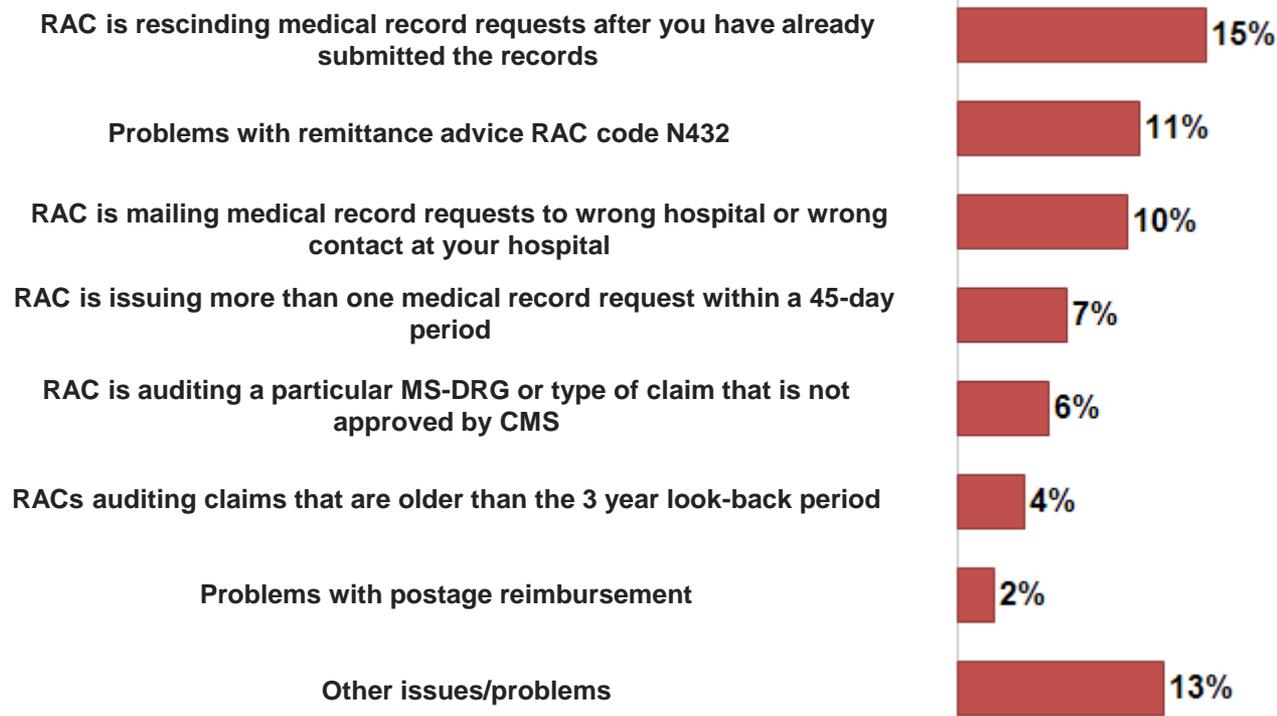
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Hospitals continue to report a wide variety of RAC process problems.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 1st Quarter 2015



** Includes participating hospitals with and without RAC activity*

Source: AHA. (April 2015). RACTRAC Survey

AHA analysis of survey data collected from 2,559 hospitals: 2,297 reporting activity, 262 reporting no activity through March 2015. 872 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>