Quarterly RAC Policy and RACTrac Update

1st Quarter 2016

June 28, 2016
Two-midnight Cut Eliminated

- Elimination of 0.2% cut to IPPS rates implemented in FY 2014
- Result of successful challenge in federal court
- Prospective and retrospective elimination provides $3.1 Billion to hospitals over 10 years
Pause in QIO Audits

- CMS announced temporary pause to two-midnight audits in May
- Agency initiated pause to address hospital concerns regarding QIO audit consistency and delay in results, education
- Plans to further educate auditors on two-midnight rule; includes re-review of prior denials
- Pause predicted to last 60-90 days
CMS Claim Review Guideline

BFCC QIO 2 MIDNIGHT CLAIM REVIEW GUIDELINE

STEP 1 – Did the inpatient stay from the point of a valid inpatient admission order to discharge last 2 Midnights?

- Yes
  - STEP 2 – Did the Patient Need Hospital Care
    - Yes
      - STEP 3 – Did the provider render a medically necessary service on the Inpatient Only List?
        - Yes
          - Claim is Payable Under Part A
            - (Assuming all other requirements are met)
          - No
            - Claim is NOT Payable Under Part A
        - No
          - Claim is NOT Payable Under Part A
      - No
    - No
      - Claim is NOT Payable Under Part A
  - No

STEP 4* - Was it reasonable for the admitting physician to expect the patient to require medically necessary hospital services, or did the patient receive medically necessary hospital services, for 2 Midnights or longer, including all out-patient/observation and inpatient care time?

- Yes
  - Claim is Payable Under Part A
    - (Assuming all other requirements are met)
  - No
    - Claim is NOT Payable Under Part A

STEP 5 – Does the claim fit within one of the “rare and unusual” exceptions identified by CMS (Currently Mechanical Ventilation)?

- Yes
  - Claim is Payable Under Part A
    - (Assuming all other requirements are met)
- No
  - Claim is NOT Payable Under Part A

STEP 6 – for claims with a Date of Admission on or after January 1, 2016

Does the medical record support the admitting physician’s determination that the patient required inpatient care despite not meeting the two midnight benchmark, based on complex medical factors such as:

- Patient history and comorbidities and current medical needs
- Severity of signs and symptoms
- Risk of an adverse event

- Yes
  - Claim is Payable Under Part A
    - (Assuming all other requirements are met)
- No
  - Claim is NOT Payable Under Part A

* NOTE – If any of the following “Unforeseen Circumstances” resulted in a shorter stay the stay is payable Under Part A:

- Death
- Transfer
- Departures against medical advice
- Clinical improvement
- Election of hospice

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Pending Appeals Regulation

- Proposed regulation pending that would make changes to ALJ appeal process
- Regulation could be released any day; AHA will release regulatory advisory and provide input to HHS
- Impact on ALJ delay lawsuit...
Medicare Appeals: OMHA Settlement Facilitation Conference

**SETTLEMENT CONFERENCE FACILITATION**

Cherise Neville  
Senior Attorney  
Office of Medicare Hearings and Appeals  
Program Evaluation and Policy Division

**What is Settlement Conference Facilitation?**

- Settlement Conference Facilitation is an alternative dispute resolution process designed to bring the appellant and the Centers for Medicare & Medicaid Services (CMS) together to discuss the potential of a mutually agreeable resolution for claims appealed to the Administrative Law Judge hearing level.
- If a resolution is reached, the settlement conference facilitator drafts a settlement document to reflect the agreement. As part of the agreement, the request[s] for an Administrative Law Judge hearing for the claims covered by the settlement will be withdrawn and dismissed.

**Who is the Settlement Conference Facilitator?**

Settlement conference facilitators are specially trained employees of the Office of Medicare Hearings and Appeals (OMHA), which is a component of the HHS Office of the Secretary, and is organizationally and functionally separate from CMS.

**What Does the Facilitator Do?**

- Uses mediation principles to assist the appellant and CMS in working toward a mutually agreeable resolution.
- Does not make official determinations on the merits of the claims at issue and does not serve as a fact finder.
- May help the appellant and CMS see the relative strengths and weaknesses of their positions.
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 RAC Trac: www.aha.org/ractrac; www.aharactrac.com

• Email RAC Questions: racinfo@aha.org
RAC Trac Results

Michael Ward, Senior Associate Director
Executive Summary

- 2,578 hospitals have participated in RAC TRAC since data collection began in January of 2010. 730 hospitals participated this quarter.
- 60% of reviewed claims in Q1 2016 were found to not have an overpayment.
- 37% of hospitals indicated, for automated denials, that outpatient billing error had the largest financial impact.
- 79% of hospitals received a complex denial based on inpatient coding in Q1 2016.
- Hospitals report appealing 47% of all RAC denials.
- 37% of hospitals report having a denial reversed in the discussion period.
- 43% of all hospitals reported spending more than $10,000 managing the RAC process during the 1st quarter of 2016, 26% spent more than $25,000 and 8% spent over $100,000.
The average number of medical record requests per hospital has increased since Q3 2015.

Average Automated Denials, Complex Denials and Medical Records Requests Per Participating Hospital, through 1st Quarter 2016*

<table>
<thead>
<tr>
<th></th>
<th>All Activity Through Quarter 3, 2015</th>
<th>All Activity Through Quarter 4, 2015</th>
<th>All Activity Through Quarter 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Denials</td>
<td>138</td>
<td>135</td>
<td>124</td>
</tr>
<tr>
<td>Complex Denials</td>
<td>592</td>
<td>664</td>
<td>609</td>
</tr>
<tr>
<td>Medical Record Requests</td>
<td>1,482</td>
<td>1,662</td>
<td>1,500</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (April 2016). RACTRAC Survey

AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 2016*

*Response rates vary by quarter.

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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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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 1st Quarter 2016

Source: AHA. (April 2016). RACTRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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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RAC Denials
The average dollar value of an automated denial was $867 and the average dollar value of a complex denial was $5,451.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 1st Quarter 2016

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$867</td>
<td>$5,451</td>
</tr>
<tr>
<td>Region A</td>
<td>$604</td>
<td>$5,322</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,756</td>
<td>$4,562</td>
</tr>
<tr>
<td>Region C</td>
<td>$818</td>
<td>$5,759</td>
</tr>
<tr>
<td>Region D</td>
<td>$605</td>
<td>$5,645</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
Automated RAC Denials
Hospitals report a diverse set of reasons 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, 1st Quarter 2016

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

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
Complex RAC Denials
The most commonly cited reason for a complex denial is inpatient coding error.

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, through 1st Quarter 2016

Survey participants were asked to select all reasons for denial.

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
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, 1st Quarter 2016

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

- **77%**: Short Stay Medically Unnecessary Less Than 2-midnights
- **11%**: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- **4%**: Other Medically Unnecessary
- **1%**: Incorrect MS-DRG or Other Coding Error
- **1%**: No or Insufficient Documentation in the Medical Record
- **1%**: Incorrect APC or Other Outpatient Coding/Billing Error
- **1%**: Incorrect Discharge Status
- **4%**: All Other

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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: Hospitals reported a very 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, 1st Quarter 2016, Region A

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

Source: AHA. (April 2016). RAC Trac Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 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, 1st Quarter 2016, Region B

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

- 47%: All Other
- 23%: Incorrect Discharge Status
- 11%: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- 7%: No or Insufficient Documentation in the Medical Record
- 3%: Incorrect APC or Other Outpatient Coding/Billing Error
- 3%: Incorrect MS-DRG or Other Coding Error
- 3%: Other Medically Unnecessary
- 3%: Short Stay Medically Unnecessary Less Than 2-midnights

Source: AHA. (April 2016). RAC Trac Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 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, 1st Quarter 2016, Region C

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

- **80%**: Incorrect MS-DRG or Other Coding Error
- **12%**: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- **5%**: Incorrect APC or Other Outpatient Coding/Billing Error
- **1%**: No or Insufficient Documentation in the Medical Record
- **1%**: Incorrect Discharge Status
- **1%**: Other Medically Unnecessary
- **1%**: Short Stay Medically Unnecessary Less Than 2-midnights
- **1%**: All Other

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 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, 1st Quarter 2016, Region D

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

- **77%** Incorrect MS-DRG or Other Coding Error
- **11%** Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- **4%** Other Medically Unnecessary
- **4%** Short Stay Medically Unnecessary Less Than 2-midnights
- **2%** Incorrect APC or Other Outpatient Coding/Billing Error
- **2%** No or Insufficient Documentation in the Medical Record
- **2%** Incorrect Discharge Status
- **2%** All Other

Source: AHA. (April 2016). RACTRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
Appeals
37% of participating hospitals report having a denial reversed during the discussion period.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 1st Quarter 2016

Reversed Denials by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>49%</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Region B</td>
<td>32%</td>
<td>65%</td>
<td>2%</td>
</tr>
<tr>
<td>Region C</td>
<td>39%</td>
<td>57%</td>
<td>4%</td>
</tr>
<tr>
<td>Region D</td>
<td>29%</td>
<td>67%</td>
<td>4%</td>
</tr>
</tbody>
</table>

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 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
Nationwide hospitals report appealing 46% 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 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Denials Available* for Appeal</th>
<th>Total Number of Denials Appealed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>359,564</td>
<td>164,484</td>
</tr>
<tr>
<td>Region A</td>
<td>65,586</td>
<td>26,509</td>
</tr>
<tr>
<td>Region B</td>
<td>52,288</td>
<td>26,150</td>
</tr>
<tr>
<td>Region C</td>
<td>155,198</td>
<td>72,614</td>
</tr>
<tr>
<td>Region D</td>
<td>86,492</td>
<td>39,211</td>
</tr>
</tbody>
</table>

* 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 2016). RACTRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
59% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q1 2016 reported appealing inpatient coding denials.

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 than 81% of claims appealed to the administrative law judge (ALJ), the ALJ 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 2016

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 40% of the original Part A reimbursement.

Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 1st Quarter, 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Hospital Count</th>
<th>Total # Level of Care Denials Re-billed</th>
<th>Total Part A Denied Amount of Re-billed Claims</th>
<th>Total # Level of Care Denials Re-billed and Reimbursed under Part B</th>
<th>Average Part B Reimbursement</th>
<th>Average Part A Reimbursement</th>
<th>Average % of Part A Denied Amount Reimbursed Under Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>125</td>
<td>10,982</td>
<td>$62,148,876</td>
<td>6,958</td>
<td>$1,961</td>
<td>$4,854</td>
<td>40%</td>
</tr>
<tr>
<td>Region A</td>
<td>25</td>
<td>2,398</td>
<td>$13,072,569</td>
<td>1,247</td>
<td>$2,196</td>
<td>$5,025</td>
<td>44%</td>
</tr>
<tr>
<td>Region B</td>
<td>35</td>
<td>2,282</td>
<td>$11,783,741</td>
<td>1,110</td>
<td>$1,009</td>
<td>$4,697</td>
<td>21%</td>
</tr>
<tr>
<td>Region C</td>
<td>50</td>
<td>5,670</td>
<td>$35,246,138</td>
<td>4,063</td>
<td>$2,180</td>
<td>$5,036</td>
<td>43%</td>
</tr>
<tr>
<td>Region D</td>
<td>15</td>
<td>632</td>
<td>$2,046,426</td>
<td>538</td>
<td>$1,722</td>
<td>$3,414</td>
<td>50%</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (April 2016). RAC TRAC Survey
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Of the claims that have completed the appeals process, 59% 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 2016*

<table>
<thead>
<tr>
<th>Region</th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Denials Awaiting Appeals Determination</th>
<th>Number of Denials Not Overturned from Appeals Process* (Withdrawn/Not Continued)</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>164,484</td>
<td>46%</td>
<td>44,385</td>
<td>37,519</td>
<td>54,325</td>
<td>59%</td>
</tr>
<tr>
<td>Region A</td>
<td>26,509</td>
<td>40%</td>
<td>7,120</td>
<td>7,663</td>
<td>8,583</td>
<td>53%</td>
</tr>
<tr>
<td>Region B</td>
<td>26,150</td>
<td>50%</td>
<td>5,366</td>
<td>5,696</td>
<td>9,880</td>
<td>63%</td>
</tr>
<tr>
<td>Region C</td>
<td>72,614</td>
<td>47%</td>
<td>20,812</td>
<td>16,256</td>
<td>20,220</td>
<td>55%</td>
</tr>
<tr>
<td>Region D</td>
<td>39,211</td>
<td>45%</td>
<td>11,087</td>
<td>7,904</td>
<td>15,633</td>
<td>66%</td>
</tr>
</tbody>
</table>

* May include appeals withdrawn to re-bill.

*Response rates vary by quarter.
Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
51% 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 2016

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

- **51%** Additional information provided by the hospital substantiated the claim
- **27%** Care provided was found to be medically necessary
- **20%** The claim is currently under review by a different auditor
- **18%** The RAC made an error in its determination process
- **9%** Other

Source: AHA. (April 2016). RAC TRAC Survey
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RAC Pre-payment Reviews
Hospitals experiencing prepayment denials report higher 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 1st Quarter, 2016

<table>
<thead>
<tr>
<th></th>
<th>Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Prepay Reviews</td>
<td>2,497</td>
</tr>
<tr>
<td>Average Dollar Amount Of Prepay Claims Reviewed</td>
<td>$6,403</td>
</tr>
<tr>
<td>Number Prepay Denials</td>
<td>1,055</td>
</tr>
<tr>
<td>Average Dollar Amount Of Prepay Denials</td>
<td>$5,219</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (April 2016). RAC TRAC Survey

AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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.
42% of prepayment reviews are denied by a RAC and hospitals are appealing 72% 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 1st Quarter, 2016

- Denial Rate: 42%
- Appeal Rate: 72%
- Appeal Overturn Rate: 51%

*Response rates vary by quarter.

Source: AHA. (April 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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
43% of all hospitals reported spending more than $10,000 managing the RAC process during the 1st quarter of 2016, 26% spent more than $25,000 and 8% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 1st Quarter 2016

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2016). RAC Trac Survey
AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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 Medicare administrative contractors (MACs) and the demand letter process.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 1st Quarter 2016

- Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim: 43%
- Not receiving a demand letter informing the hospital of a RAC denial: 34%
- Long lag (greater than 30 days) between date on review results letter and receipt of demand letter: 31%
- Long lag (greater than 15 days) between date on demand letter and receipt of demand letter: 27%
- RAC not meeting 60-day deadline to make a determination on a claim: 27%
- Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice: 25%
- Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance: 20%

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2016). RAC TRAC Survey

AHA analysis of survey data collected from 2,578 hospitals: 2,316 reporting activity, 262 reporting no activity through March 2016. 730 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