Quarterly RAC Policy and RAC Trac Webinar

Results of AHA RAC Trac Survey, 3rd 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
<table>
<thead>
<tr>
<th>Region</th>
<th>Contractor</th>
<th>Contingency Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Performant Recovery, Inc.</td>
<td>8.38%</td>
</tr>
<tr>
<td>2</td>
<td>Cotiviti, LLC</td>
<td>6.74%</td>
</tr>
<tr>
<td>3</td>
<td>Cotiviti, LLC</td>
<td>7.61%</td>
</tr>
<tr>
<td>4</td>
<td>HMS Federal Solutions</td>
<td>7.46%</td>
</tr>
<tr>
<td>5</td>
<td>Performant Recovery, Inc.</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
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
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
RACTrac Update

Michael Ward, 
Senior Associate Director
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 TRAC 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 3rd quarter of 2016, 24% spent more than $25,000 and 4% spent over $100,000.
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 3rd Quarter 2016*

*Response rates vary by quarter.

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 3rd Quarter 2016*

<table>
<thead>
<tr>
<th>Region</th>
<th>Activity Through Quarter 2, 2016</th>
<th>Activity Through Quarter 3, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>2,148</td>
<td>2,094</td>
</tr>
<tr>
<td>Region B</td>
<td>1,259</td>
<td>1,467</td>
</tr>
<tr>
<td>Region C</td>
<td>1,291</td>
<td>1,241</td>
</tr>
<tr>
<td>Region D</td>
<td>1,632</td>
<td>1,630</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 3rd Quarter 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Underpayment Determination</th>
<th>Overpayment Determination</th>
<th>No Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>1%</td>
<td>35%</td>
<td>64%</td>
</tr>
<tr>
<td>Region B</td>
<td>1%</td>
<td>34%</td>
<td>65%</td>
</tr>
<tr>
<td>Region C</td>
<td>5%</td>
<td>43%</td>
<td>52%</td>
</tr>
<tr>
<td>Region D</td>
<td>4%</td>
<td>49%</td>
<td>47%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>3%</td>
<td>40%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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.
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 3rd 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>$721</td>
<td>$5,574</td>
</tr>
<tr>
<td>Region A</td>
<td>$715</td>
<td>$5,664</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,425</td>
<td>$4,796</td>
</tr>
<tr>
<td>Region C</td>
<td>$633</td>
<td>$5,467</td>
</tr>
<tr>
<td>Region D</td>
<td>$483</td>
<td>$6,319</td>
</tr>
</tbody>
</table>

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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, 3rd Quarter 2016

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

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 3rd Quarter 2016

Survey participants were asked to select all reasons for denial.

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 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, 3rd 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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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, 3rd Quarter 2016, Region A

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

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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: 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, 3rd Quarter 2016, Region B

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

- 67%: Incorrect MS-DRG or Other Coding Error
- 13%: Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- 8%: Other Medically Unnecessary
- 8%: No or Insufficient Documentation in the Medical Record
- 4%: Short Stay Medically Unnecessary Less Than 2-midnights
- All Other

Source: AHA. (October 2016). RAC Trac Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 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, 3rd Quarter 2016, Region C

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

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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: 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, 3rd Quarter 2016, Region D

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

- Short Stay Medically Unnecessary Less Than 2-midnights: 13%
- Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights: 13%
- Other Medically Unnecessary: 7%
- Incorrect MS-DRG or Other Coding Error: 13%
- No or Insufficient Documentation in the Medical Record: 54%
- Incorrect APC or Other Outpatient Coding/Billing Error: 13%
- Incorrect Discharge Status: 13%
- All Other: 0%

Source: AHA. (October 2016). RACTrac Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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
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, 3rd Quarter 2016

<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>34%</td>
<td>44%</td>
<td>26%</td>
</tr>
<tr>
<td>Region B</td>
<td>26%</td>
<td>73%</td>
<td>2%</td>
</tr>
<tr>
<td>Region C</td>
<td>25%</td>
<td>63%</td>
<td>12%</td>
</tr>
<tr>
<td>Region D</td>
<td>27%</td>
<td>64%</td>
<td>9%</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. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 3rd Quarter 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Denials Available* for Appeal</th>
<th>Total Number of Denials Appealed</th>
<th>Appealed</th>
<th>Not Appealed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>319,621</td>
<td>144,033</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Region A</td>
<td>47,072</td>
<td>19,414</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Region B</td>
<td>57,474</td>
<td>27,095</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Region C</td>
<td>135,376</td>
<td>64,335</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Region D</td>
<td>79,699</td>
<td>33,189</td>
<td>42%</td>
<td>58%</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. (October 2016). RAC Trac Survey

AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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.
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, 3rd Quarter 2016

Survey participants were asked to select all reasons for denial.

Source: AHA. (October 2016). RAC TRAC Survey
AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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 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 3rd Quarter 2016

Source: AHA. (October 2016). RAC TRAC Survey
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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 3rd 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\textsuperscript{rd} Quarter, 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Hospital Count</th>
<th>Total # Level of Care Denied</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>102</td>
<td>11,475</td>
<td>$64,058,624</td>
<td>8,271</td>
<td>$2,210</td>
<td>$4,889</td>
<td>45%</td>
</tr>
<tr>
<td>Region A</td>
<td>27</td>
<td>2,532</td>
<td>$14,763,776</td>
<td>1,187</td>
<td>$2,370</td>
<td>$5,139</td>
<td>46%</td>
</tr>
<tr>
<td>Region B</td>
<td>20</td>
<td>808</td>
<td>$3,782,563</td>
<td>794</td>
<td>$790</td>
<td>$4,700</td>
<td>17%</td>
</tr>
<tr>
<td>Region C</td>
<td>48</td>
<td>6,817</td>
<td>$37,684,949</td>
<td>5,434</td>
<td>$2,202</td>
<td>$4,811</td>
<td>46%</td>
</tr>
<tr>
<td>Region D</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

*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 3rd Quarter 2016*

<table>
<thead>
<tr>
<th></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>144,033</td>
<td>45%</td>
<td>36,949</td>
<td>33,497</td>
<td>54,188</td>
<td>62%</td>
</tr>
<tr>
<td>Region A</td>
<td>19,414</td>
<td>41%</td>
<td>4,418</td>
<td>4,972</td>
<td>7,135</td>
<td>59%</td>
</tr>
<tr>
<td>Region B</td>
<td>27,095</td>
<td>47%</td>
<td>4,327</td>
<td>8,269</td>
<td>12,012</td>
<td>59%</td>
</tr>
<tr>
<td>Region C</td>
<td>64,335</td>
<td>48%</td>
<td>19,269</td>
<td>13,829</td>
<td>19,476</td>
<td>58%</td>
</tr>
<tr>
<td>Region D</td>
<td>33,189</td>
<td>42%</td>
<td>8,935</td>
<td>6,427</td>
<td>15,565</td>
<td>71%</td>
</tr>
</tbody>
</table>

* May include appeals withdrawn to re-bill.

*Response rates vary by quarter.

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

AHA analysis of survey data collected from 2,580 hospitals: 2,325 reporting activity, 255 reporting no activity through October 2016. 683 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.
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.

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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, 3rd 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

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long lag (greater than 30 days) between date on review results letter and receipt of demand letter</td>
<td>39%</td>
</tr>
<tr>
<td>Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim</td>
<td>37%</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>28%</td>
</tr>
<tr>
<td>RAC not meeting 60-day deadline to make a determination on a claim</td>
<td>28%</td>
</tr>
<tr>
<td>Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice</td>
<td>22%</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>19%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity*

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

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For more information visit AHA’s RAC $TRAC$ website:

http://www.aha.org/ractrac