Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC TRAC Survey, 1st Quarter 2016

June 3, 2016
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 1st quarter of 2016.
  - 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

- 2,578 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.
There are four RAC regions nationwide. Participation in RACTRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RACTRAC by RAC Region, through 1st Quarter 2016.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals Nationwide</th>
<th>Percent of Participating Hospitals by Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Region C</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Region D</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare and Medicaid Services
RAC Reviews
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*

*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.
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*

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 4, 2015</th>
<th>All activity through Quarter 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>2,176</td>
<td>2,148</td>
</tr>
<tr>
<td>Region B</td>
<td>1,569</td>
<td>1,259</td>
</tr>
<tr>
<td>Region C</td>
<td>1,430</td>
<td>1,291</td>
</tr>
<tr>
<td>Region D</td>
<td>1,805</td>
<td>1,632</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.
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). 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.
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.

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Region A: There were not enough responses from Region A to report on this question in Q1 2016.

Percent of Participating Hospitals by Top Reason for Automated 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.

* Too few responses to report

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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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, 1st Quarter 2016, Region B

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

- Outpatient Billing Error: 50%
- Inpatient Coding Error (MSDRG): 30%
- Duplicate Payment: 20%
- All Other
- Incorrect Discharge Status
- Outpatient Coding Error

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 C: There were not enough responses from Region C to report on this question in Q1 2016.

Percent of Participating Hospitals by Top Reason for Automated 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.

* Too few responses to report

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 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, 1st Quarter 2016, Region D

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). 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.
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.

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.

- 84% Incorrect MS-DRG or Other Coding Error
- 8% Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- 4% Other Medically Unnecessary
- 2% No or Insufficient Documentation in the Medical Record
- 2% Incorrect APC or Other Outpatient Coding/Billing Error
- 2% Incorrect Discharge Status
- 2% Short Stay Medically Unnecessary Less Than 2-midnights
- 2% 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 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.

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 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.

- Short Stay Medically Unnecessary Less Than 2-midnights
- Medically Unnecessary Inpatient Stay Greater than or equal to 2-midnights
- Other Medically Unnecessary
- Incorrect MS-DRG or Other Coding Error
- No or Insufficient Documentation in the Medical Record
- Incorrect APC or Other Outpatient Coding/Billing Error
- Incorrect Discharge Status
- 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.
Region D: Hospitals reported a very high percentage of denials on incorrect MS-DRG or other coding error.

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.
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

<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>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). 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.
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.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 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.
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

- Region A: 91%
- Region B: 92%
- Region C: 60%
- Region D: 96%
- NATIONWIDE: 81%

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.
16% of reporting hospitals reported having claims denied for DRG validation converted into full medical necessity denials when the determination was appealed.

Source: AHA. (April 2016). RACTracer 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.
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 1st Quarter 2016*

*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.
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
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.
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>Completed Appeals</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><strong>NATIONWIDE</strong></td>
<td>37,519</td>
<td>54,325</td>
<td>59%</td>
</tr>
<tr>
<td>Region A</td>
<td>7,663</td>
<td>8,583</td>
<td>53%</td>
</tr>
<tr>
<td>Region B</td>
<td>5,696</td>
<td>9,880</td>
<td>63%</td>
</tr>
<tr>
<td>Region C</td>
<td>16,256</td>
<td>20,220</td>
<td>55%</td>
</tr>
<tr>
<td>Region D</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% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.
- 27% of hospitals stated that care provided was found to be medically necessary.
- 20% of hospitals stated that the claim is currently under review by a different auditor.
- 18% of hospitals stated that the RAC made an error in its determination process.
- 9% of hospitals stated other reasons.

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.
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

*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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Administrative Burden
Hospitals experience many types of administrative impacts due to RACs.

Impact of RAC on Participating Hospitals* by Type of Impact, 1st Quarter 2016

* Includes participating hospitals with and without RAC activity

<table>
<thead>
<tr>
<th>Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducted training &amp; education</td>
<td>24%</td>
</tr>
<tr>
<td>Purchased Tracking software</td>
<td>23%</td>
</tr>
<tr>
<td>Increased Administrative costs</td>
<td>21%</td>
</tr>
<tr>
<td>Modified Admission criteria</td>
<td>10%</td>
</tr>
<tr>
<td>Added Administrative role for clinical staff</td>
<td>9%</td>
</tr>
<tr>
<td>Employed Additional staff</td>
<td>6%</td>
</tr>
<tr>
<td>Initiated a new internal task force</td>
<td>6%</td>
</tr>
<tr>
<td>Had to make cutbacks</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>No impact</td>
<td>45%</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.
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.
Hospitals continue to report a wide variety of RAC process problems.

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

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAC is rescinding medical record requests after you have already</td>
<td>14%</td>
</tr>
<tr>
<td>submitted the records</td>
<td></td>
</tr>
<tr>
<td>Problems with remittance advice RAC code N432</td>
<td>12%</td>
</tr>
<tr>
<td>RAC is mailing medical record requests to wrong hospital or wrong</td>
<td>6%</td>
</tr>
<tr>
<td>contact at your hospital</td>
<td></td>
</tr>
<tr>
<td>RAC is issuing more than one medical record request within a 45-day</td>
<td>2%</td>
</tr>
<tr>
<td>period</td>
<td></td>
</tr>
<tr>
<td>Problems with postage reimbursement</td>
<td>2%</td>
</tr>
<tr>
<td>RACs auditing claims that are older than the 3 year look-back period</td>
<td>2%</td>
</tr>
<tr>
<td>RAC is auditing a particular MS-DRG or type of claim that is not</td>
<td>2%</td>
</tr>
<tr>
<td>approved by CMS</td>
<td></td>
</tr>
<tr>
<td>Other issues/problems</td>
<td>10%</td>
</tr>
</tbody>
</table>

* 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