



# Quarterly RAC Policy and RAC *Trac* Webinar

Results of AHA RAC *TRAC* Survey, 3<sup>rd</sup> Quarter 2016

December 13, 2016



## **RAC Policy Update**

***Melissa Myers,  
Senior Associate Director***

# *RAC Contracting*

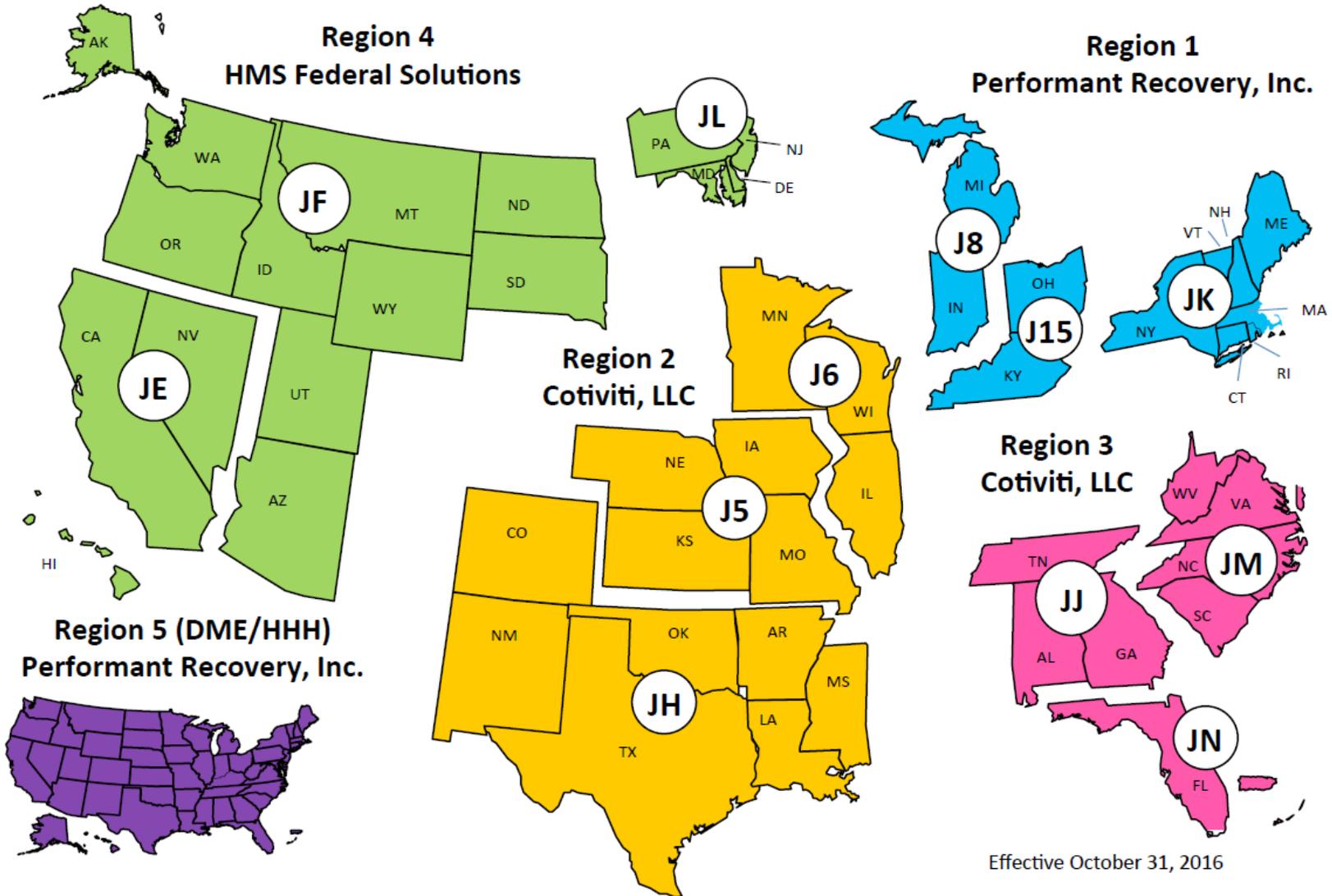
- CMS announced new RAC contracts Oct. 31
- New SOW available on [CMS website](#)
- Transition timeframe still TBD



# RAC Contracting

Region	Contractor	Contingency Fee
1	Performant Recovery, Inc.	8.38%
2	Cotiviti, LLC	6.74%
3	Cotiviti, LLC	7.61%
4	HMS Federal Solutions	7.46%
5	Performant Recovery, Inc.	8.0%

# New RAC Jurisdictions



# Key SOW Takeaways

- Mandatory 30 days for discussion
- No financial penalties; instead, rewards based on performance
- 6-month lookback for PIP providers  
Required provision of data on appeals
- Standards for assisting with ALJ hearings:
  - Party to appeal in at least 50%
  - Participate in at least 50% of remaining
- Contingency fee reduced to reflect any settlement with providers

# AHA Litigation Update

- **Court granted summary judgment in favor of AHA, hospital plaintiffs**
- **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
  - If elimination goal not met, plaintiffs can move for default judgment
- **Status updates to court every 90 days**



# *CMS Settlement 2.0*

- 66 percent of value of claims:
  - Denied for patient status
  - Only for dates of admission prior to 10/1/13
  - Denied by a CMS contractor (or OIG)
- Process opened Dec. 1
- Expression of interest due by Jan. 31, 2017
- More info: <http://go.cms.gov/HASP2016>



# 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)
- Email RAC Questions: [racinfo@aha.org](mailto:racinfo@aha.org)



**AHA Audit  
Education Series™**



## **RAC *Trac* Update**

***Michael Ward,  
Senior Associate Director***

# RACTrac News – Skipping Q4 2016 Reporting Period

## ***A brief pause in survey reporting...***

- Given the absence of RAC audits during Q4 2016, the AHA will not open RACTrac for data reporting in January 2017.
- Hospitals should collect data on audits during Q1 2017, as the survey will open for data collection in April 2017.
- It will be important to collect data immediately as RACs restart to help track any new trends under the updated parameters of RAC audits.
- States have been reassigned within the four Medicare RAC regions that impact hospitals, LTCHs, IRFs, and SNFs, as have the auditors overseeing the regions. It will be important to track any changes in audit experience resulting from these changes.



# Executive Summary

- 2,580 hospitals have participated in RAC<sup>TRAC</sup> since data collection began in January of 2010. 683 hospitals participated this quarter.
- 60% of reviewed claims in Q3 2016 were found to not have an overpayment.
- 56% of hospitals received a complex denial based on inpatient coding in Q3 2016, a decline of 17% from Q2 2016.
- Hospitals report appealing 45% of all RAC denials.
- 27% 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 3<sup>rd</sup> quarter of 2016, 24% spent more than \$25,000 and 4% spent over \$100,000.

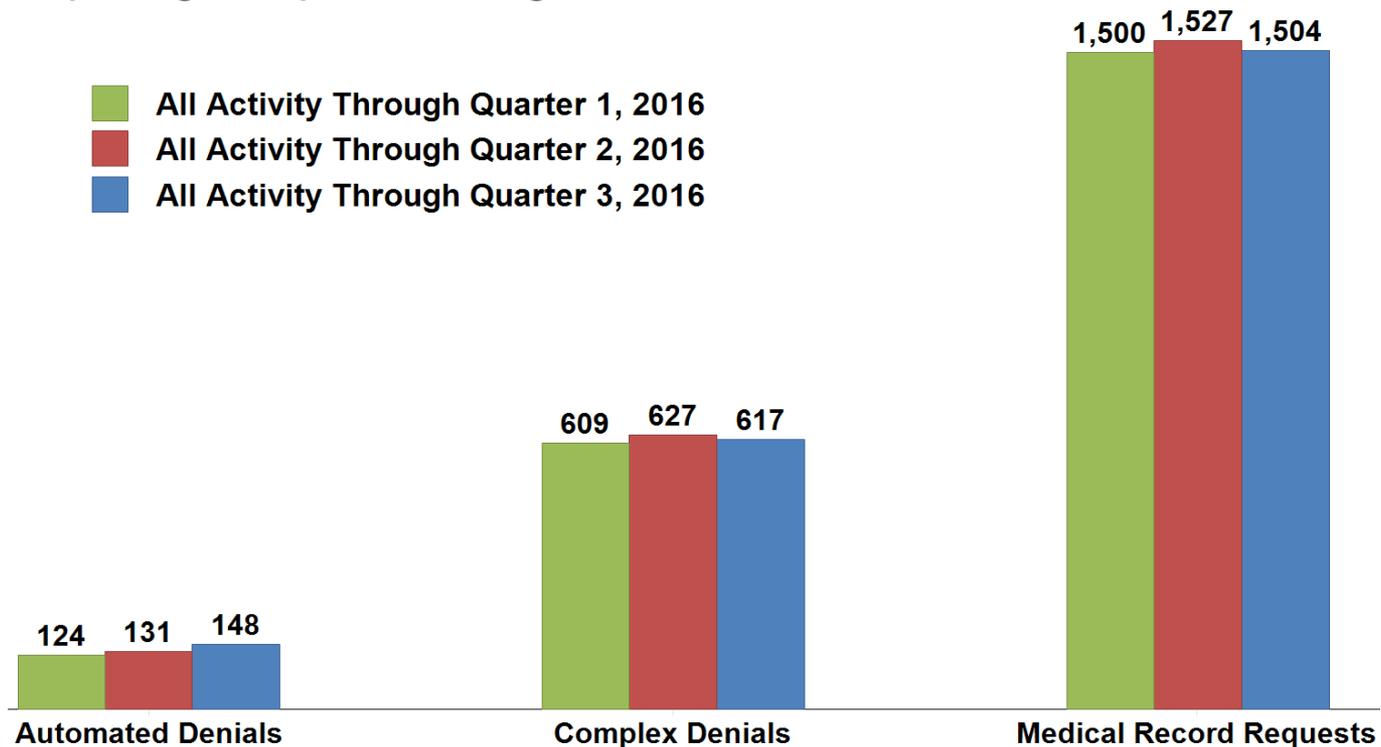




# RAC Reviews

# The average number of medical record requests per hospital have increased slightly since Q1 2016.

## Average Automated Denials, Complex Denials and Medical Record Requests Per Participating Hospital, through 3<sup>rd</sup> Quarter 2016\*



\*Response rates vary by quarter.

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

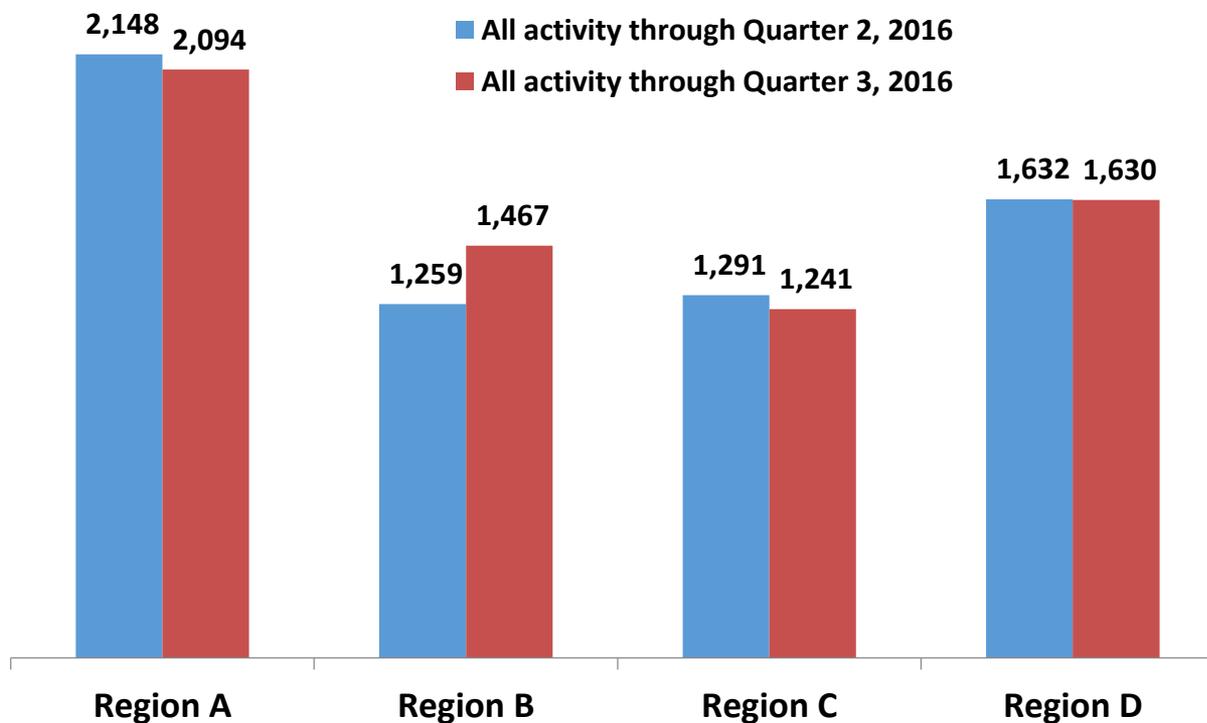
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# Region A has the highest average number of medical record requests per hospital.

Average Number of Medical Records Requested Per Participating Hospital With Complex Medical Record RAC Activity, through 3<sup>rd</sup> Quarter 2016\*



Source: AHA. (October 2016). RAC/TrAC Survey

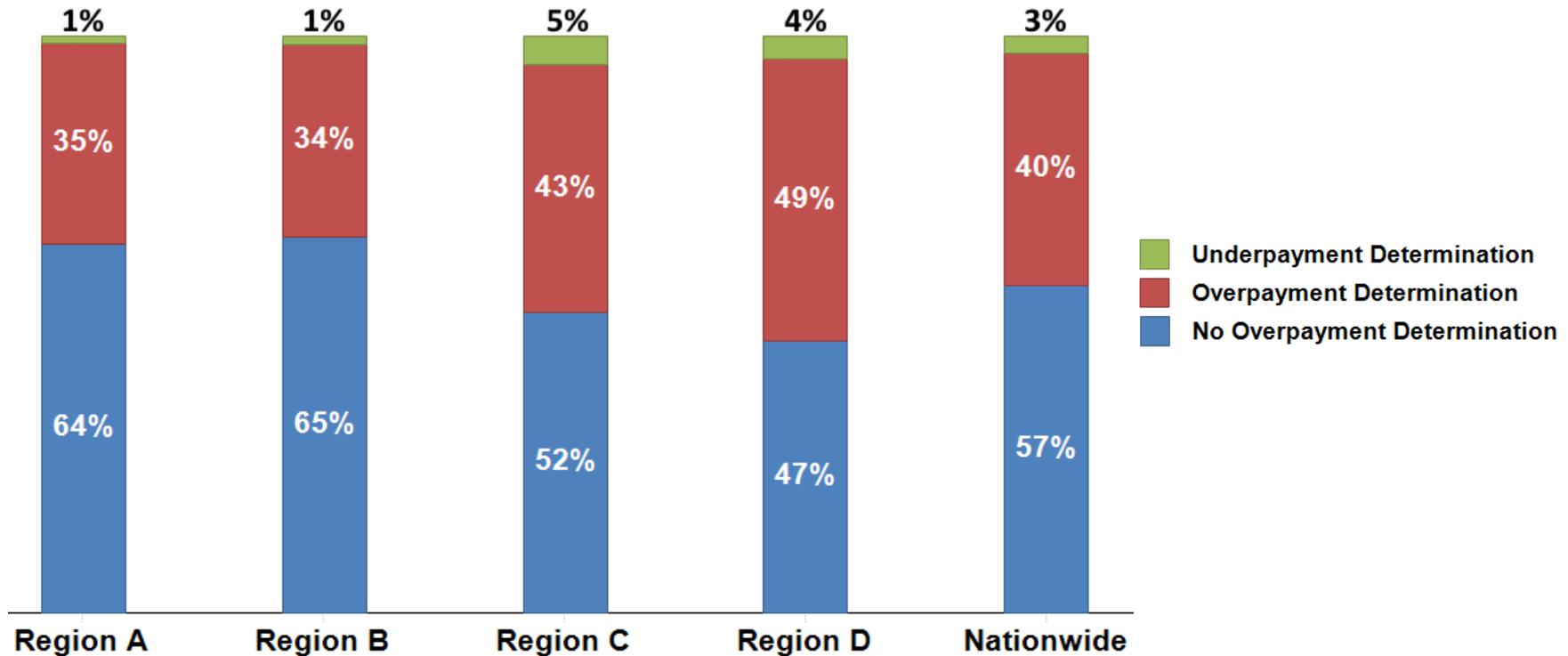
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# 60% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 3<sup>rd</sup> Quarter 2016



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

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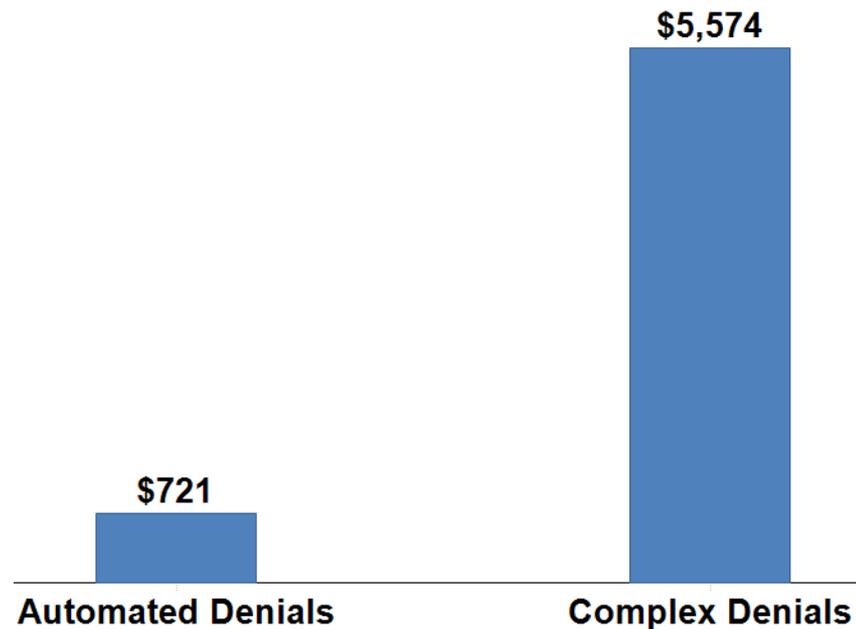


## RAC Denials

The average dollar value of an automated denial was \$721 and the average dollar value of a complex denial was \$5,574.

## Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3<sup>rd</sup> Quarter 2016

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$721	\$5,574
Region A	\$715	\$5,664
Region B	\$1,425	\$4,796
Region C	\$633	\$5,467
Region D	\$483	\$6,319



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

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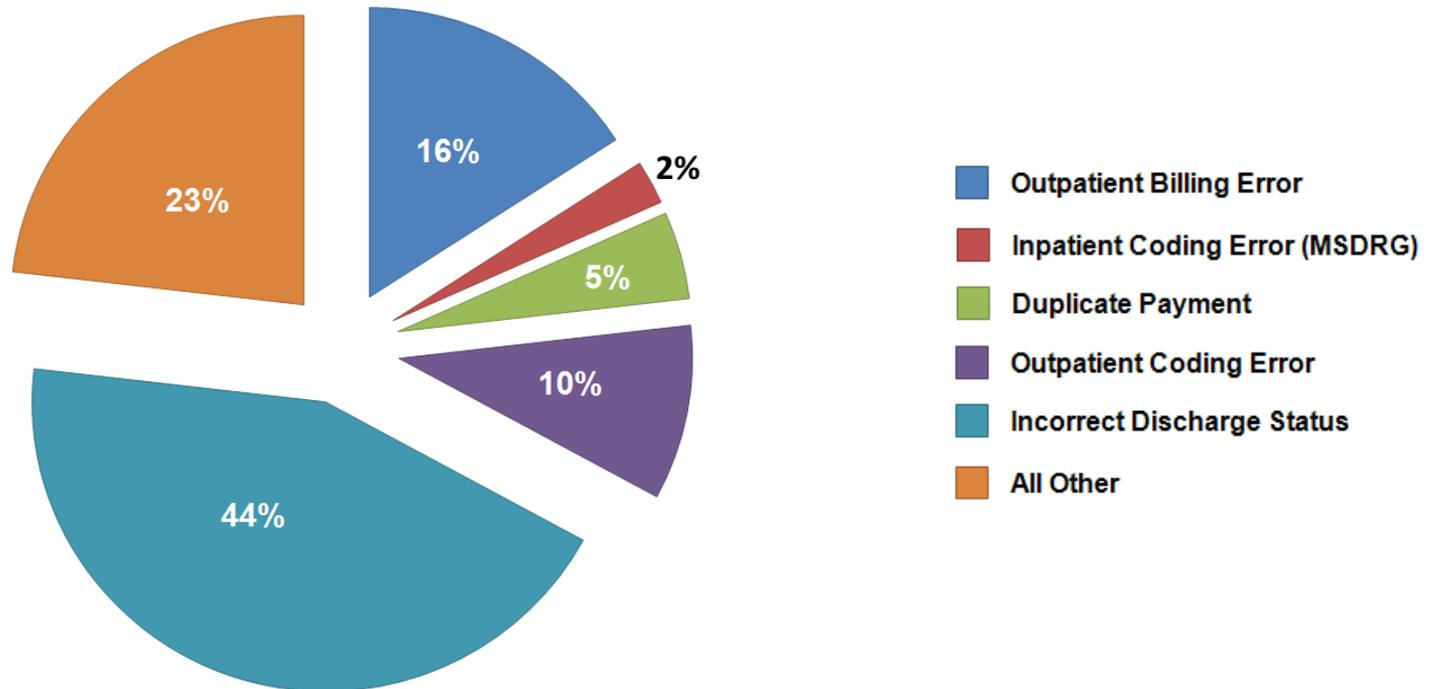


## Automated RAC Denials

# 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, 3<sup>rd</sup> Quarter 2016

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



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

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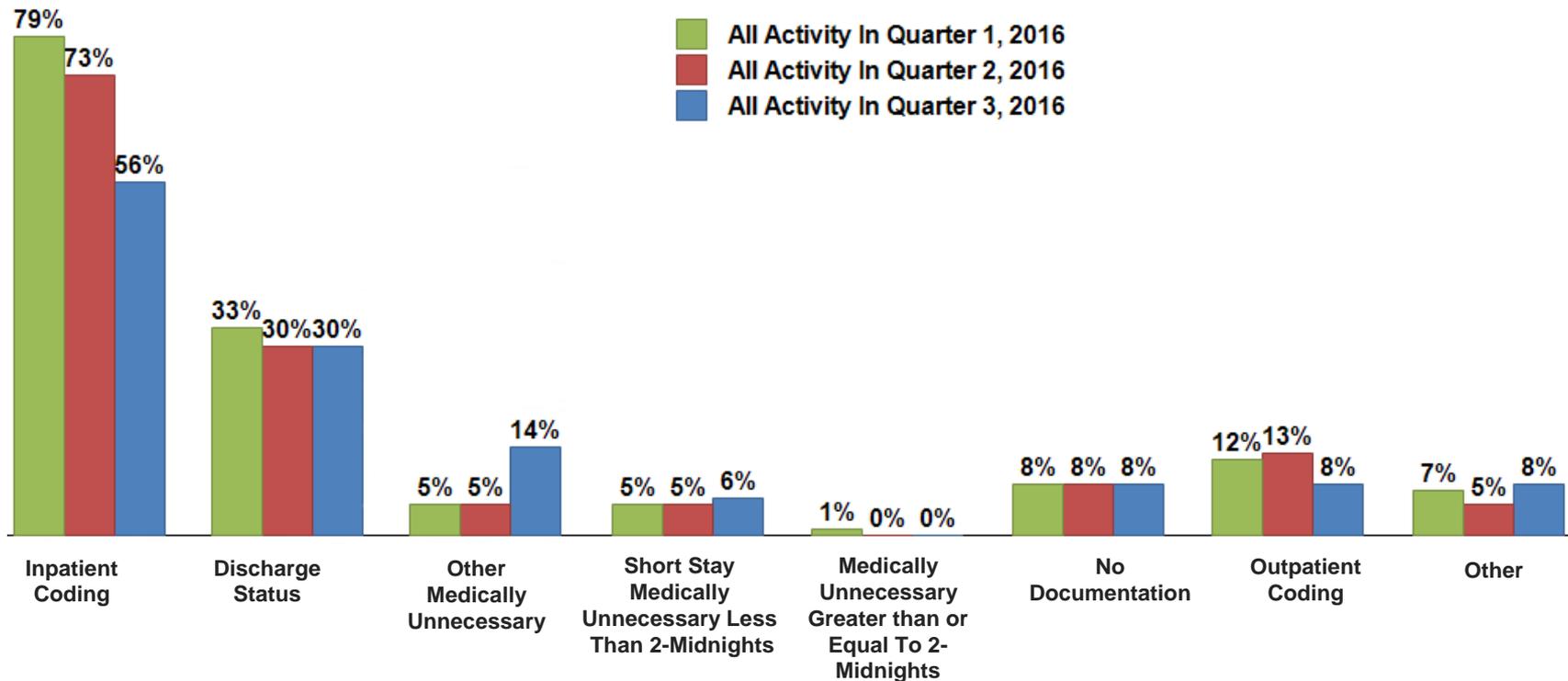


## Complex RAC Denials

# 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 3<sup>rd</sup> Quarter 2016

Survey participants were asked to select all reasons for denial.



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

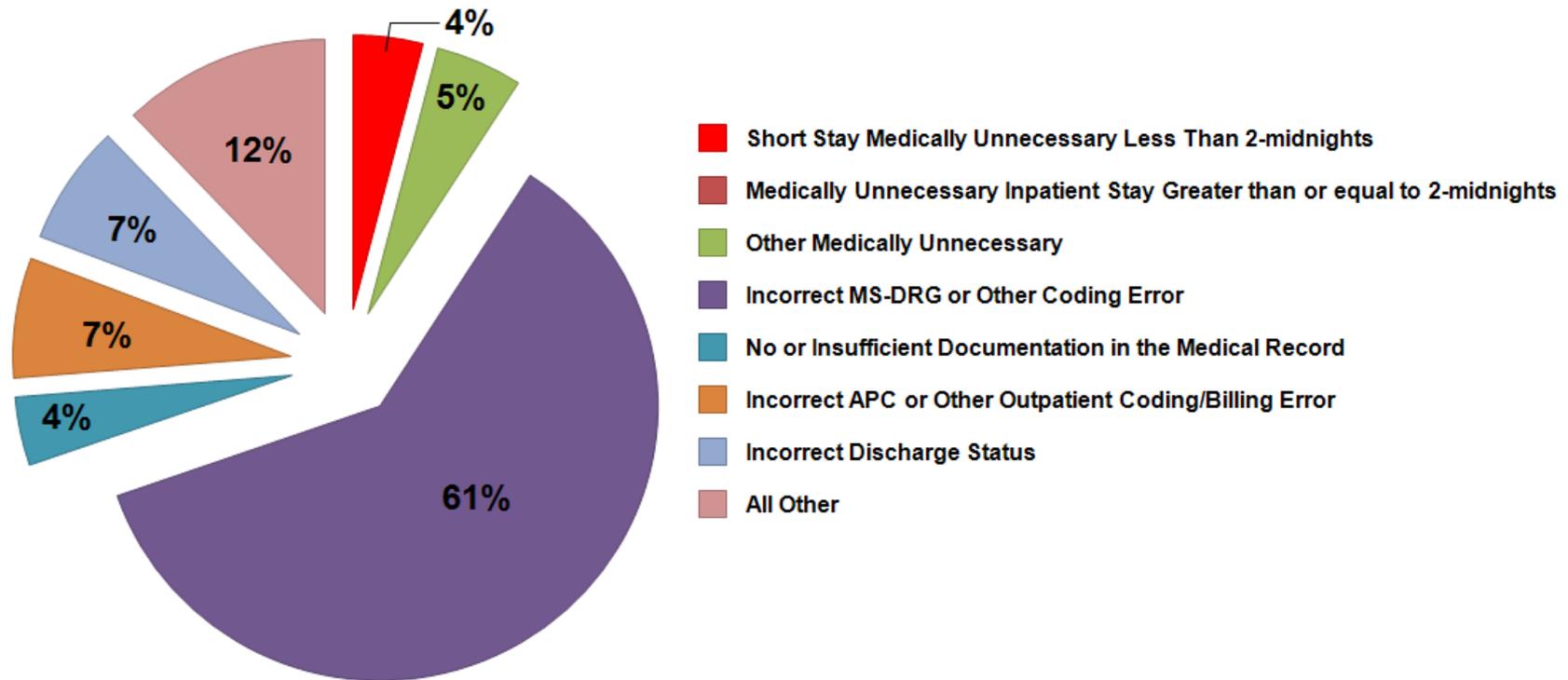
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# Nationally, hospitals reported incorrect MS-DRG or other coding error as the top reason for complex RAC denials, by overall dollar impact.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2016

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



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

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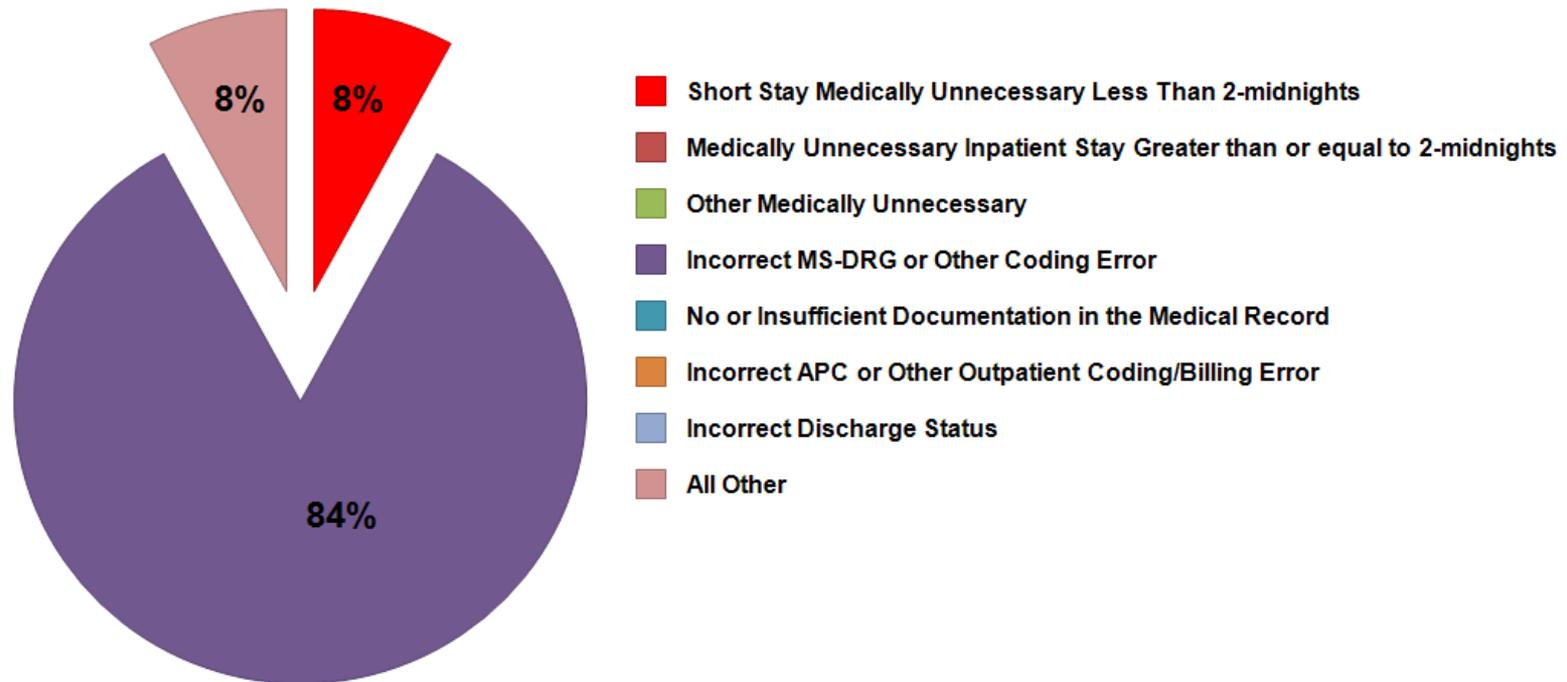
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# Region A: A very high percentage of hospitals reported incorrect MS-DRG or other coding error as the most impactful complex denial type, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2016, Region A

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



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

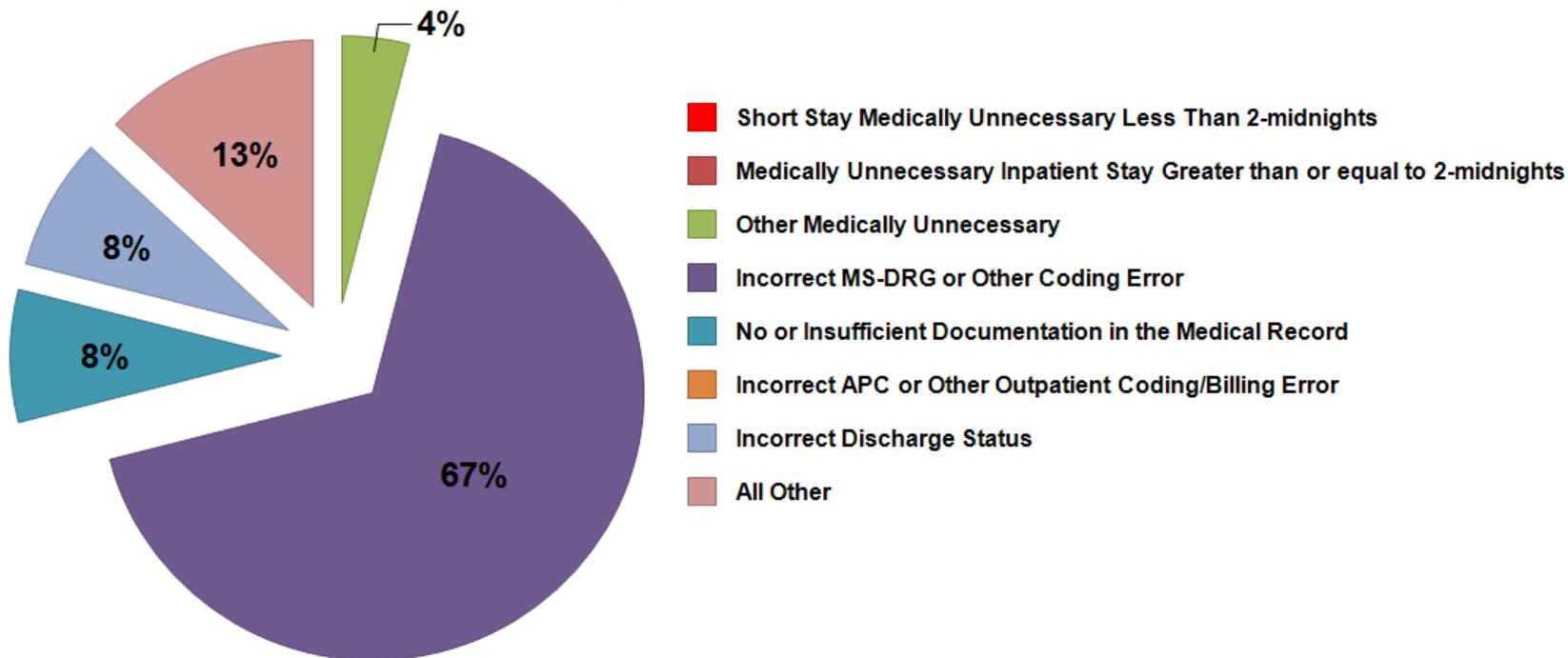
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# Region B: Two-thirds of hospitals reported incorrect MS-DRG or other coding error constituted the most impactful type of complex denial, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2016, Region B

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



Source: AHA. (October 2016). RAC/TrAC Survey

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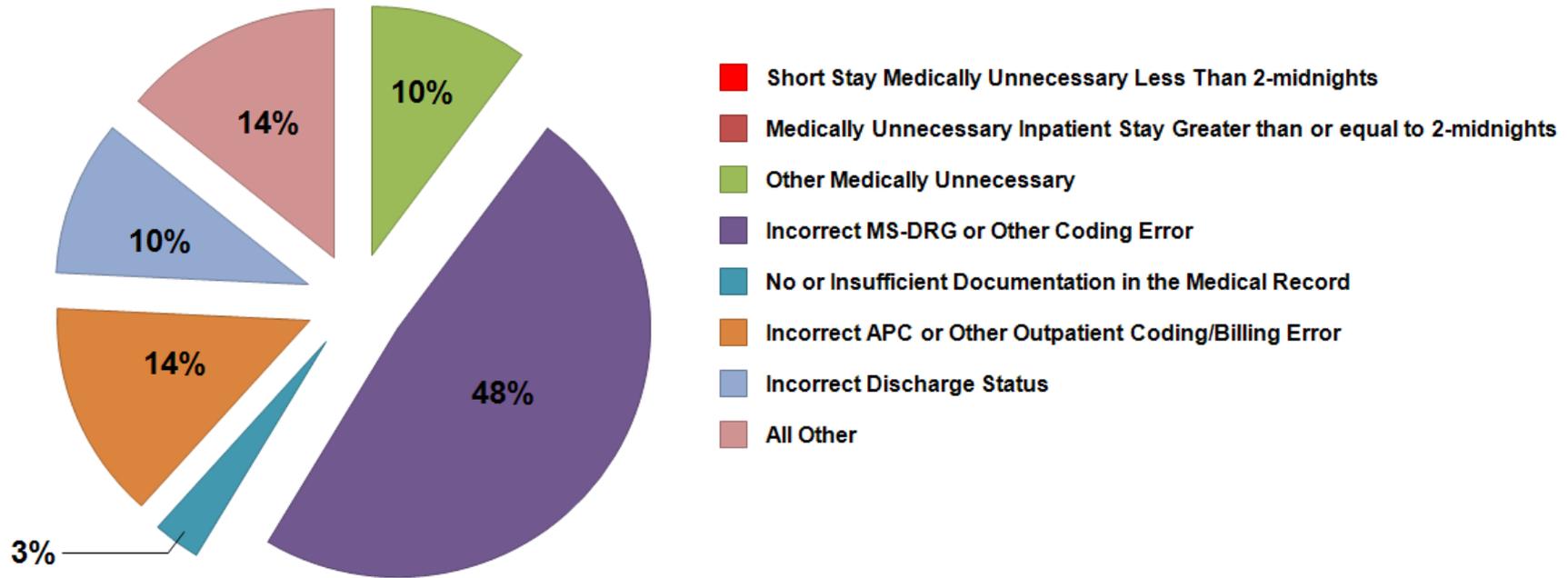
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# Region C: Almost half of hospitals reported incorrect MS-DRG or other coding error was the top reason for complex denial, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2016, Region C

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



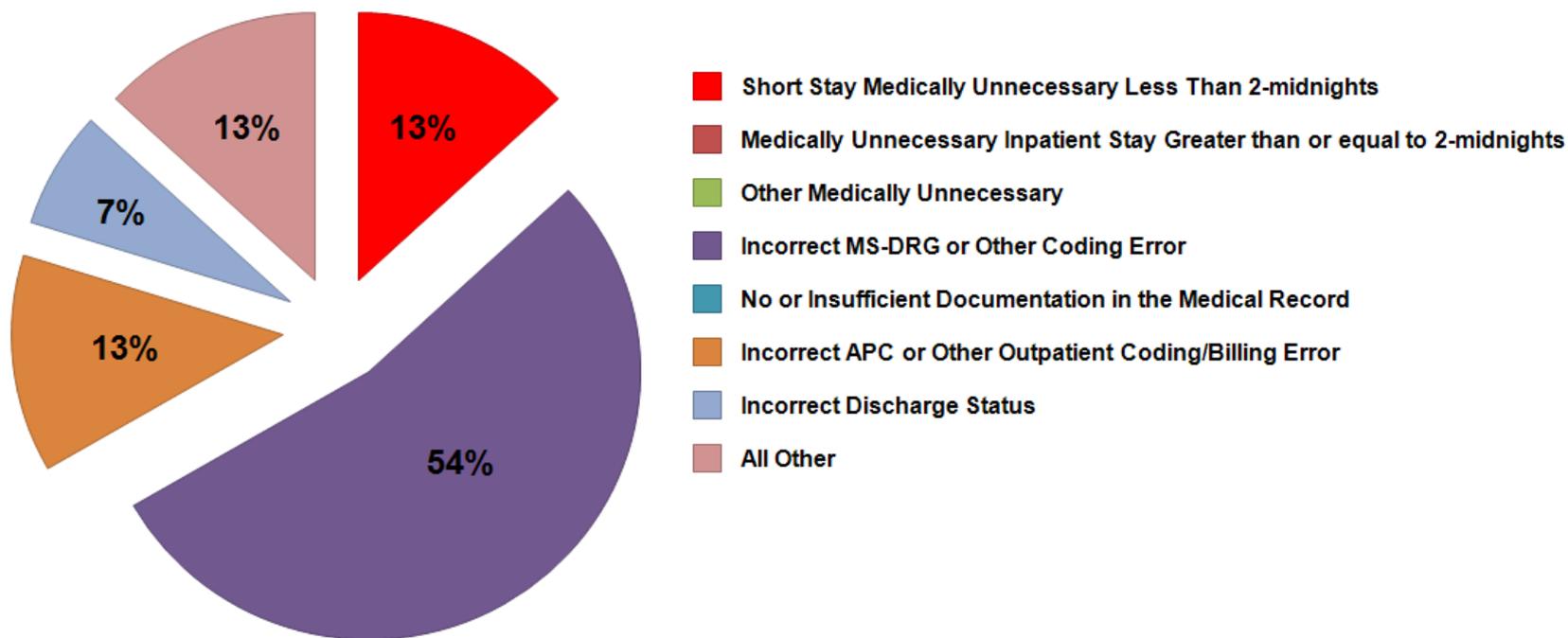
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# Region D: Over half of hospitals reported incorrect MS-DRG or other coding error as the top reason for complex denial, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2016, Region D

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



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

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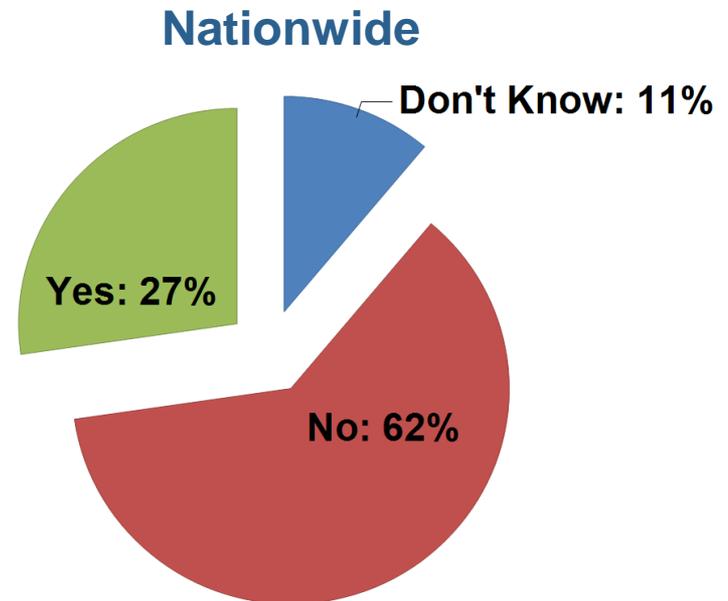
Appeals

# 27% 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, 3<sup>rd</sup> Quarter 2016

### Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	34%	44%	26%
Region B	26%	73%	2%
Region C	25%	63%	12%
Region D	27%	64%	9%



*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. (October 2016). RAC TRAC Survey

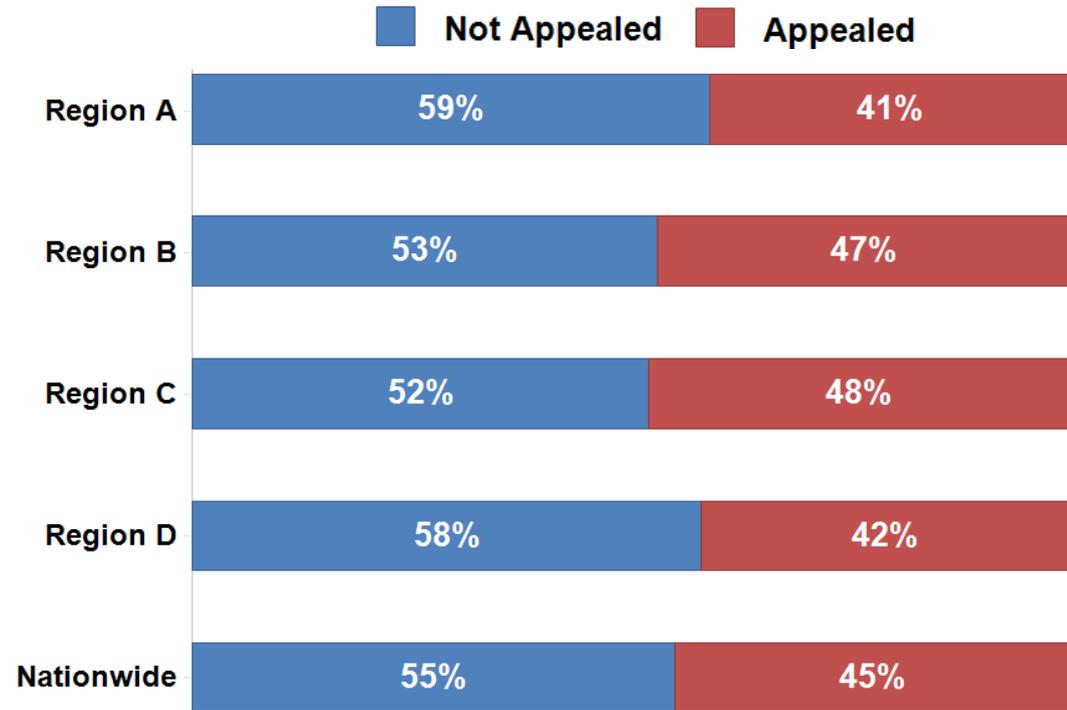
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# Nationwide hospitals report appealing 45% of RAC denials including almost half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 3<sup>rd</sup> Quarter 2016

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	319,621	144,033
Region A	47,072	19,414
Region B	57,474	27,095
Region C	135,376	64,335
Region D	79,699	33,189



\* 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. (October 2016). RAC TRAC Survey

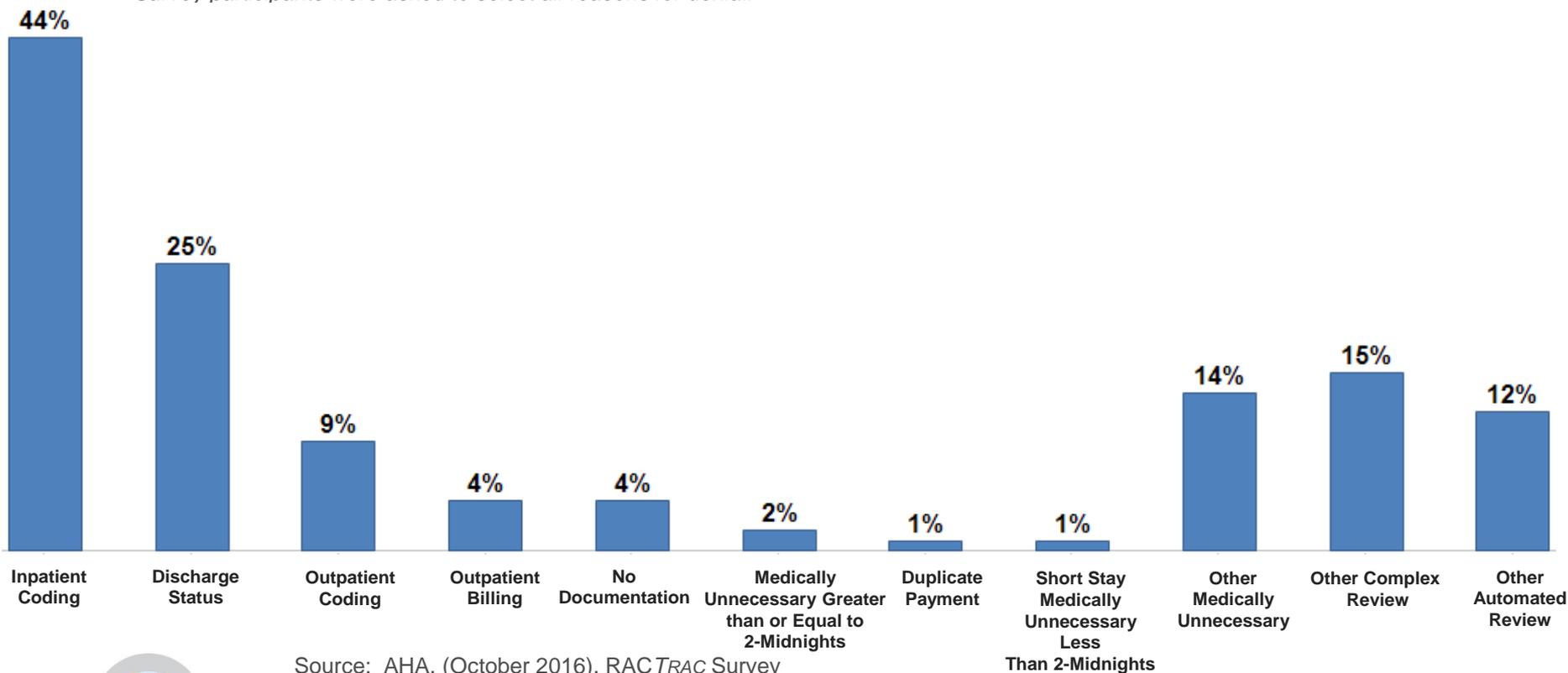
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# 44% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q3 2016 reported appealing inpatient coding denials.

## Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 3<sup>rd</sup> Quarter 2016

Survey participants were asked to select all reasons for denial.



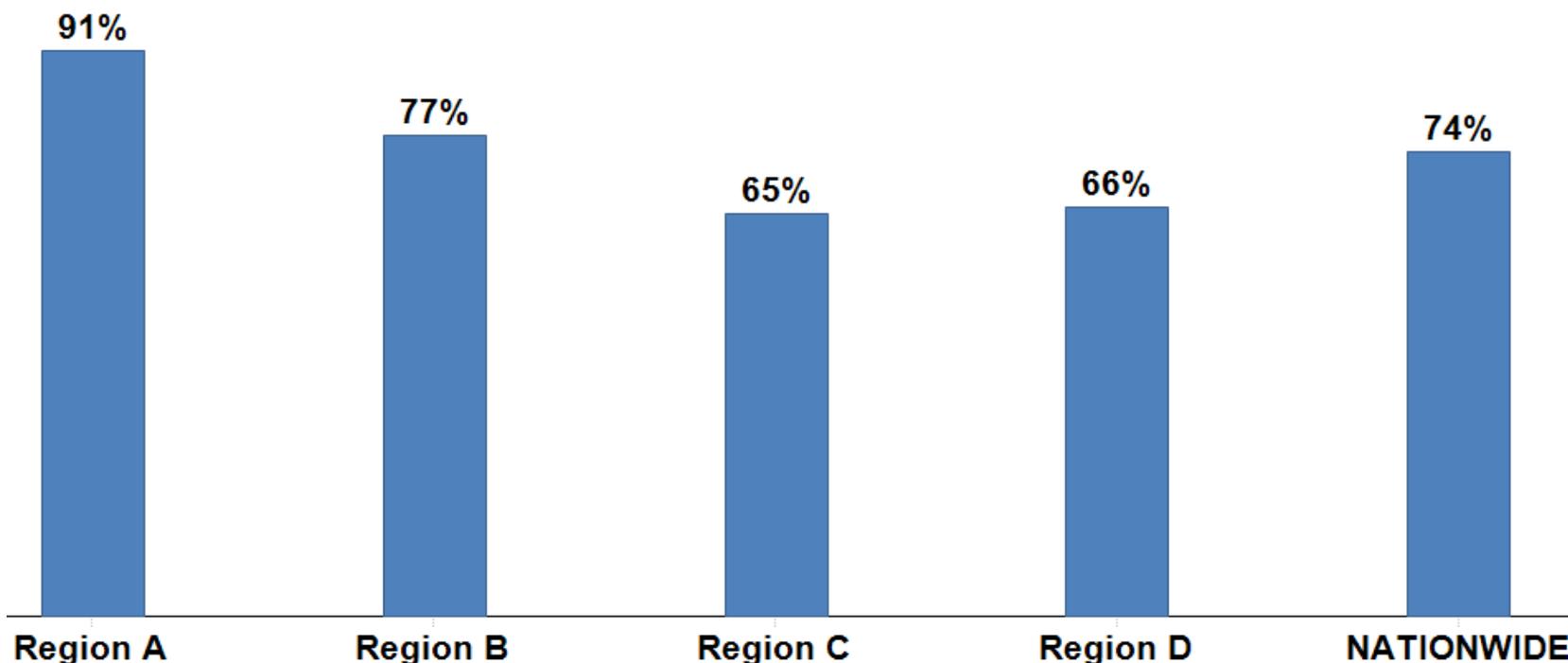
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# For 74% of claims that are appealed to the administrative law judge (ALJ), the ALJ has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 3<sup>rd</sup> Quarter 2016



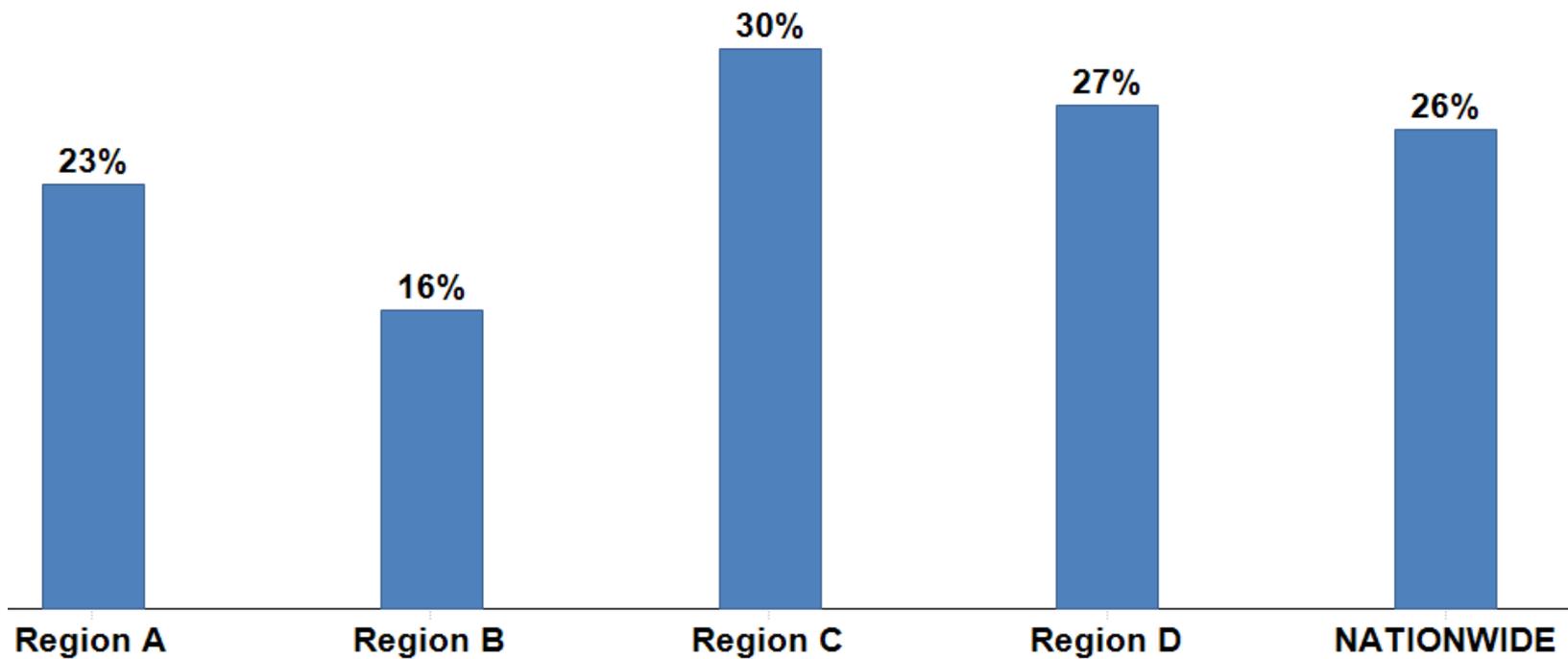
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# 26% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 3<sup>rd</sup> Quarter 2016\*



\*Response rates vary by quarter.

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

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# For complex denials that are re-billed under Part B, hospitals report receiving 45% of the original Part A reimbursement.

## Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 3<sup>rd</sup> Quarter, 2016

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	102	11,475	\$64,058,624	8,271	\$2,210	\$4,889	45%
Region A	27	2,532	\$14,763,776	1,187	\$2,370	\$5,139	46%
Region B	20	808	\$3,782,563	794	\$790	\$4,700	17%
Region C	48	6,817	\$37,684,949	5,434	\$2,202	\$4,811	46%
Region D	*	*	*	*	*	*	*

\*Too few hospital responses. Response rates vary by quarter.

Source: AHA. (October 2016). RAC/TRAC Survey

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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 3<sup>rd</sup> Quarter 2016\*

				Completed Appeals		
	Appealed	Percent of Denials Appealed	Number of Denials Awaiting Appeals Determination	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	144,033	45%	36,949	33,497	54,188	62%
Region A	19,414	41%	4,418	4,972	7,135	59%
Region B	27,095	47%	4,327	8,269	12,012	59%
Region C	64,335	48%	19,269	13,829	19,476	58%
Region D	33,189	42%	8,935	6,427	15,565	71%

\* May include appeals withdrawn to re-bill.

\*Response rates vary by quarter.

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

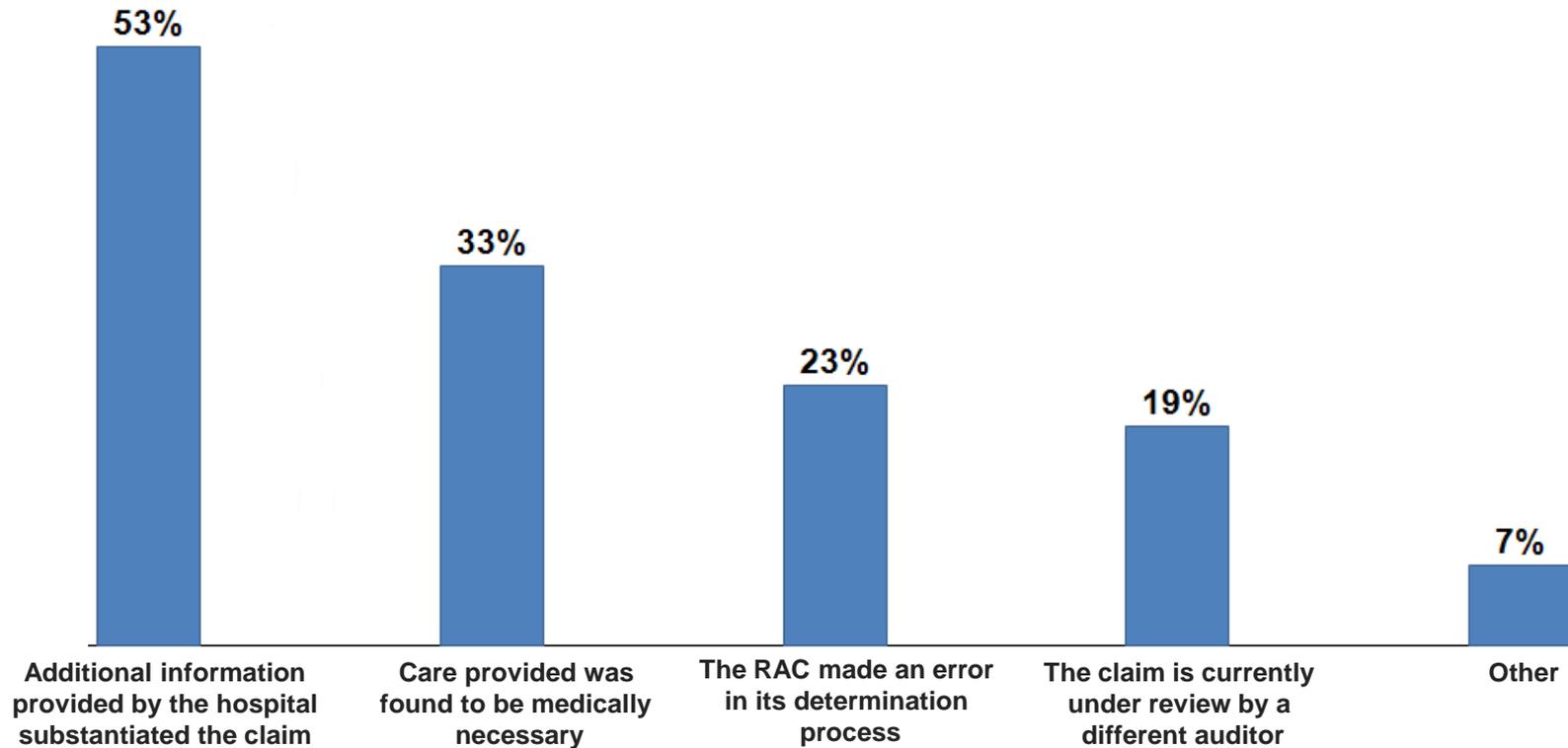
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# 53% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

## Percent of Participating Hospitals that Had a Denial Overturned by Reason, 3<sup>rd</sup> Quarter 2016

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



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

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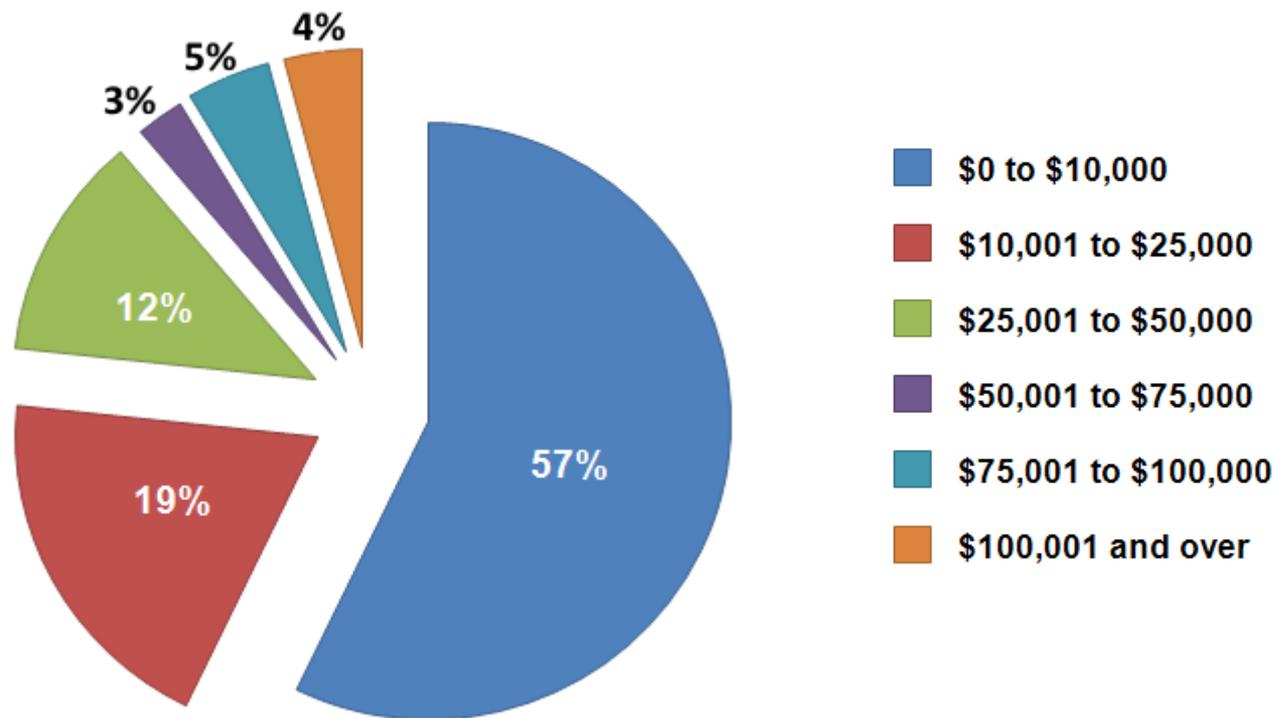
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# Administrative Burden

43% of all hospitals reported spending more than \$10,000 managing the RAC process during the 3rd quarter of 2016, 24% spent more than \$25,000 and 4% spent over \$100,000.

## Percent of Participating Hospitals\* Reporting Average Cost Dealing with the RAC Program, 3<sup>rd</sup> Quarter 2016



\* Includes participating hospitals with and without RAC activity

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

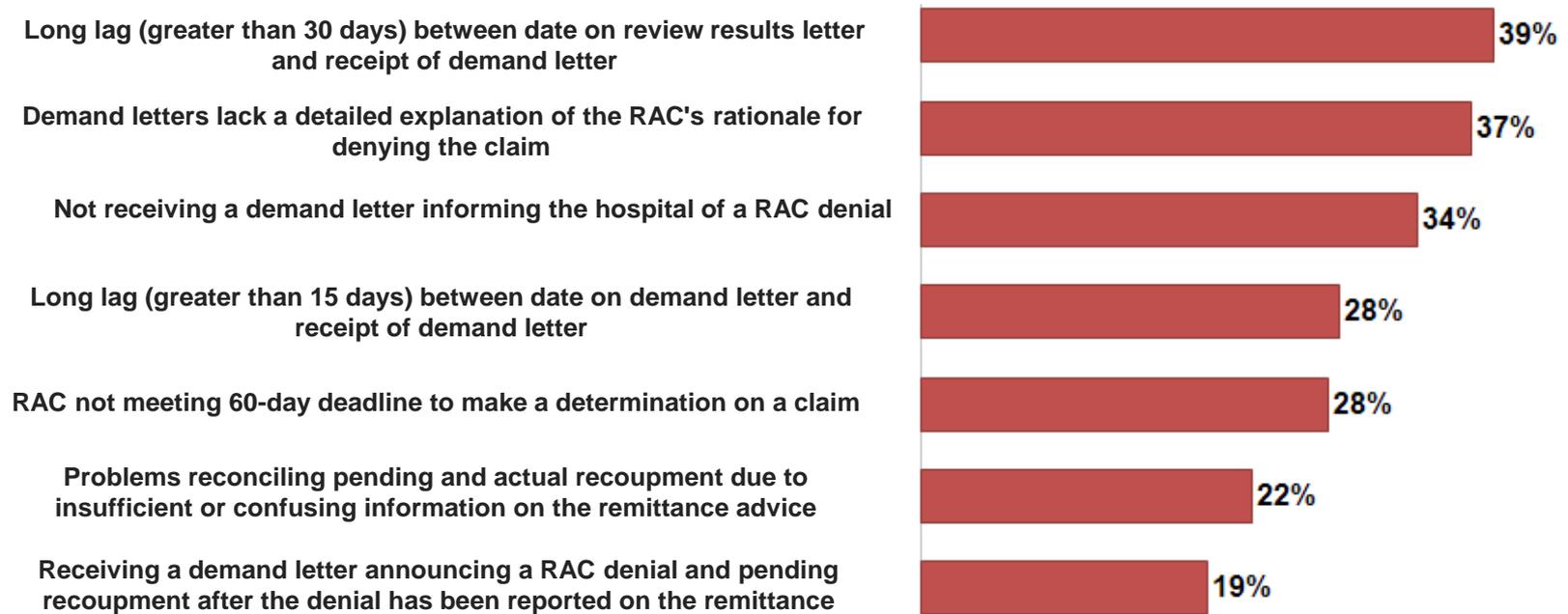
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# Hospitals report widespread RAC process-related issues, including multiple problems with Medicare administrative contractors (MACs) and the demand letter process.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 3<sup>rd</sup> Quarter 2016



\* Includes participating hospitals with and without RAC activity

Source: AHA. (October 2016). RACTRAC Survey

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

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