



# Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC *TRAC* Survey, 2<sup>nd</sup> Quarter 2016

October 6, 2016

# RAC 101

- 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));
  - 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<sup>TRAC</sup> Background

- AHA created RAC<sup>TRAC</sup>—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<sup>TRAC</sup> (accessed at [www.aharactrac.com](http://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 2<sup>nd</sup> quarter of 2016.
  - Survey registration information and RAC<sup>TRAC</sup> support can be accessed at [ractracsupport@providercs.com](mailto:ractracsupport@providercs.com) or 1-888-722-8712.
  - Hospitals submit data to RAC<sup>Trac</sup> through their claim tracking tools
    - 21 external vendors offer an upload function to export a hospital's RAC data to RAC<sup>Trac</sup>, or hospitals can choose to utilize the claim-level tracking tool provided by the AHA.



# Executive Summary

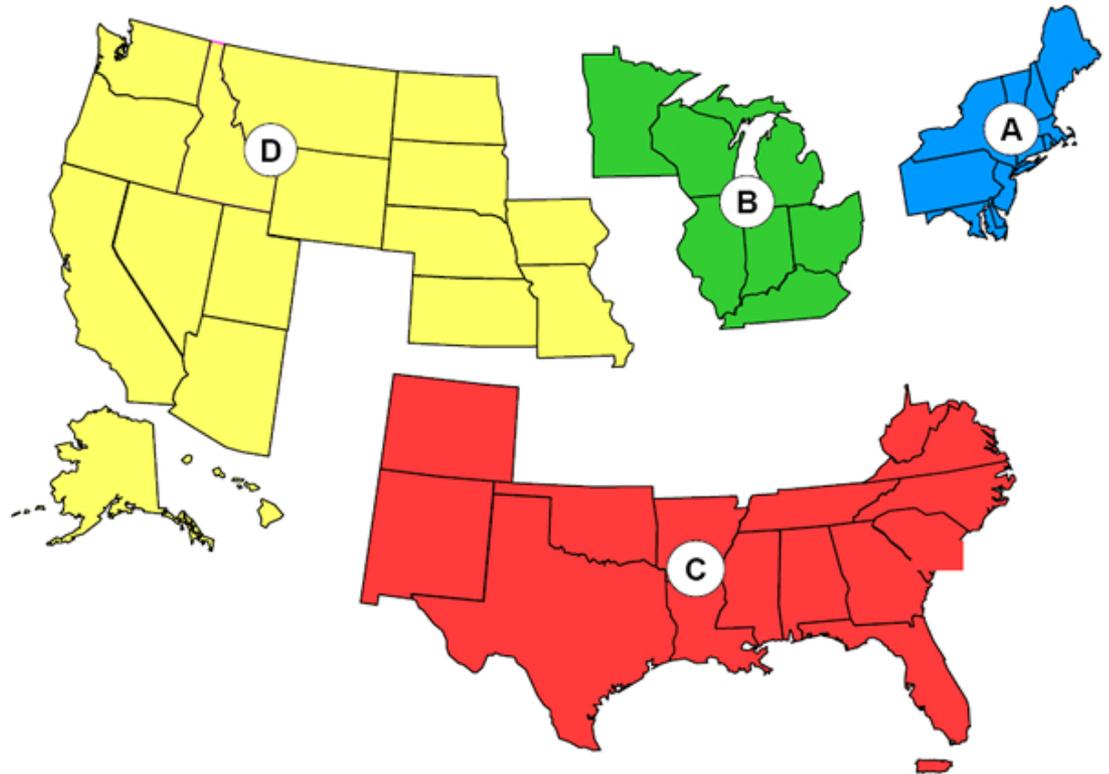
- 2,582 hospitals have participated in RAC TRAC since data collection began in January of 2010. 676 hospitals participated this quarter.
- 60% of reviewed claims in Q2 2016 were found to not have an overpayment.
- 72% of hospitals received a complex denial based on inpatient coding in Q2 2016.
- Hospitals 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 2<sup>nd</sup> quarter of 2016, 27% spent more than \$25,000 and 5% spent over \$100,000.



# There are four RAC regions nationwide. Participation in RAC TRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC TRAC by RAC Region, through 2<sup>nd</sup> Quarter 2016.

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	16%
Region B	18%	23%
Region C	41%	35%
Region D	26%	25%



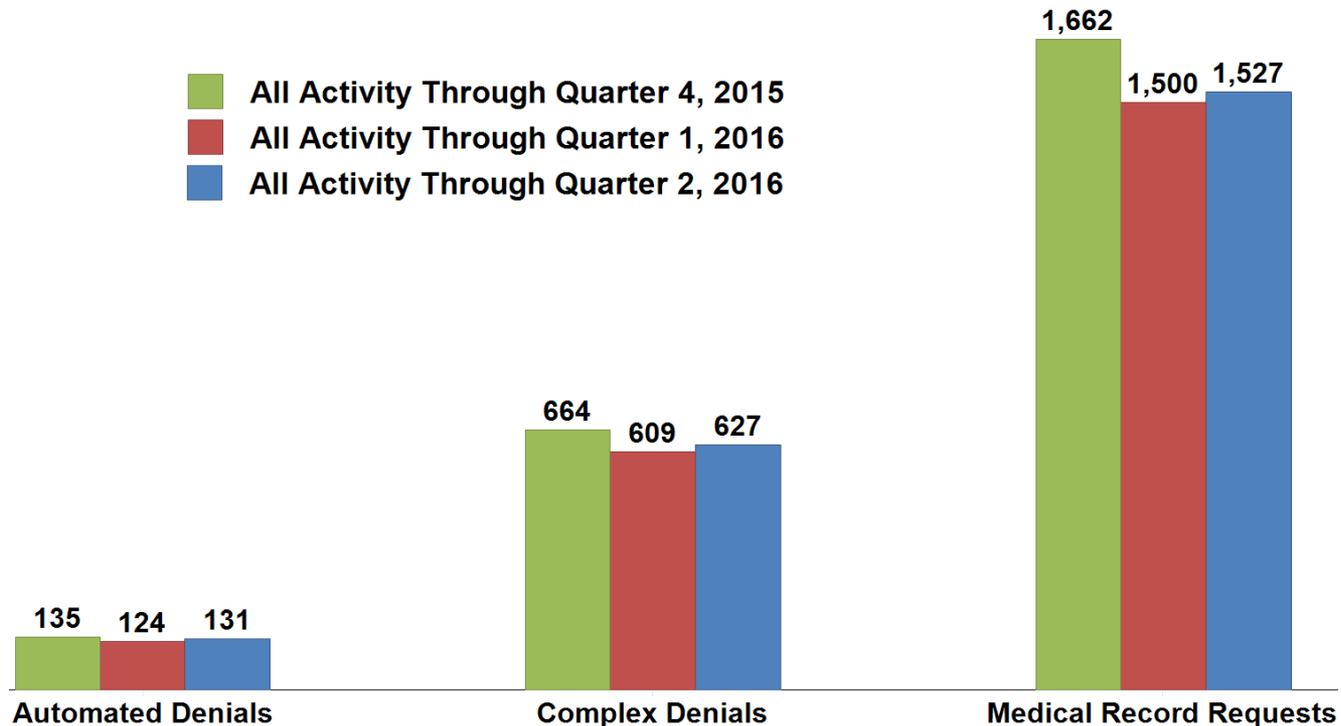
Source: Centers for Medicare & Medicaid Services



## 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 2<sup>nd</sup> Quarter 2016\*



\*Response rates vary by quarter.

Source: AHA. (July 2016). RAC<sup>TRAC</sup> Survey

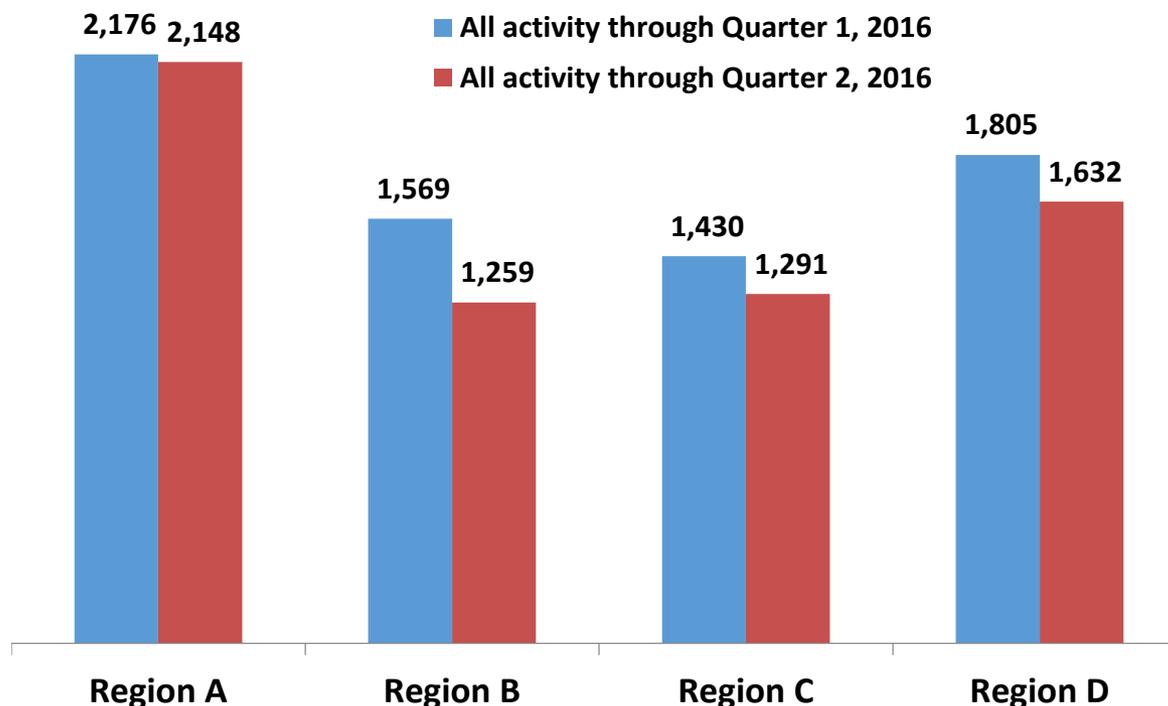
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# Region A has the highest average number of medical record requests per hospital.

Average Number of Medical Records Requested Per Participating Hospital With Complex Medical Record RAC Activity, through 2<sup>nd</sup> Quarter 2016\*



\*Response rates vary by quarter.

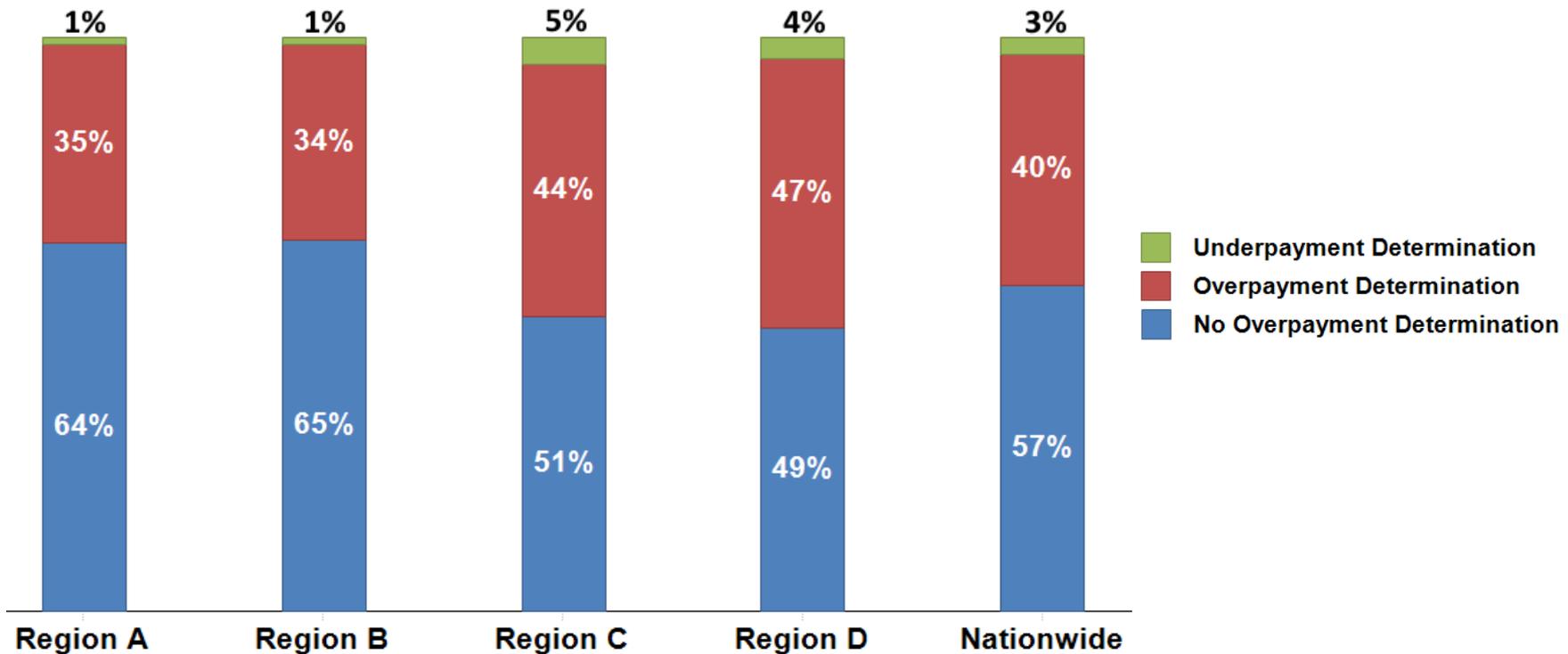
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# 60% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 2<sup>nd</sup> Quarter 2016



Source: AHA. (July 2016). RACTRAC Survey

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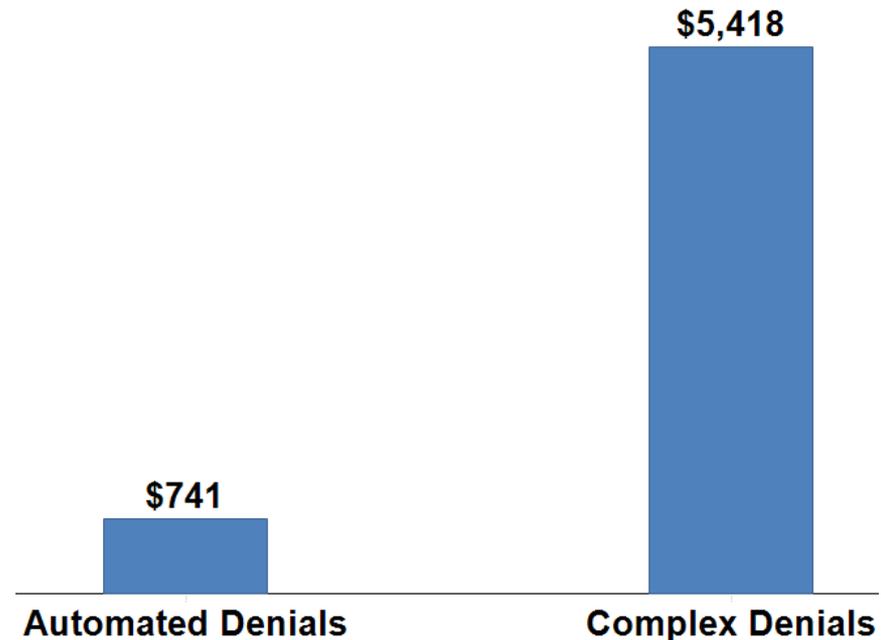


## RAC Denials

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 2<sup>nd</sup> Quarter 2016

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$714	\$5,418
Region A	\$638	\$5,431
Region B	\$1,556	\$4,938
Region C	\$686	\$5,487
Region D	\$449	\$5,659



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

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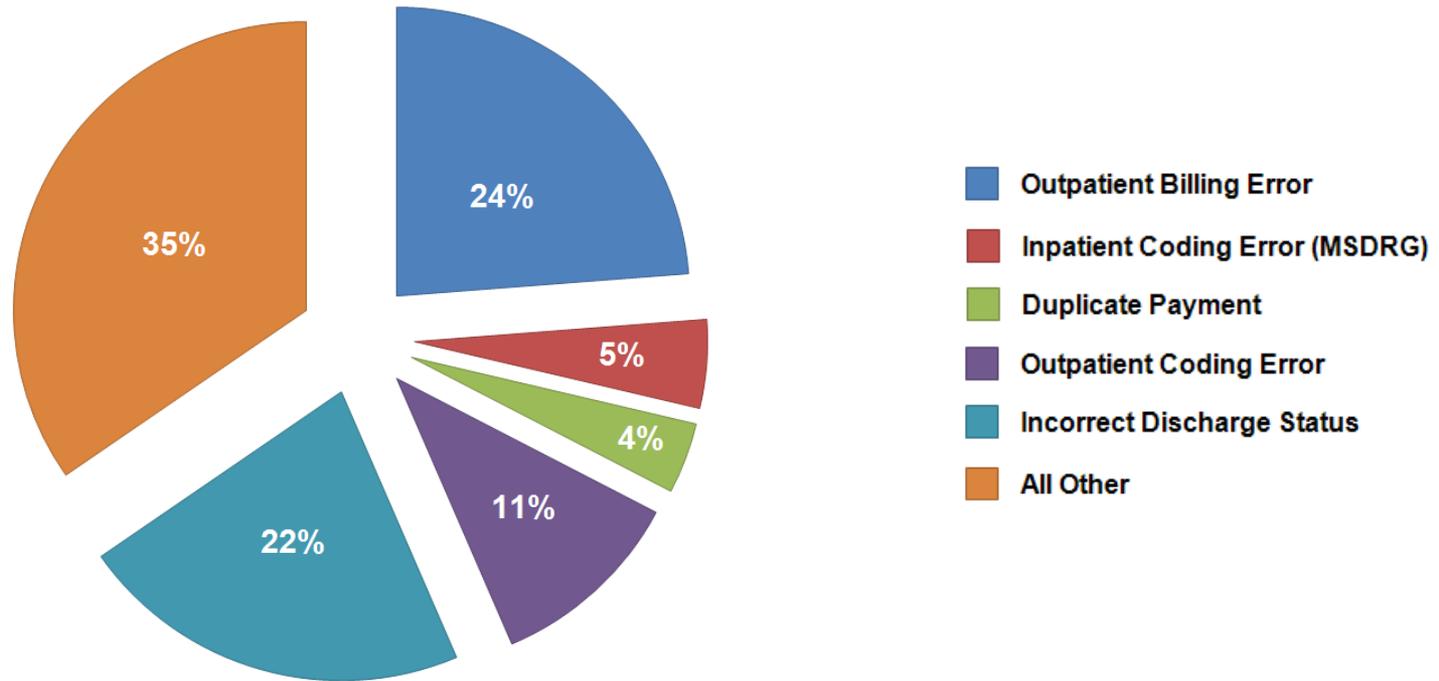


## Automated RAC Denials

# 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, 2<sup>nd</sup> Quarter 2016

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



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

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# Region A: There were not enough responses from Region A to report on this question in Q2 2016.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region A

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

- Outpatient Billing Error
- Inpatient Coding Error (MSDRG)
- Duplicate Payment
- Outpatient Coding Error
- Incorrect Discharge Status
- All Other

\* Too few responses to report



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

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# Region B: There were not enough responses from Region B to report on this question in Q2 2016.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region B

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

- Outpatient Billing Error
- Inpatient Coding Error (MSDRG)
- Duplicate Payment
- Outpatient Coding Error
- Incorrect Discharge Status
- All Other

\* Too few responses to report



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

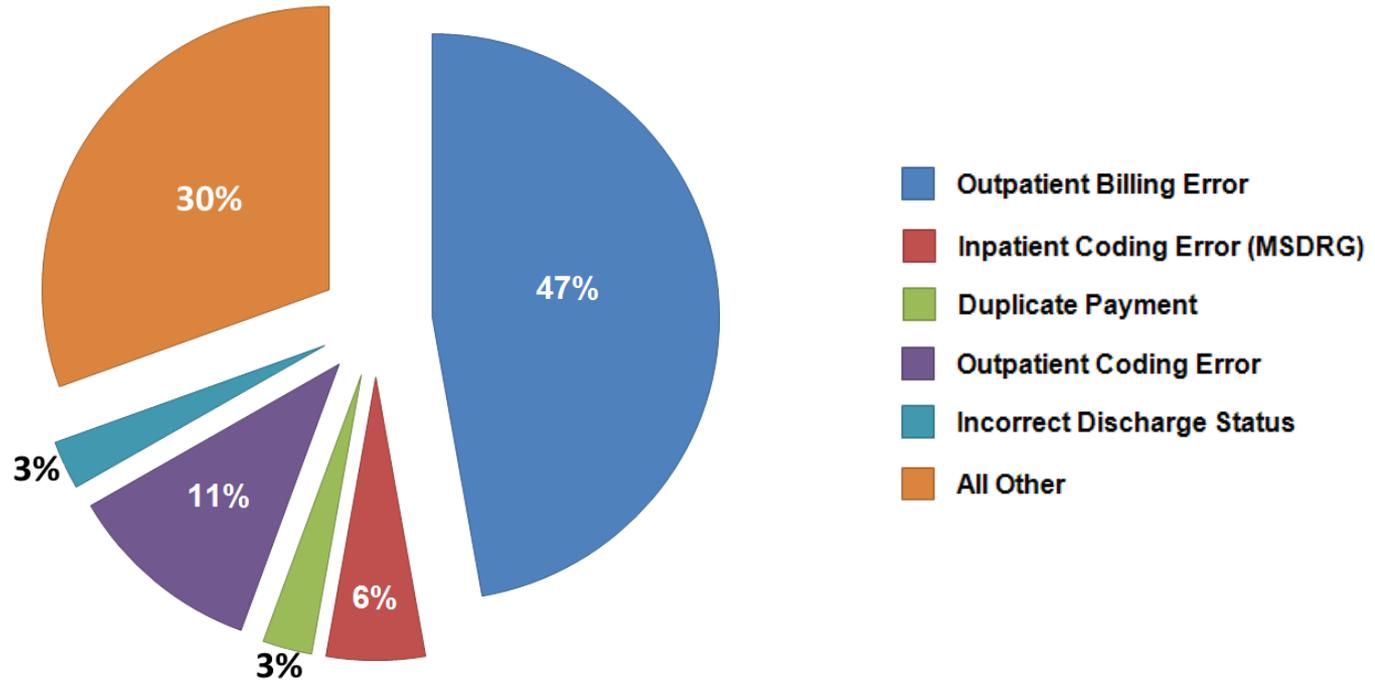
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# Region C: Hospitals reported outpatient billing error as the top reason for automated denials, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region C

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



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

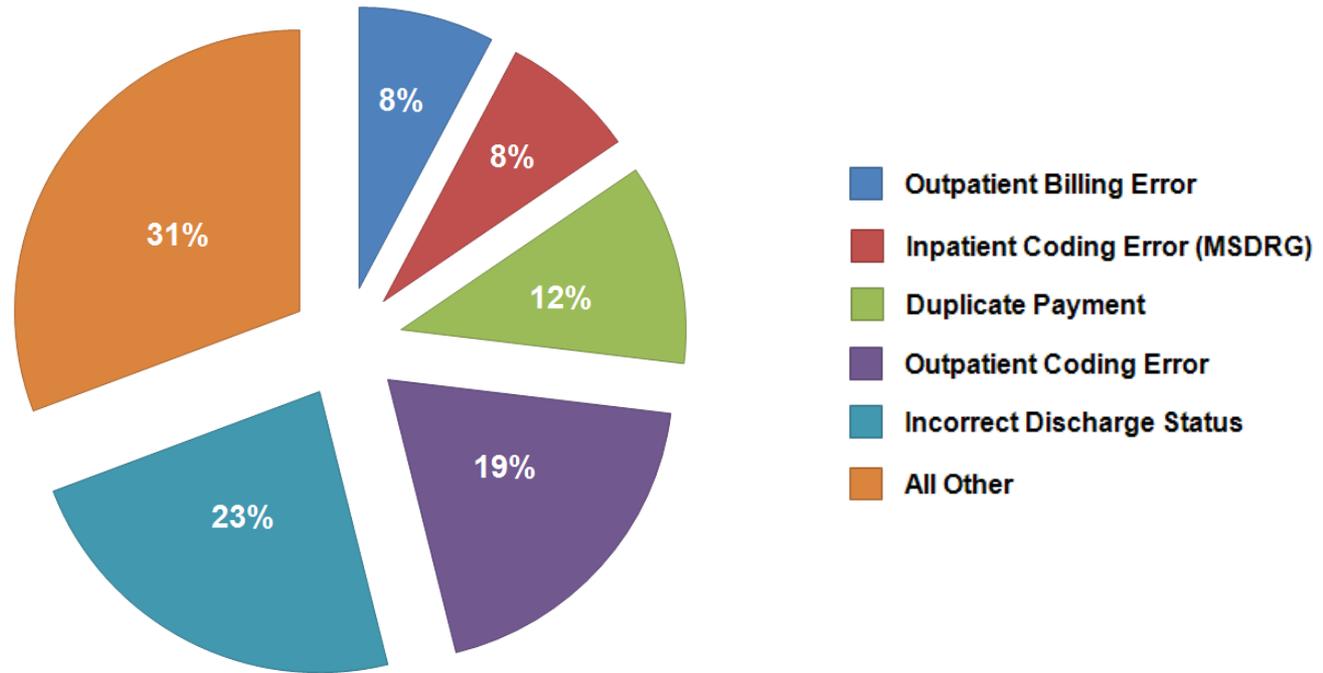
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# Region D: Hospitals reported incorrect discharge status as the top reason for RAC denials, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region D

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



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

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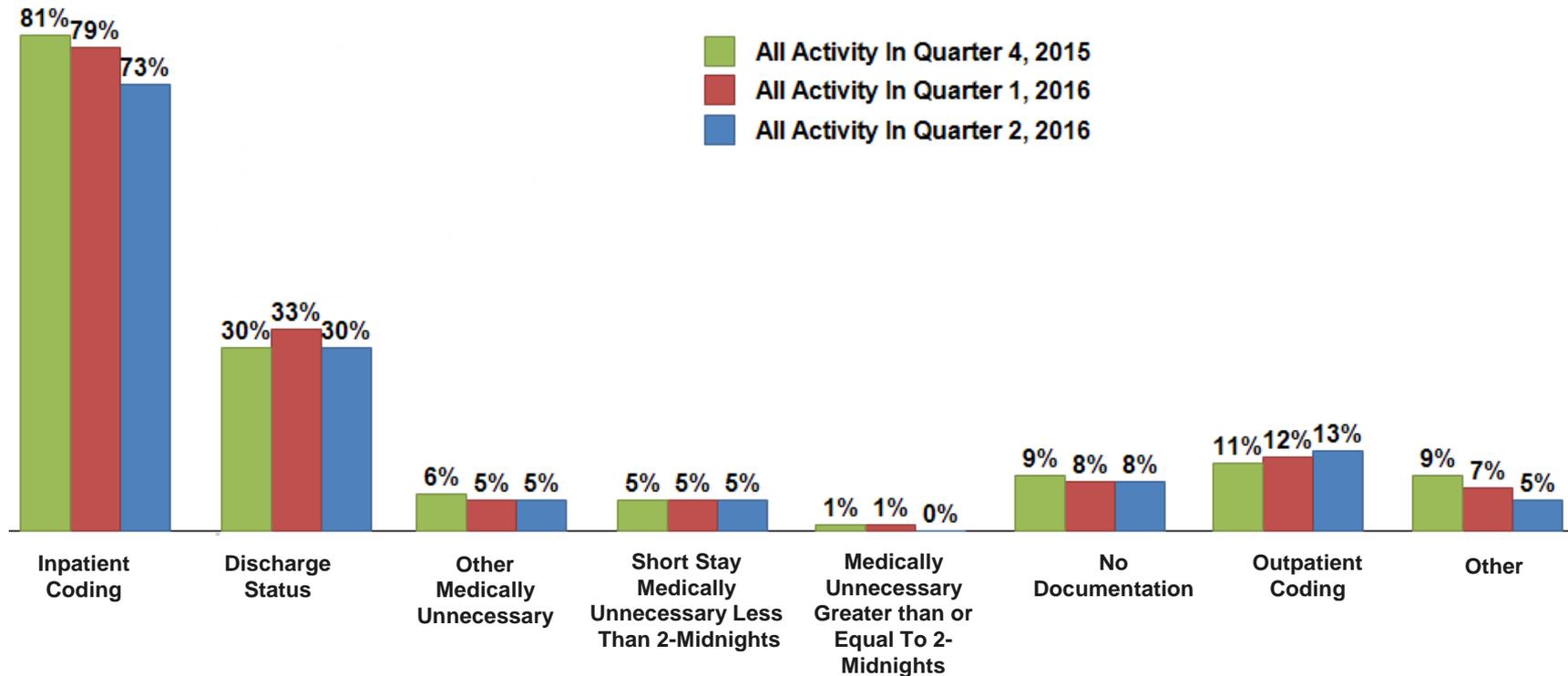


## Complex RAC Denials

# The most commonly cited reason for a complex denial is inpatient coding error.

## Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, through 2<sup>nd</sup> Quarter 2016

Survey participants were asked to select all reasons for denial.



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

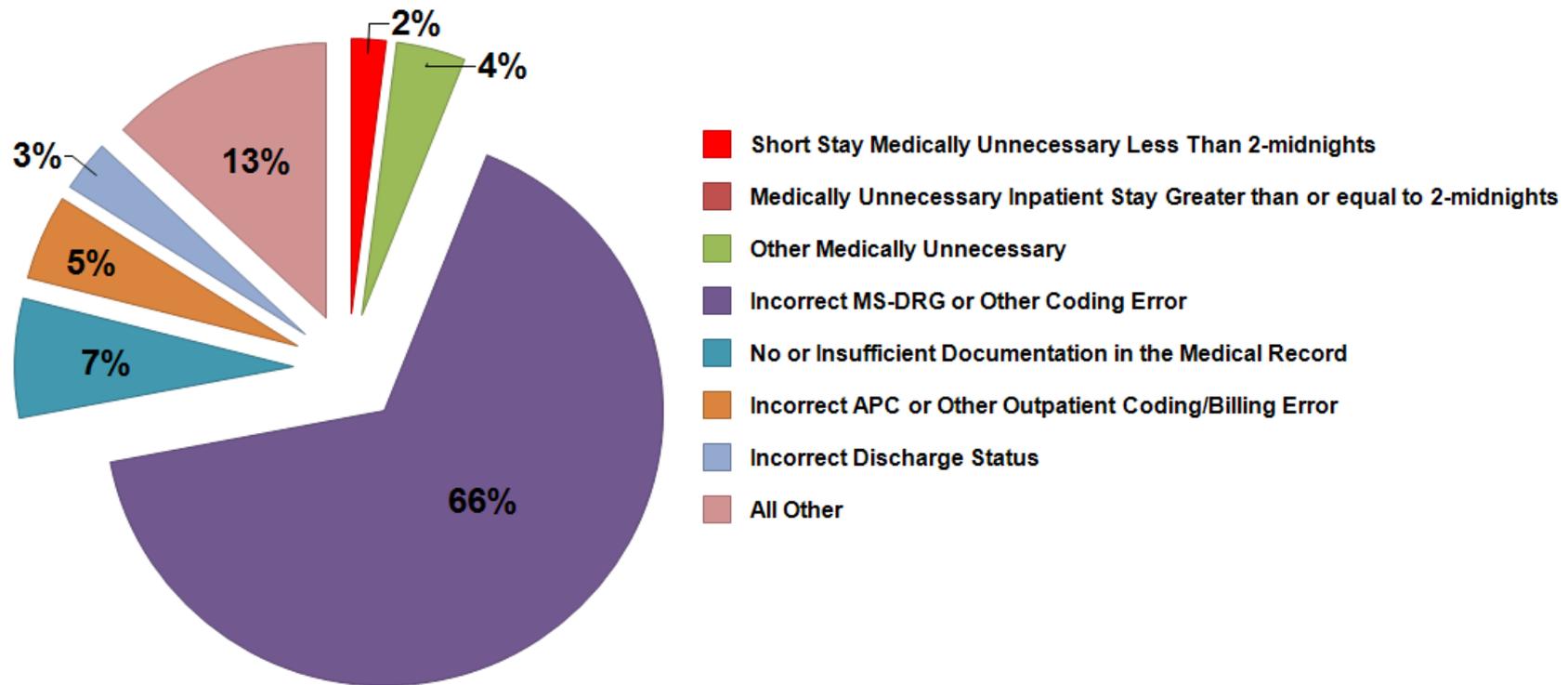
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# Nationally, hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016

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



Source: AHA. (July 2016). RACTRAC Survey

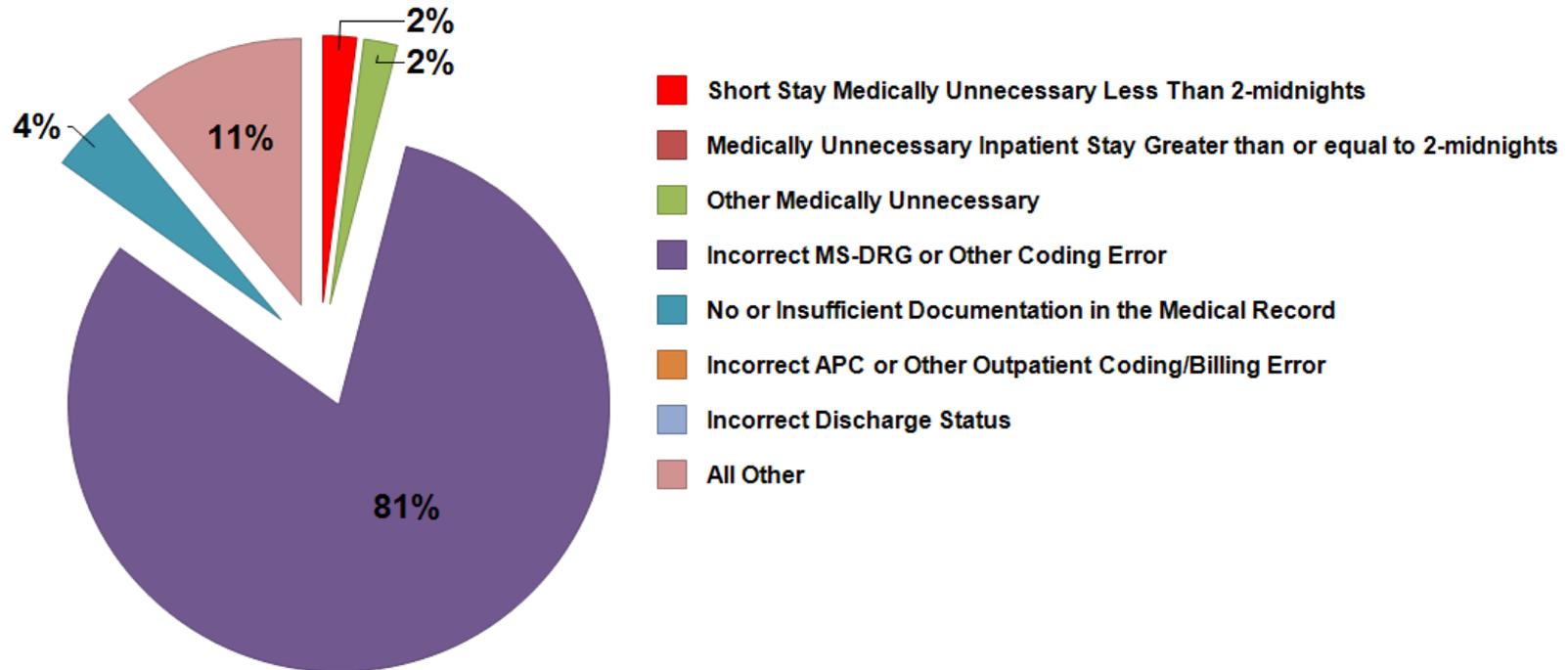
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# Region A: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region A

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



Source: AHA. (July 2016). RACTRAC Survey

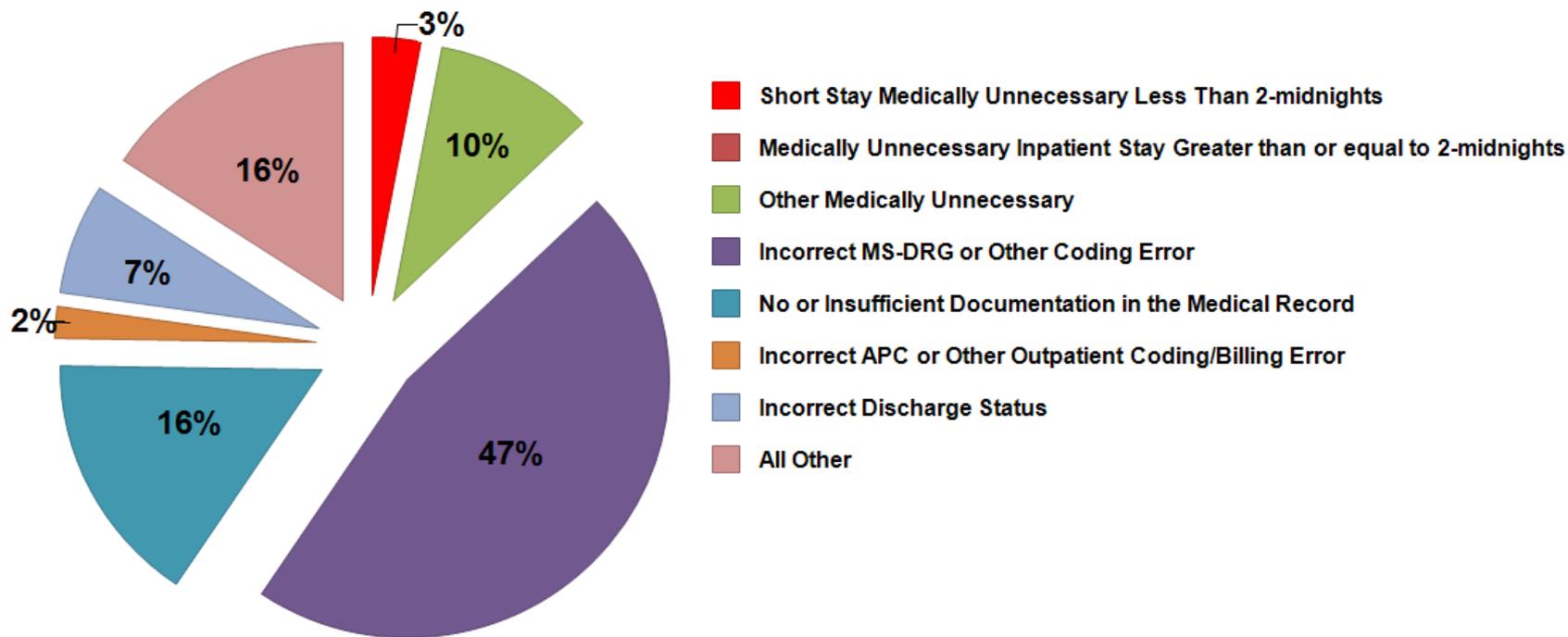
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# Region B: Hospitals reported a significant percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region B

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



Source: AHA. (July 2016). RACTRAC Survey

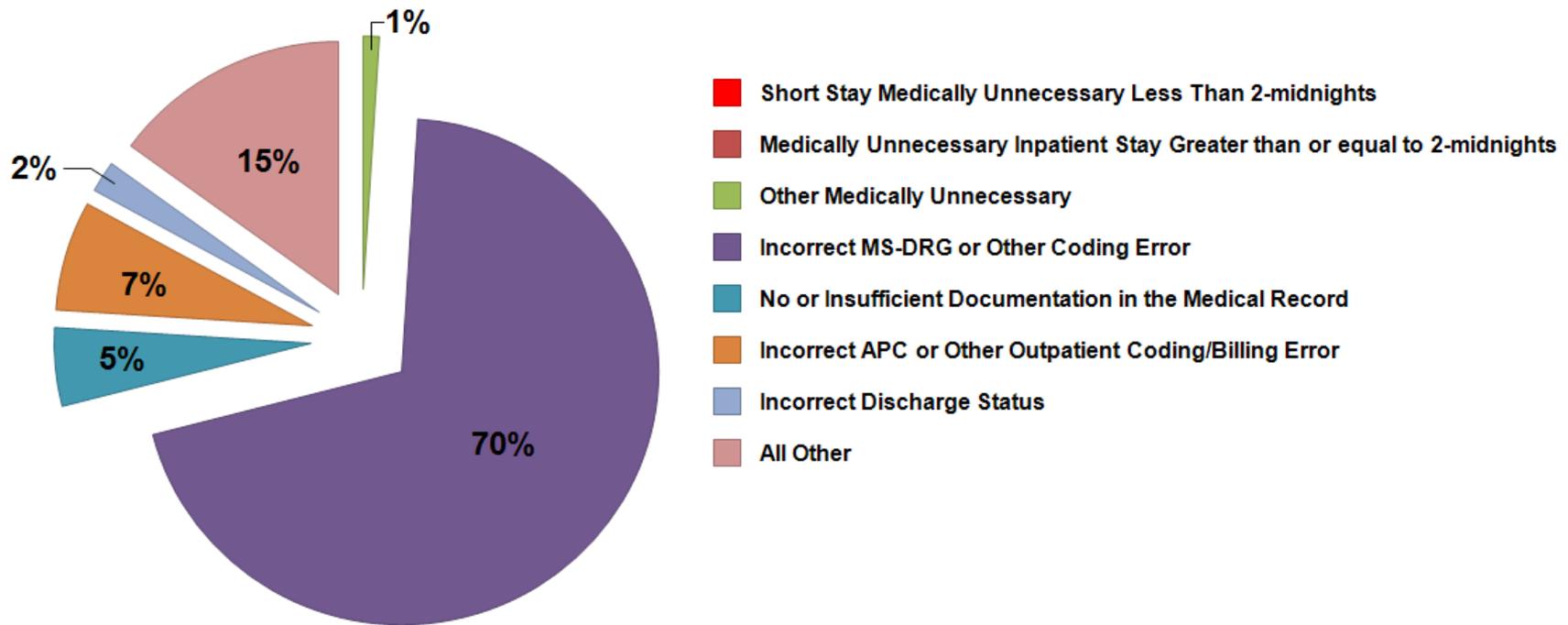
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# Region C: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region C

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



Source: AHA. (July 2016). RACTRAC Survey

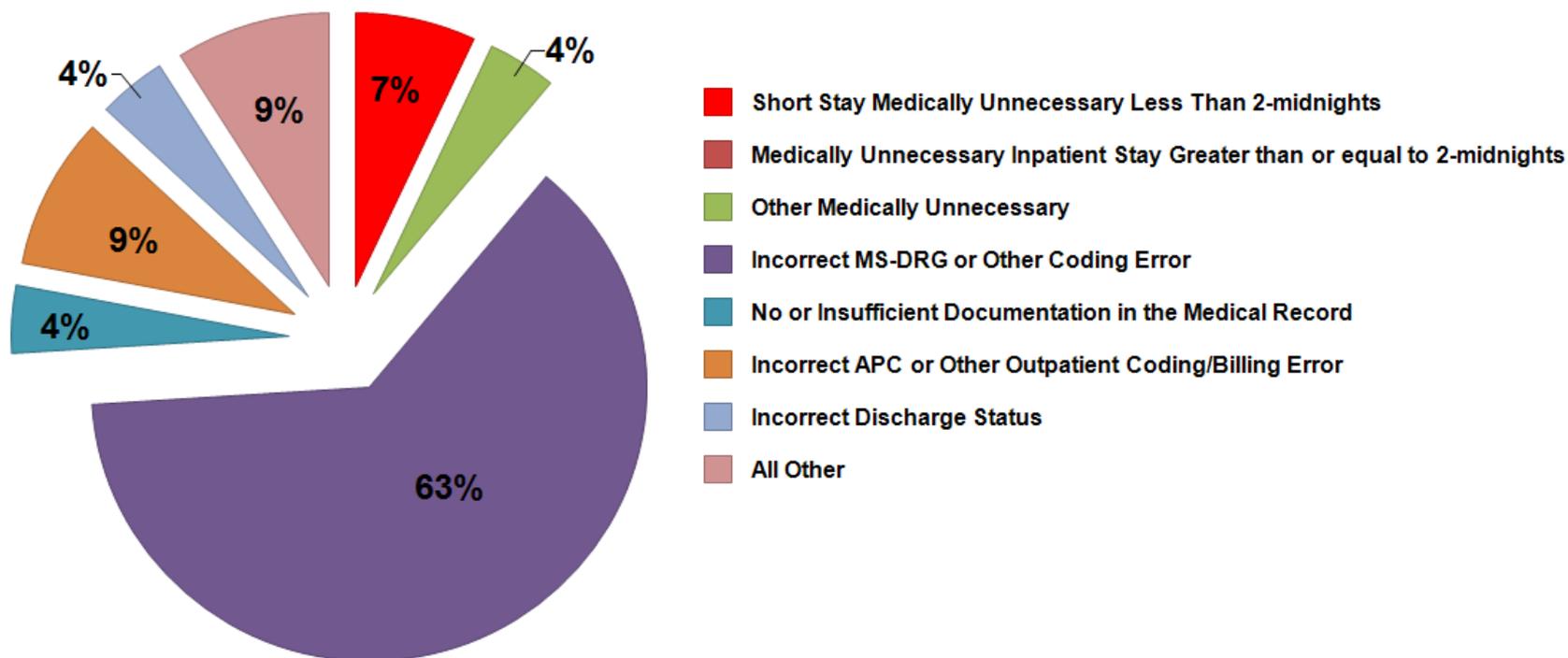
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# Region D: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2<sup>nd</sup> Quarter 2016, Region D

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



Source: AHA. (July 2016). RACTRAC Survey

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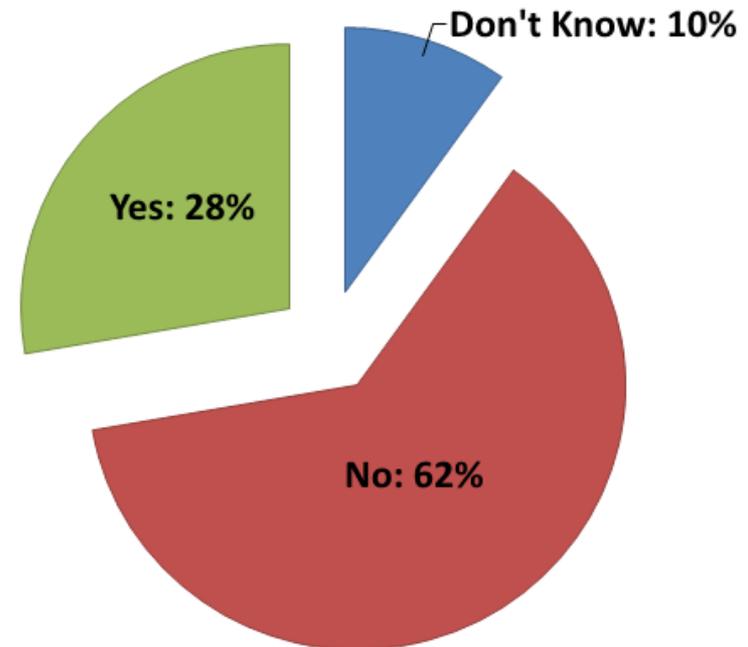
Appeals

# 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, 2<sup>nd</sup> Quarter 2016

### Reversed Denials by RAC Region

	Yes	No	Don't Know
<b>Region A</b>	38%	44%	18%
<b>Region B</b>	31%	62%	7%
<b>Region C</b>	27%	62%	10%
<b>Region D</b>	14%	82%	4%



*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). RACTRAC Survey

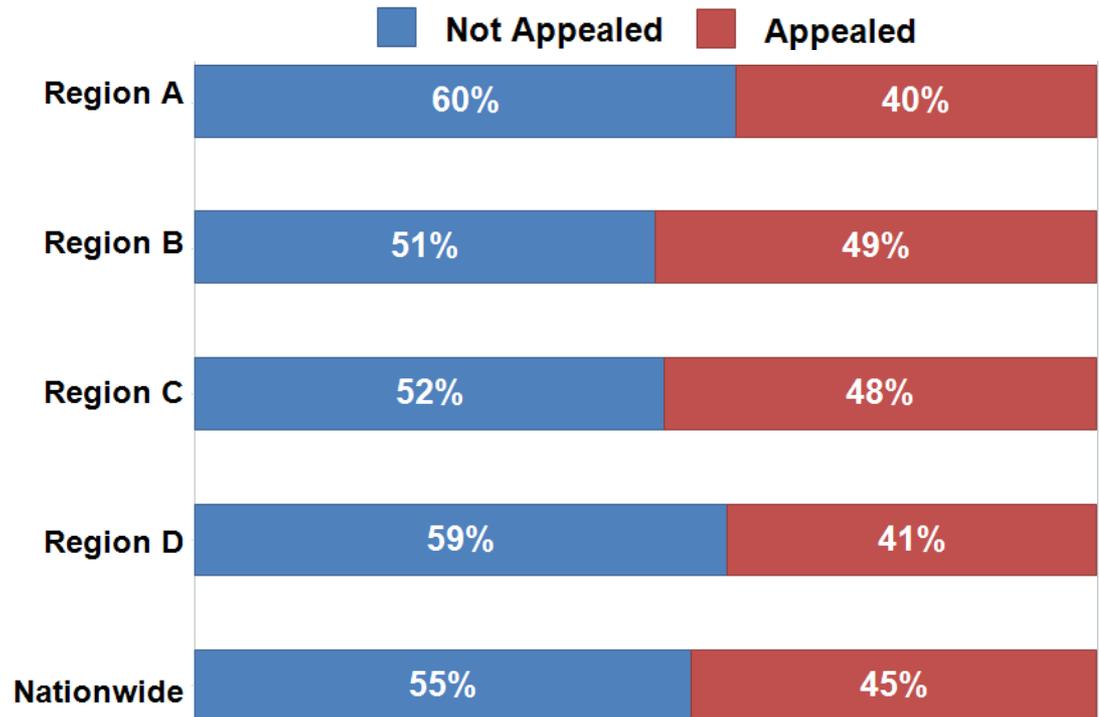
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# Nationwide hospitals report appealing 45% of RAC denials including almost half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 2<sup>nd</sup> Quarter 2016

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	390,797	176,915
Region A	64,217	25,889
Region B	64,679	31,749
Region C	162,316	78,706
Region D	99,585	40,571



\* 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

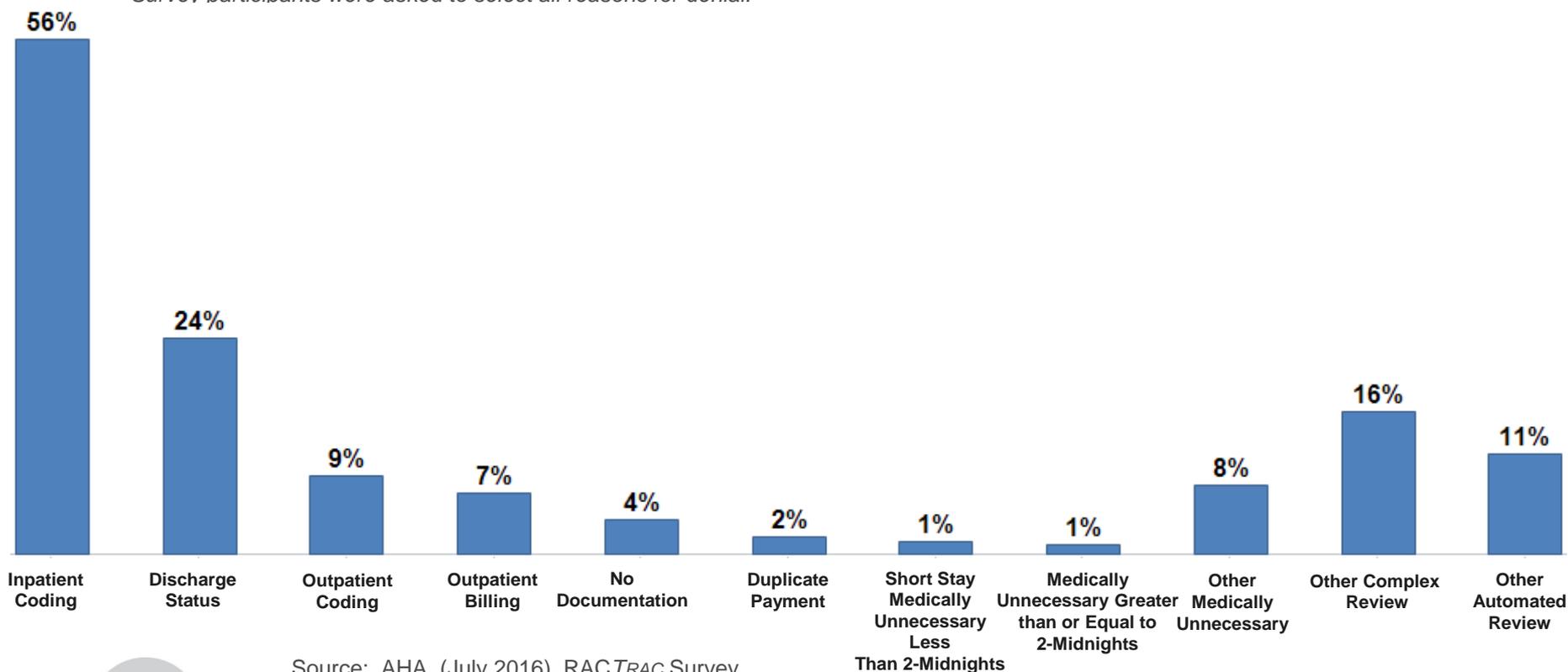
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# 56% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q2 2016 reported appealing inpatient coding denials.

## Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 2<sup>nd</sup> Quarter 2016

Survey participants were asked to select all reasons for denial.



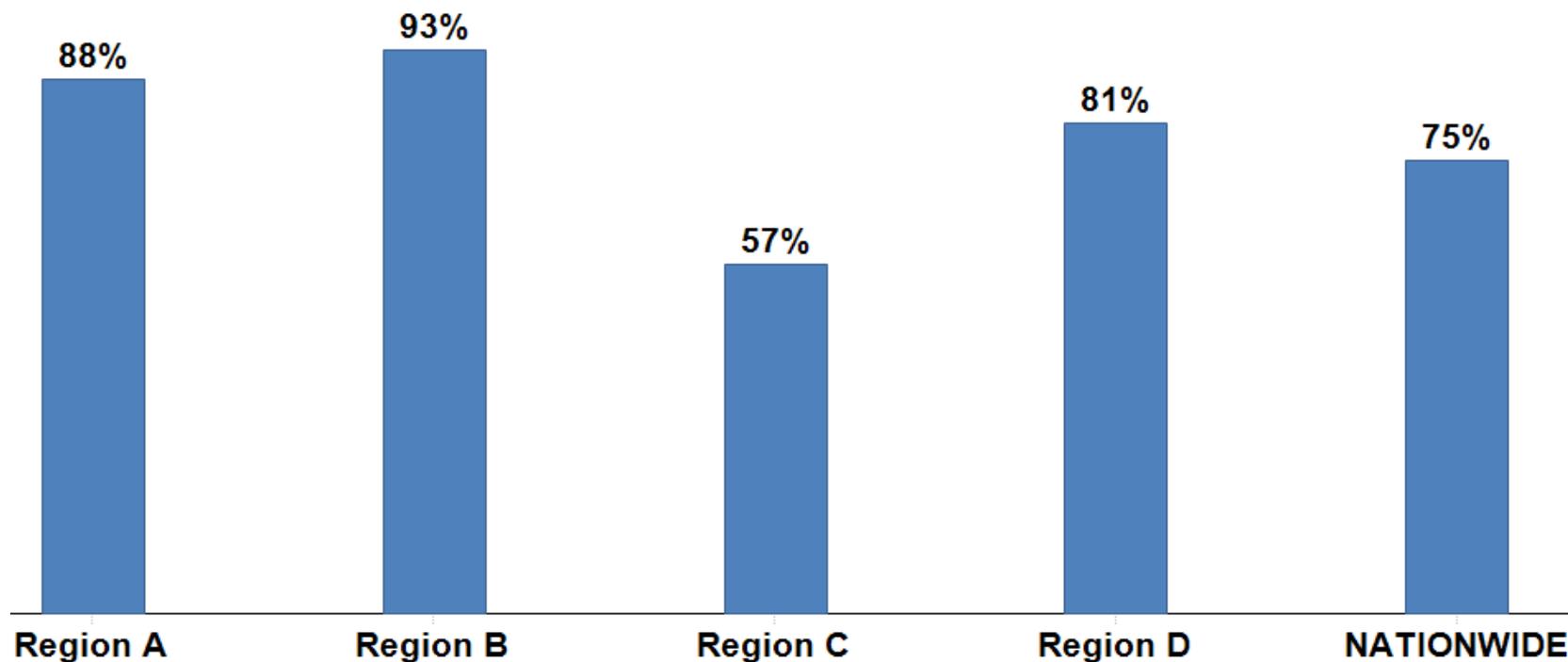
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# For 75% of claims that are appealed to the administrative law judge (ALJ), the ALJ has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 2<sup>nd</sup> Quarter 2016



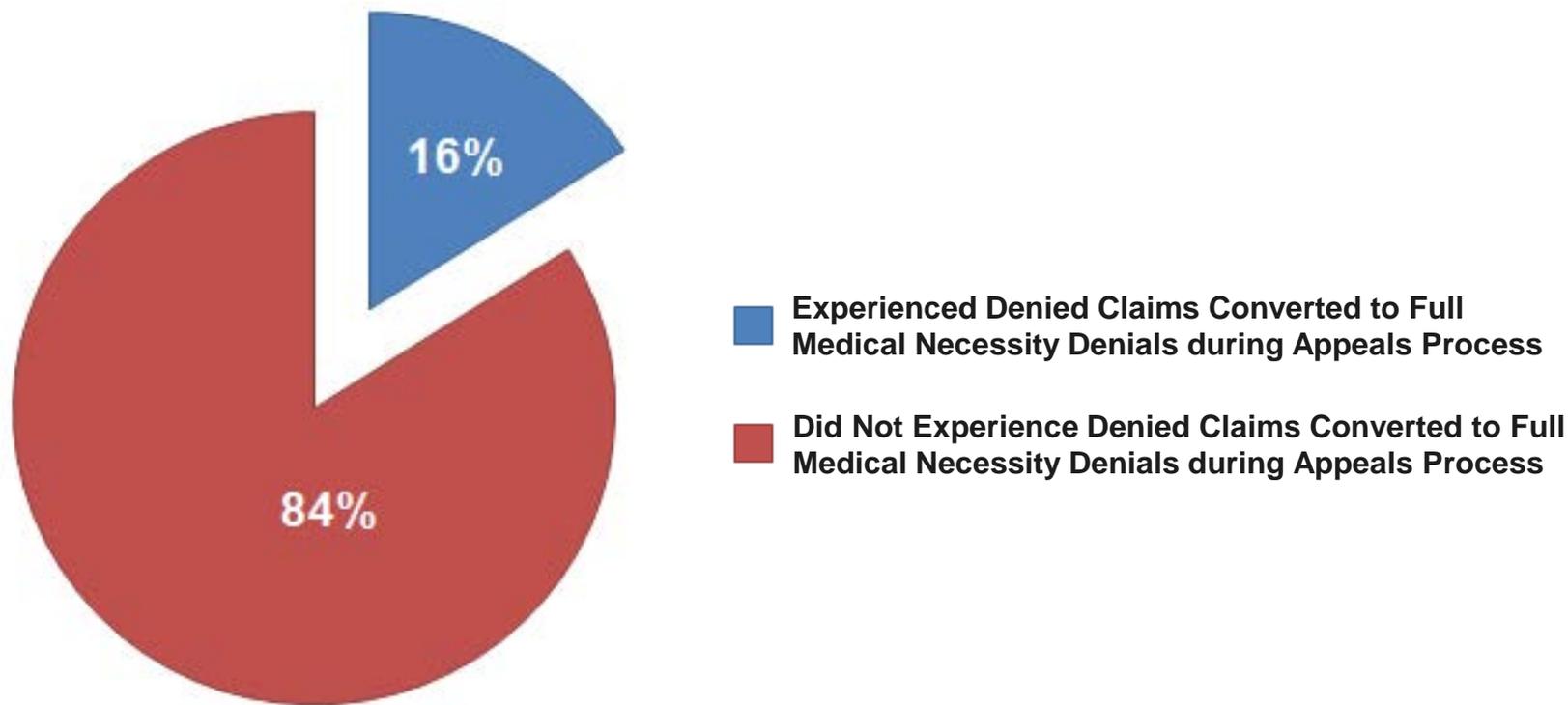
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# 16% of reporting hospitals reported having claims denied for DRG validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 2<sup>nd</sup> Quarter 2016



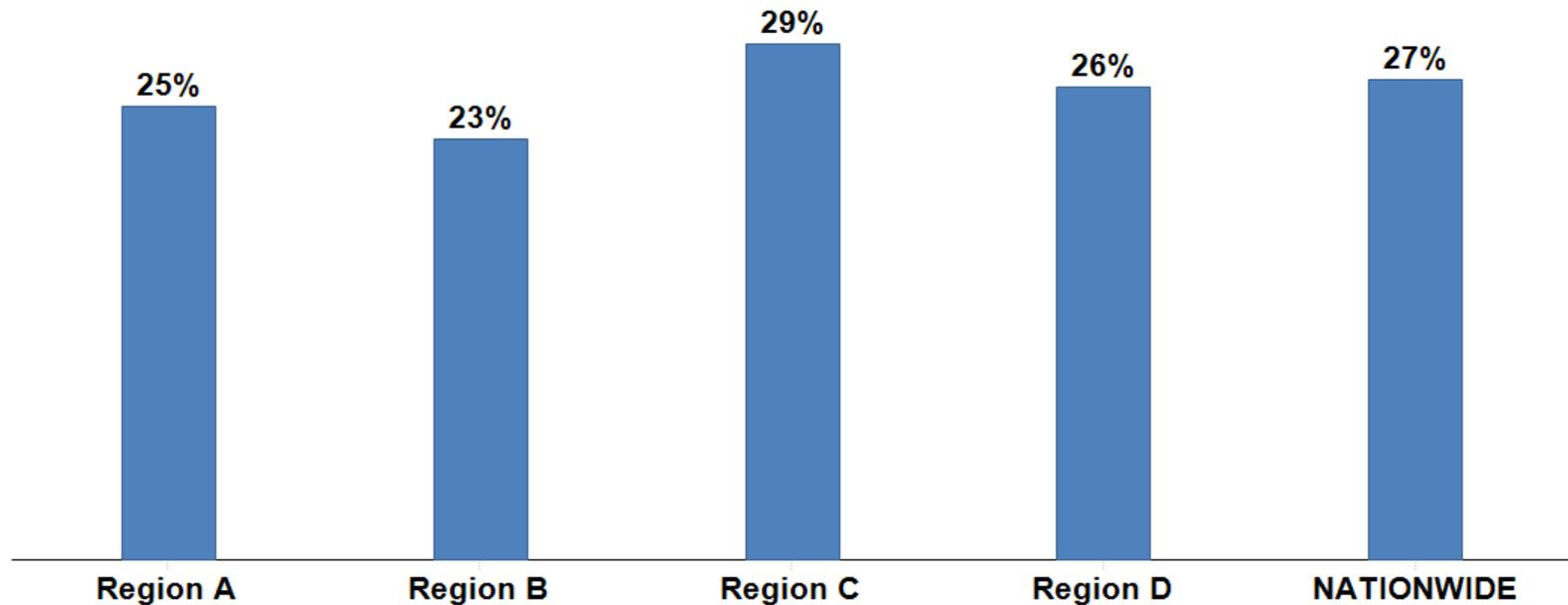
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**27%** of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 2<sup>nd</sup> Quarter 2016\*



\*Response rates vary by quarter.

Source: AHA. (July 2016). RAC<sup>TRAC</sup> 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 2<sup>nd</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	125	12,329	\$67,975,700	7,743	\$2,163	\$4,805	45%
Region A	27	2,861	\$18,972,243	1,444	\$2,264	\$5,455	42%
Region B	33	2,354	\$11,808,971	1,348	\$1,212	\$4,383	28%
Region C	50	6,353	\$34,424,317	4,375	\$2,509	\$4,867	52%
Region D	15	761	\$2,770,167	576	\$1,498	\$3,687	41%

\*Response rates vary by quarter.

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# Of the claims that have completed the appeals process, 60% 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 2<sup>nd</sup> Quarter 2016\*

	Appealed	Percent of Denials Appealed	Number of Denials Awaiting Appeals Determination	Completed Appeals		
				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	176,915	45%	47,239	40,924	62,258	60%
Region A	25,889	40%	6,545	8,334	8,315	50%
Region B	31,749	49%	7,448	7,391	13,744	65%
Region C	78,706	48%	22,582	16,984	23,419	58%
Region D	40,571	41%	10,664	8,215	16,780	67%

\* May include appeals withdrawn to re-bill.

\*Response rates vary by quarter.

Source: AHA. (July 2016). RACTRAC Survey

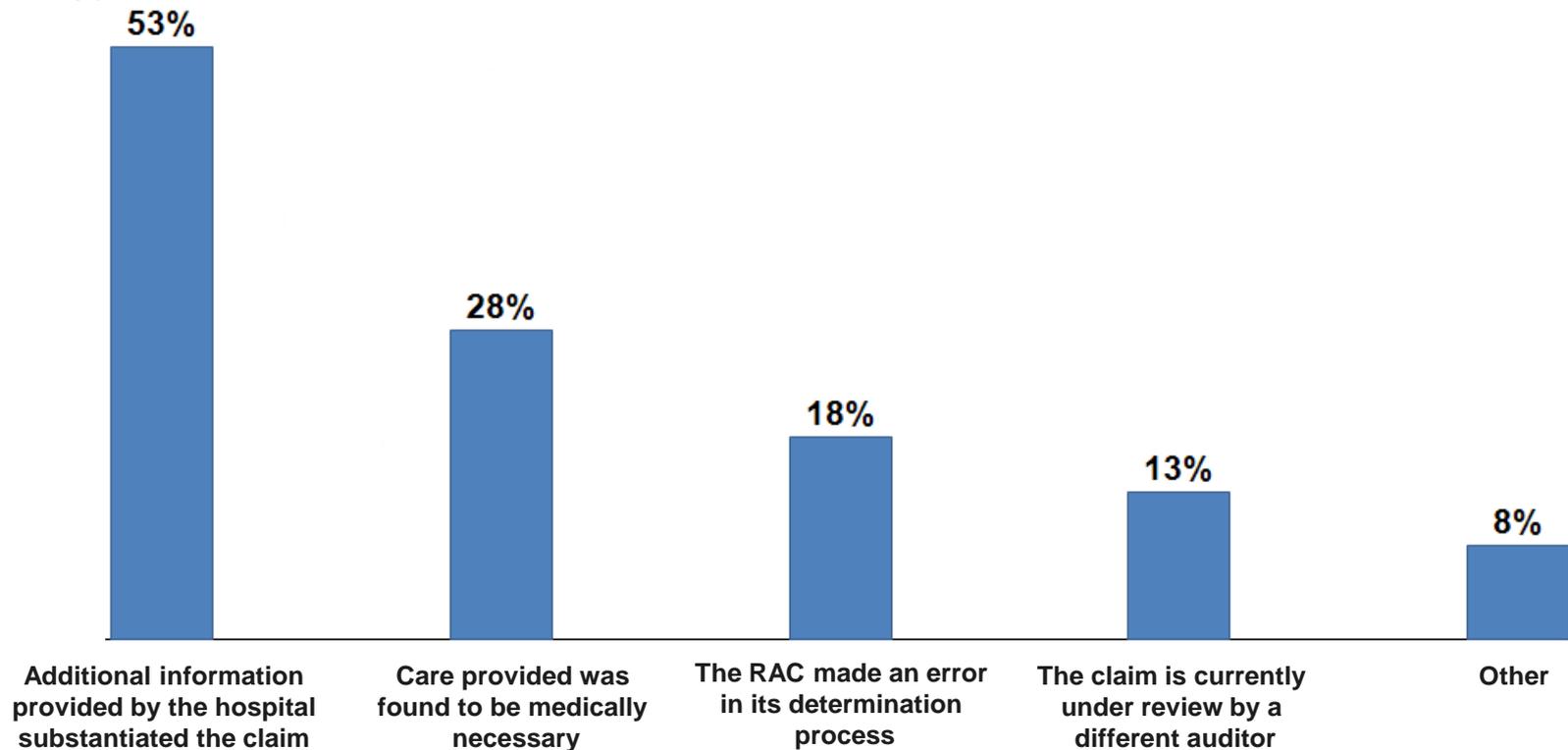
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# 53% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

## Percent of Participating Hospitals that Had a Denial Overturned by Reason, 2<sup>nd</sup> Quarter 2016

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



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

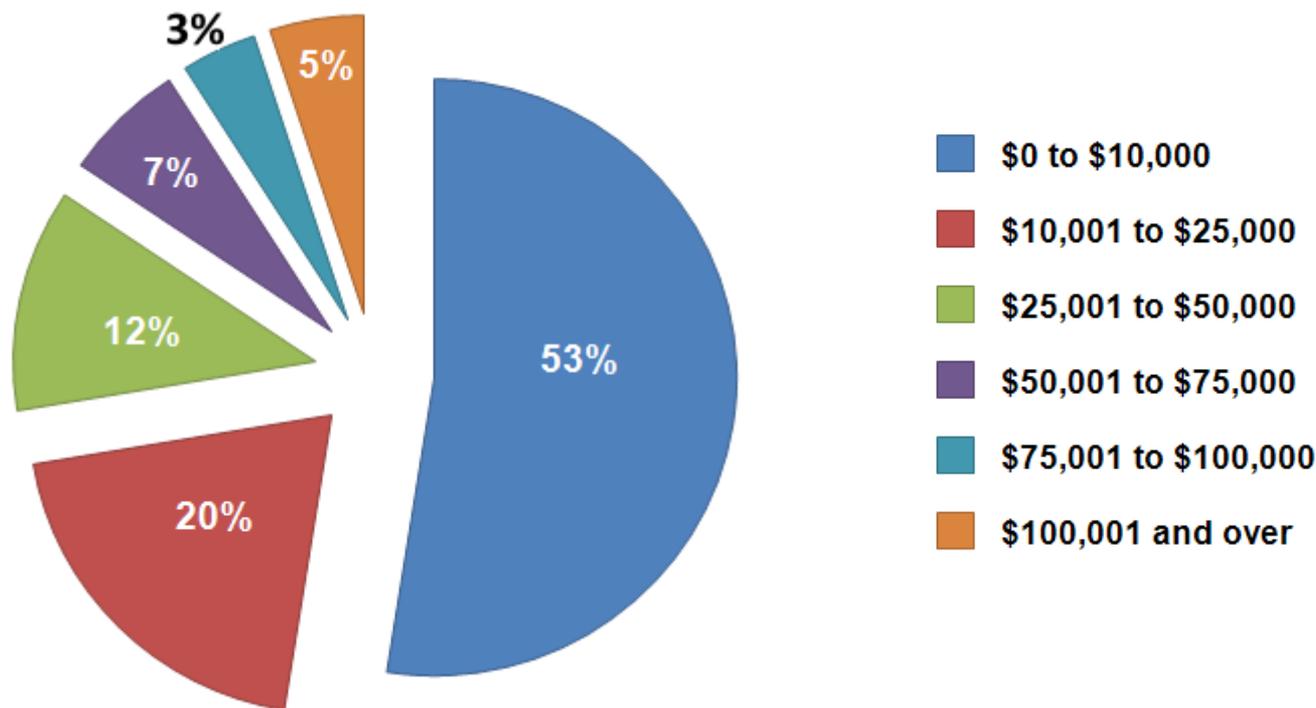
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# Administrative Burden

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, 2<sup>nd</sup> Quarter 2016



\* Includes participating hospitals with and without RAC activity

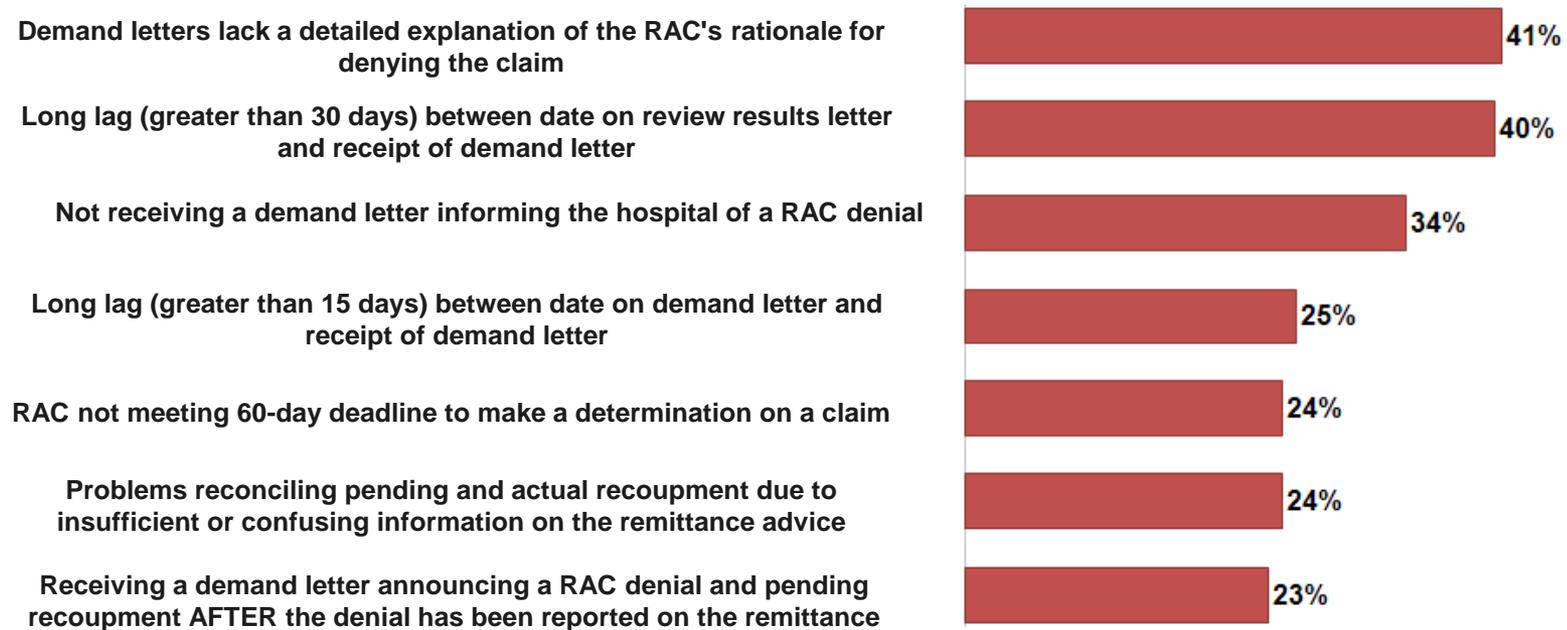
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# Hospitals report widespread RAC process-related issues, including multiple problems with Medicare audit contractors (MACs) and the demand letter process.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2<sup>nd</sup> Quarter 2016



*\* Includes participating hospitals with and without RAC activity*

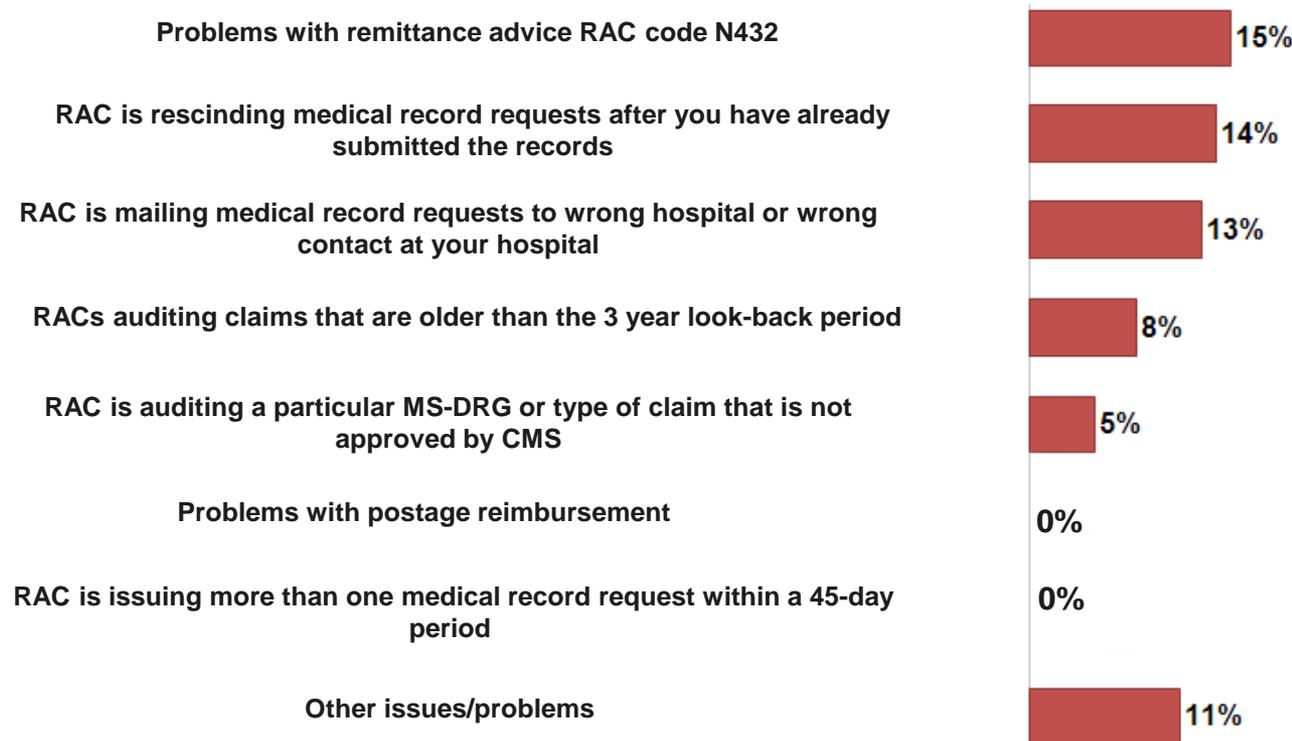
Source: AHA. (July 2016). RACTRAC Survey

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 continue to report a wide variety of RAC process problems.

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For more information visit AHA's RAC TRAC website:

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