



Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC *TRAC* Survey, 3rd Quarter 2015

December 3, 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 3rd quarter of 2015.
 - Survey registration information and RAC^{TRAC} support can be accessed at ractracsupport@providercs.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

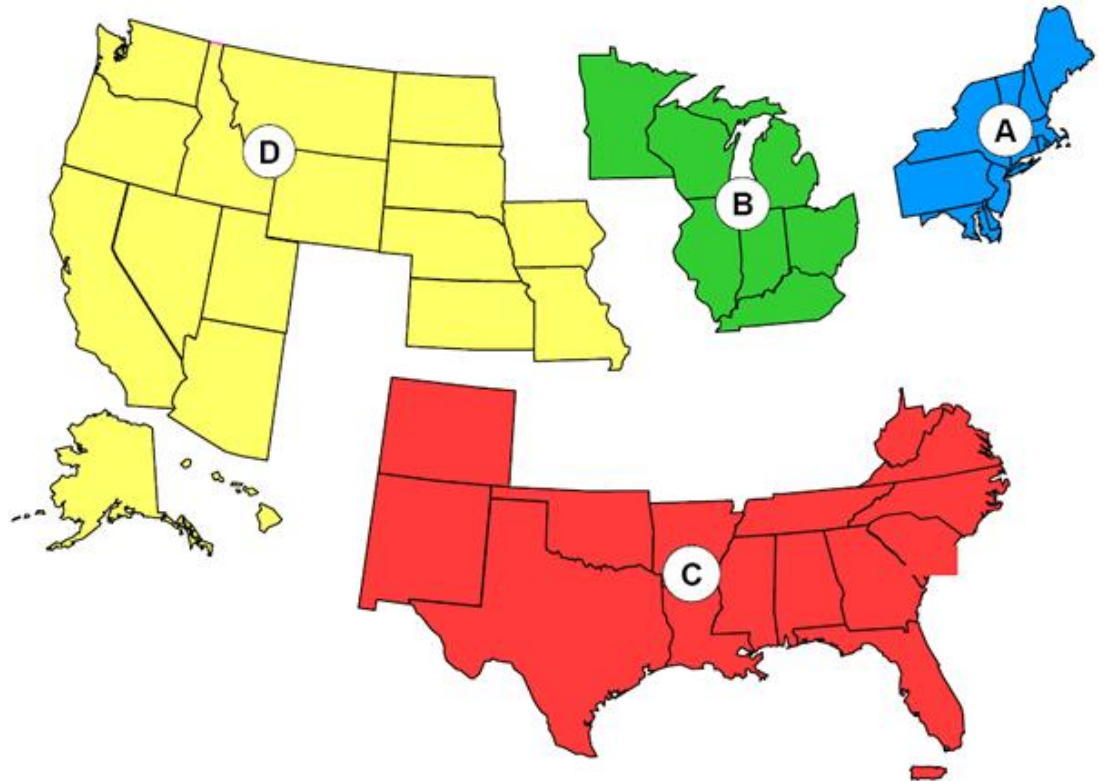
- 2,568 hospitals have participated in RAC TRAC since data collection began in January of 2010. 604 hospitals participated this quarter.
- 60% of reviewed claims in Q3 2015 were found to not have an overpayment.
- 40% of hospitals indicated, for automated denials, that outpatient coding error had the largest financial impact.
- 83% of hospitals received a complex denial based on inpatient coding in Q3 2015.
- Hospitals report appealing 47% of all RAC denials.
- 45% of hospitals report having a denial reversed in the discussion period.
- 51% of all hospitals reported spending more than \$10,000 managing the RAC process during the 3rd quarter of 2015, 36% spent more than \$25,000 and 8% 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 3rd 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%



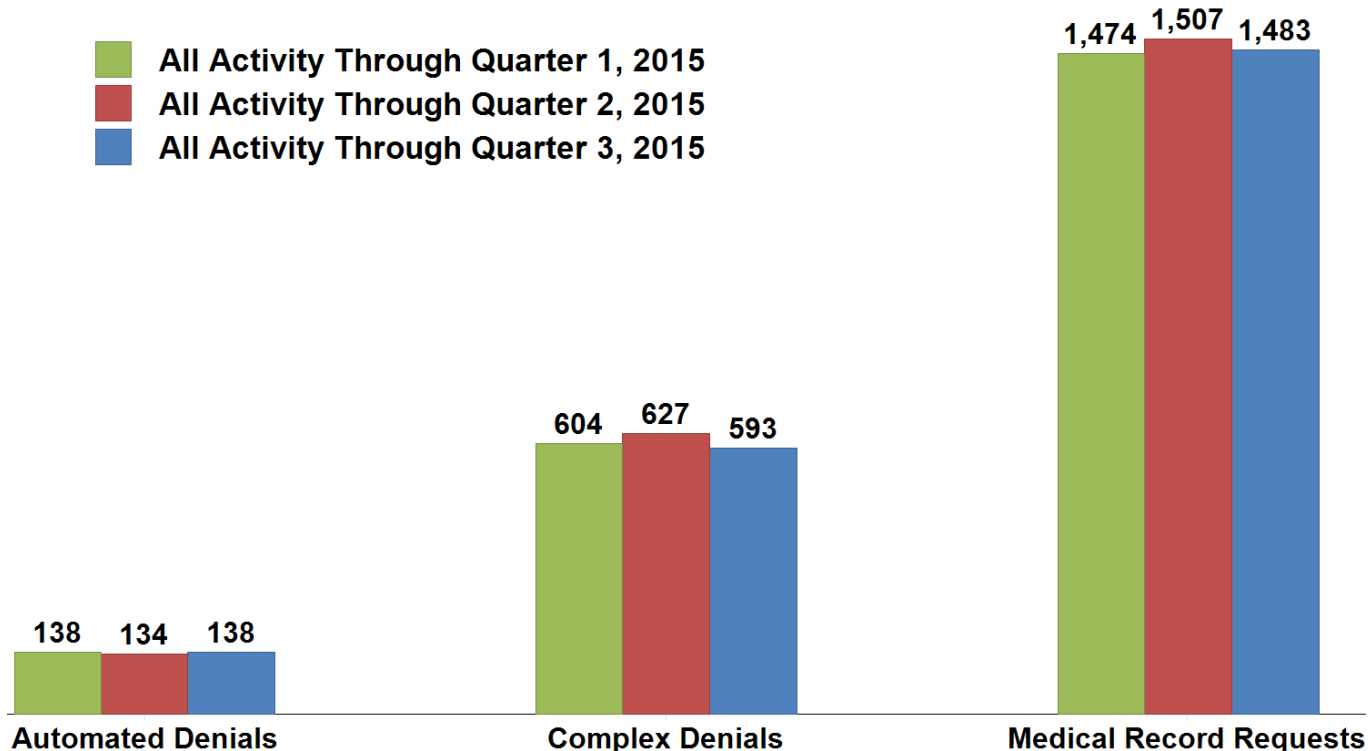
Source: Centers for Medicare and Medicaid Services



RAC Reviews

The average cumulative number of medical record requests per hospital has remained relatively steady over the last three quarters.

Average Automated Denials, Complex Denials and Medical Records Requests Per Participating Hospital, through 3rd Quarter 2015*



*Response rates vary by quarter.

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

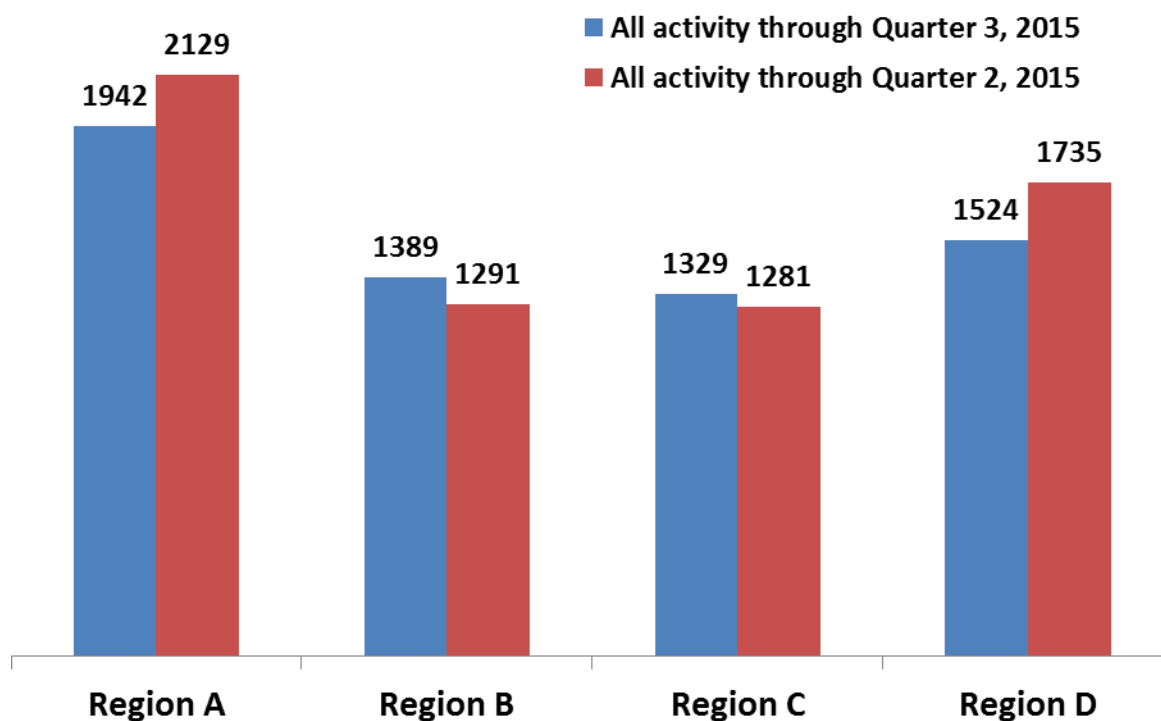
AHA analysis of survey data collected from 2,568 hospitals: 2,306 reporting activity, 262 reporting no activity through September 2015. 604 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), 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 Per Participating Hospital With Complex Medical Record RAC Activity, through 3rd Quarter 2015*



*Response rates vary by quarter.

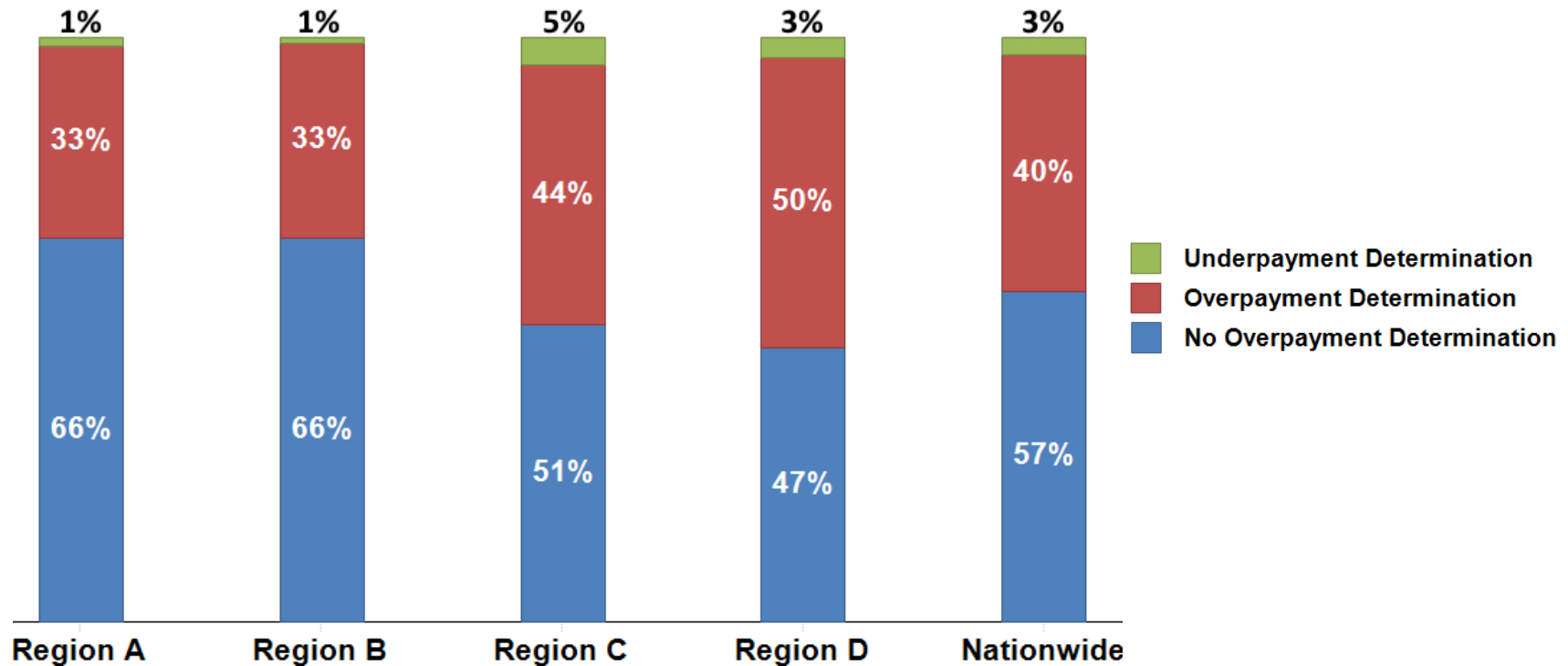
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60% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 3rd Quarter 2015



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

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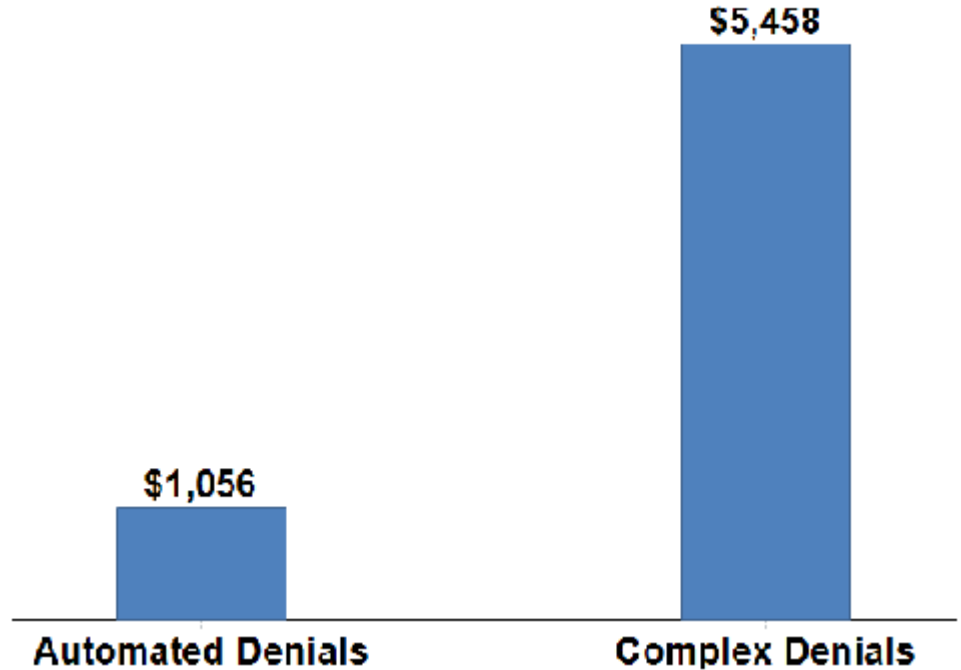


RAC Denials

The average dollar value of an automated denial was \$1,056 and the average dollar value of a complex denial was \$5,458.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3rd Quarter 2015

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$1,056	\$5,458
Region A	\$715	\$5,214
Region B	\$1,912	\$4,668
Region C	\$878	\$5,554
Region D	\$1,172	\$6,078



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

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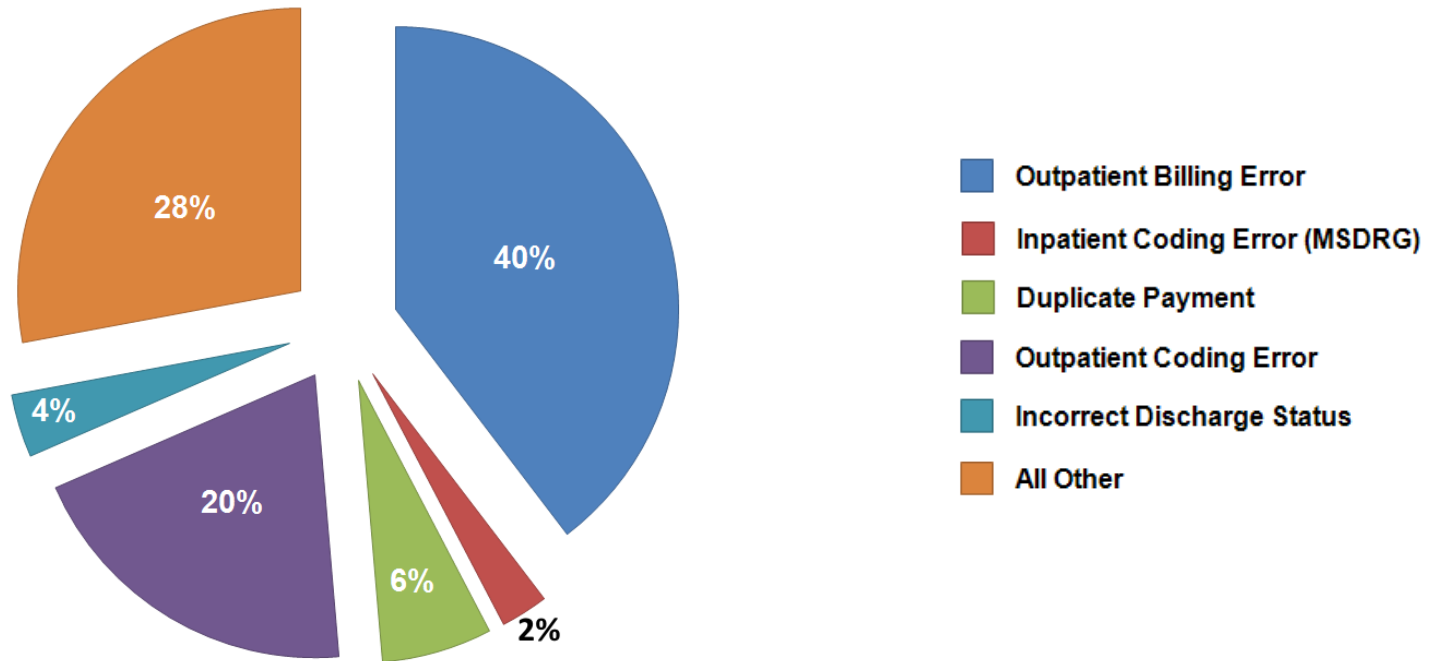


Automated RAC Denials

40% of hospitals report denials for Outpatient Billing Error have the greatest financial impact.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015

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



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

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Region A: Not enough responders to show data

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region A

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



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

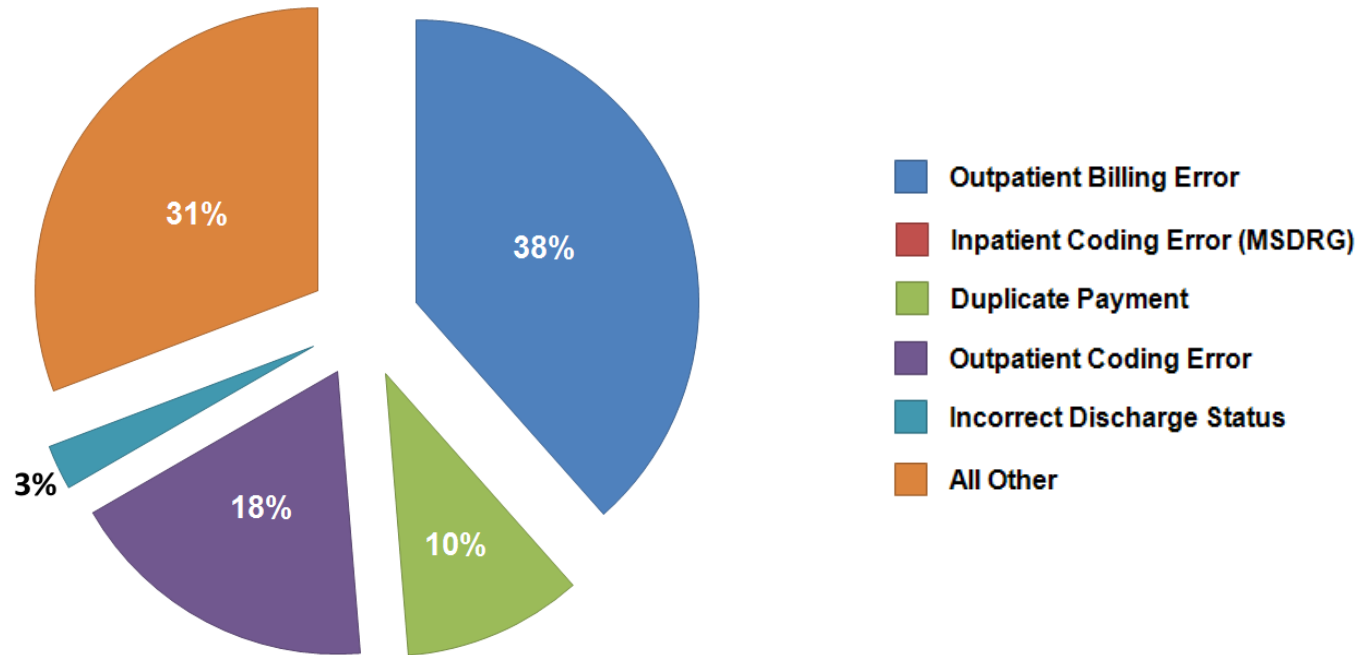
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Region B: Hospitals reported outpatient billing error as the top reason for automated denials, by dollar impact.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region B

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



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

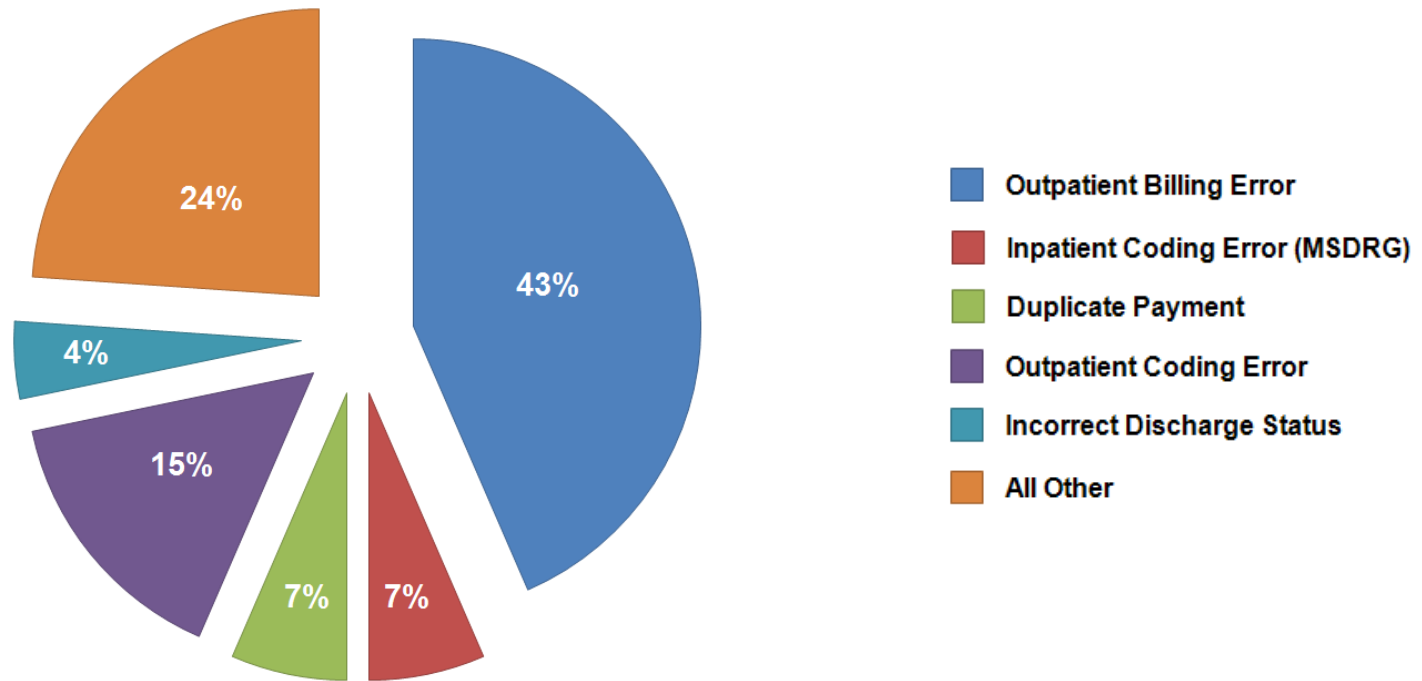
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Region C: Hospitals reported outpatient billing error as the top reason for RAC denials, by dollar impact.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region C

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



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

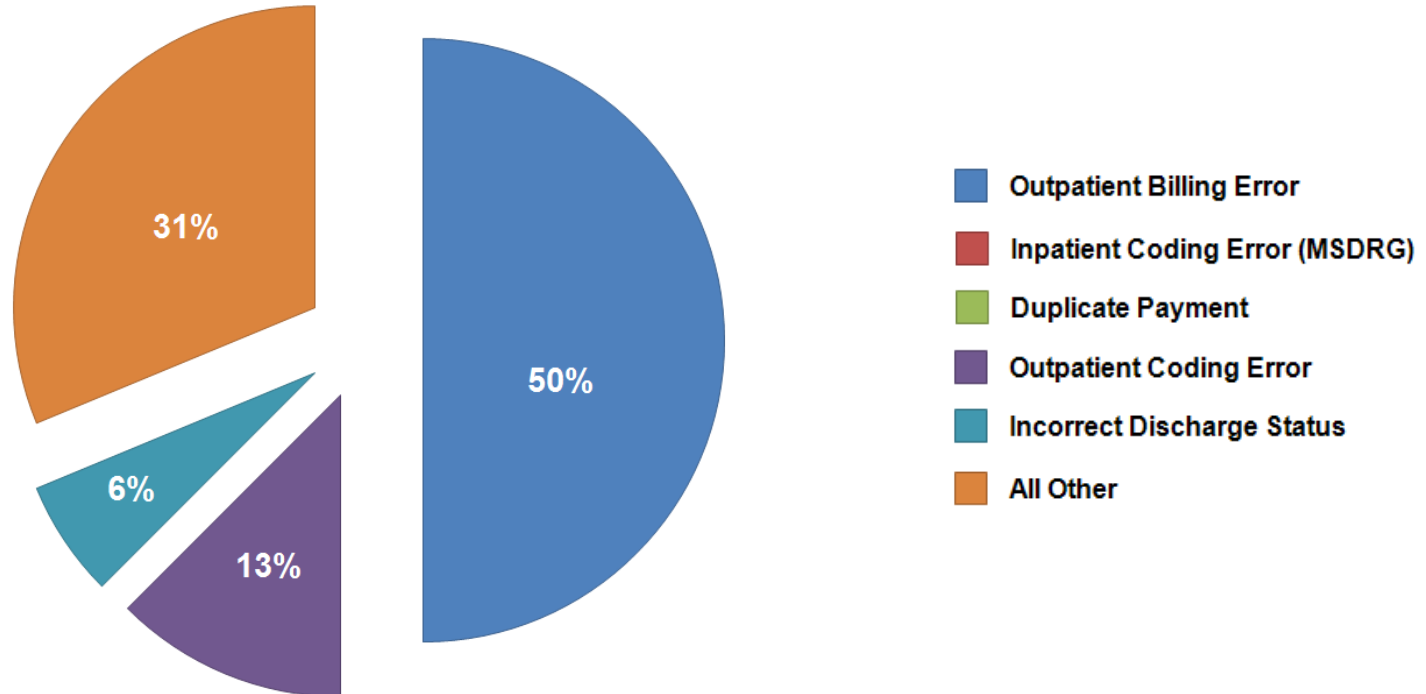
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Region D: Hospitals reported outpatient coding error as the top reason for RAC denials, by dollar impact.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region D

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



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

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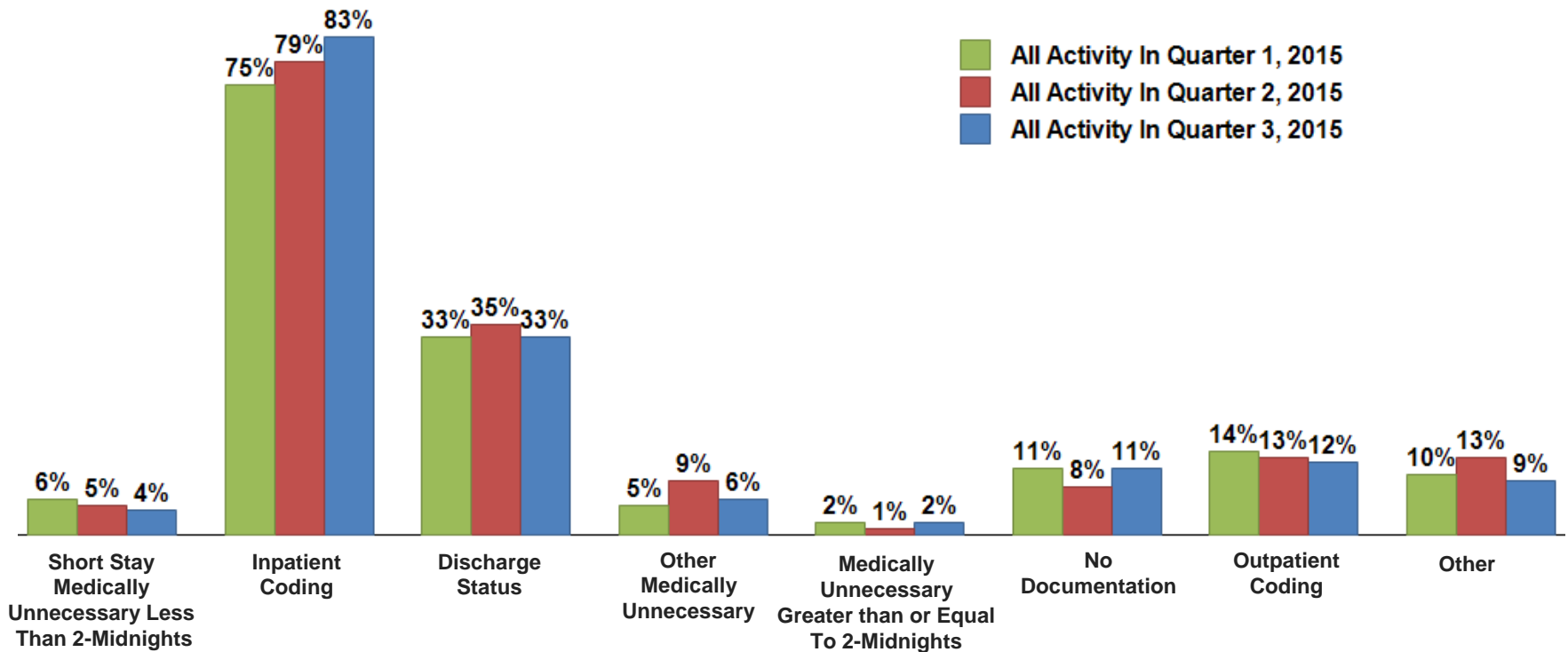


Complex RAC Denials

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 3rd Quarter 2015

Survey participants were asked to select all reasons for denial.



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

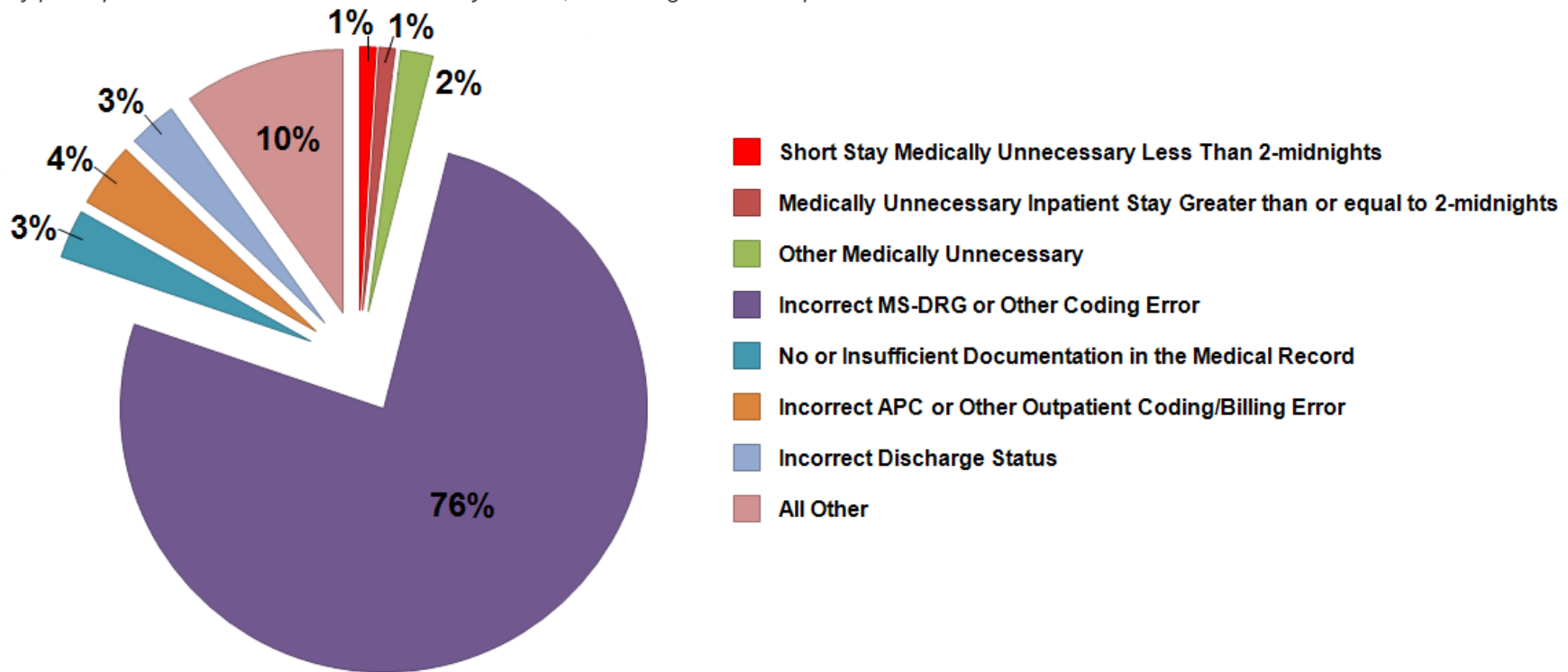
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Nationally, hospitals reported a high percentage of complex denials due to incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015

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



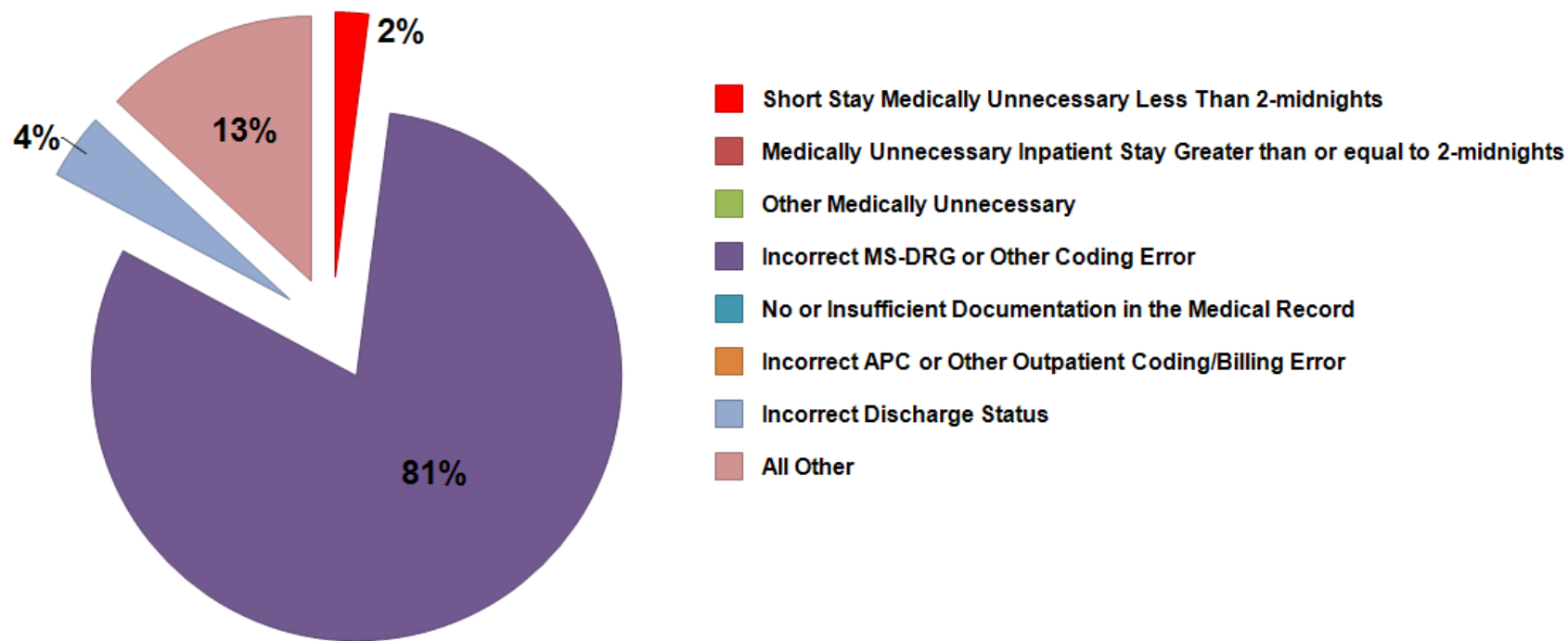
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Region A: Hospitals reported a high percentage of denials for incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region A

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



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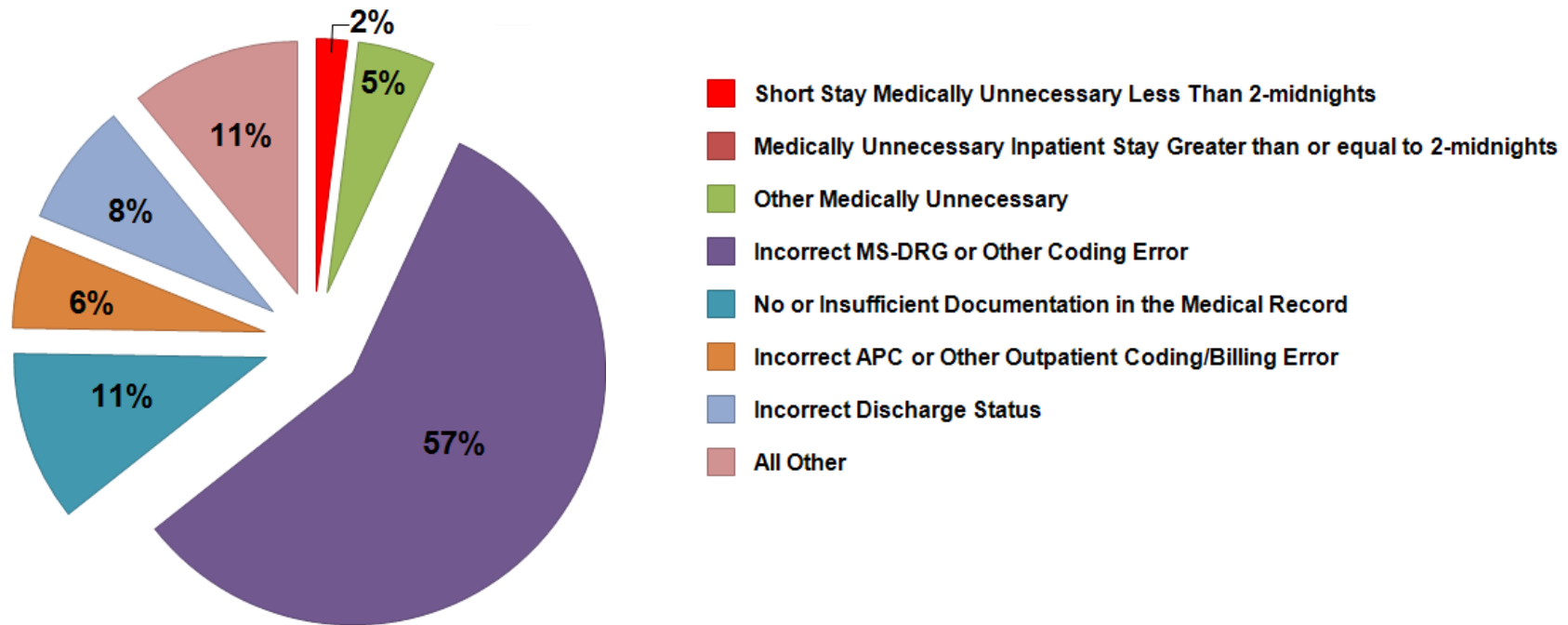
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Region B: Hospitals reported a significant percentage of denials for incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region B

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



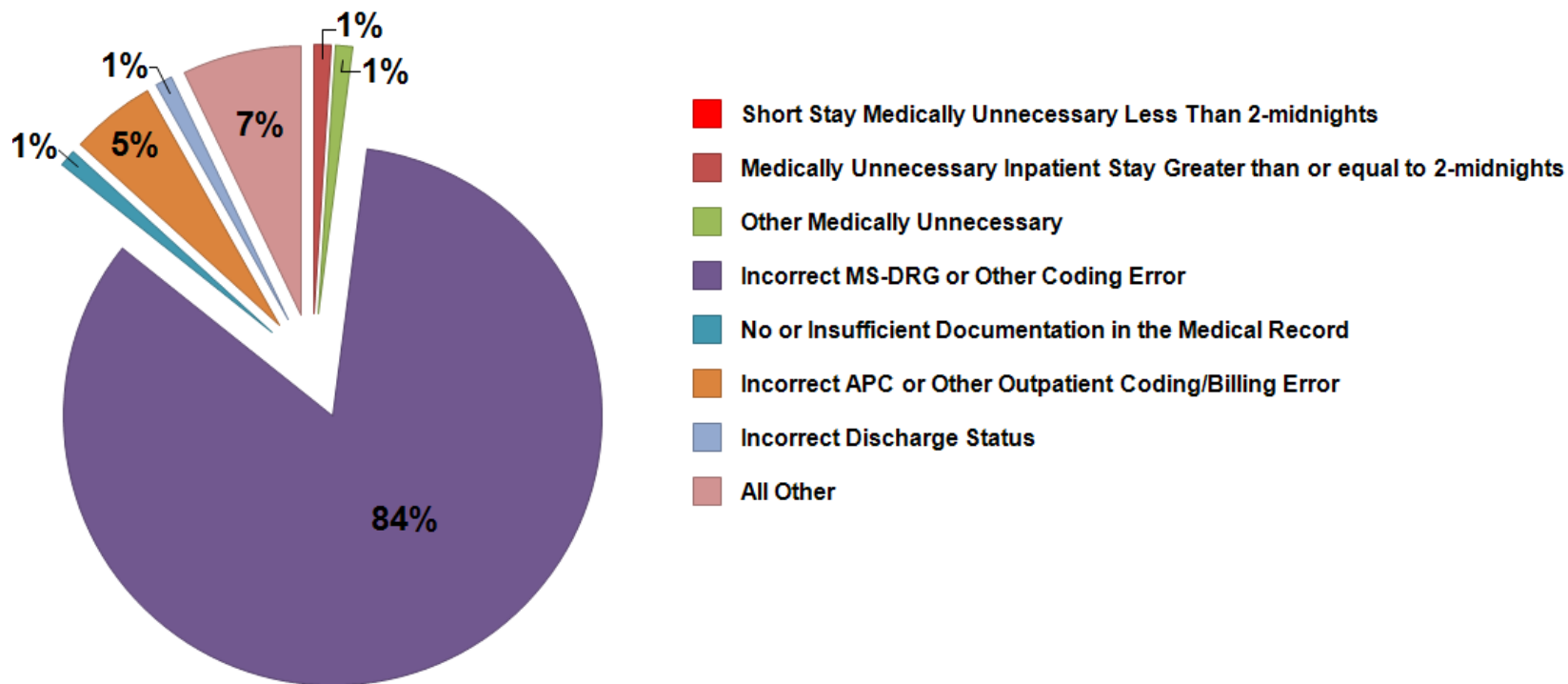
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Region C: Hospitals reported a very high percentage of denials on incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region C

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



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

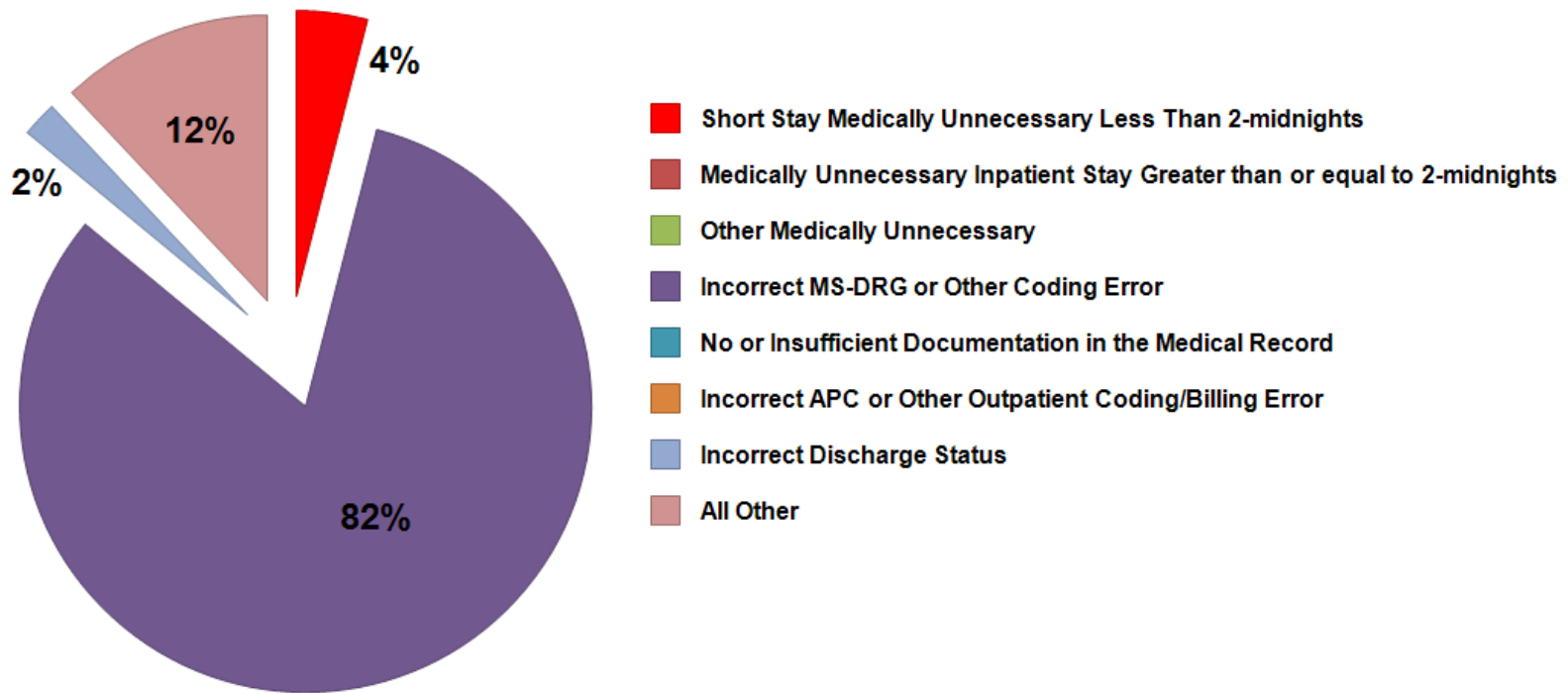
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Region D: Hospitals reported a very high percentage of denials on incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3rd Quarter 2015, Region D

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



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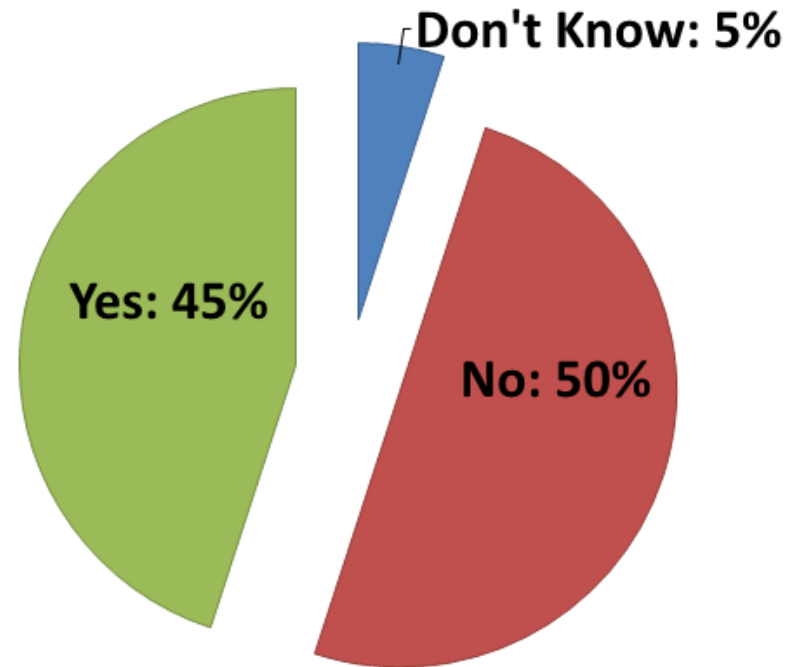
Appeals

45% of participating hospitals report having a denial reversed during the discussion period, including half or more of reporting hospitals in Regions A and C.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 3rd Quarter 2015

Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	58%	27%	15%
Region B	41%	55%	4%
Region C	50%	48%	2%
Region D	22%	72%	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. (November 2015). RAC TRAC Survey

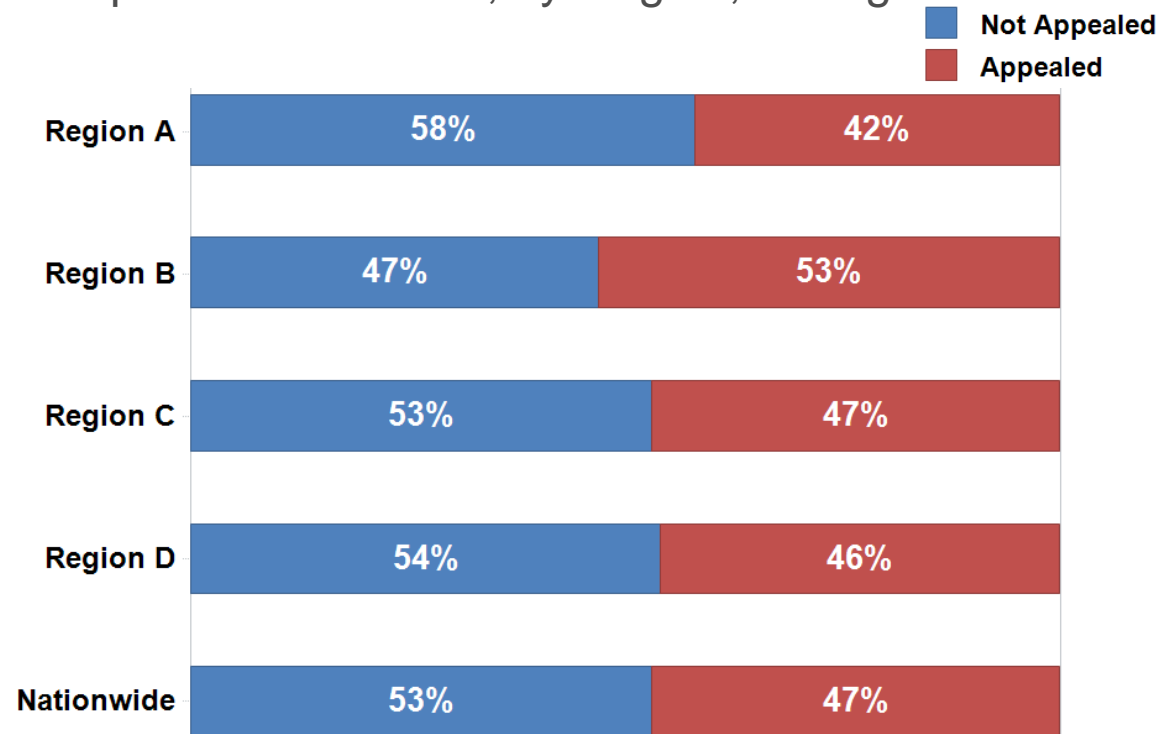
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Nationwide hospitals report appealing 47% of RAC denials including over half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 3rd Quarter 2015

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	366,479	172,498
Region A	62,634	26,289
Region B	63,098	33,493
Region C	161,498	76,191
Region D	79,249	36,525



* 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. (November 2015). RAC TRAC Survey

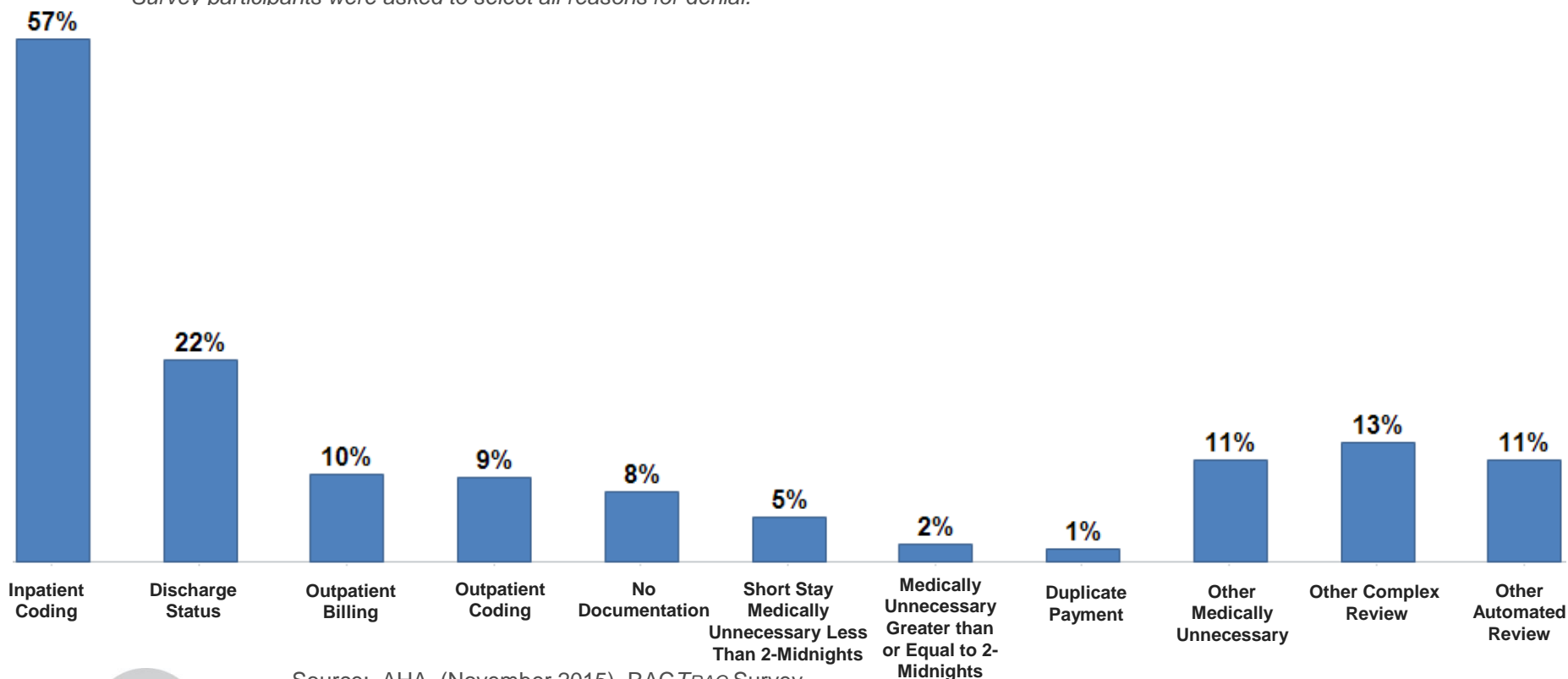
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57% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q3 2015 reported appealing inpatient coding denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 3rd Quarter 2015

Survey participants were asked to select all reasons for denial.



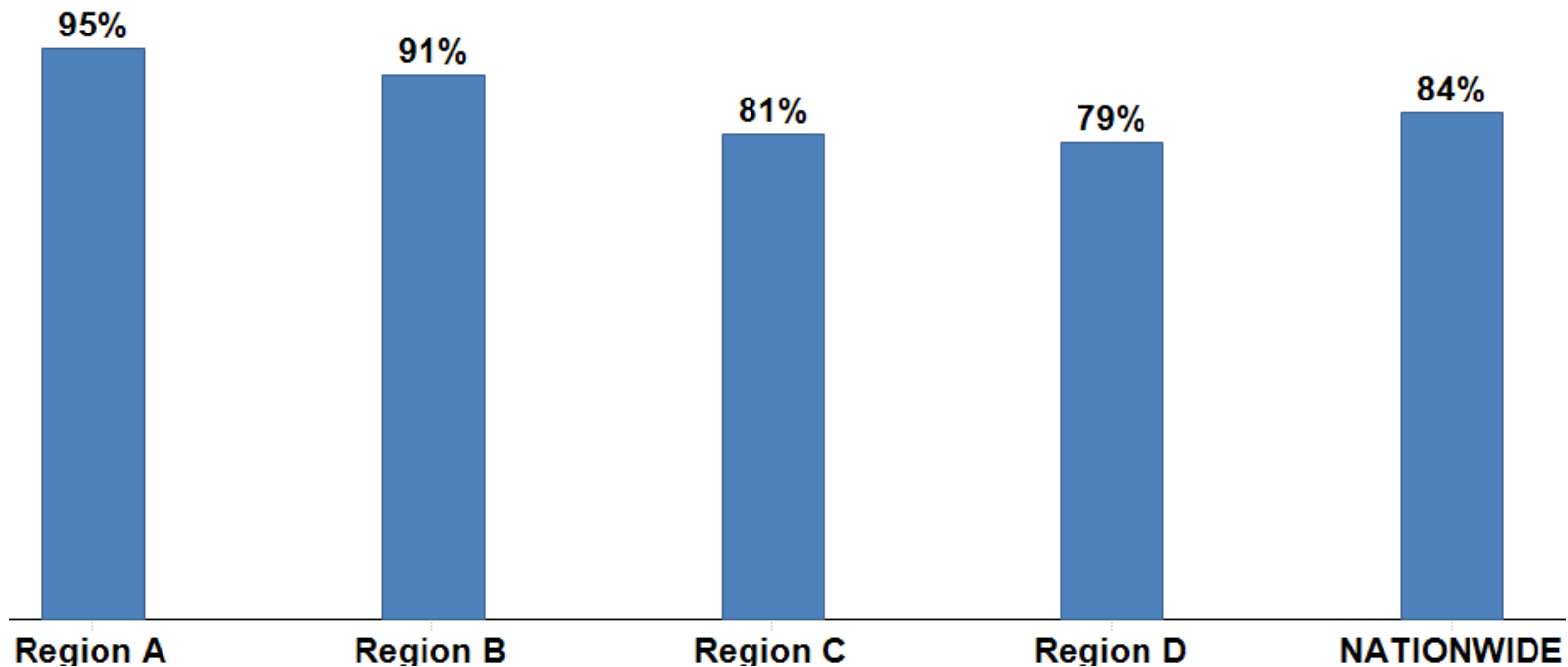
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For over 84% of claims appealed to the ALJ, the judge has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 3rd Quarter 2015



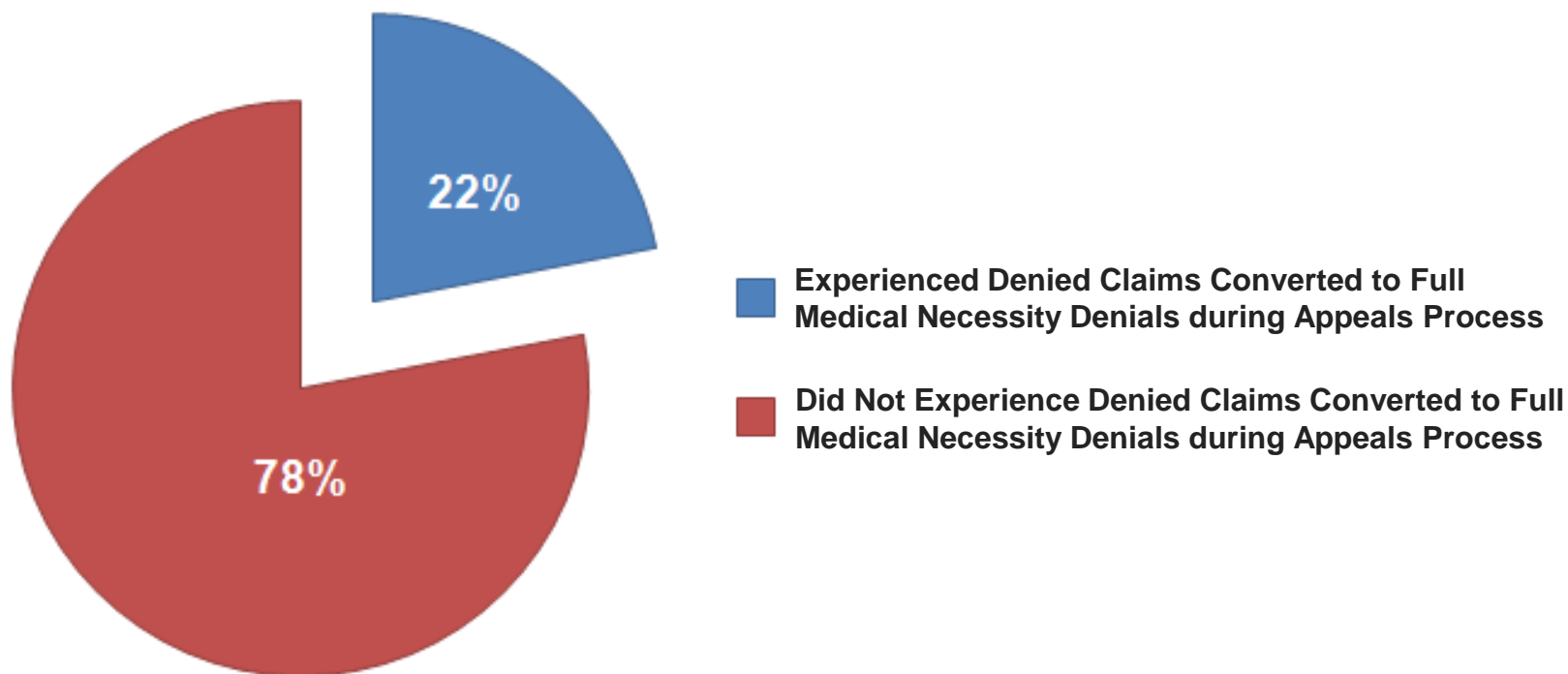
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22% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 3rd Quarter 2015



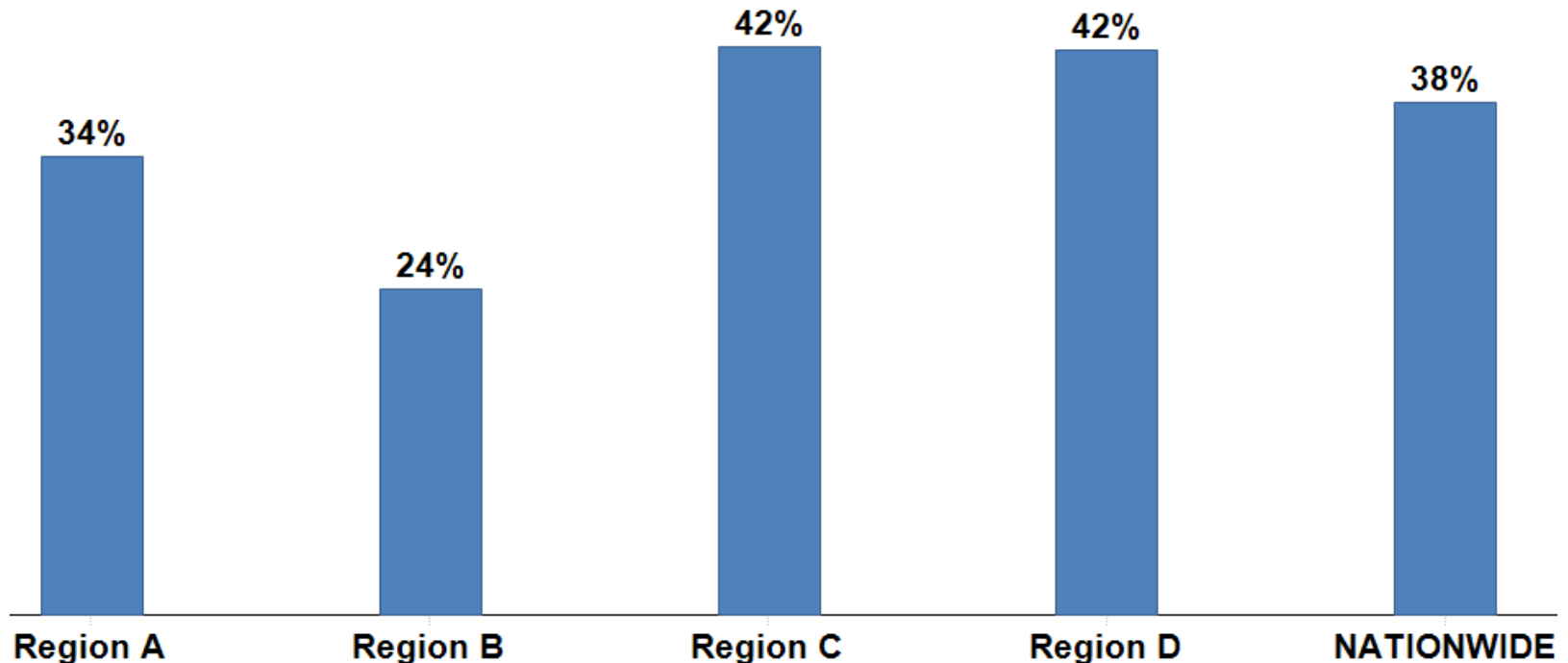
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38% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 3rd Quarter 2015*



*Response rates vary by quarter.

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

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For complex denials that are re-billed under Part B, hospitals report receiving 58% of the original Part A reimbursement.

Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 3rd 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	107	11,509	\$58,424,997	9,897	\$2,597	\$4,487	58%
Region A	17	1,762	\$9,463,643	937	\$2,420	\$4,853	50%
Region B	30	1,791	\$9,470,620	1,070	\$2,081	\$5,017	41%
Region C	51	7,165	\$35,987,889	7,293	\$2,774	\$4,438	63%
Region D	Not enough responders to report.						

* too few hospital responses

*Response rates vary by quarter.

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Of the claims that have completed the appeals process, 62% 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 3rd 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	159,474	46%	60,863	31,019	50,638	62%
Region A	22,205	40%	7,598	5,222	7,607	59%
Region B	26,258	49%	6,371	6,256	9,557	60%
Region C	74,486	47%	31,525	11,920	21,143	64%
Region D	36,525	46%	15,369	7,621	12,331	62%

* May include appeals withdrawn to re-bill.

*Response rates vary by quarter.

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

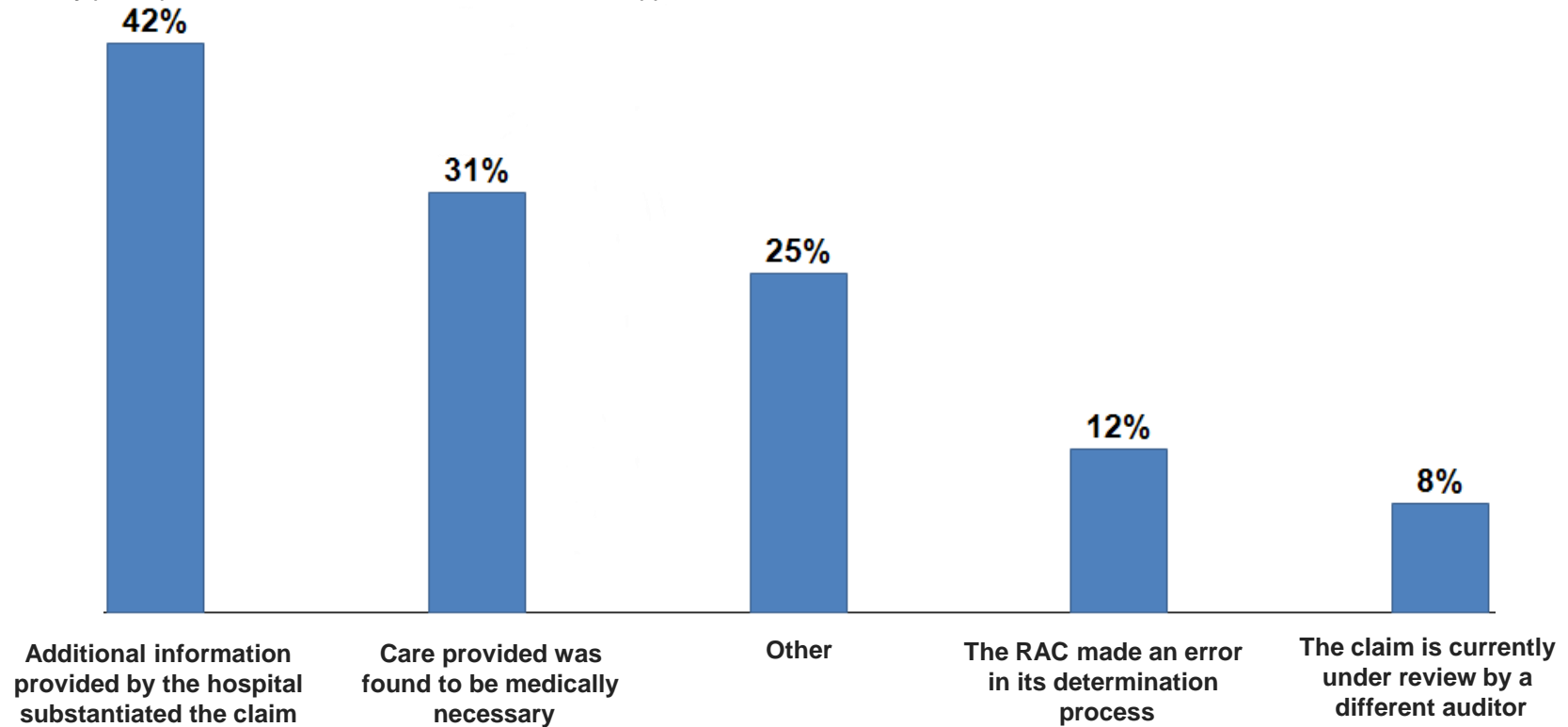
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42% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

Percent of Participating Hospitals that Had a Denial Overturned by Reason, 3rd Quarter 2015

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



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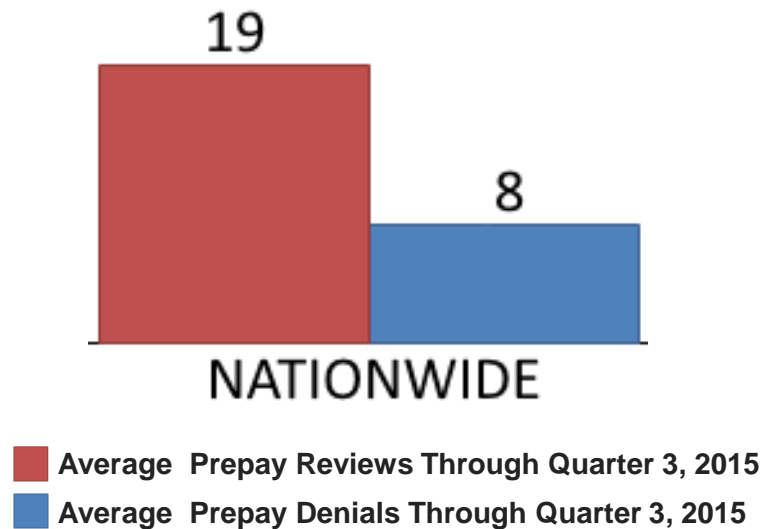


RAC Pre-payment Reviews

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 3rd Quarter, 2015

	Nationwide
Number Prepay Reviews	1,163
Average Dollar Amount Of Prepay Claims Reviewed	\$5,262
Number Prepay Denials	493
Average Dollar Amount Of Prepay Denials	\$4,668



*Response rates vary by quarter.

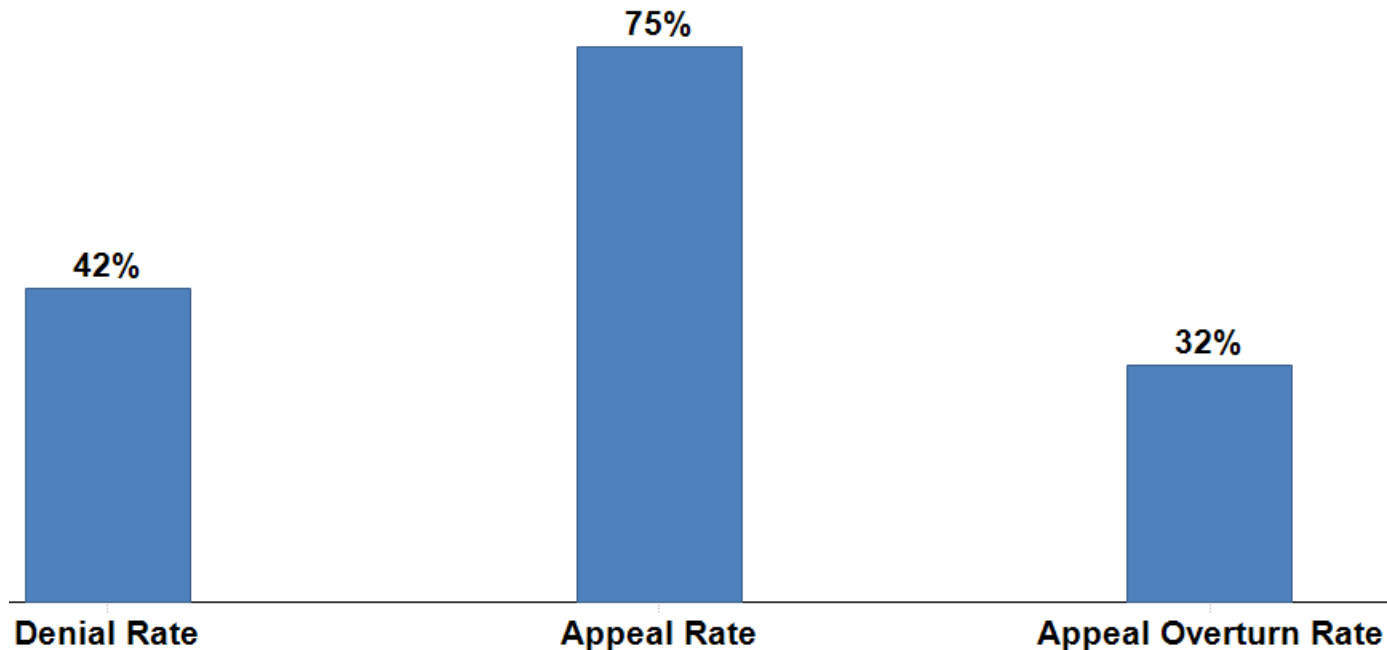
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42% of prepayment reviews are denied by a RAC and hospitals are appealing 75% of denied claims.

Summary of Denial Rate, Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Reported Prepayment Reviews in the Demonstration States, through 3rd Quarter, 2015



*Response rates vary by quarter.

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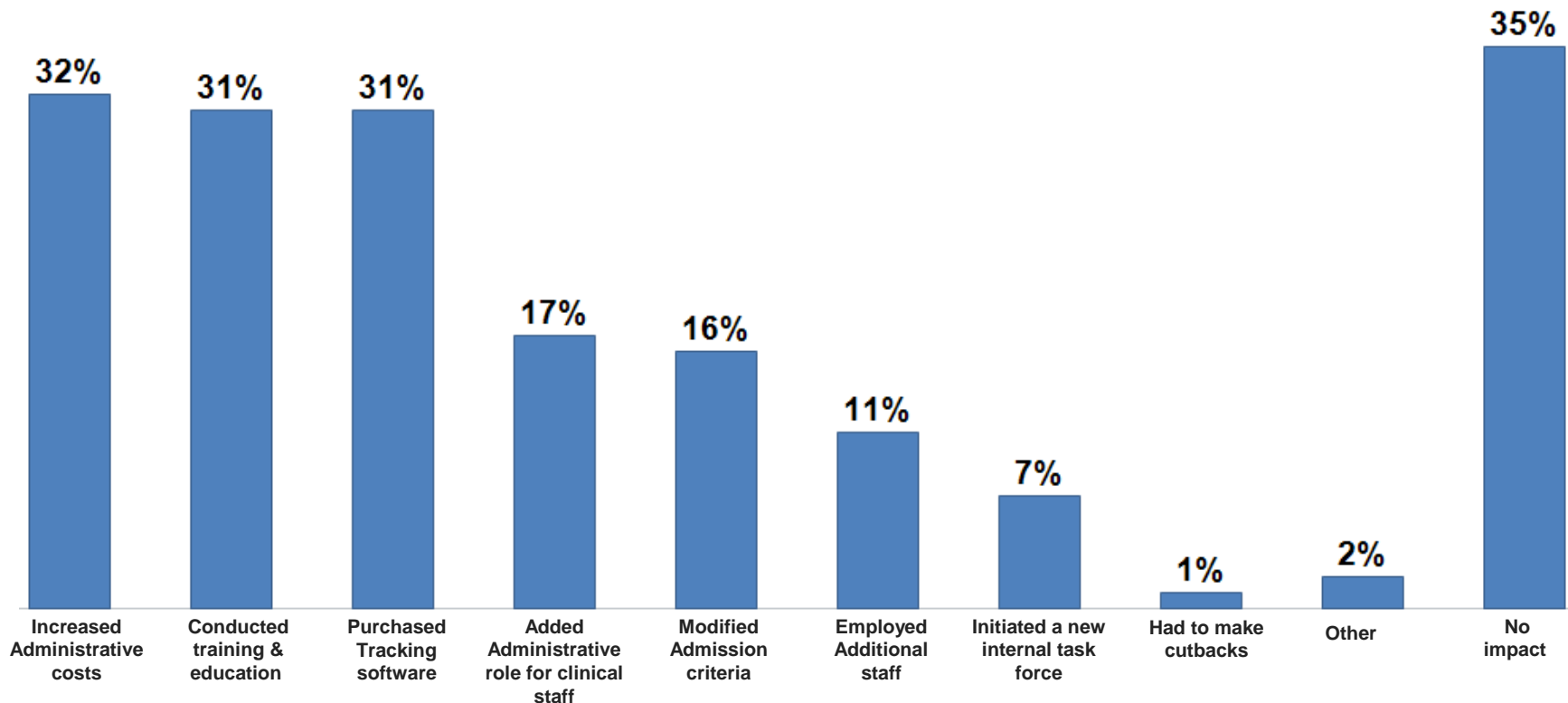




Administrative Burden

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

Impact of RAC on Participating Hospitals* by Type of Impact, 3rd Quarter 2015



* Includes participating hospitals with and without RAC activity

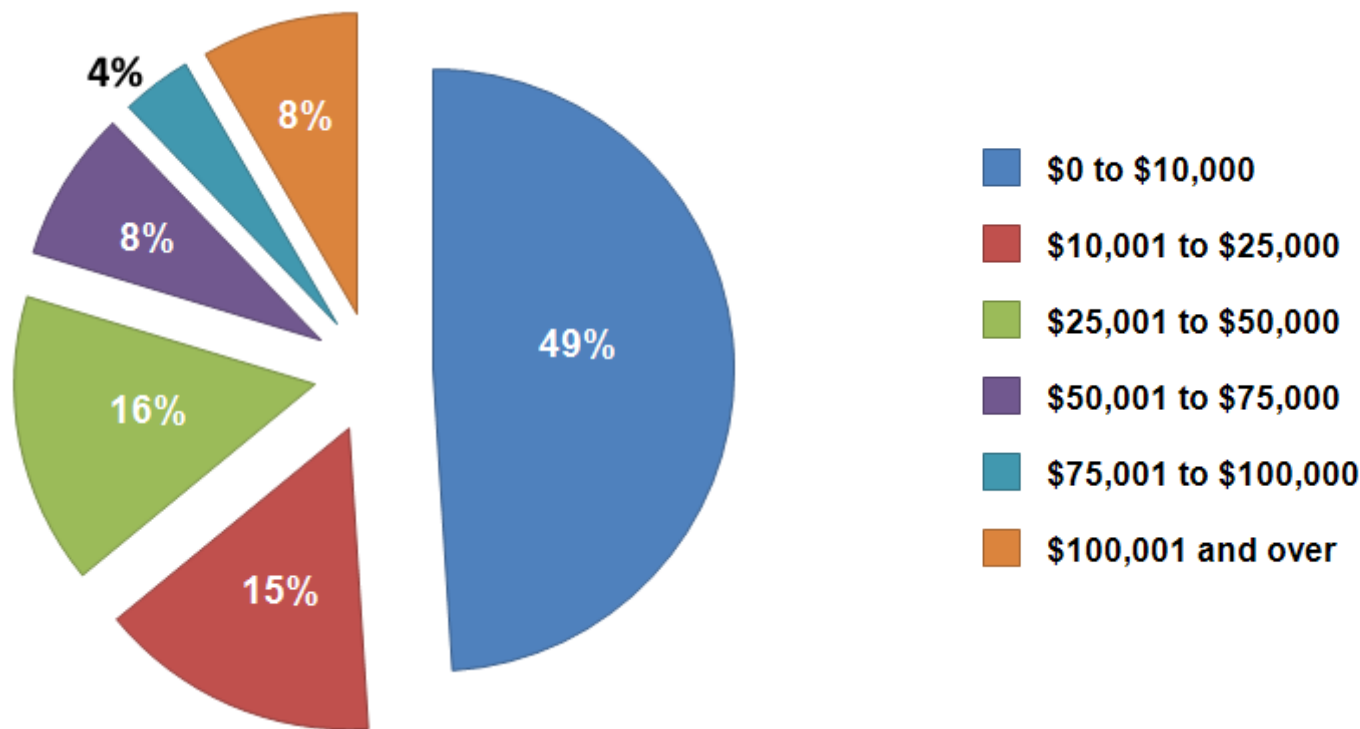
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51% of all hospitals reported spending more than \$10,000 managing the RAC process during the 3rd quarter of 2015, 36% spent more than \$25,000 and 8% spent over \$100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 3rd Quarter 2015



* Includes participating hospitals with and without RAC activity

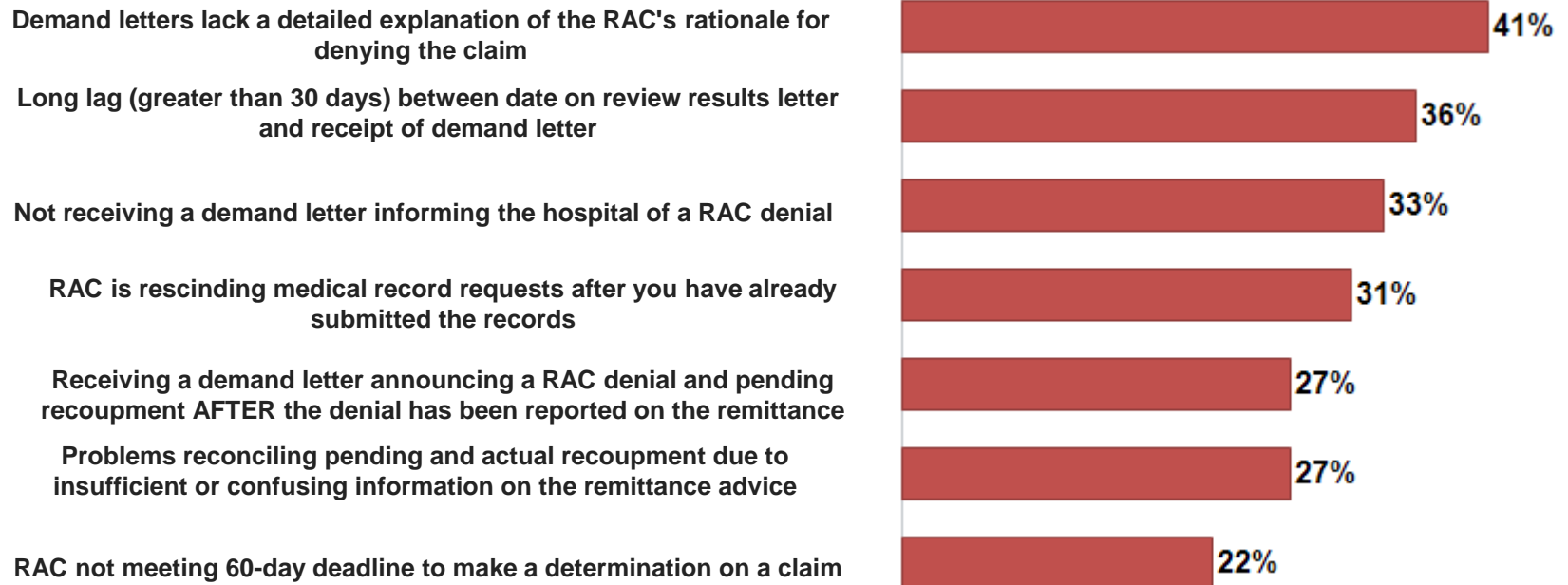
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Hospitals report widespread RAC process-related issues, including multiple problems with MACs and the demand letter process.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2015



** Includes participating hospitals with and without RAC activity*

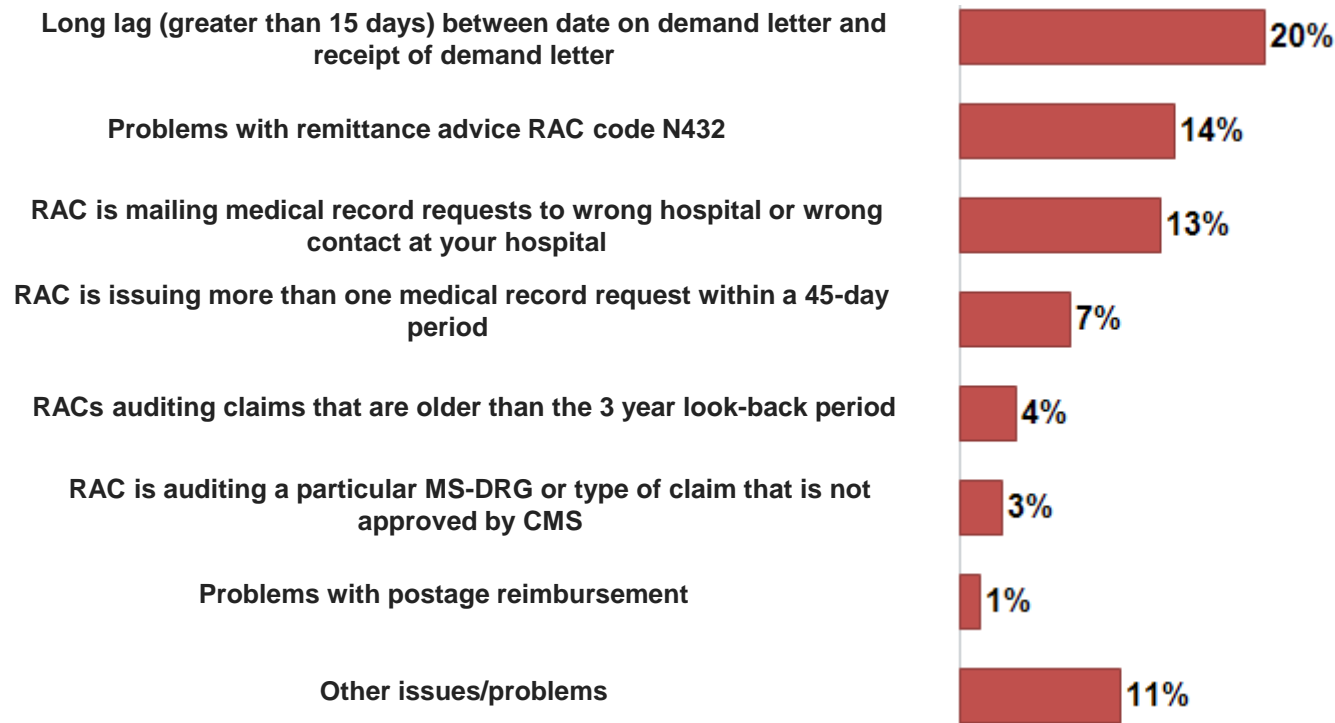
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Hospitals continue to report a wide variety of RAC process problems.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3rd Quarter 2015



* Includes participating hospitals with and without RAC activity

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

AHA analysis of survey data collected from 2,568 hospitals: 2,306 reporting activity, 262 reporting no activity through September 2015. 604 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>