



Quarterly RAC Program and RAC *Trac* Update

Data from 1st Quarter, 2015

July 8, 2015



RAC Legislative Update

Robyn Bash, Executive Director



RAC Policy Update

Melissa Jackson, Senior Associate Director

Fundamental RAC Reform: Medicare Audit Improvement Act of 2015 (HR 2156)

- Eliminates the RACs' contingency fee payment structure
- Reduces payments to RACs with a high rate of overturned complex audit denials, based on a fair and transparent methodology to calculate RACs' overturn rates
- Eliminates the one-year filing limit for rebilling as Part B claims
- Limits the medical documentation considered for medical necessity review



Audit & Appeal Fairness, Integrity, and Reforms in Medicare Act of 2015

- Prohibit RACs from conducting patient status reviews more than six months after the date of service
- Exempt providers with low error rates from RAC and MAC audits for one year
- Establish a sliding scale to adjust the number of medical records a review contractor could request based on the contractor's accuracy
- Determine whether additional punitive actions against contractors, including RACs, could be taken, and what, if any, financial incentives or disincentives could be used to promote the accuracy of contractors' reviews



Audit & Appeal Fairness, Integrity, and Reforms in Medicare Act of 2015

- Increase the dollar amount threshold for claims to be heard by an ALJ (“amount in controversy”) to threshold for federal court
- Establish Medicare Magistrates – licensed attorneys who perform reviews and make decisions on claims that are appealed to an ALJ but which fall below amount in controversy
- Require appeals to be remanded to the first level of appeal when new evidence is introduced into the administrative record at a subsequent level of appeal
- Allow adjudicator to consolidate more than one pending request for review or appeal into a single action or appeal in certain circumstances
- Require HHS to establish an alternative dispute resolution process



CY 2016 OPPTS Proposed Changes

- Released by CMS July 1
- Proposes changes to two midnight inpatient admissions criteria
- Announces changes to medical review process for patient status reviews



Thursday, July 2, 2015

CMS RELEASES TWO PROPOSED RULES FOR CY 2016: HOSPITAL OUTPATIENT/ASC PAYMENT SYSTEMS AND END-STAGE RENAL DISEASE PAYMENT SYSTEM

On July 1, the Centers for Medicare & Medicaid Services (CMS) released the calendar year (CY) 2016 [outpatient prospective payment system \(PPS\)/ambulatory surgical center \(ASC\) proposed rule](#). In addition to changes to the outpatient PPS and ASC payment systems, the rule proposed changes to CMS's two-midnight policy for inpatient admissions. On June 26, CMS issued the [End-Stage Renal Disease System \(ESRD\) PPS proposed rule](#). Highlights of the proposed rules follow, beginning with an overview of the proposed changes related to the two-midnight policy. This bulletin is five pages.

CY 2016 OPPS: Proposed 2MN Changes

- Keep in place two midnight presumption, benchmark – expected stays past two midnights payable as inpatient claims
- Inpatient stays that cross less than two midnights may be payable as inpatient claims “based on the clinical judgment of the admitting physician and medical record support for that determination”
 - Judgment should be based on complex medical factors as patient history and comorbidities, severity of signs and symptoms, current medical needs, and risk of an adverse event
- Maintains exceptions for inpatient-only list; national exception list



CY 2016 OPPS: Medical Review Changes

- Beginning Oct. 1, 2015, Quality Improvement Organizations (QIOs) will conduct reviews of short inpatient stays
 - Will review sample of post-payment claims
 - Priority review areas: Inpatient admissions after minor surgical procedures or other treatments that do not span at least overnight; inpatient admissions < 2MN
- QIOs may refer hospitals to RACs for further audits, based on:
 - High denial rates
 - Consistent failure to adhere to two midnight rule
 - Failure to improve performance after QIO education
- Number of RAC audits will be based on hospital's claim volume, denial rate



CY 2016 OPPS: Medical Review Changes

- CMS highlights future changes to RAC program, including:
 - Limiting RACs' lookback period to 6 months for patient status reviews
 - Tying records request limits to hospitals' error rates
 - Requiring RACs to diversify audits across type of setting
 - Reducing to 30 days the time RACs have to complete reviews and notify providers of results
 - Requiring RACs to hold claims for 30 days before sending to MAC for claim adjustment
- Changes effective with new RAC contracts, which are still TBD



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
- AHA RACTrac: www.aha.org/ractrac; www.aharactrac.com
- 2012 AHA Audit Series: www.aha.org/auditseries
- Email RAC Questions: racinfo@aha.org



**AHA Audit
Education Series™**



RAC Trac Results, Q1 2015

Michael Ward, Senior Associate Director

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.



What Should I Do to Ensure Compatibility with Latest RACTrac Update?

My hospital uses the AHA claim level tool

Download the revised claim level tool from:
www.aha.org/RACTrac

Access the September 2014 tutorial on the changes to the claim level tool at:
www.aha.org/RACTrac

Contact RACTrac 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 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
Intersect Healthcare	VERACITY™	Fully Compatible
		Completed Phase I Testing
3M™ Health Information Systems	3M™ Audit Expert	Phase II Testing
Advisory Board	Revenue Integrity Compass	Phase II Testing
HealthPort LLC	AudaPro	Phase II Testing
Iatric Systems, Inc.	IatricTRAC: RAC Management	Phase II Testing
MedeAnalytics	Compliance	Phase II Testing
MRO	AuditTrends™ Online	Phase II Testing
		Phase I Testing
Bluemark, LLC **	TRACKer Pro	Phase I Testing
Cobius Healthcare Solutions, LLC	Cobius Audit Manager	Phase I Testing
IOD Incorporated	PRISMAudit	Phase I Testing
PACE Healthcare Consulting, LLC	RACTelligence Tracking	Phase I Testing
Quadax, Inc.	Audit Control Axis	Phase I Testing
Rycan Technologies, Inc.	RAC Audit Tracking	Phase I Testing
The SSI Group, Inc.	ClinON® RADs	Phase I Testing
The Wellington Group LLC	Rac Guard	Phase I Testing



RACTRAC Vendor Status cont.

Company	Software	Status Unknown Status
Array Software, Inc.	TRACK+	Unknown Status
Craneware	InSight Audit®	Unknown Status
eSolutions Inc. **	Maven	Unknown Status
FrameWorkMI, Inc. **	Cleopatra	Unknown Status
MedAssets	Recovery Audit Management	Unknown Status
NJHA – Healthcare Business Solutions	Audit-TRAX	Unknown Status
SAI Global Compliance	Compliance 360®	Unknown Status
Wolters Kluwer Law & Business (MediRegs)	Comply Track	Unknown Status

** Not compatible with Version 2 or new vendor

Updated vendor compatibility list:

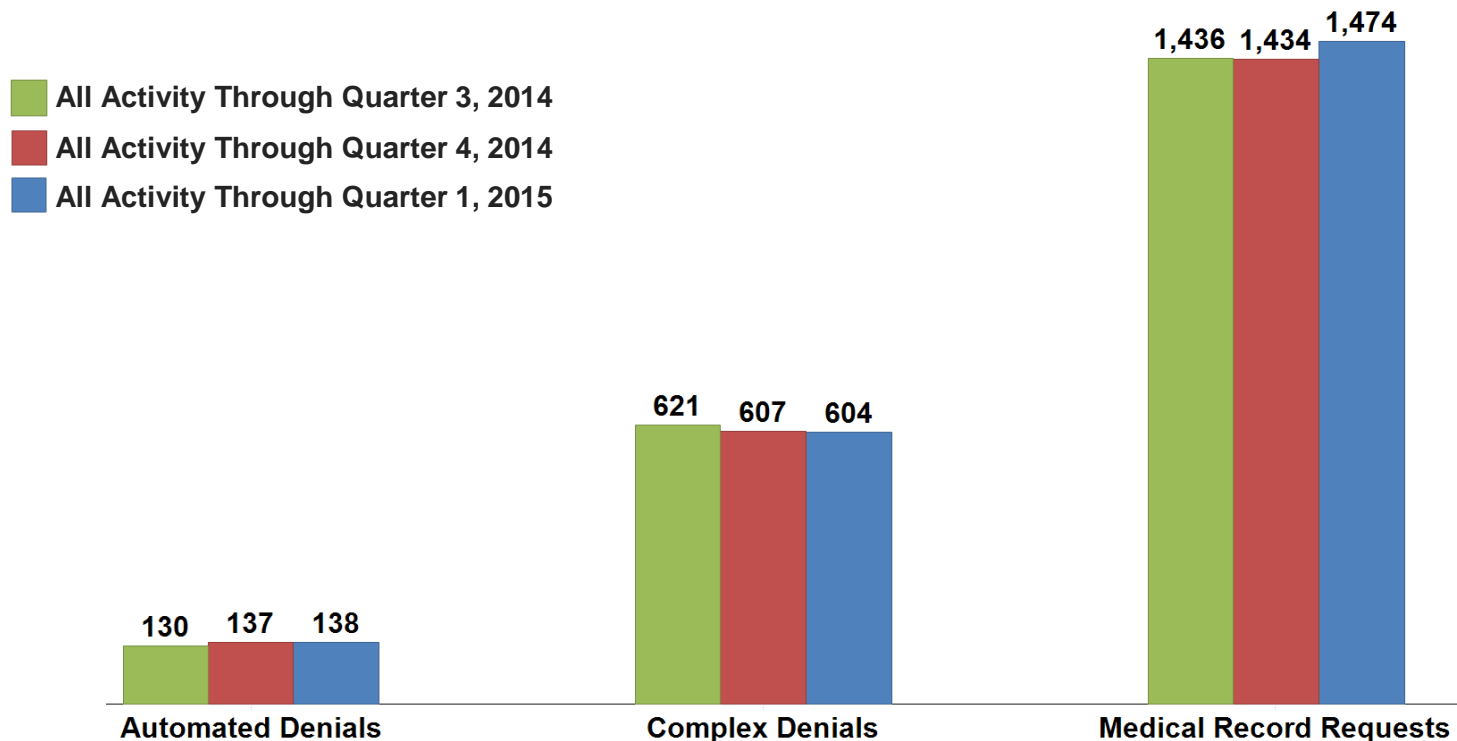
<http://www.aha.org/content/14/ractraccompatible.pdf>

Hospital to vendor sample letter:

<http://www.aha.org/content/14/ractraclettertovendor.pdf>

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.

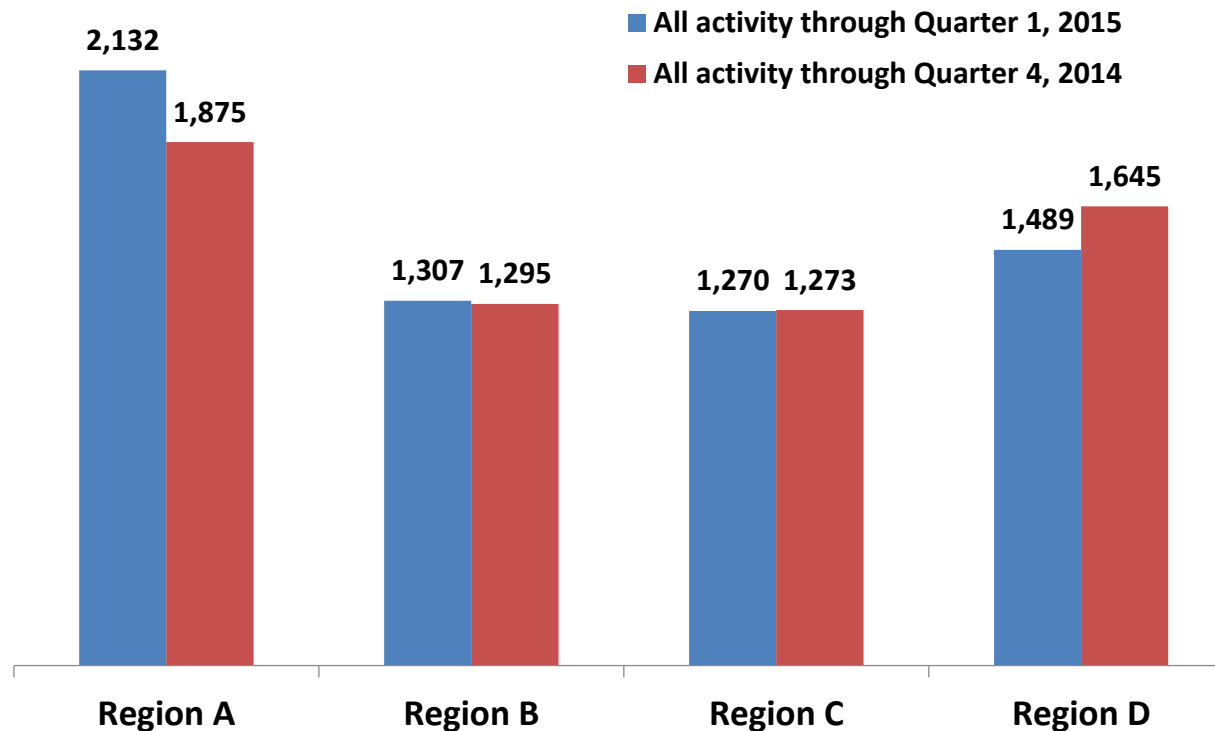
Source: AHA. (April 2015). RACTRAC Survey

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.

Source: AHA. (April 2015). RACTRAC Survey

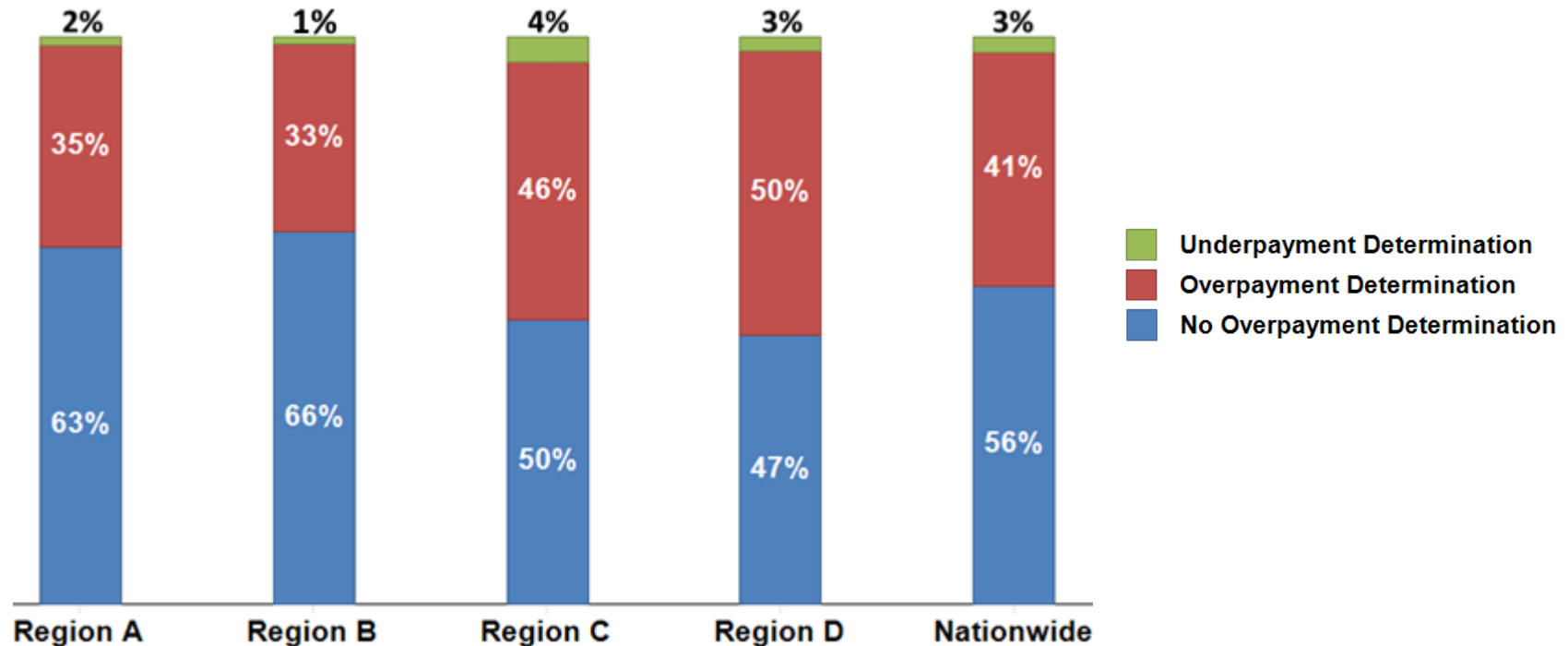
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59% of medical records reviewed by RACs did not contain an overpayment.

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). RAC TRAC Survey

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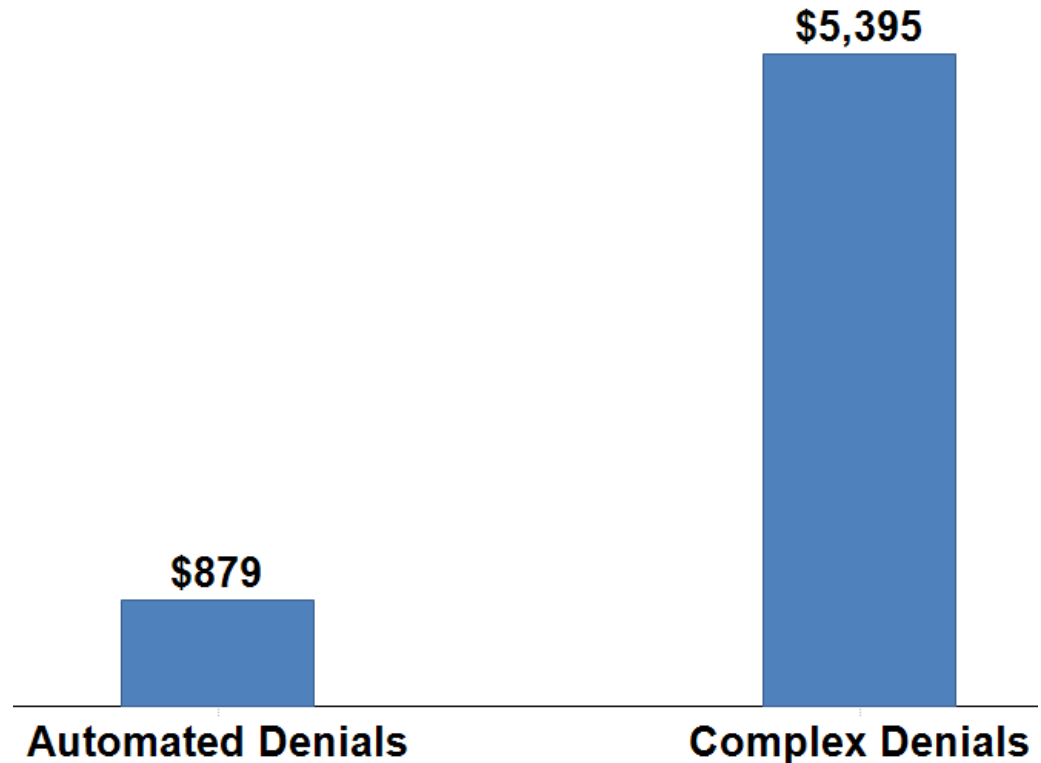


RAC Denials

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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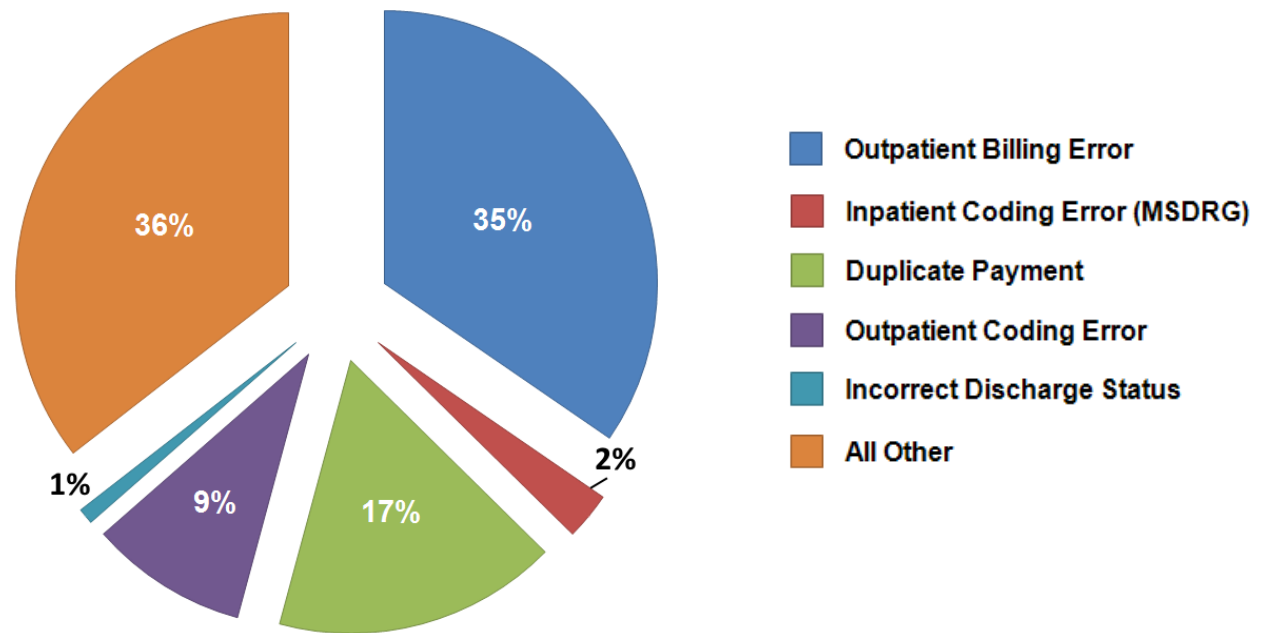


Automated RAC Denials

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

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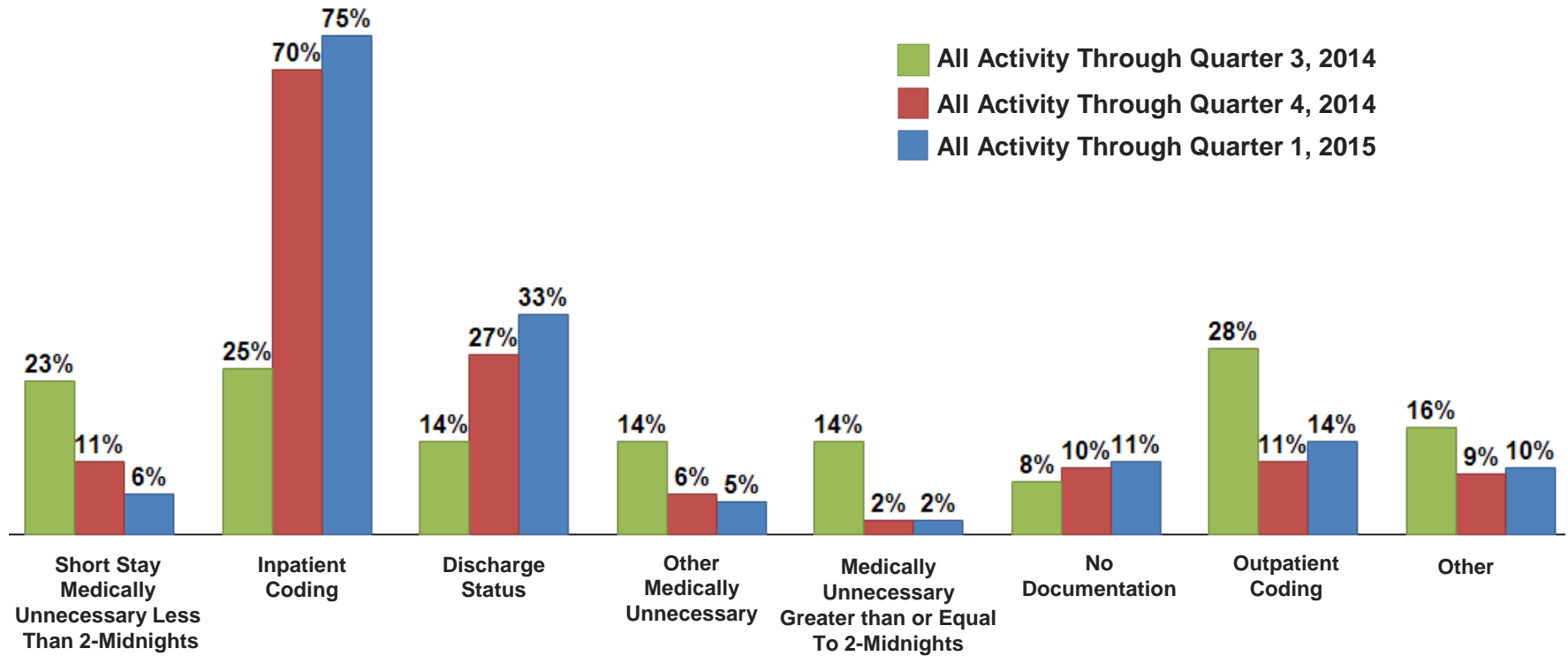
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The most commonly cited reasons for a complex denial are inpatient coding and discharge status.

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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Appeals

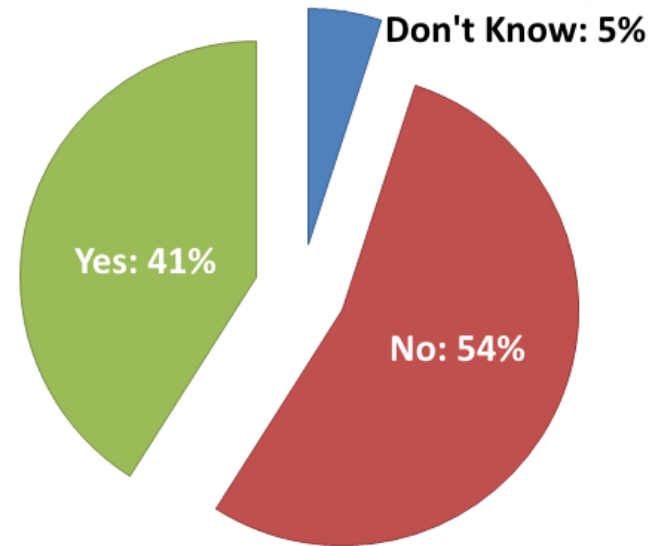
41% of participating hospitals report having a denial reversed during the discussion period, including 59% of hospitals in Region A.

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

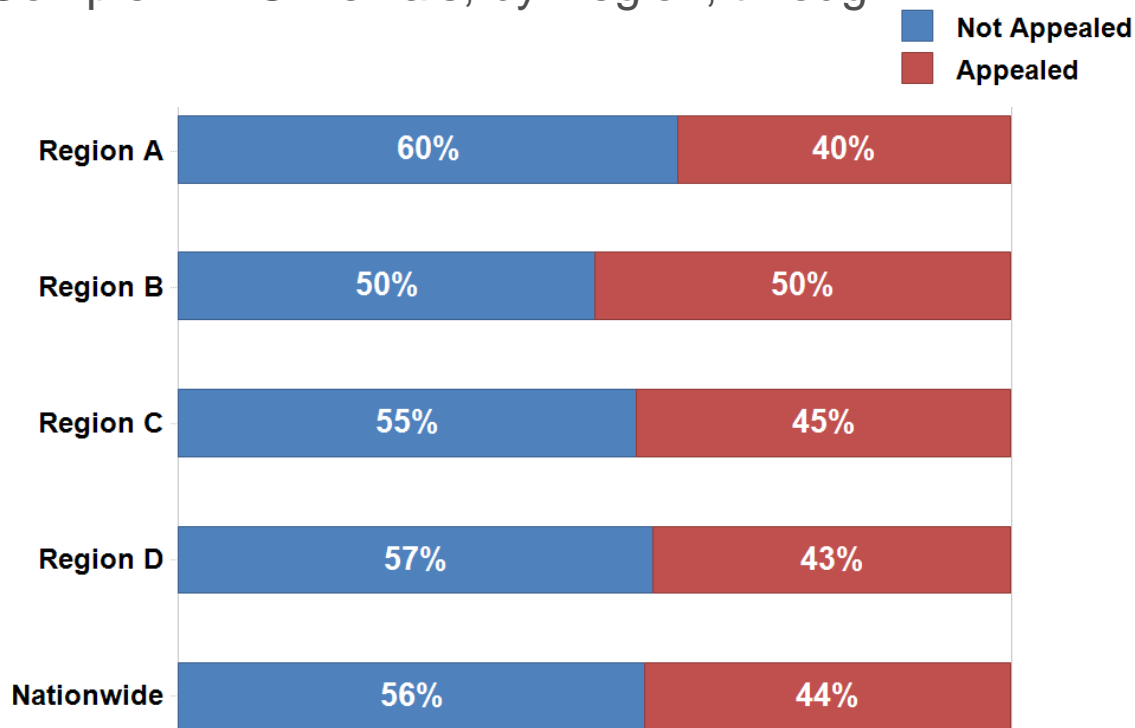
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Nationwide hospitals report appealing 44% of RAC denials including half of all denials in Region B.

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

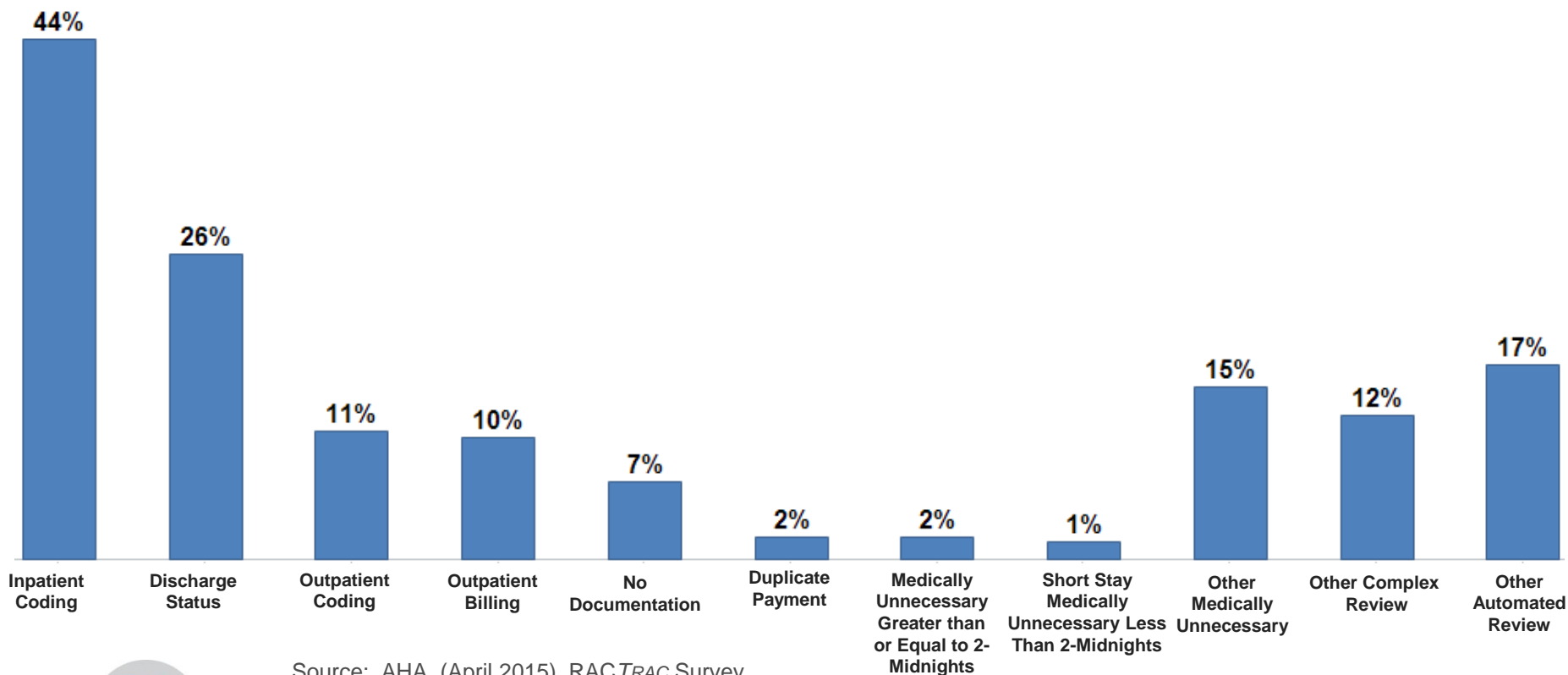
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44% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q1 2015 reported appealing inpatient coding denials.

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.



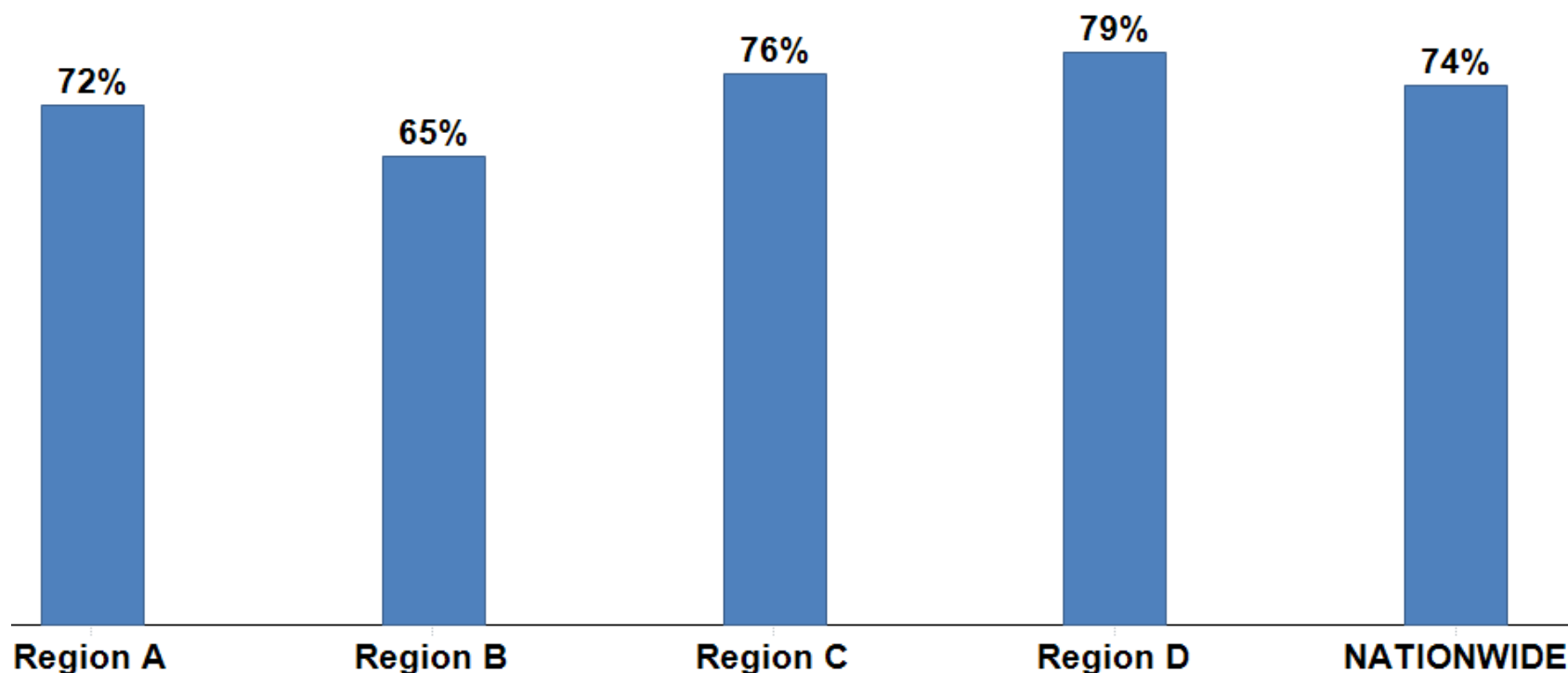
Source: AHA. (April 2015). RACTRAC Survey

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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



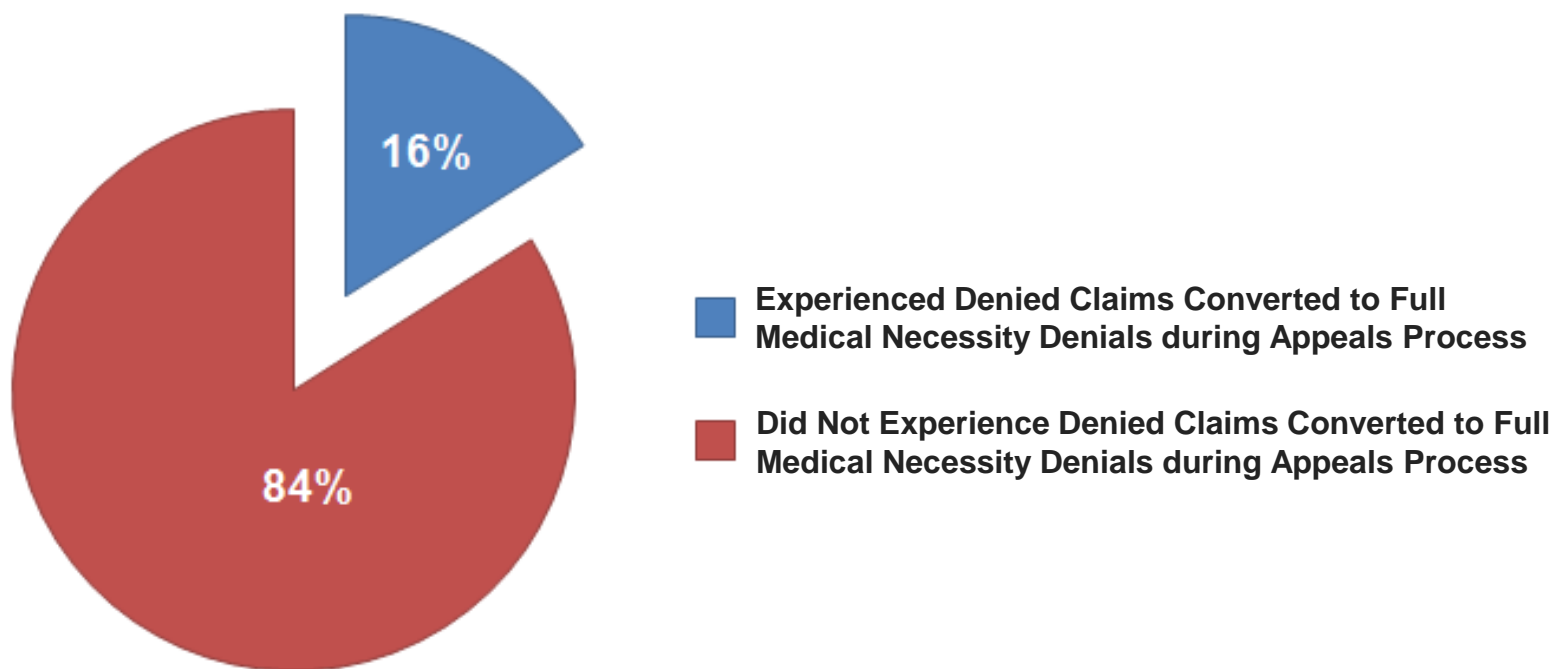
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16% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

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



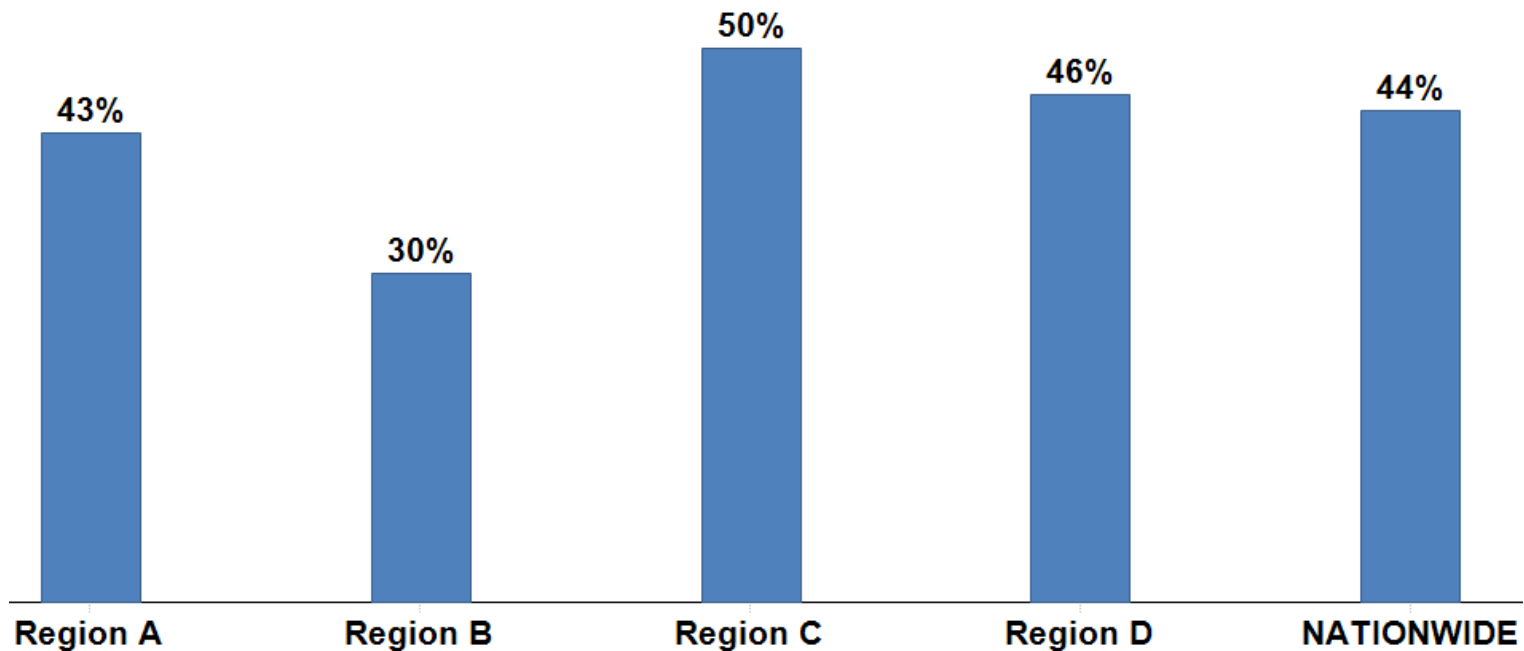
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44% of all cumulative claims appealed are still sitting in the appeals process.

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

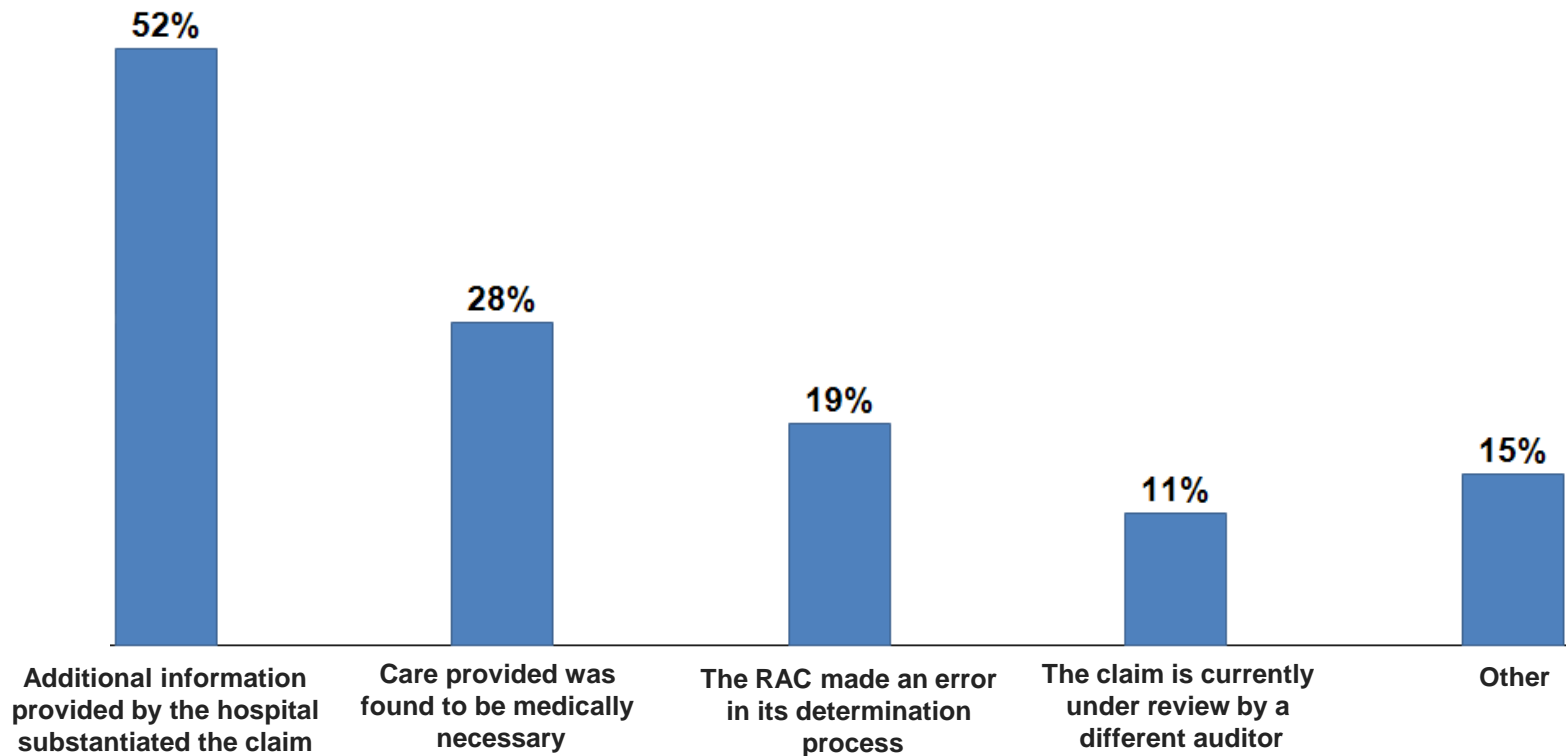
AHA analysis of survey data collected from 2,545 hospitals: 2,276 reporting activity, 269 reporting no activity through December 2014. 879 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals),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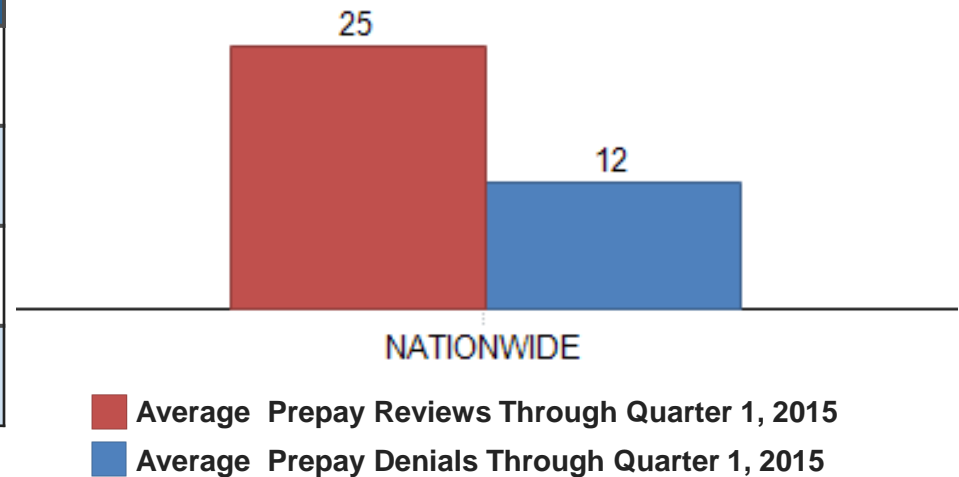


RAC Pre-payment Reviews

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.

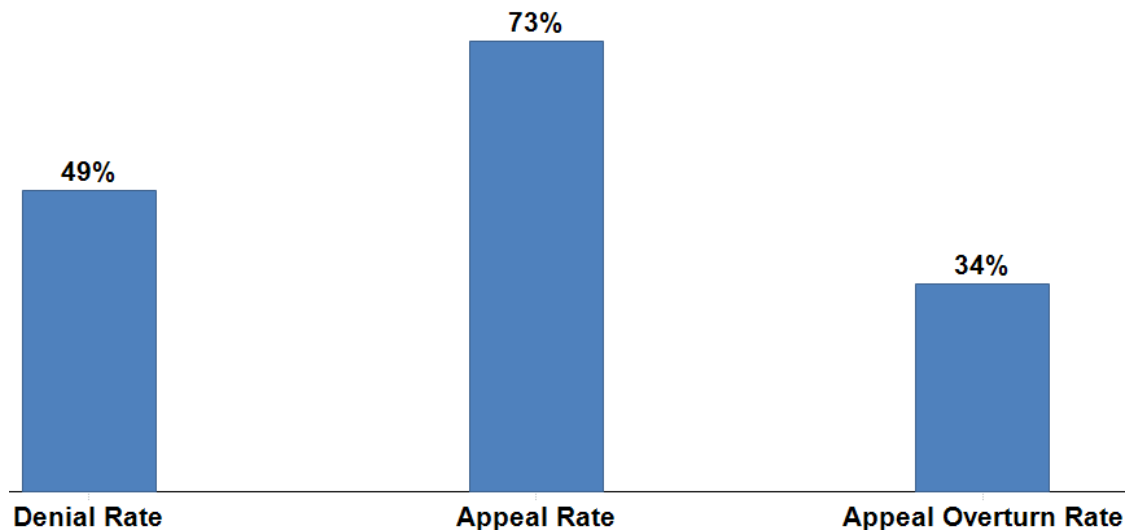
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Half of all prepayment reviews are denied by a RAC and hospitals are appealing 73% of denied claims.

*** 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.

Source: AHA. (April 2015). RACTRAC Survey

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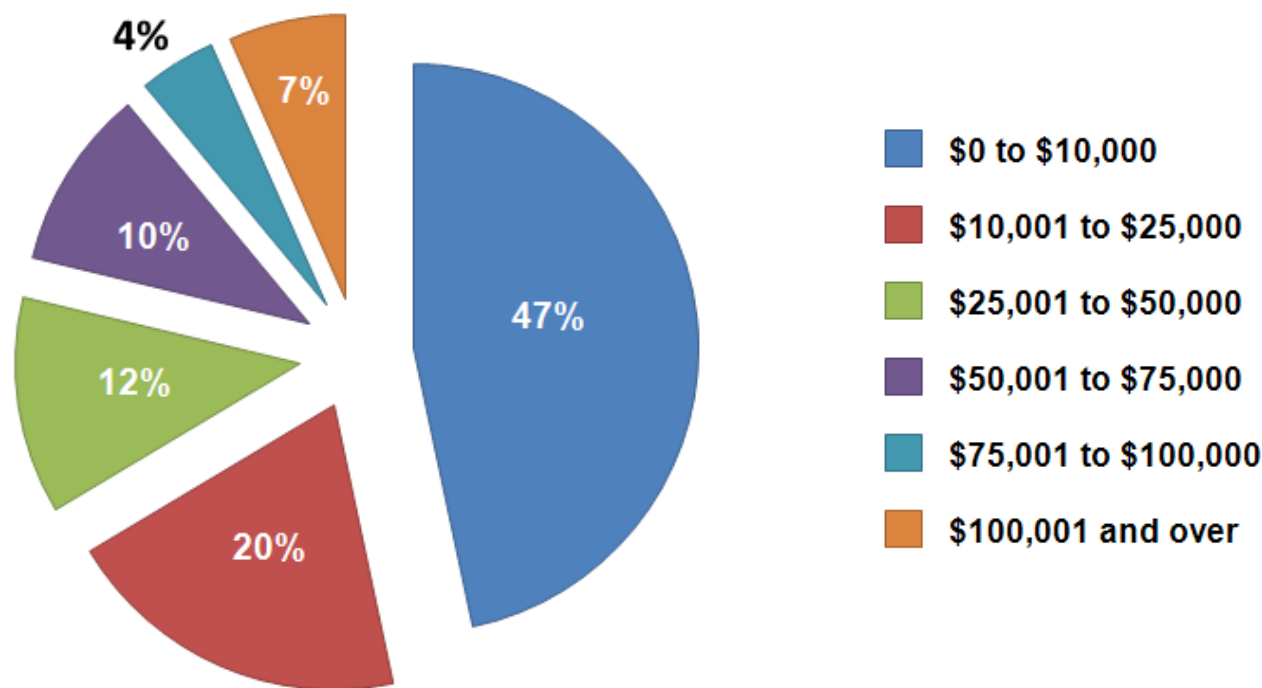




Administrative Burden

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

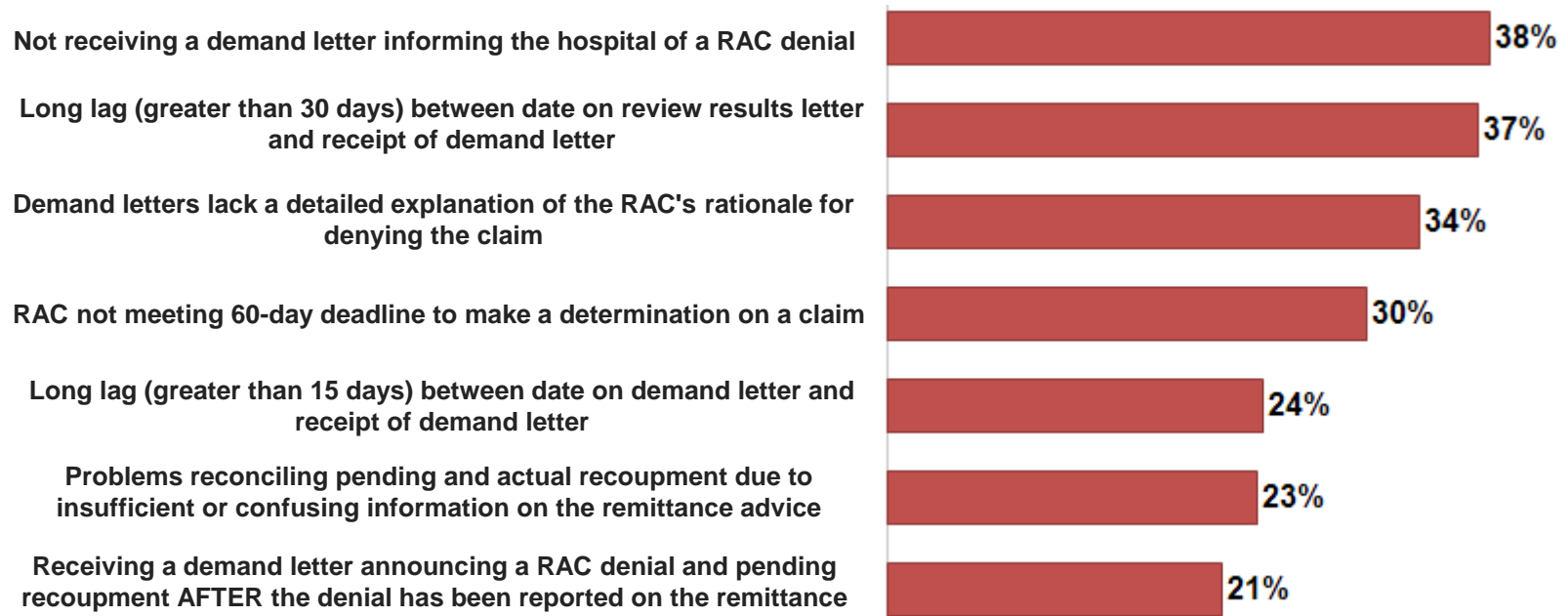
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Hospitals report widespread RAC process-related issues, including multiple problems with MACs and the demand letter process.

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



* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2015). RACTRAC Survey

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For more information visit AHA's RAC *TRAC* website:

<http://www.aha.org/ractrac>