



# Quarterly RAC Program and RAC *Trac* Update

Data from 2<sup>nd</sup> Quarter 2015

September 15, 2015



## RAC Policy Update

*Melissa Jackson, Senior Associate Director*

# House RAC Bill, H.R. 2156

## The Medicare Audit Improvement Act

- Eliminates the contingency fee structure
- Reduces payments to RACs that are inaccurate
- Fixes the CMS's unfair rebilling rules
- Requires RACs to make their inpatient claims decisions using the same information the physician had when treating the patient



Rep. Graves (R-MO)



Rep. Schiff (D-CA)



# Senate Finance Audit & Appeals Bill

## Audit & Appeals Fairness, Integrity, and Reforms in Medicare Act

- **Prohibits RACs from auditing patient status claims** (inpatient v. outpatient) more than 6 months from date of service
- **Providers with low error rates** get a one-year “pass” on post-payment audits by RACs and MACs
- **If provider agrees**, allows consolidation of claims
- **Establishes** voluntary alternative dispute resolution



# Senate Finance Audit & Appeals Bill

**AHA ensured key negative provisions were removed and positive provisions were included**

**Removed:**

- **Filing fee for hospitals to file an appeal**

**Added:**

- **HHS to determine if financial penalties on RACs for high error rates will improve performance**
- **Makes a new alternative dispute resolution process voluntary**



# Proposed Two-Midnight Changes

- **Modifications to the two-midnight policy**
- **Changes to medical review strategy**
- **CMS did NOT propose to reverse 0.2% payment reduction**
- **Changes would take effect **Jan. 1, 2016****



# Two-midnight Modifications

- **Stays expected to cross > two midnights are inpatient**
- **Stays < two midnights based on physician judgment**
  - “Based on the clinical judgment of the admitting physician and medical record support for that determination”
  - Stays less than one midnight will be prioritized for medical review
  - Minor surgical procedures should be billed as outpatient



# Changes to Medical Review Strategy

- **Starting Oct. 1, QIOs, not RACs, will conduct first-line reviews for patient status**
- **RACs may receive referrals to audit hospitals with high denial rates; no review of claims with DOS prior to Jan. 1, 2016**
- **QIOs will conduct limited audits, similar to MAC Probe and Educate process: 50 charts per year for large hospitals, 20 for small hospitals**





# AHA Response

- **Encouraged by changes and appreciate details on education and enforcement strategies, but further delay needed**
  - Hospitals need sufficient time to implement and CMS needs time to issue details
  - CMS urged to provide details on QIO review process, limits on RAC reviews, transparent process for referral to RACs



# New RAC Contracts – Update(?)

- Legal proceedings invalidated a portion of the initial proposed scope of work
- On July 10, CMS announced that it has rescinded its requests for quotes for the next round of contracts



# 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 RACTrac: [www.aha.org/ractrac](http://www.aha.org/ractrac); [www.aharactrac.com](http://www.aharactrac.com)
- 2012 AHA Audit Series: [www.aha.org/auditseries](http://www.aha.org/auditseries)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)





## RAC Trac Results, Q2 2015

*Michael Ward, Senior Associate Director*

# RACTrac Vendor Compatibility Status as of 9/15/2015

Company	Software	Status
		Completed Phase II Testing
Craneware	InSight Audit®	Fully Compatible
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
Cobius Healthcare Solutions, LLC	Cobius Audit Manager	Phase II Testing
HealthPort LLC	AudaPro	Phase II Testing
Iatric Systems, Inc.	IatricTRAC: RAC Management	Phase II Testing
IOD Incorporated	PRISMAudit	Phase II Testing
MedeAnalytics	Compliance	Phase II Testing
MRO	AuditTrends™ Online	Phase II Testing
Quadax, Inc.	Audit Control Axis	Phase II Testing
The SSI Group, Inc.	ClinON® RADs	Phase II Testing
		Phase I Testing
Bluemark, LLC **	TRACKer Pro	Phase I Testing
PACE Healthcare Consulting, LLC	RACtelligence Tracking	Phase I Testing
Rycan Technologies, Inc.	RAC Audit Tracking	Phase I Testing
The Wellington Group LLC	Rac Guard	Phase I Testing
		Unknown Status
Array Software, Inc.	TRACK+	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



# Executive Summary

- 2,565 hospitals have participated in RAC TRAC since data collection began in January of 2010. 819 hospitals participated this quarter.
- 58% of reviewed claims in Q2 2015 were found to not have an overpayment.
- 30% of hospitals indicated they experienced automated denials for an outpatient coding error.
- 79% of hospitals received a complex denial based on inpatient coding in Q2 2015.
- Hospitals report appealing 49% of all RAC denials.
- 41% of hospitals report having a denial reversed in the discussion period.
- 44% of all cumulative appealed claims are still sitting in the appeals process.
- 50% of all hospitals reported spending more than \$10,000 managing the RAC process during the 2<sup>nd</sup> quarter of 2015, 30% spent more than \$25,000 and 7% spent over \$100,000.

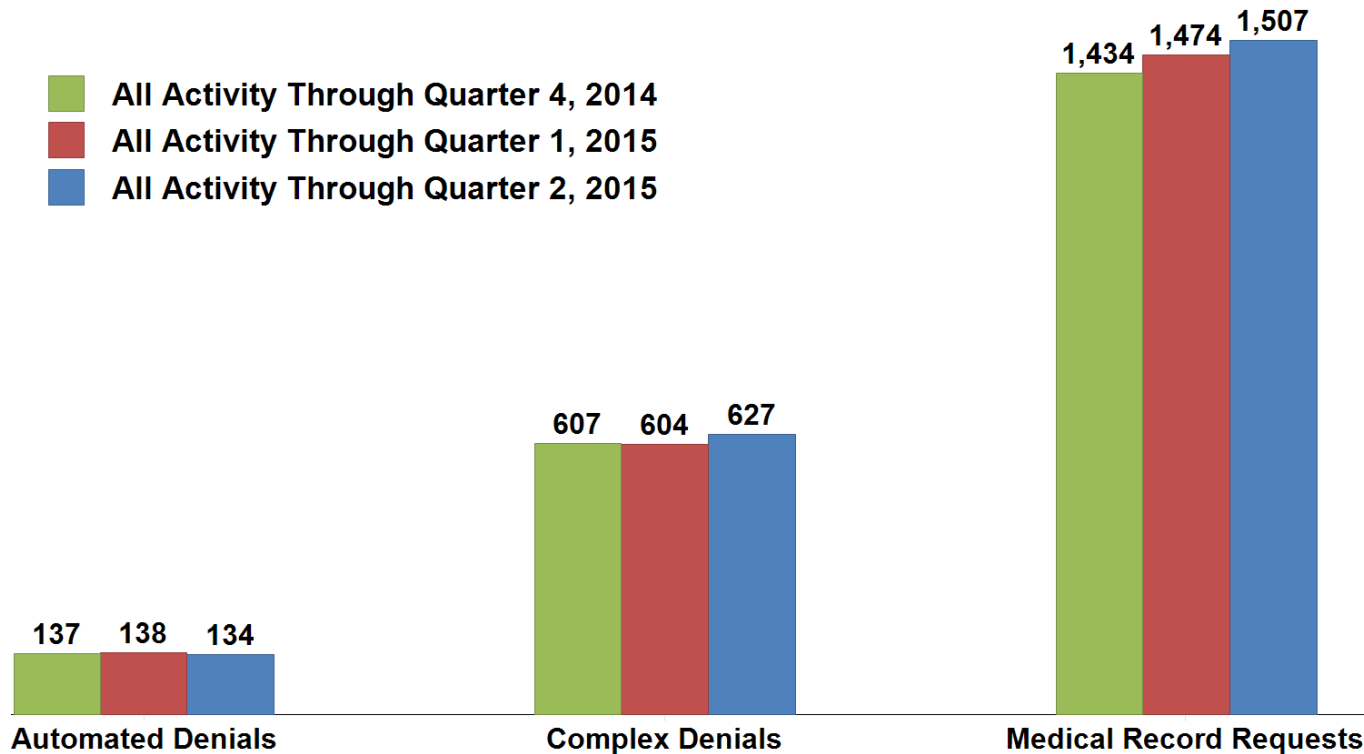




## RAC Reviews

# The average number of medical record requests per hospital has increased steadily over the last three quarters.

## Average Automated Denials, Complex Denials and Medical Records Requests Per Participating Hospital, through 2<sup>nd</sup> Quarter 2015\*



\*Response rates vary by quarter.

Source: AHA. (July 2015). RAC<sup>TRAC</sup> Survey

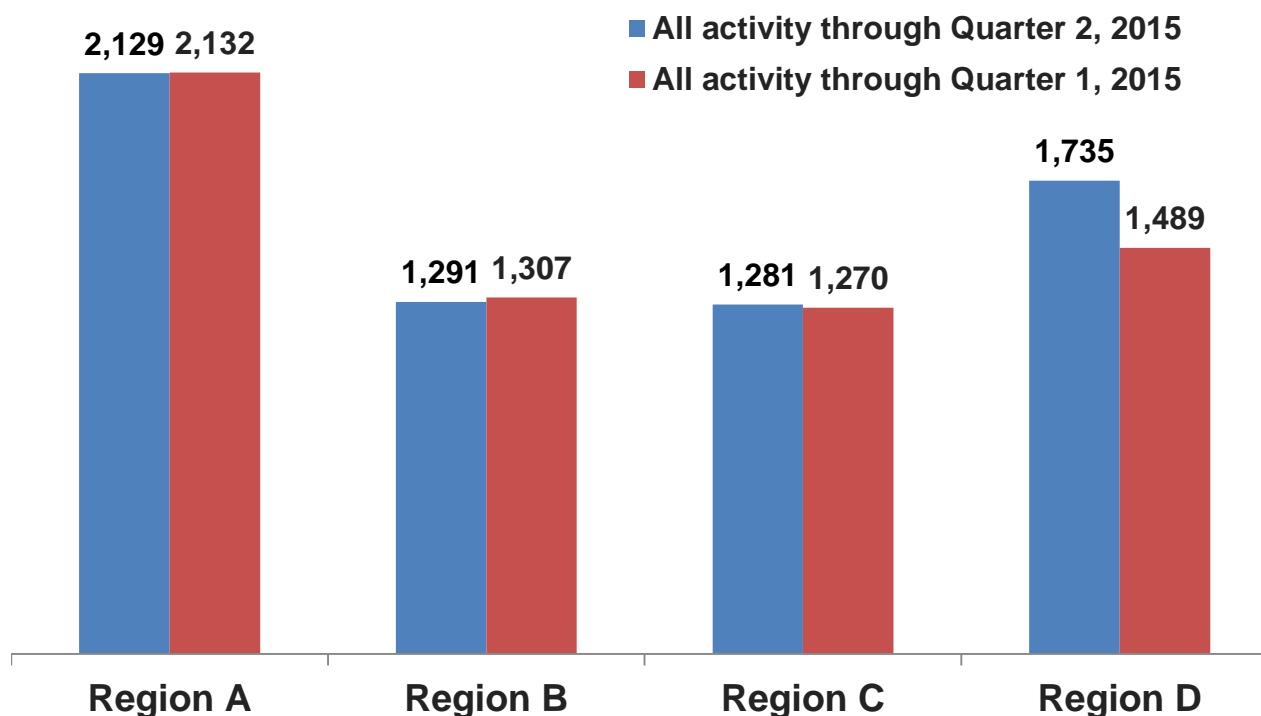
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# Region A has the highest average number of medical record requests per hospital.

Average Number of Medical Records Requested Per Participating Hospital With Complex Medical Record RAC Activity, through 2<sup>nd</sup> Quarter 2015\*



\*Response rates vary by quarter.

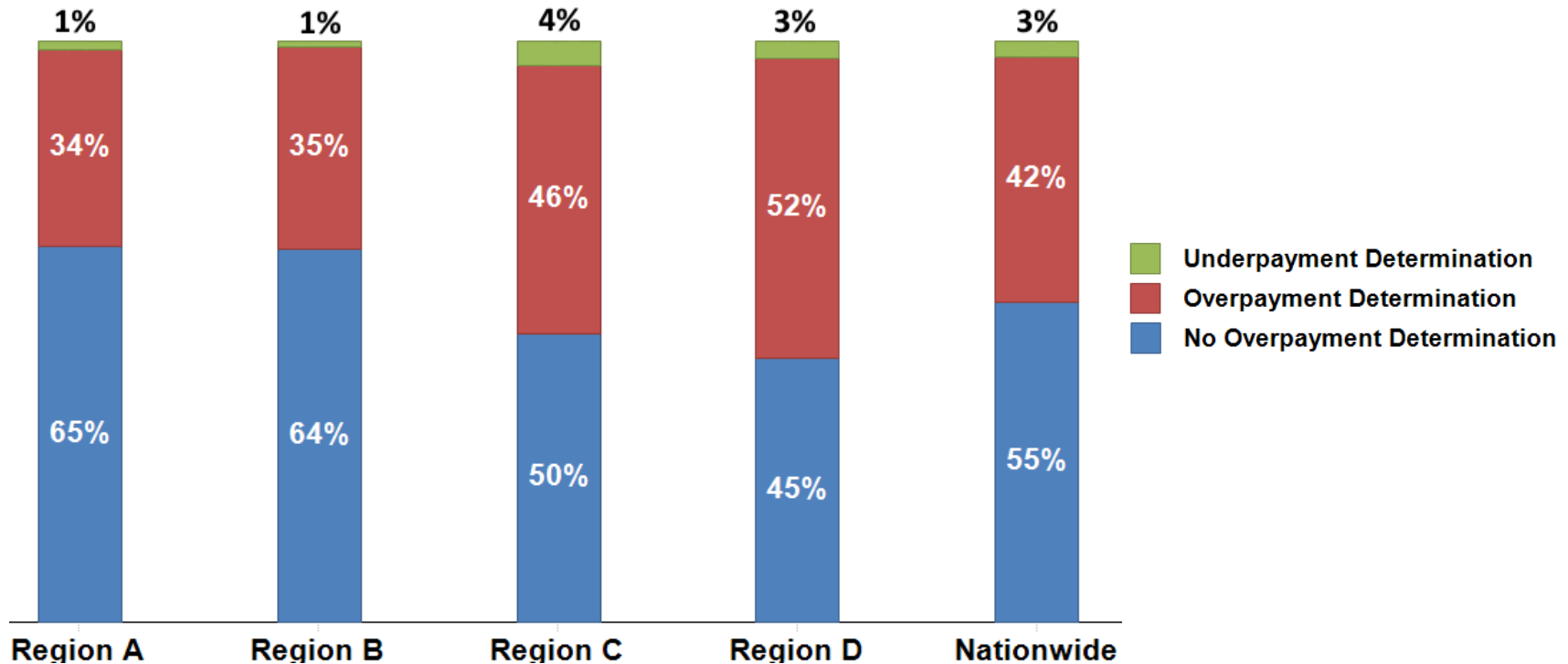
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# 58% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 2<sup>nd</sup> Quarter 2015



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

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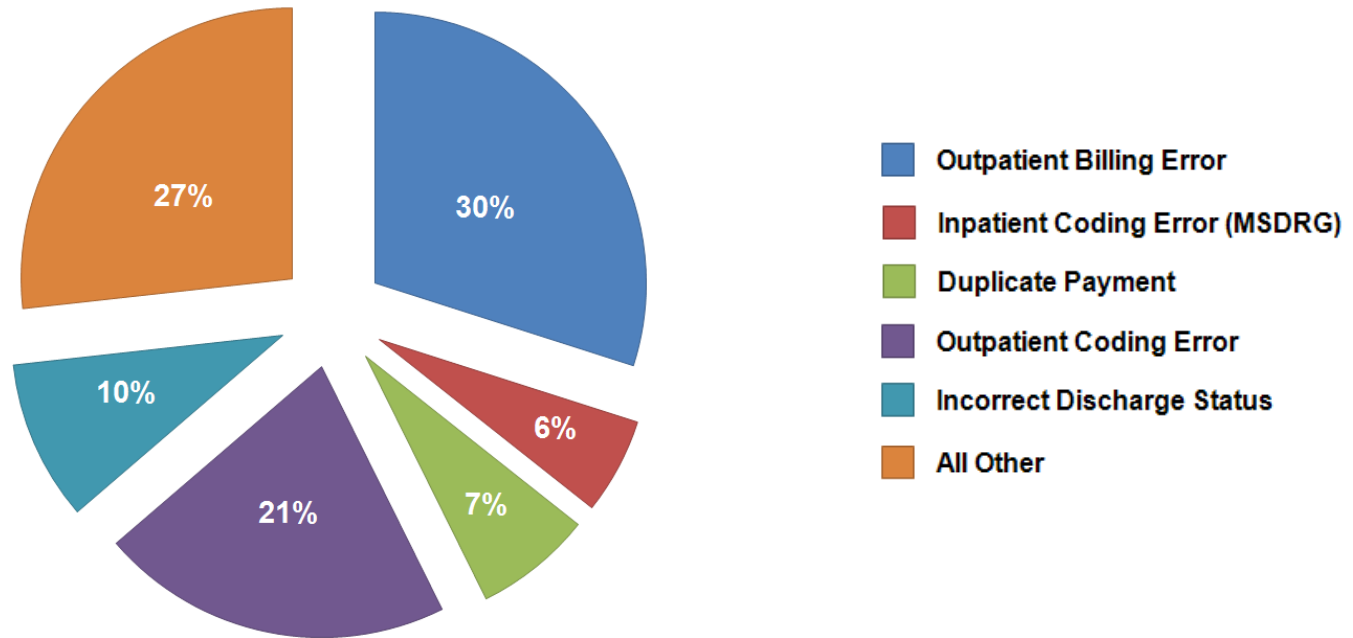


## Automated RAC Denials

# 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, 2<sup>nd</sup> Quarter 2015

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



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

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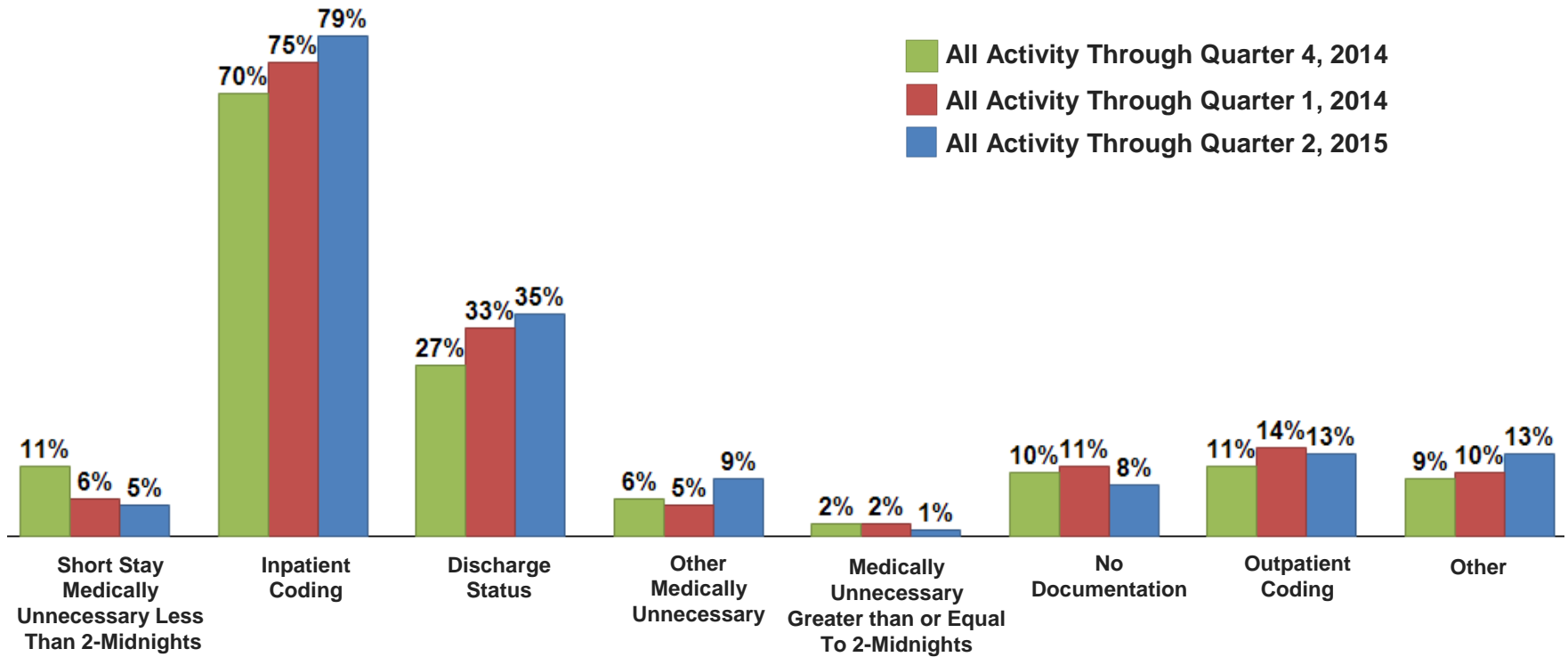


## Complex RAC Denials

# 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 2<sup>nd</sup> Quarter 2015

Survey participants were asked to select all reasons for denial.



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

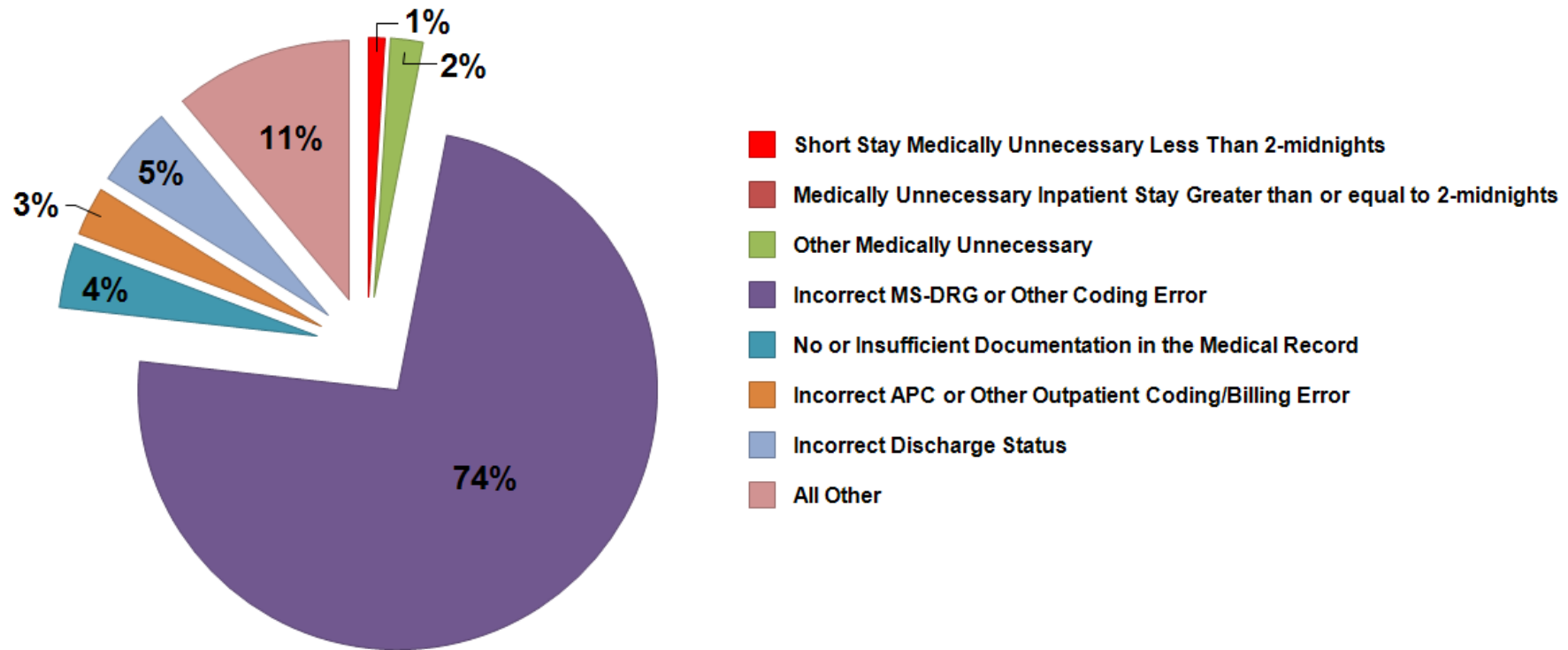
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# Nationally, hospitals reported a high percentage of complex denials due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2015

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



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Appeals

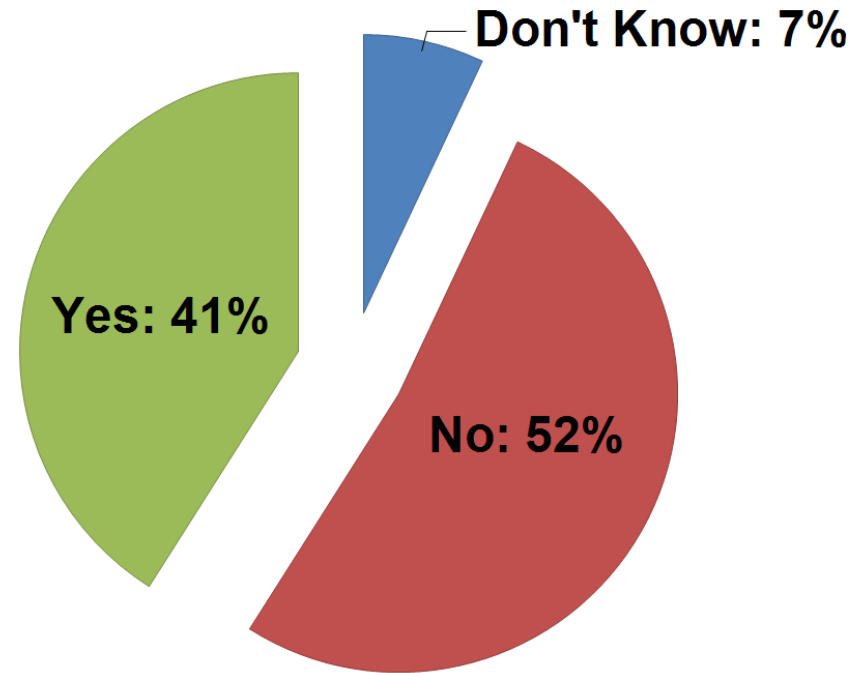


41% of participating hospitals report having a denial reversed during the discussion period, including 50% of hospitals in Region A.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 2<sup>nd</sup> Quarter 2015

### Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	50%	34%	16%
Region B	45%	51%	4%
Region C	40%	53%	6%
Region D	27%	67%	6%



*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. (July 2015). RACTRAC Survey

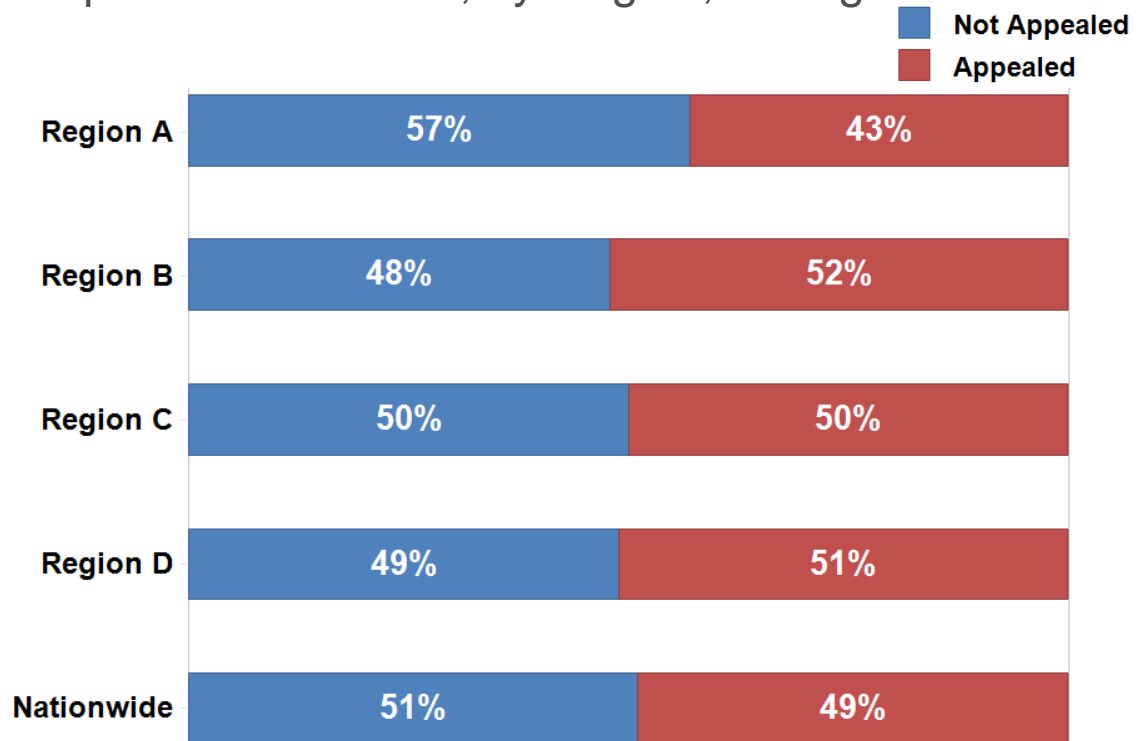
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# Nationwide hospitals report appealing 49% of RAC denials including over half of all denials in Region B and Region D.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 2<sup>nd</sup> Quarter 2015

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	503,703	248,847
Region A	89,794	38,753
Region B	79,642	41,314
Region C	207,738	103,828
Region D	126,529	64,952



\* 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. (July 2015). RAC TRAC Survey

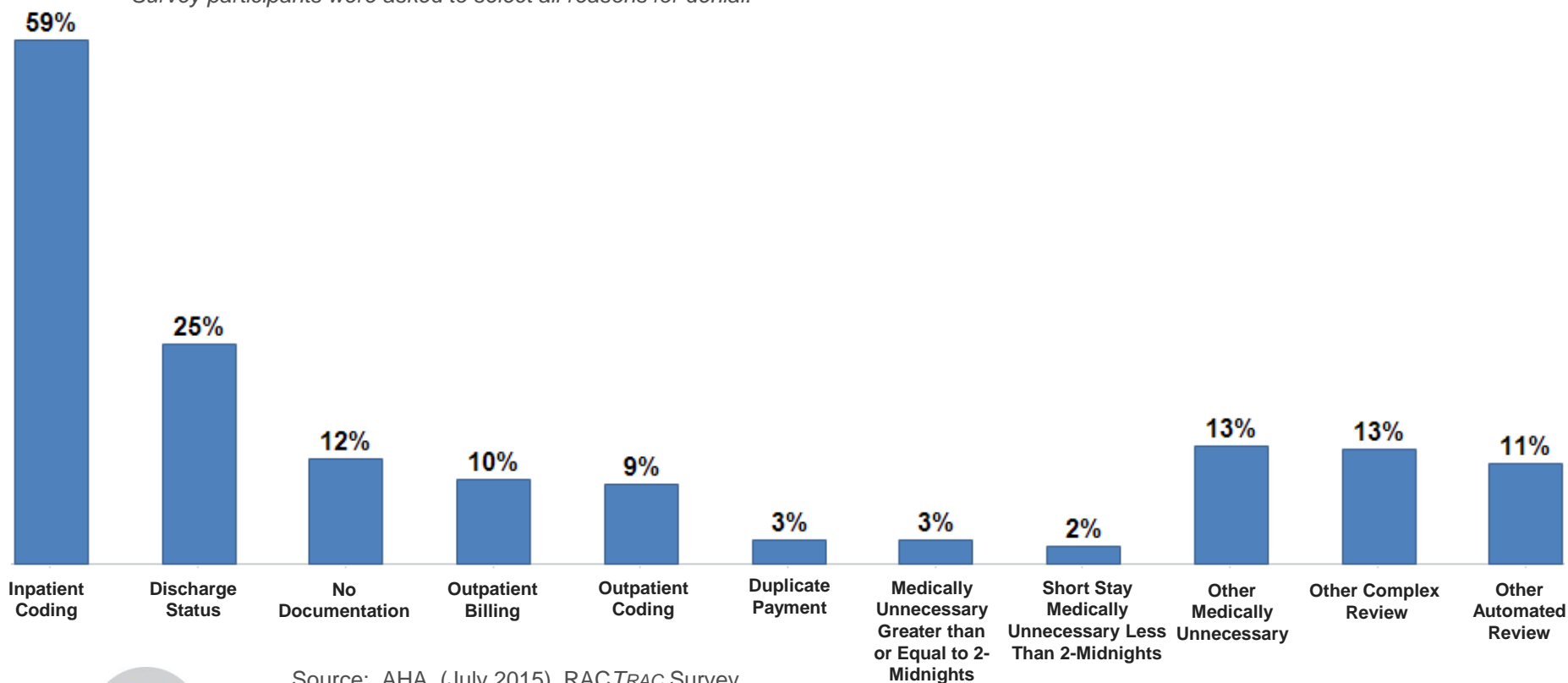
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# 59% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q2 2015 reported appealing inpatient coding denials.

## Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 2nd Quarter 2015

Survey participants were asked to select all reasons for denial.



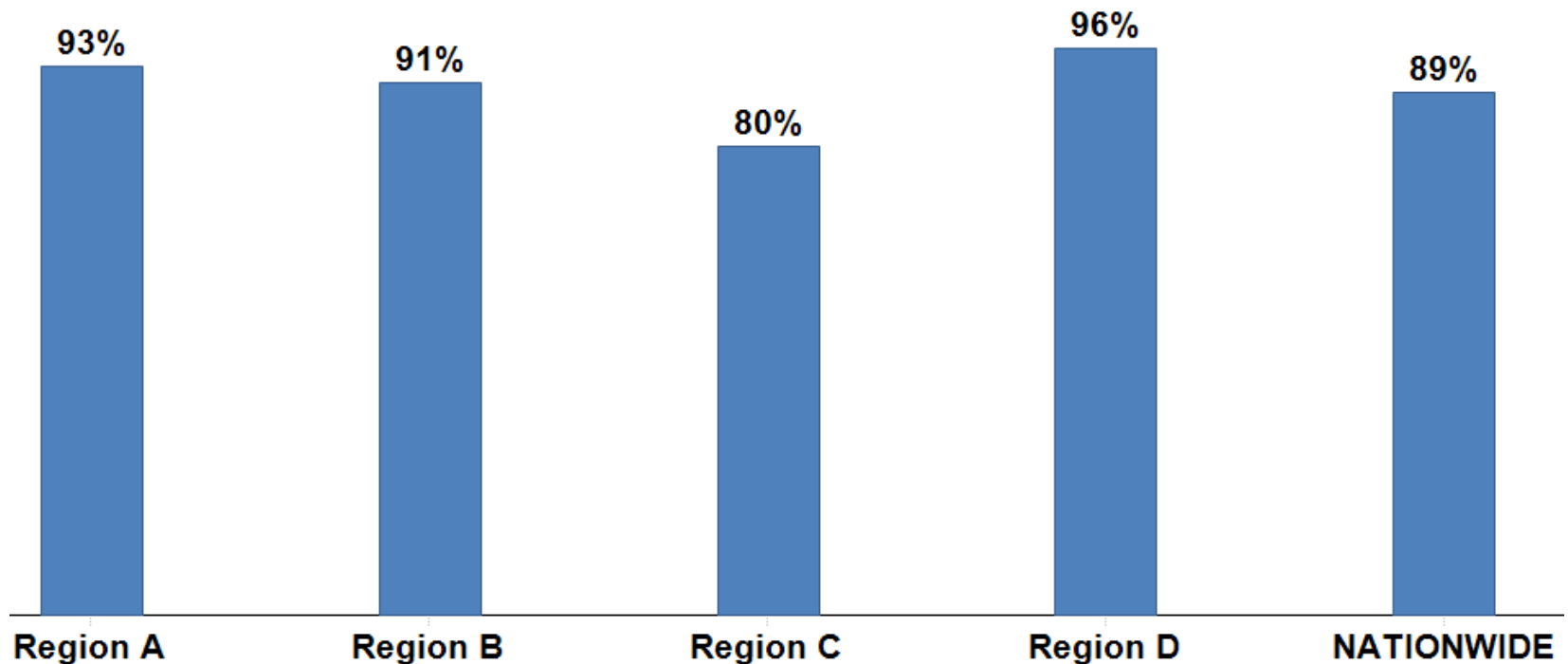
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For over 89% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 2<sup>nd</sup> Quarter 2015



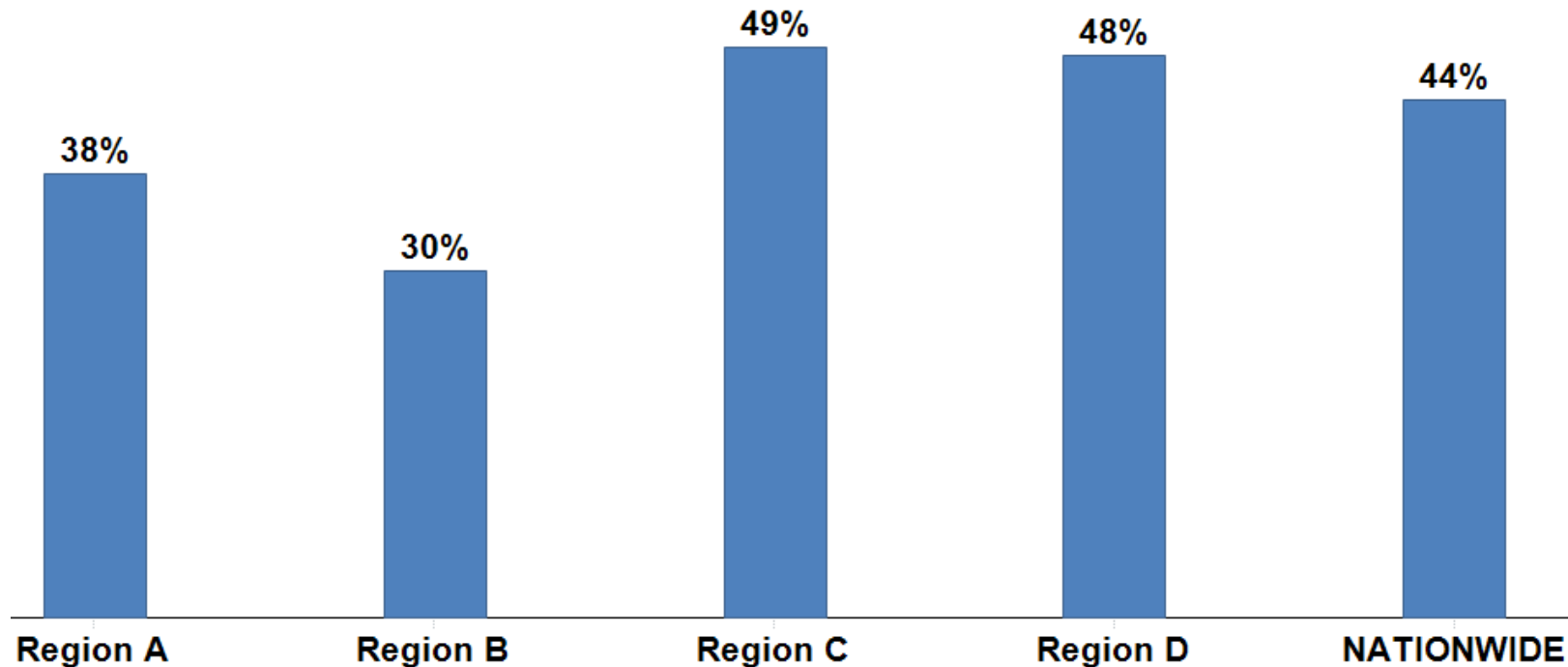
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# 44% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 2<sup>nd</sup> Quarter 2015\*



\*Response rates vary by quarter.

Source: AHA. (July 2015). RAC<sup>TRAC</sup> Survey

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# For complex denials that are re-billed under Part B, hospitals report receiving 43% of the original Part A reimbursement.

## Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 2<sup>nd</sup> 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	118	11,931	\$64,038,341	8,400	\$2,073	\$4,864	43%
Region A	24	2,465	\$14,106,083	1,083	\$1,987	\$5,489	36%
Region B	31	1,497	\$8,227,990	1,036	\$2,189	\$5,283	41%
Region C	52	6,465	\$35,731,170	5,332	\$2,107	\$4,650	45%
Region D	11	1,504	\$5,973,096	949	\$1,855	\$4,895	38%

\* 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, 64% 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 2<sup>nd</sup> 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	228,565	49%	101,282	38,884	70,449	64%
Region A	28,414	39%	10,778	5,686	9,269	62%
Region B	34,598	50%	10,251	8,345	13,109	61%
Region C	101,617	50%	49,523	12,831	27,871	68%
Region D	63,936	51%	30,730	12,022	20,250	63%

\* May include appeals withdrawn to re-bill.

\*Response rates vary by quarter.

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

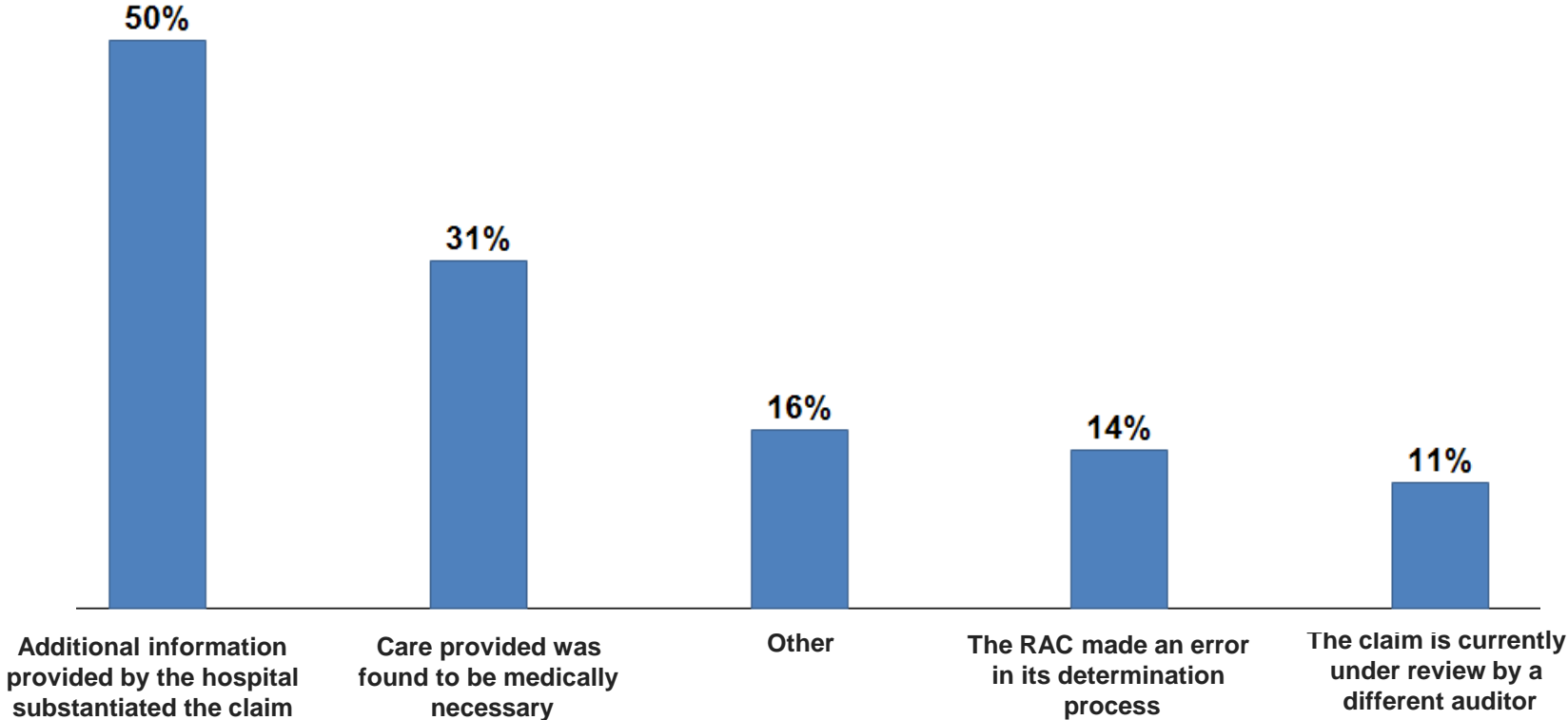
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# 50% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

## Percent of Participating Hospitals that Had a Denial Overturned by Reason, 2<sup>nd</sup> Quarter 2015

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



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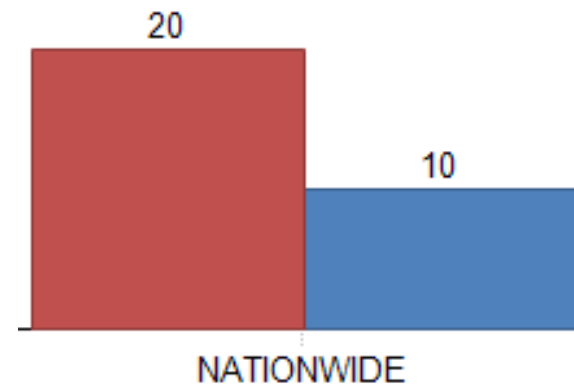


## RAC Pre-payment Reviews

# Hospitals experiencing prepayment denials report similar average dollar amounts associated with reviewed and denied claims, when compared to retrospective denials.

## Total Number and Average Dollar Amount of Prepayment Reviews and Denials Reported by Hospitals in the Demonstration States, through 2<sup>nd</sup> Quarter, 2015

	Nationwide
Number Prepay Reviews	1,304
Average Dollar Amount Of Prepay Claims Reviewed	\$6,128
Number Prepay Denials	612
Average Dollar Amount Of Prepay Denials	\$5,637



- Average Prepay Reviews Through Quarter 2, 2015
- Average Prepay Denials Through Quarter 2, 2015

\*Response rates vary by quarter.

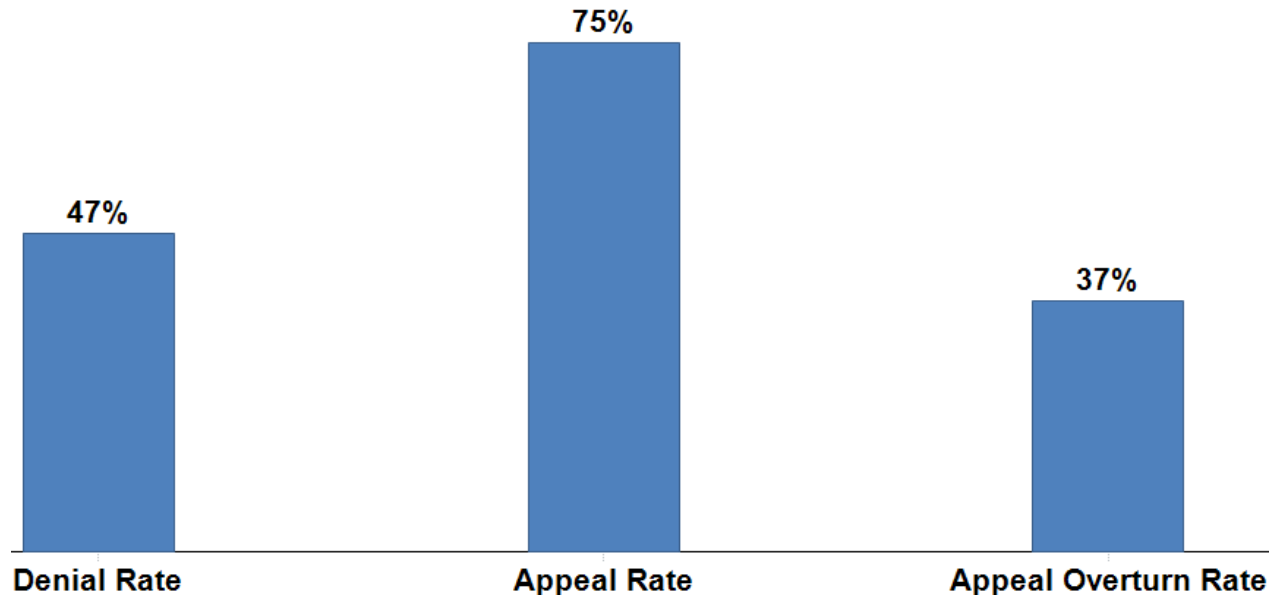
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# Half of all prepayment reviews are denied by a RAC and hospitals are appealing 75% of denied claims.

Summary of Denial Rate, Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Reported Prepayment Reviews in the Demonstration States, through 2<sup>nd</sup> Quarter, 2015



\*Response rates vary by quarter.

Source: AHA. (July 2015). RACTRAC Survey

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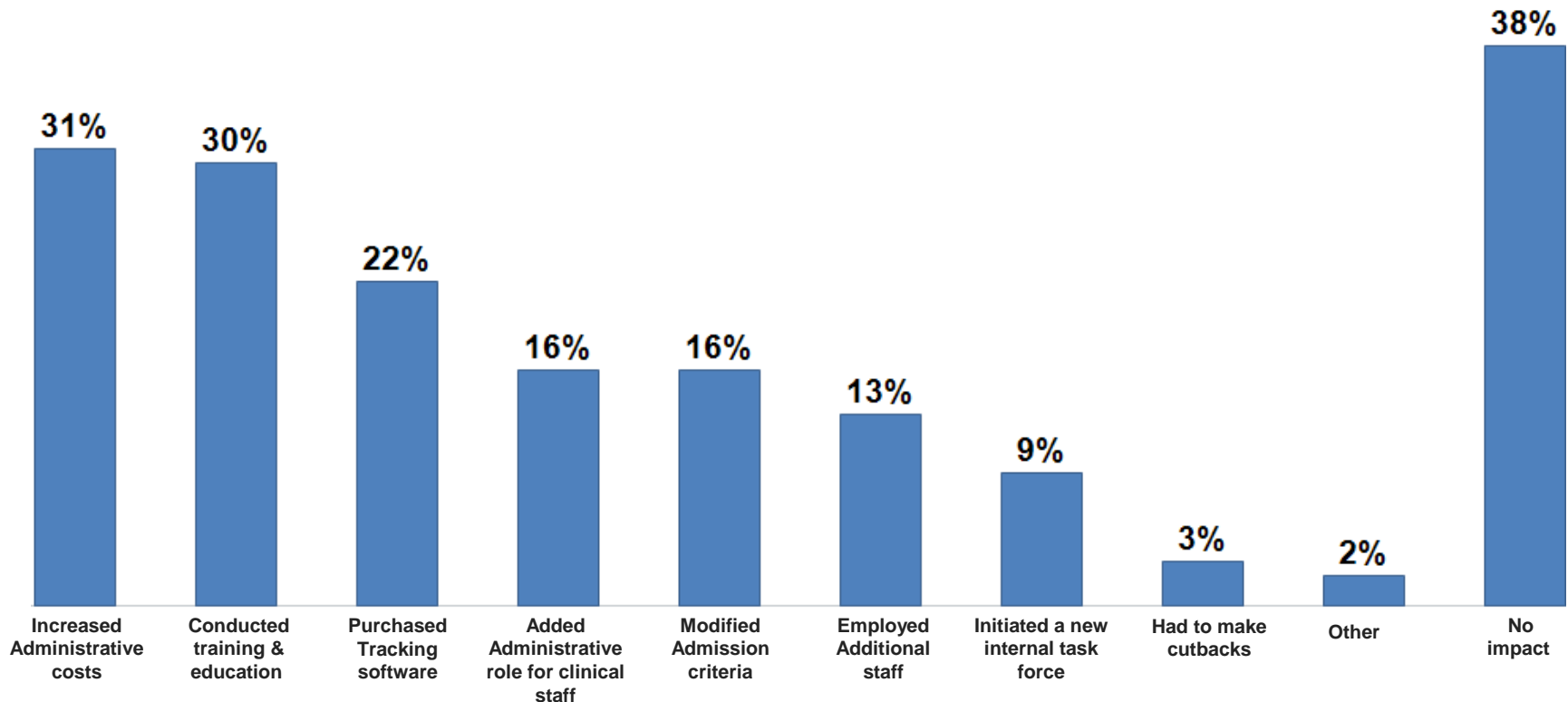




## Administrative Burden

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

Impact of RAC on Participating Hospitals\* by Type of Impact, 2<sup>nd</sup> Quarter 2015



\* Includes participating hospitals with and without RAC activity

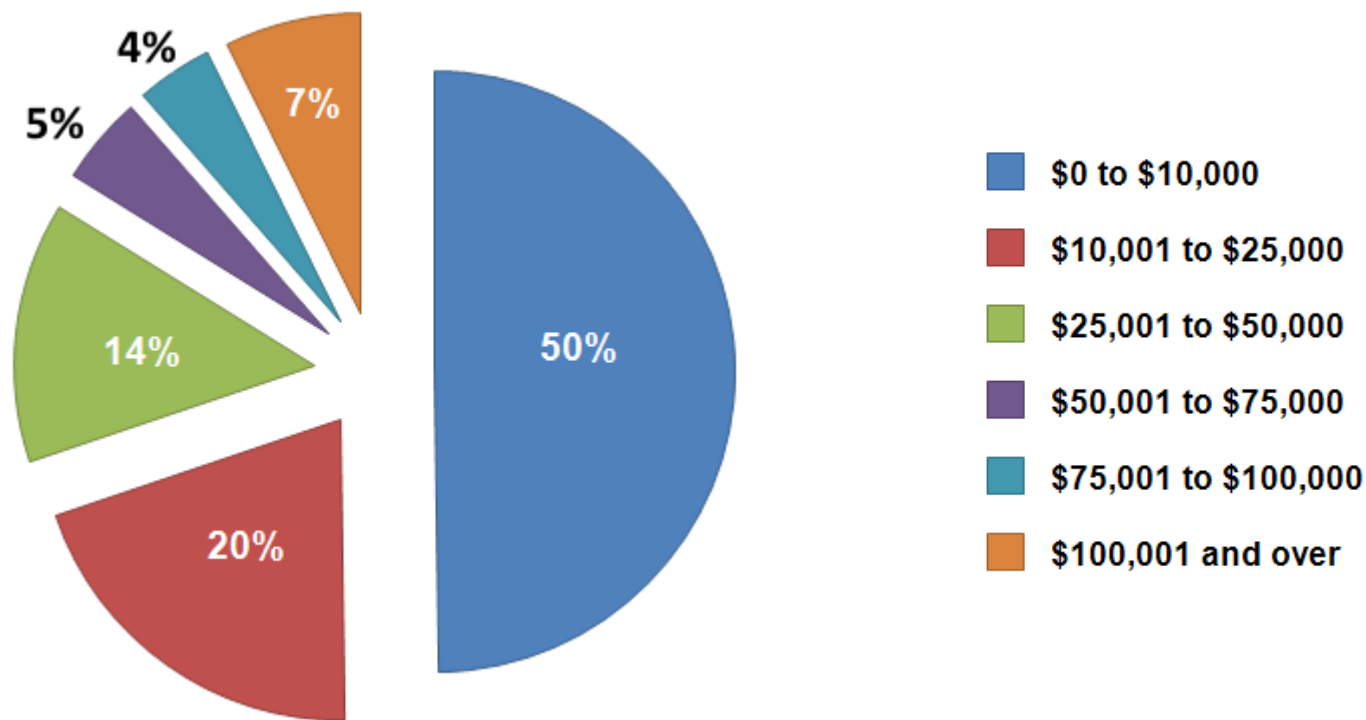
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50% of all hospitals reported spending more than \$10,000 managing the RAC process during the 2<sup>nd</sup> quarter of 2015, 30% spent more than \$25,000 and 7% spent over \$100,000.

### Percent of Participating Hospitals\* Reporting Average Cost Dealing with the RAC Program, 2<sup>nd</sup> Quarter 2015



\* Includes participating hospitals with and without RAC activity

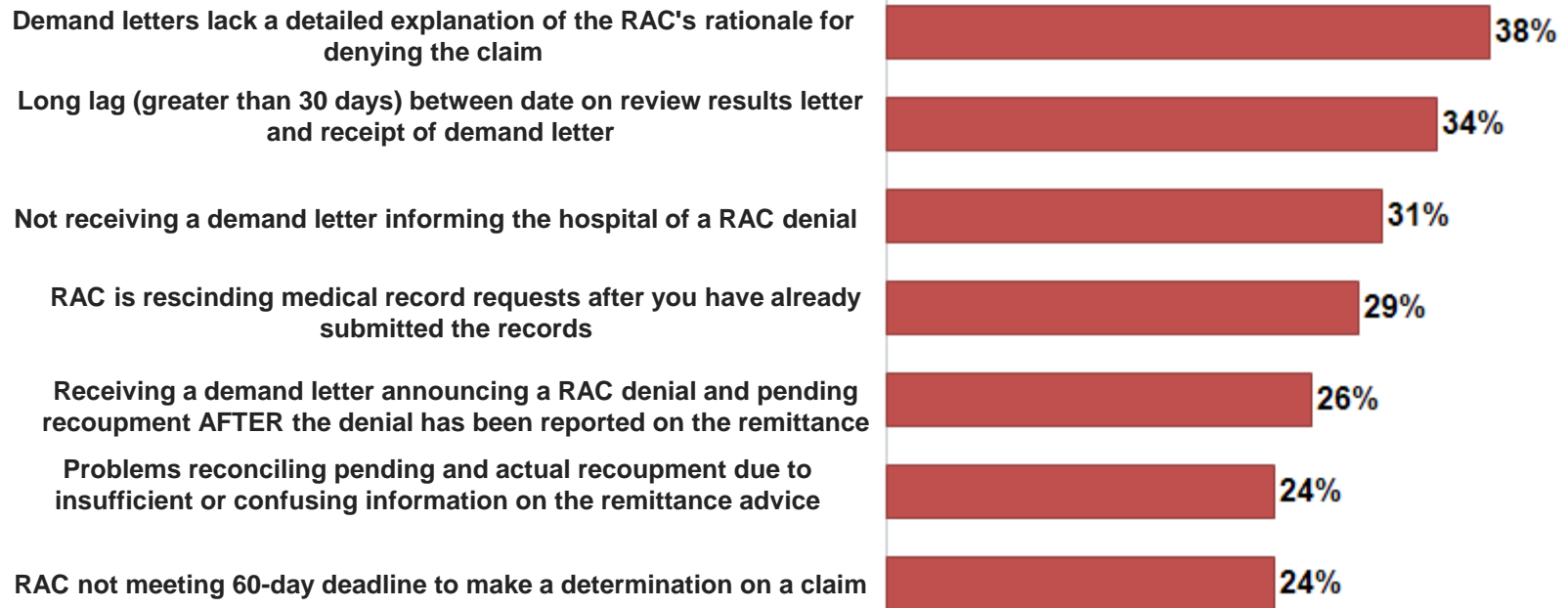
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# Hospitals report widespread RAC process-related issues, including multiple problems with MACs and the demand letter process.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2<sup>nd</sup> Quarter 2015



*\* Includes participating hospitals with and without RAC activity*

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

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