Quarterly RAC Policy and RAC Trac Update

2nd Quarter 2016

October 18, 2016
RAC Policy Update

Melissa Myers, Senior Associate Director
Two-midnight Audits: Update

- CMS paused QIO patient status audits in May
- Goal:
  - *Promote consistent application of medical reviews*
  - *Allow time to standardize QIO review process*
- Audits resumed Sept. 12
Two-midnight Audits: Update

- During pause, CMS:
  - Retrained QIOs on 2MN
  - Had QIOs re-review denied claims
  - Limited look-back period to six months
Application of Lookback Period

Outside lookback:
- Denied = removed from sample and paid
- Not formally denied = removed from sample and paid

Within lookback:
- Denied = re-reviewed
- Not formally denied = reviewed under 2MN rule
Advanced APM Demo

• 18-month demo for clinicians, hospitals in MACRA advanced APM models
• Claims for APM-aligned beneficiaries will be low priority for medical review
• Intent = reduce clinician administrative burden
Advanced APM Demo

Demo applies only to complex medical reviews (no impact on automated reviews)
RAC Contracting

- CMS close to awarding new long-term contracts
- Current RAC ADRs stopped May 16, 2016
- RACs cannot send claims to MAC for adjustment after Oct. 1, 2016
- CMS will provide more info on transition…
• Court has indicated it is likely to rule in favor of AHA, hospitals
• AHA: Court should order:
  – Order categories of reform, or
  – Numerical targets for improvement
• Categories of reforms:
  – Broad settlements with providers
  – Delay recoupment of denied claims, toll accrual of interest
  – Penalize RACs for ALJ overturns
• **Targets for improvement:**
  - 30% reduction by 12/31/2017
  - 60% reduction 12/31/18
  - 90% reduction by 12/31/19
  - Elimination of backlog by 12/31/20
  - On 1/1/21, default judgment for all claimants whose appeals have been pending at the ALJ level for more than one calendar year
CMS Settlement Reopening

- 9/28/16: CMS announced on website that it will reopen hospital appeals settlement

- Details 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 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

- 2,582 hospitals have participated in RAC TRAC since data collection began in January of 2010. 676 hospitals participated this quarter.
- 60% of reviewed claims in Q2 2016 were found to not have an overpayment.
- 72% of hospitals received a complex denial based on inpatient coding in Q2 2016.
- Hospitals report appealing 45% of all RAC denials.
- 28% of hospitals report having a denial reversed in the discussion period.
- 47% of all hospitals reported spending more than $10,000 managing the RAC process during the 2nd quarter of 2016, 27% spent more than $25,000 and 5% spent over $100,000.
Q3 2016 RACTrac Reporting Period – Please Participate!

- Please submit your hospital’s RAC experience data by this **Friday, October 21st**

- If you need password or technical assistance, please contact the RAC *Trac* support staff at [ractracsupport@providercs.com](mailto:ractracsupport@providercs.com) or call (888) 722-8712
RAC Reviews
The average number of medical record requests per hospital increased in Q2 2016.

Average Automated Denials, Complex Denials and Medical Record Requests Per Participating Hospital, through 2nd Quarter 2016*

*Response rates vary by quarter.

Source: AHA. (July 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,582 hospitals: 2,320 reporting activity, 262 reporting no activity through June 2016. 676 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.
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 2nd Quarter 2016

Source: AHA. (July 2016). RACTRAC Survey
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RAC Denials
The average dollar value of an automated denial was $741 and the average dollar value of a complex denial was $5,418.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd 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>$714</td>
<td>$5,418</td>
</tr>
<tr>
<td>Region A</td>
<td>$638</td>
<td>$5,431</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,556</td>
<td>$4,938</td>
</tr>
<tr>
<td>Region C</td>
<td>$686</td>
<td>$5,487</td>
</tr>
<tr>
<td>Region D</td>
<td>$449</td>
<td>$5,659</td>
</tr>
</tbody>
</table>

Source: AHA. (July 2016). RACTrac Survey
AHA analysis of survey data collected from 2,582 hospitals: 2,320 reporting activity, 262 reporting no activity through June 2016. 676 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 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, 2nd Quarter 2016

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

- 35% Outpatient Billing Error
- 24% Inpatient Coding Error (MSDRG)
- 22% Duplicate Payment
- 11% Outpatient Coding Error
- 5% Incorrect Discharge Status
- 4% All Other

Source: AHA. (July 2016). RAC Trac Survey
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Complex RAC Denials
The most commonly cited reason for a complex denial is inpatient coding error.

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Nationally, hospitals reported a high percentage of complex claims were denied 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, 2nd Quarter 2016

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

Source: AHA. (July 2016). RACTrac Survey
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Region A: Hospitals reported a high percentage of complex claims were denied 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, 2nd Quarter 2016, Region A

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

Source: AHA. (July 2016). RACTrac Survey
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Region B: Hospitals reported a significant percentage of complex claims were denied 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, 2nd Quarter 2016, Region B

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

Source: AHA. (July 2016). RACTRAC Survey
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Region C: Hospitals reported a high percentage of complex claims were denied 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\textsuperscript{nd} Quarter 2016, Region C

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

Source: AHA. (July 2016). RAC\textsuperscript{Trac} Survey
AHA analysis of survey data collected from 2,582 hospitals: 2,320 reporting activity, 262 reporting no activity through June 2016. 676 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 high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

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Appeals
28% 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, 2nd Quarter 2016

<table>
<thead>
<tr>
<th>Reversed Denials by RAC Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>38%</td>
<td>44%</td>
<td>18%</td>
</tr>
<tr>
<td>Region B</td>
<td>31%</td>
<td>62%</td>
<td>7%</td>
</tr>
<tr>
<td>Region C</td>
<td>27%</td>
<td>62%</td>
<td>10%</td>
</tr>
<tr>
<td>Region D</td>
<td>14%</td>
<td>82%</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. (July 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,582 hospitals: 2,320 reporting activity, 262 reporting no activity through June 2016. 676 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 45% of RAC denials including almost 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 2\textsuperscript{nd} 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>390,797</td>
<td>176,915</td>
</tr>
<tr>
<td>Region A</td>
<td>64,217</td>
<td>25,889</td>
</tr>
<tr>
<td>Region B</td>
<td>64,679</td>
<td>31,749</td>
</tr>
<tr>
<td>Region C</td>
<td>162,316</td>
<td>78,706</td>
</tr>
<tr>
<td>Region D</td>
<td>99,585</td>
<td>40,571</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. (July 2016). RACTRAC Survey

AHA analysis of survey data collected from 2,582 hospitals: 2,320 reporting activity, 262 reporting no activity through June 2016. 676 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.
56% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q2 2016 reported appealing inpatient coding denials.

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For 75% of claims that are 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 2nd Quarter 2016

Source: AHA. (July 2016). RAC Trac Survey
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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, 2\textsuperscript{nd} Quarter 2016

![Pie chart showing 16% of respondents experienced denied claims converted to full medical necessity denials during appeals process, while 84% did not experience this.]

Source: AHA. (July 2016). RAC\textsuperscript{TRAC} Survey
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27% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 2nd Quarter 2016*

<table>
<thead>
<tr>
<th>Region</th>
<th>25%</th>
<th>23%</th>
<th>29%</th>
<th>26%</th>
<th>27%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td></td>
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<tr>
<td>Region B</td>
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<tr>
<td>Region D</td>
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<td></td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td></td>
<td></td>
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</tbody>
</table>

*Response rates vary by quarter.
Source: AHA. (July 2016). RAC TRAC Survey
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For complex denials that are re-billed under Part B, hospitals report receiving 57% of the original Part A reimbursement.

Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 2nd 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>12,329</td>
<td>$67,975,700</td>
<td>7,743</td>
<td>$2,163</td>
<td>$4,805</td>
<td>45%</td>
</tr>
<tr>
<td>Region A</td>
<td>27</td>
<td>2,861</td>
<td>$18,972,243</td>
<td>1,444</td>
<td>$2,264</td>
<td>$5,455</td>
<td>42%</td>
</tr>
<tr>
<td>Region B</td>
<td>33</td>
<td>2,354</td>
<td>$11,808,971</td>
<td>1,348</td>
<td>$1,212</td>
<td>$4,383</td>
<td>28%</td>
</tr>
<tr>
<td>Region C</td>
<td>50</td>
<td>6,353</td>
<td>$34,424,317</td>
<td>4,375</td>
<td>$2,509</td>
<td>$4,867</td>
<td>52%</td>
</tr>
<tr>
<td>Region D</td>
<td>15</td>
<td>761</td>
<td>$2,770,167</td>
<td>576</td>
<td>$1,498</td>
<td>$3,687</td>
<td>41%</td>
</tr>
</tbody>
</table>

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Of the claims that have completed the appeals process, 60% were overturned in favor of the provider.

<table>
<thead>
<tr>
<th>Completed Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appealed</td>
</tr>
<tr>
<td>NATIONWIDE</td>
</tr>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Region C</td>
</tr>
<tr>
<td>Region D</td>
</tr>
</tbody>
</table>

* May include appeals withdrawn to re-bill.

*Response rates vary by quarter.

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

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53% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

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

- 53%: Additional information provided by the hospital substantiated the claim
- 28%: Care provided was found to be medically necessary
- 18%: The RAC made an error in its determination process
- 13%: The claim is currently under review by a different auditor
- 8%: Other

Source: AHA. (July 2016). RAC TRAC Survey
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Administrative Burden
47% of all hospitals reported spending more than $10,000 managing the RAC process during the 2nd quarter of 2016, 27% spent more than $25,000 and 5% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 2nd Quarter 2016

- 53% spent $0 to $10,000
- 20% spent $10,001 to $25,000
- 12% spent $25,001 to $50,000
- 7% spent $50,001 to $75,000
- 5% spent $75,001 to $100,000
- 3% spent $100,001 and over

* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2016). RAC Trac Survey
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Hospitals report widespread RAC process-related issues, including multiple problems with Medicare audit contractors (MACs) and the demand letter process.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2\textsuperscript{nd} Quarter 2016

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim</td>
<td>41%</td>
</tr>
<tr>
<td>Long lag (greater than 30 days) between date on review results letter and receipt of demand letter</td>
<td>40%</td>
</tr>
<tr>
<td>Not receiving a demand letter informing the hospital of a RAC denial</td>
<td>34%</td>
</tr>
<tr>
<td>Long lag (greater than 15 days) between date on demand letter and receipt of demand letter</td>
<td>25%</td>
</tr>
<tr>
<td>RAC not meeting 60-day deadline to make a determination on a claim</td>
<td>24%</td>
</tr>
<tr>
<td>Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice</td>
<td>24%</td>
</tr>
<tr>
<td>Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance</td>
<td>23%</td>
</tr>
</tbody>
</table>

* Includes participating hospitals with and without RAC activity

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

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For more information visit AHA’s RAC TRAC website:

http://www.aha.org/ractrac