



Quarterly RAC Policy and RAC *Trac* Update

2nd Quarter 2016

October 18, 2016



RAC Policy Update

Melissa Myers, *Senior Associate Director*

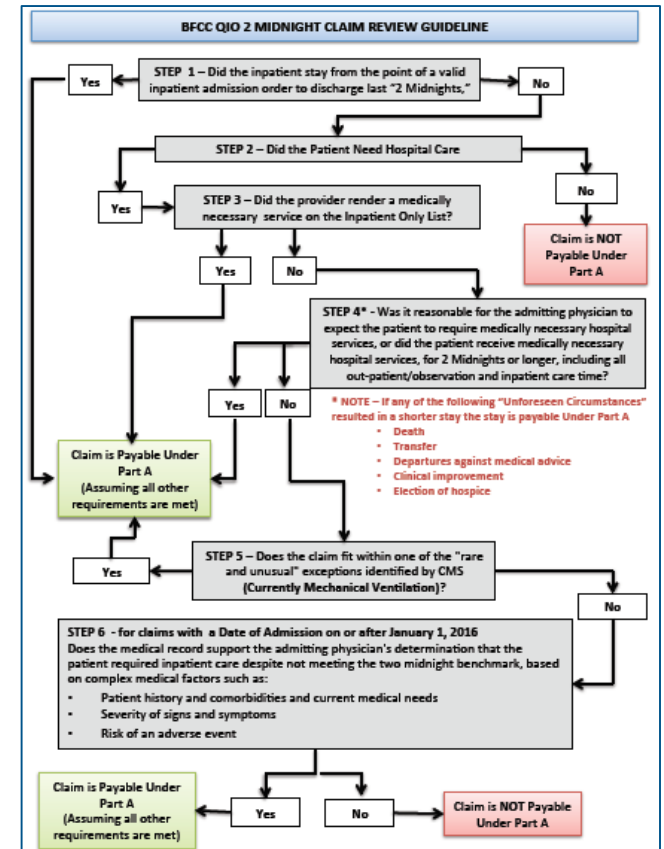
Two-midnight Audits: Update

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

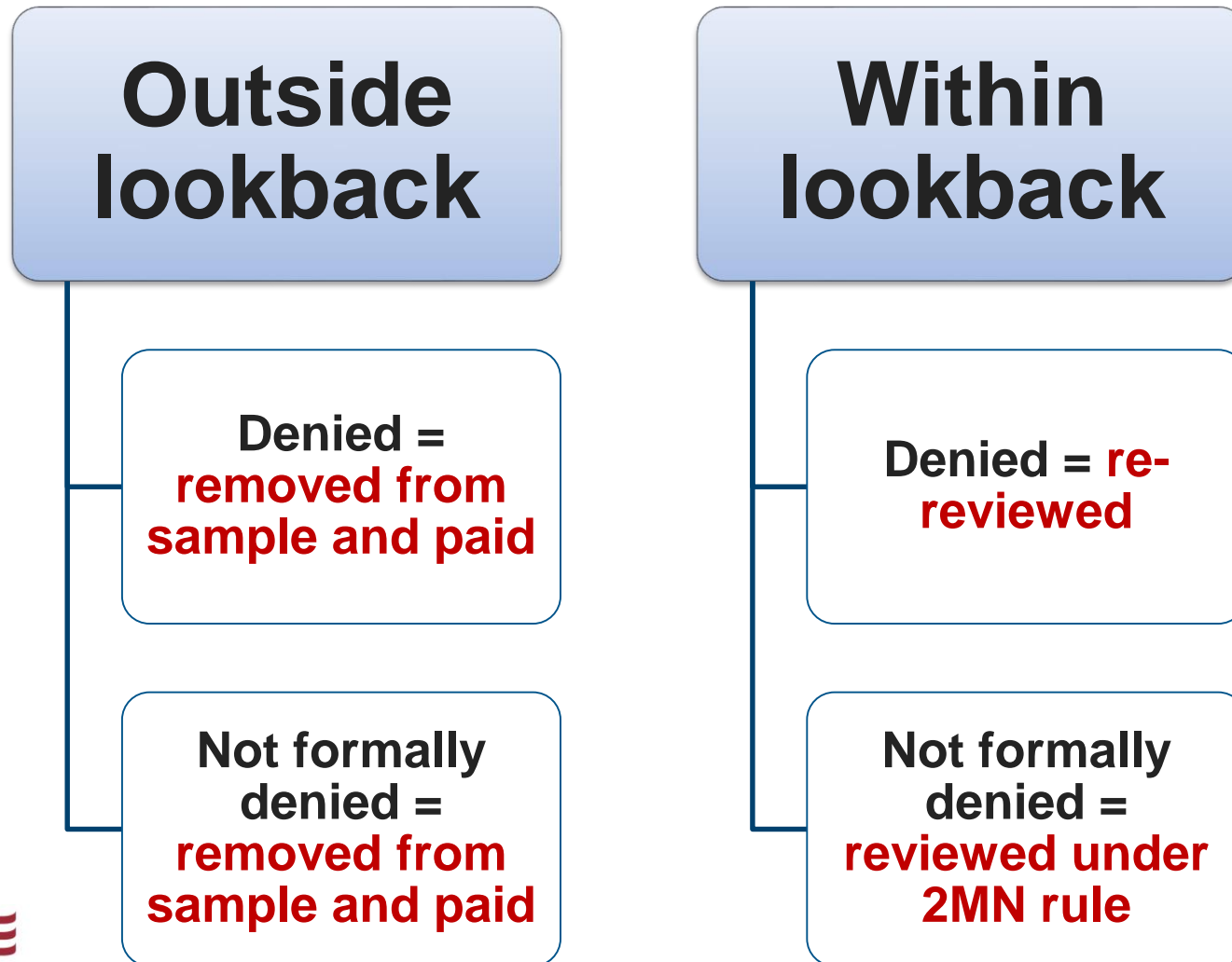


Two-midnight Audits: Update

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



Application of Lookback Period



Advanced APM Demo

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



Advanced APM Demo

Phase 1

- 1/1/2017 – 6/1/2018
- Post-payment reviews (RAC, MAC, SMRC)

Phase 2

- 4/1/2017 – 6/1/2018
- Pre-payment reviews (MAC)

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

RAC Contracting

- **CMS close to awarding new long-term contracts**
- **Current RAC ADRs stopped May 16, 2016**
- **RACs cannot send claims to MAC for adjustment after Oct. 1, 2016**
- **CMS will provide more info on transition...**



AHA Litigation Update

- **Court has indicated it is likely to rule in favor of AHA, hospitals**
- **AHA: Court should order:**
 - **Order categories of reform, or**
 - **Numerical targets for improvement**



AHA Litigation Update

- **Categories of reforms:**
 - **Broad settlements with providers**
 - **Delay recoupment of denied claims, toll accrual of interest**
 - **Penalize RACs for ALJ overturns**



AHA Litigation Update

- **Targets for improvement:**
 - 30% reduction by 12/31/2017
 - 60% reduction 12/31/18
 - 90% reduction by 12/31/19
 - Elimination of backlog by 12/31/20
 - On 1/1/21, default judgment for all claimants whose appeals have been pending at the ALJ level for more than one calendar year



CMS Settlement Reopening

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



AHA RAC and Audit Resources

AHA is Helping Hospitals Improve Payment Accuracy and Advocating for Needed Improvements to the Medicare RAC Program

- RAC Updates on latest RAC news and other RAC resources: www.aha.org/rac
- AHA RACTrac: www.aha.org/ractrac; www.aharactrac.com
- Email RAC Questions: racinfo@aha.org



**AHA Audit
Education Series™**



RAC *Trac* Results

Michael Ward, *Senior Associate Director*

Executive Summary

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



Q3 2016 RACTrac Reporting Period – Please Participate!

- Please submit your hospital's RAC experience data by this **Friday, October 21st**
- If you need password or technical assistance, please contact the RACTrac support staff at ractracsupport@providercs.com or call (888) 722-8712

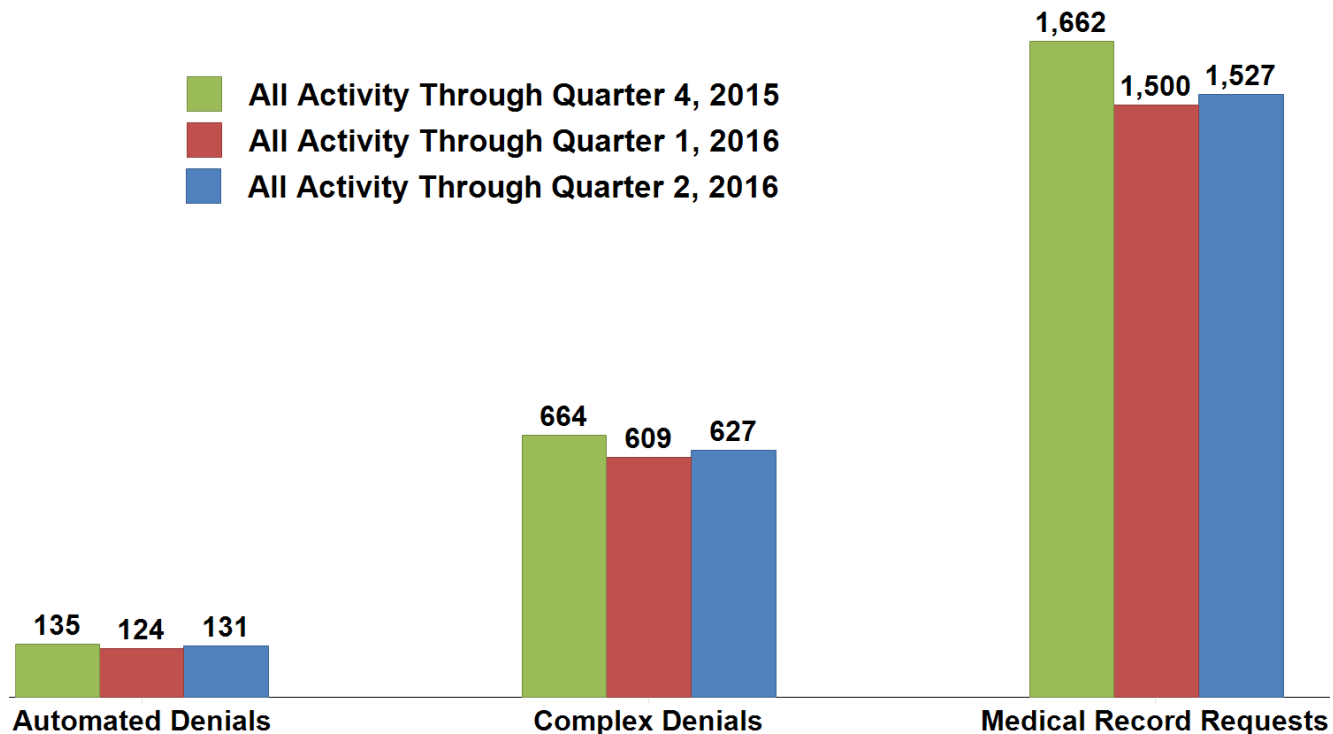




RAC Reviews

The average number of medical record requests per hospital increased in Q2 2016.

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



*Response rates vary by quarter.

Source: AHA. (July 2016). RAC^{TRAC} Survey

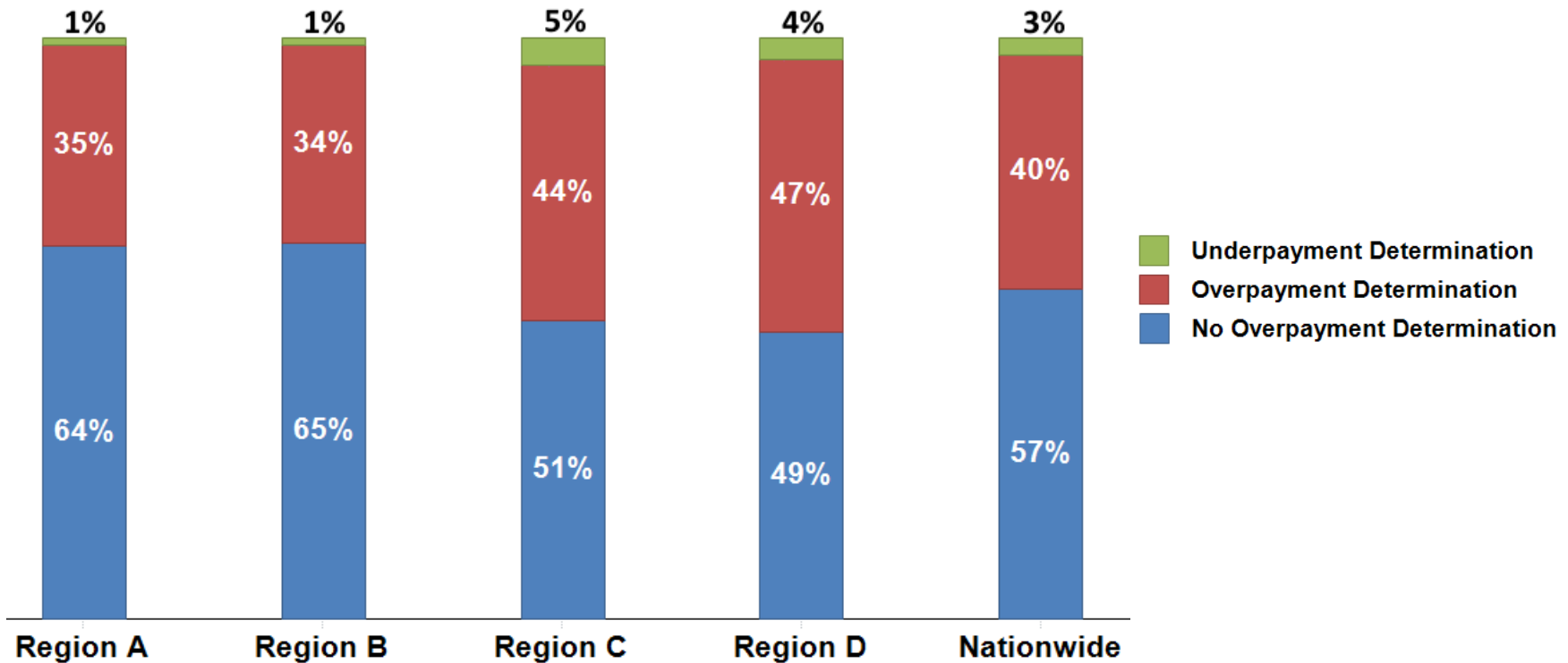
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60% of medical records reviewed by RACs did not contain an overpayment.

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



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

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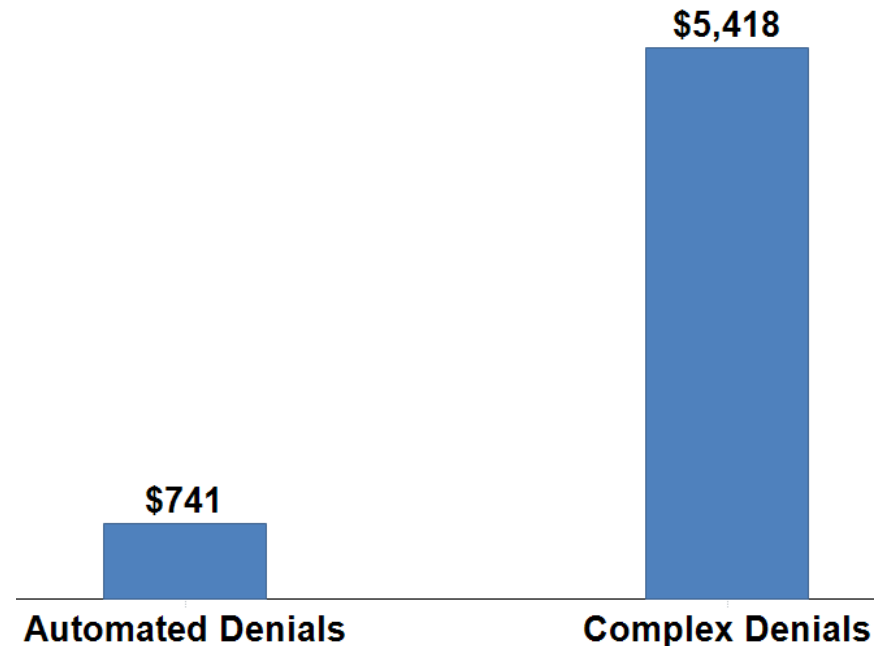


RAC Denials

The average dollar value of an automated denial was \$741 and the average dollar value of a complex denial was \$5,418.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd Quarter 2016

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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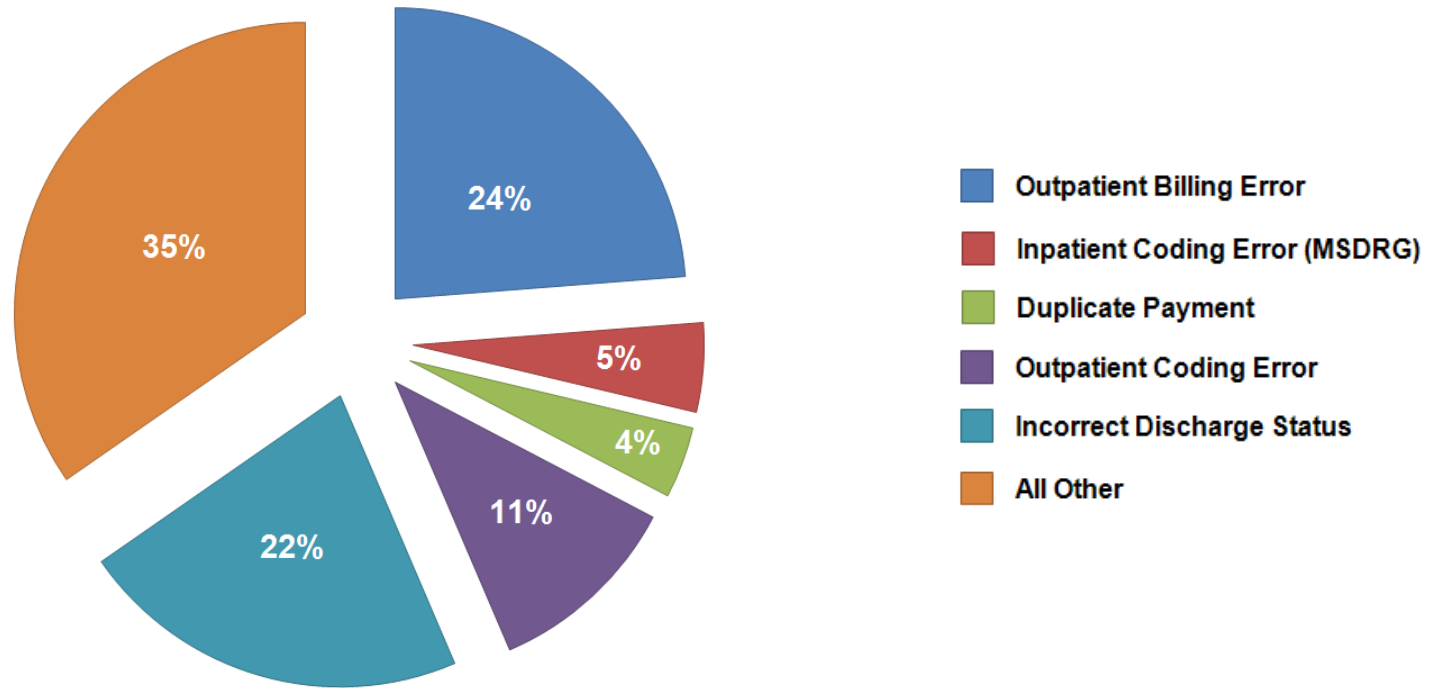


Automated RAC Denials

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, 2nd 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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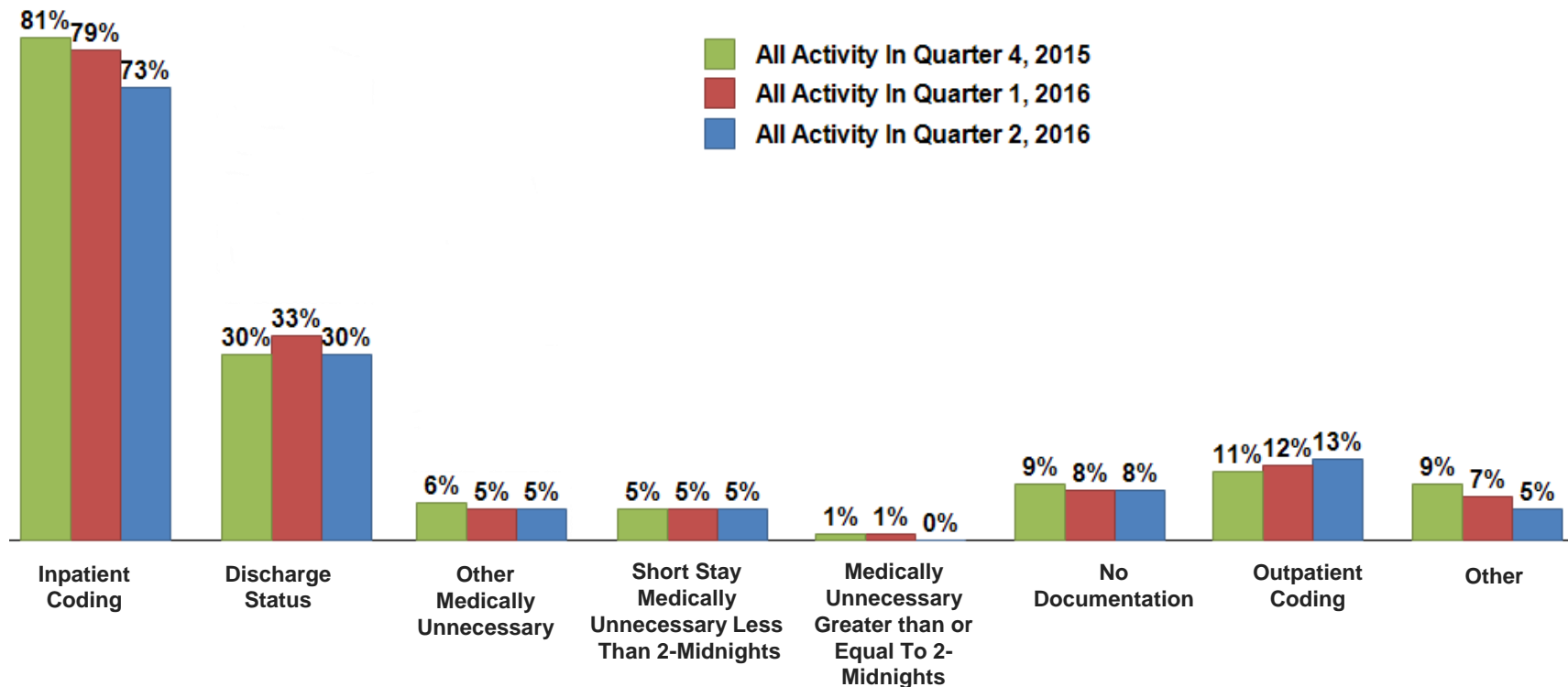


Complex RAC Denials

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 2nd Quarter 2016

Survey participants were asked to select all reasons for denial.



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

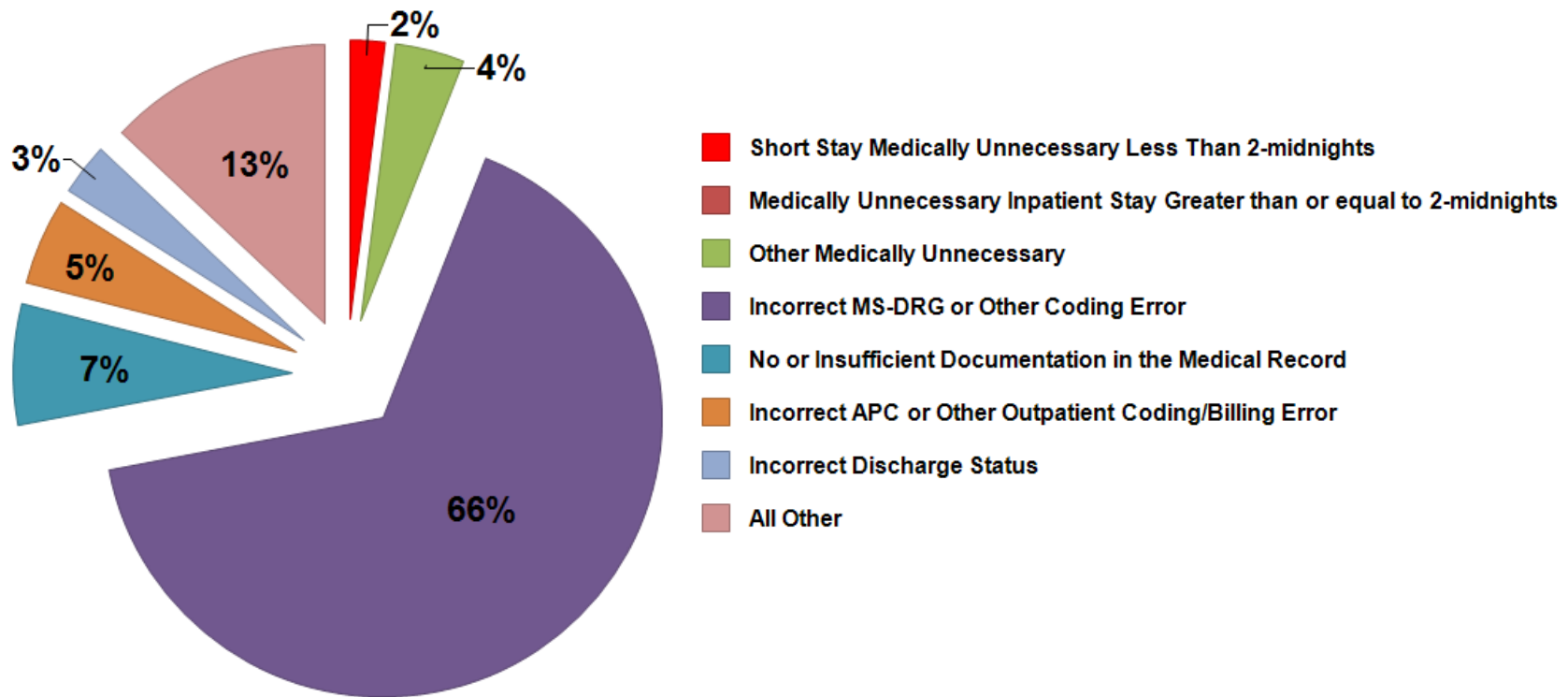
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Nationally, hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

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

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



Source: AHA. (July 2016). RACTRAC Survey

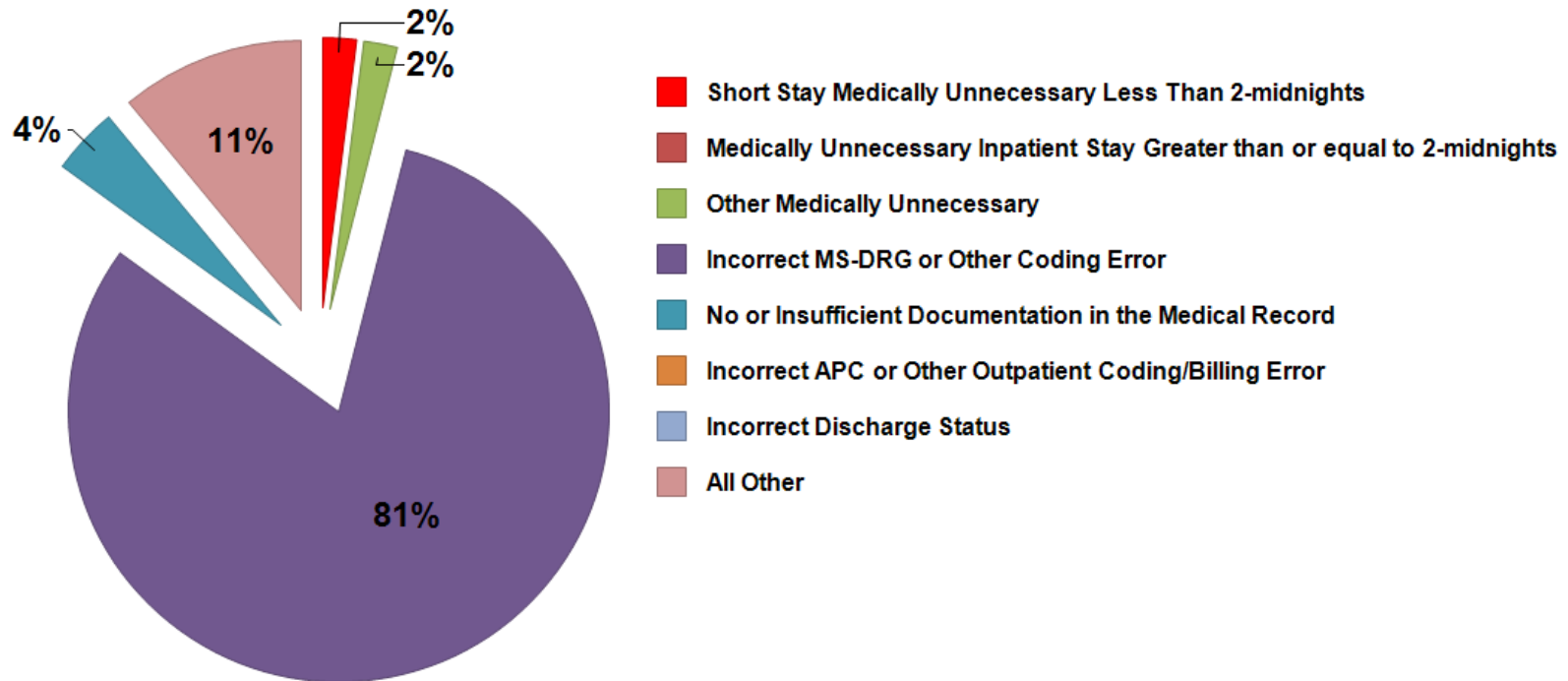
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Region A: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

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

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



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

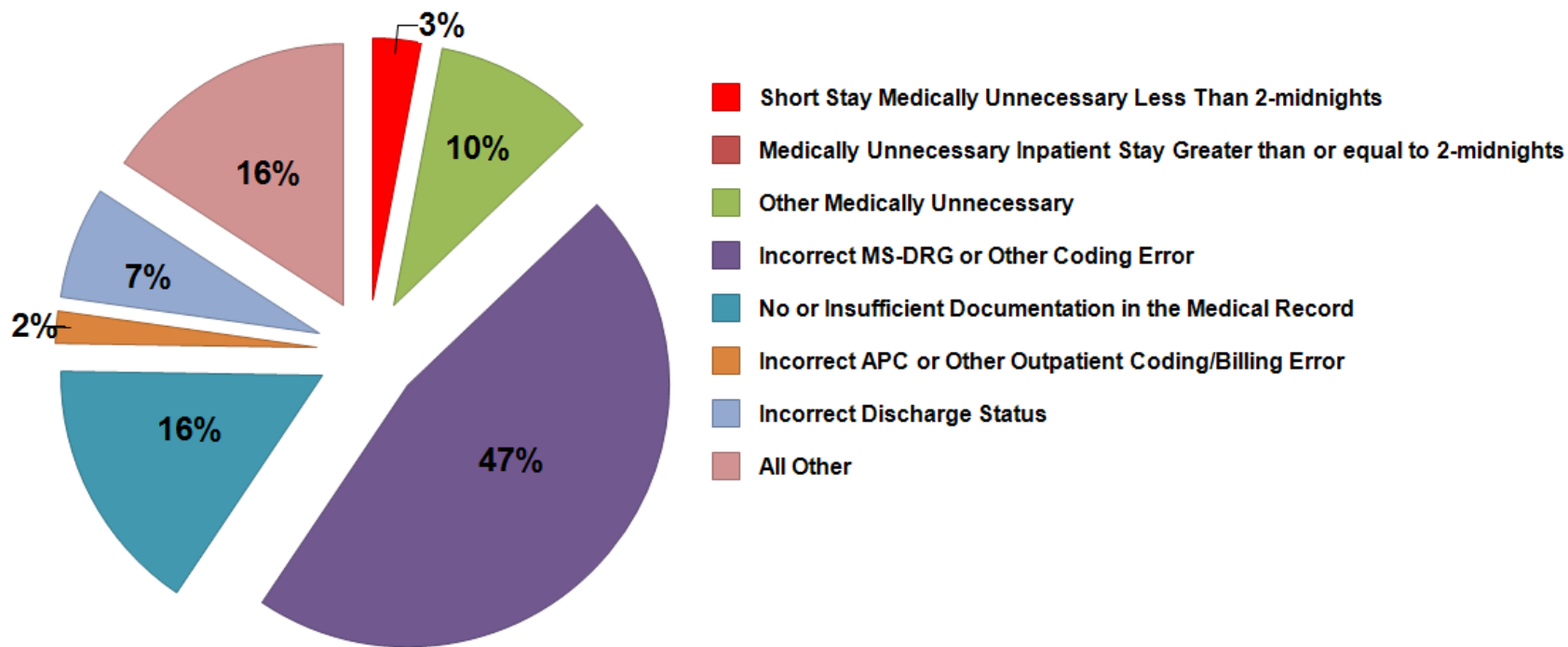
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Region B: Hospitals reported a significant percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

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

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



Source: AHA. (July 2016). RACTRAC Survey

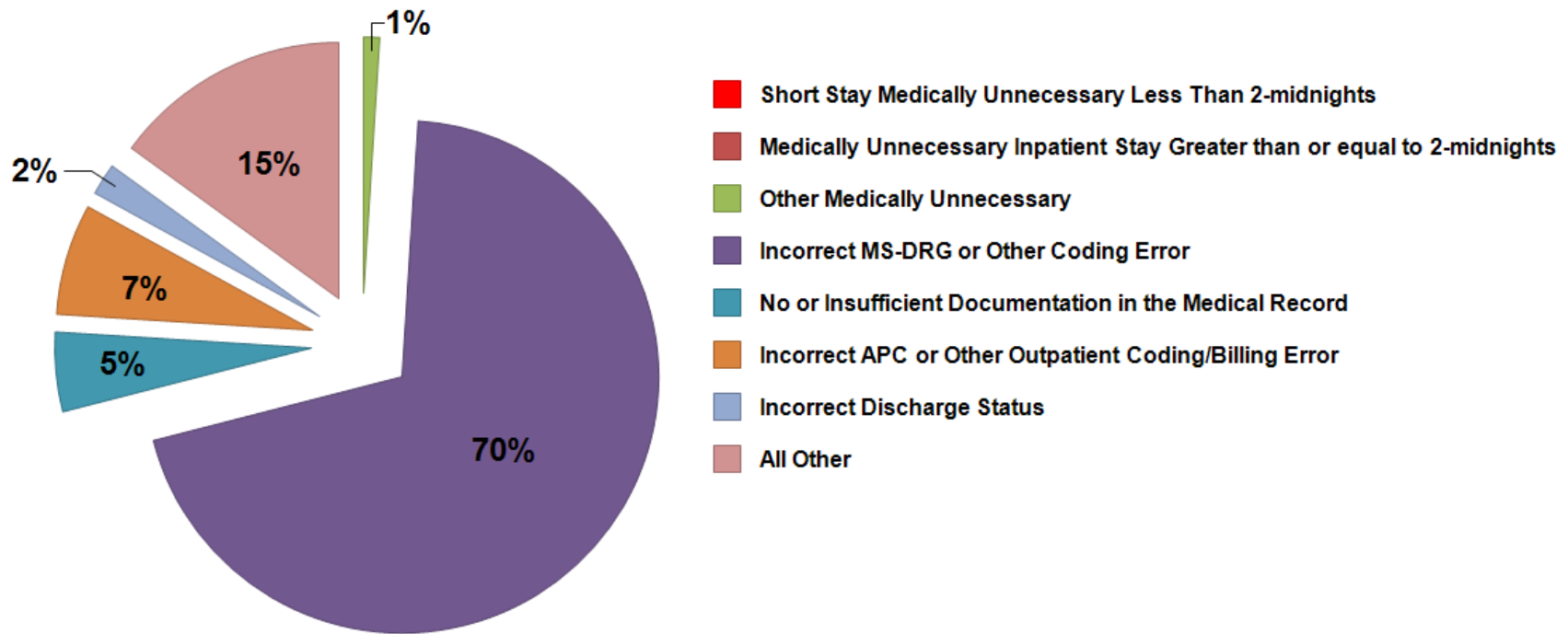
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Region C: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

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

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



Source: AHA. (July 2016). RACTRAC Survey

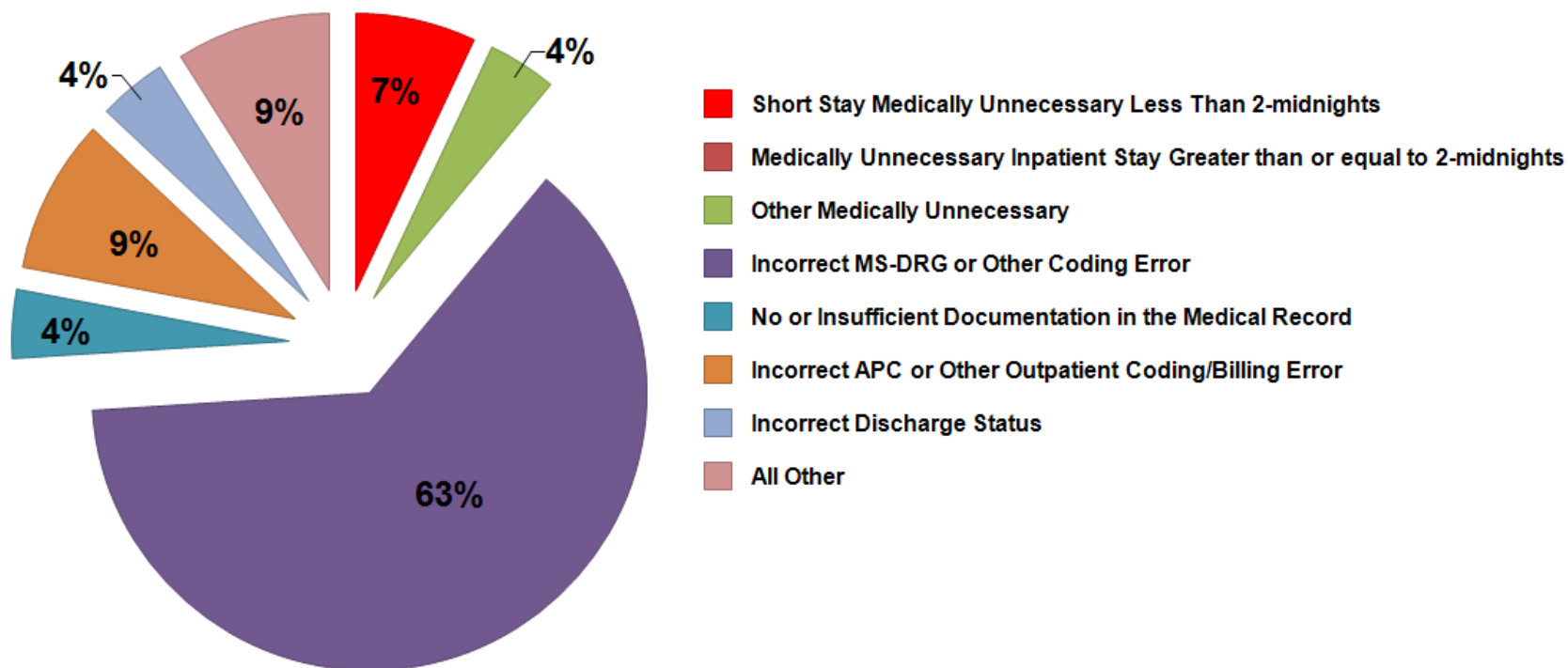
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Region D: Hospitals reported a high percentage of complex claims were denied due to incorrect MS-DRG or other coding error.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd 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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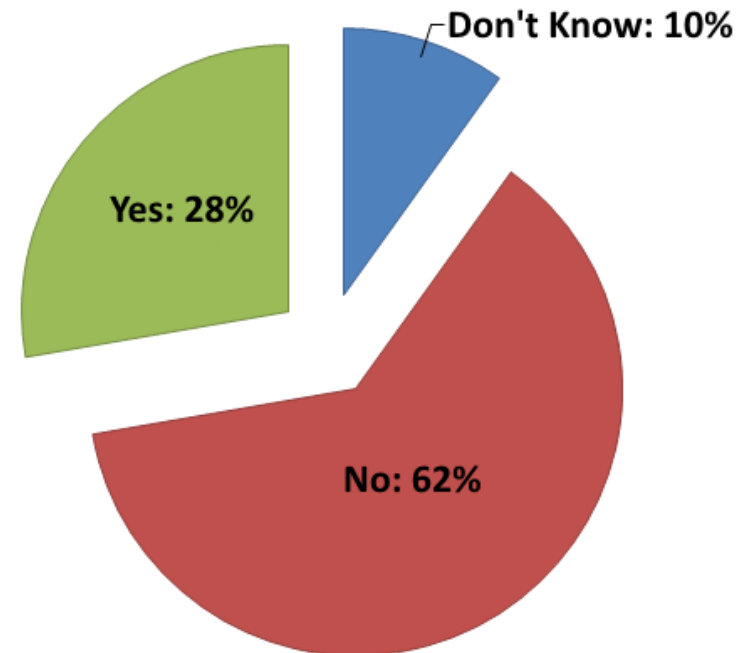
Appeals

28% of participating hospitals report having a denial reversed during the discussion period.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 2nd Quarter 2016

Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	38%	44%	18%
Region B	31%	62%	7%
Region C	27%	62%	10%
Region D	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

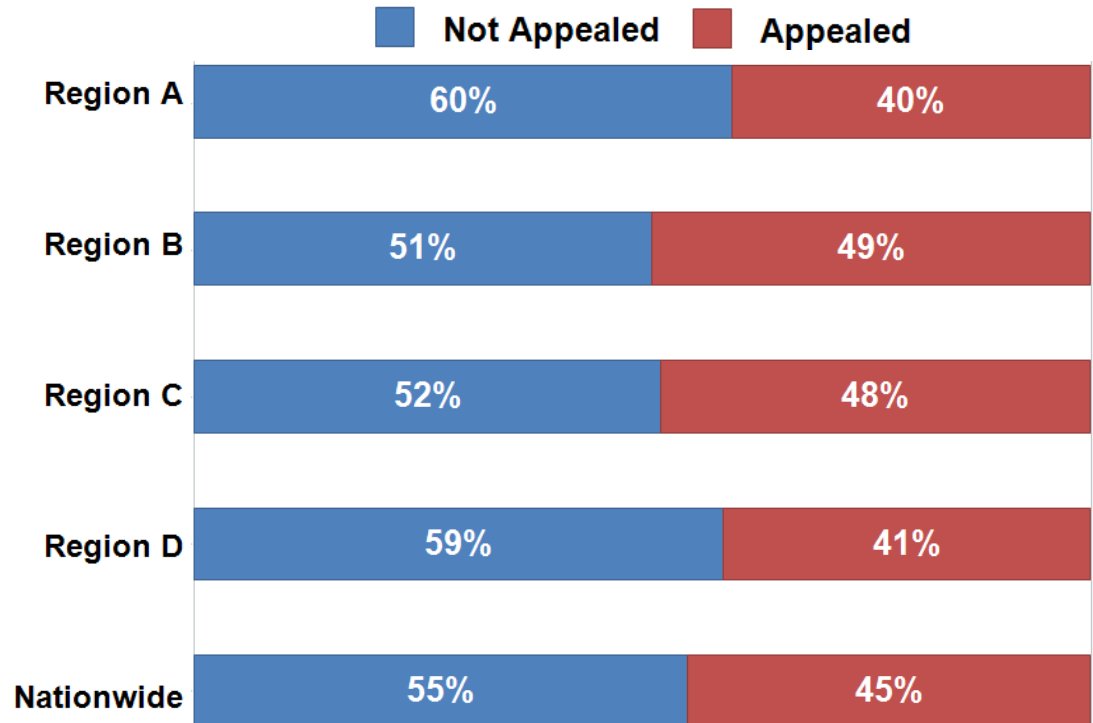
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Nationwide hospitals report appealing 45% of RAC denials including almost half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 2nd 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). RAC TRAC Survey

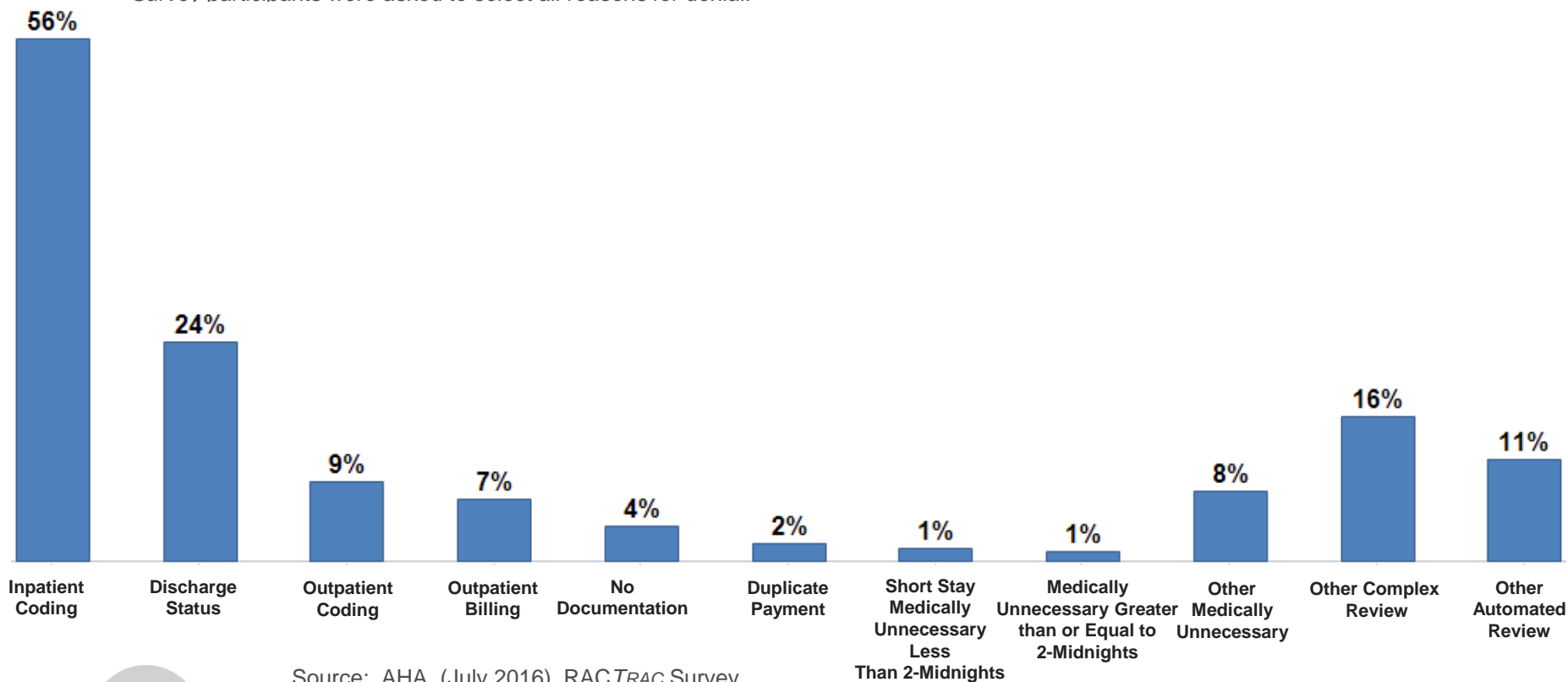
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56% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q2 2016 reported appealing inpatient coding denials.

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

Survey participants were asked to select all reasons for denial.



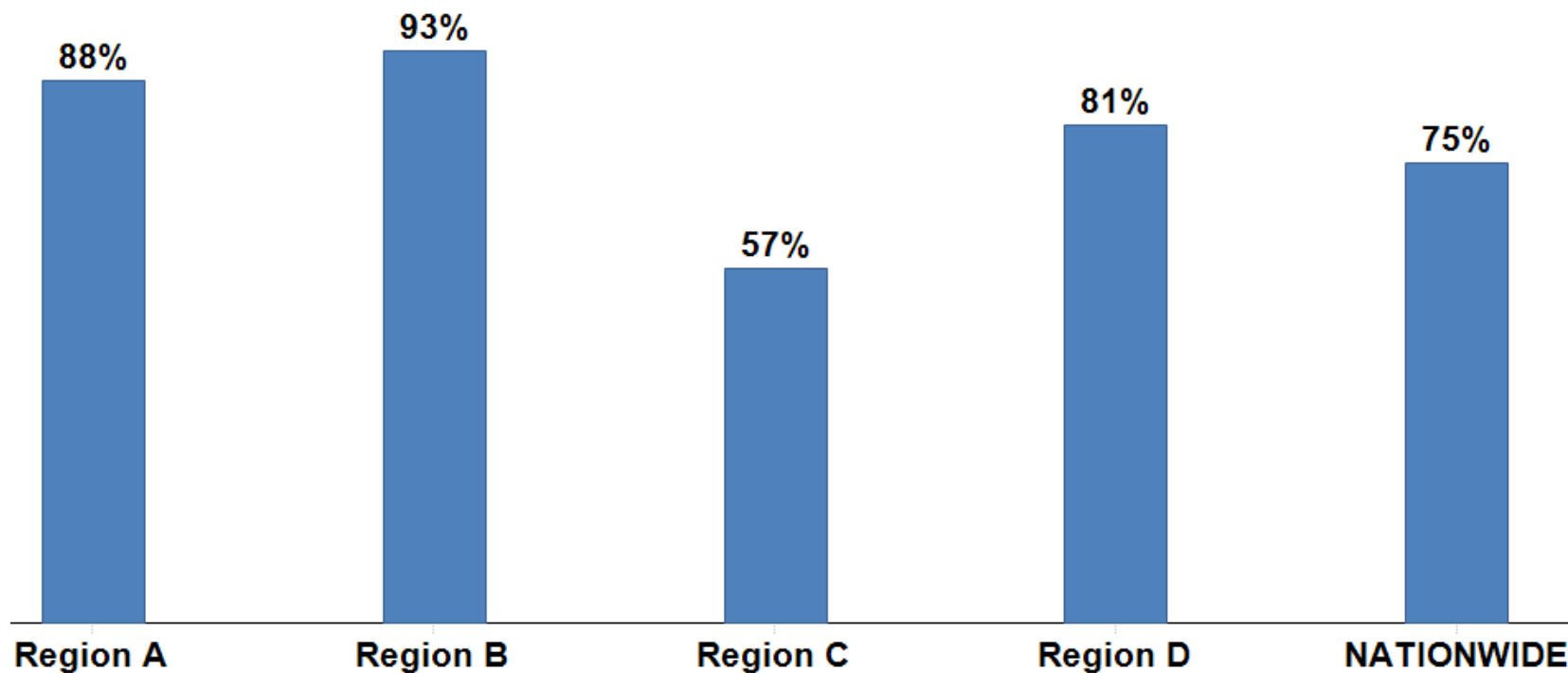
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For 75% of claims that are appealed to the administrative law judge (ALJ), the ALJ has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

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



Source: AHA. (July 2016). RAC^{TRAC} Survey

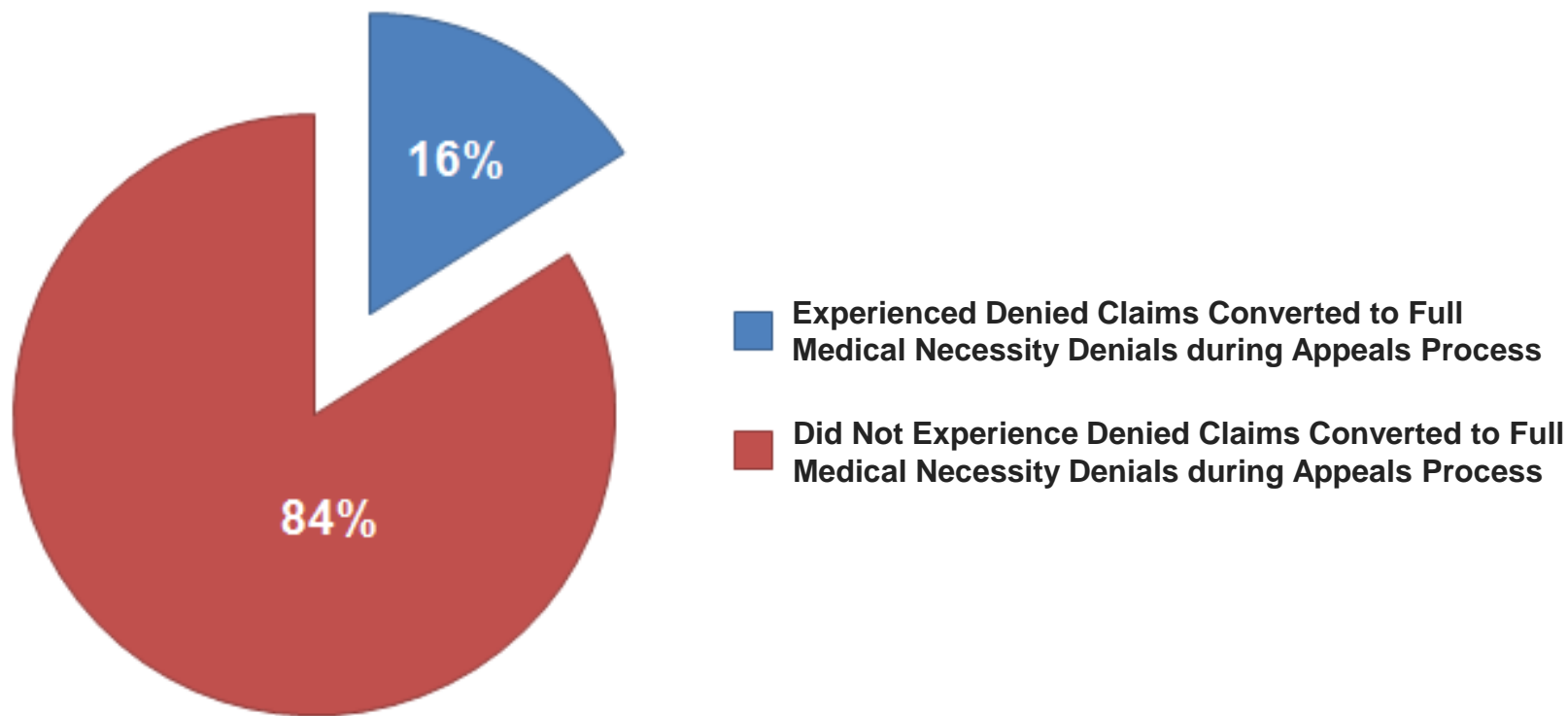
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16% of reporting hospitals reported having claims denied for DRG validation converted into full medical necessity denials when the determination was appealed.

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



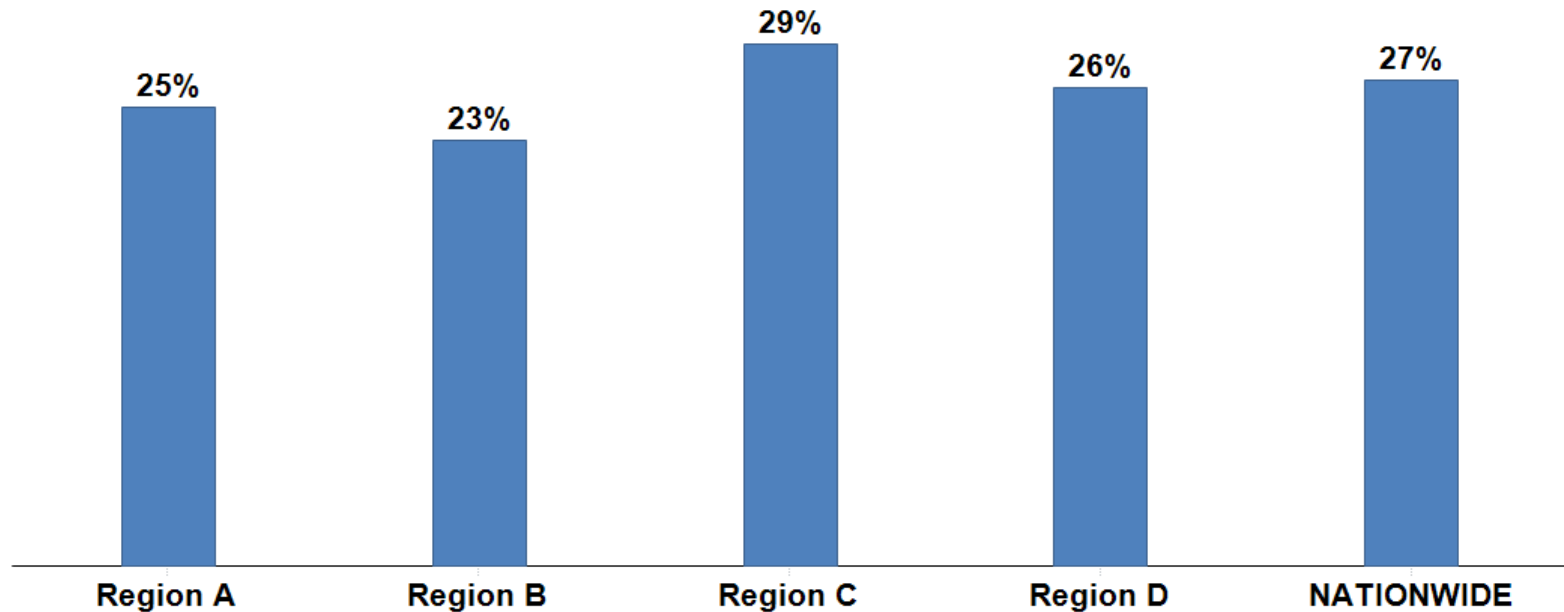
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27% of all cumulative claims appealed are still sitting in the appeals process.

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



*Response rates vary by quarter.

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For complex denials that are re-billed under Part B, hospitals report receiving 57% of the original Part A reimbursement.

Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 2nd Quarter, 2016

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 2nd 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	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.

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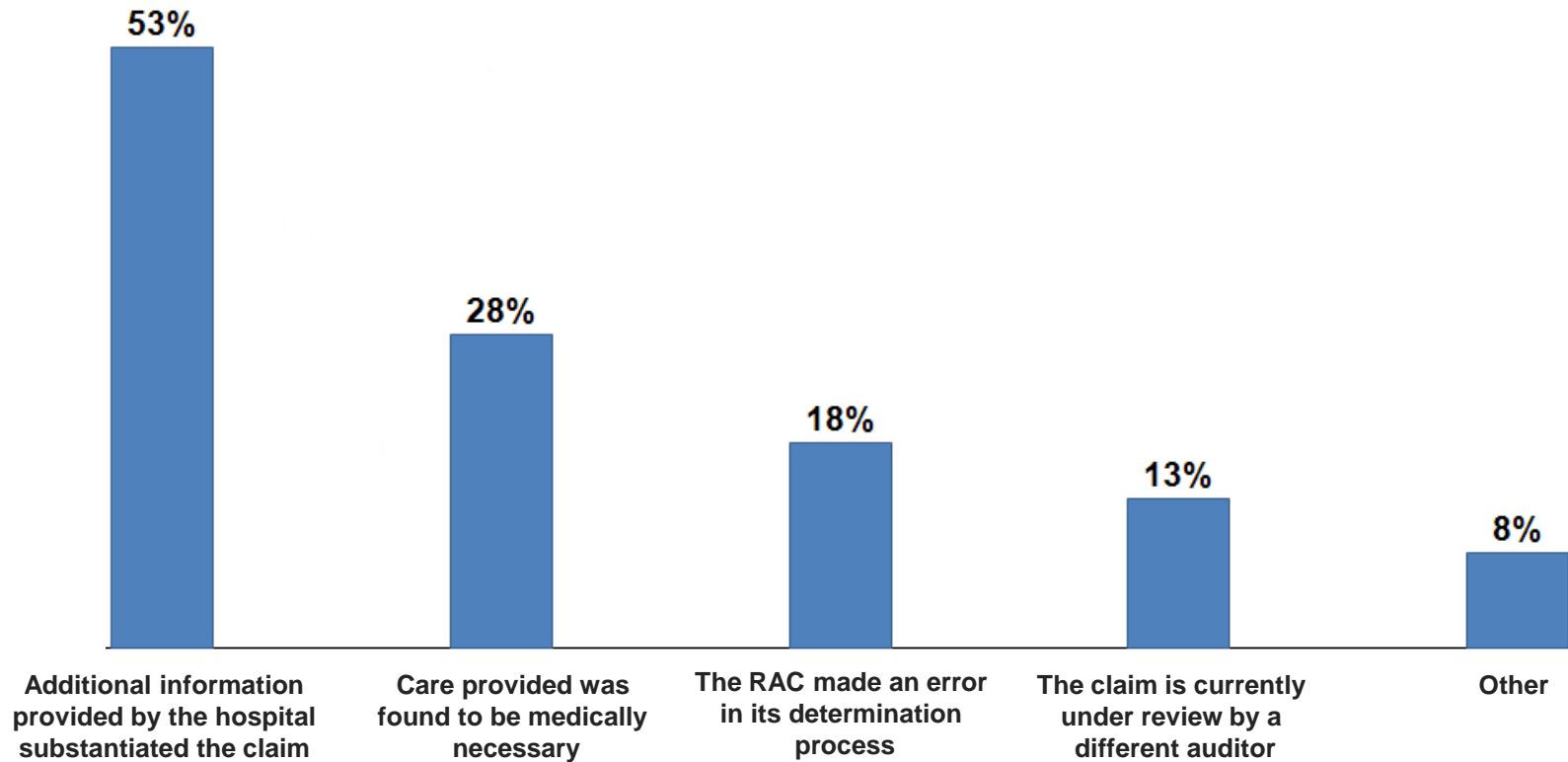
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53% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

Percent of Participating Hospitals that Had a Denial Overturned by Reason, 2nd Quarter 2016

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



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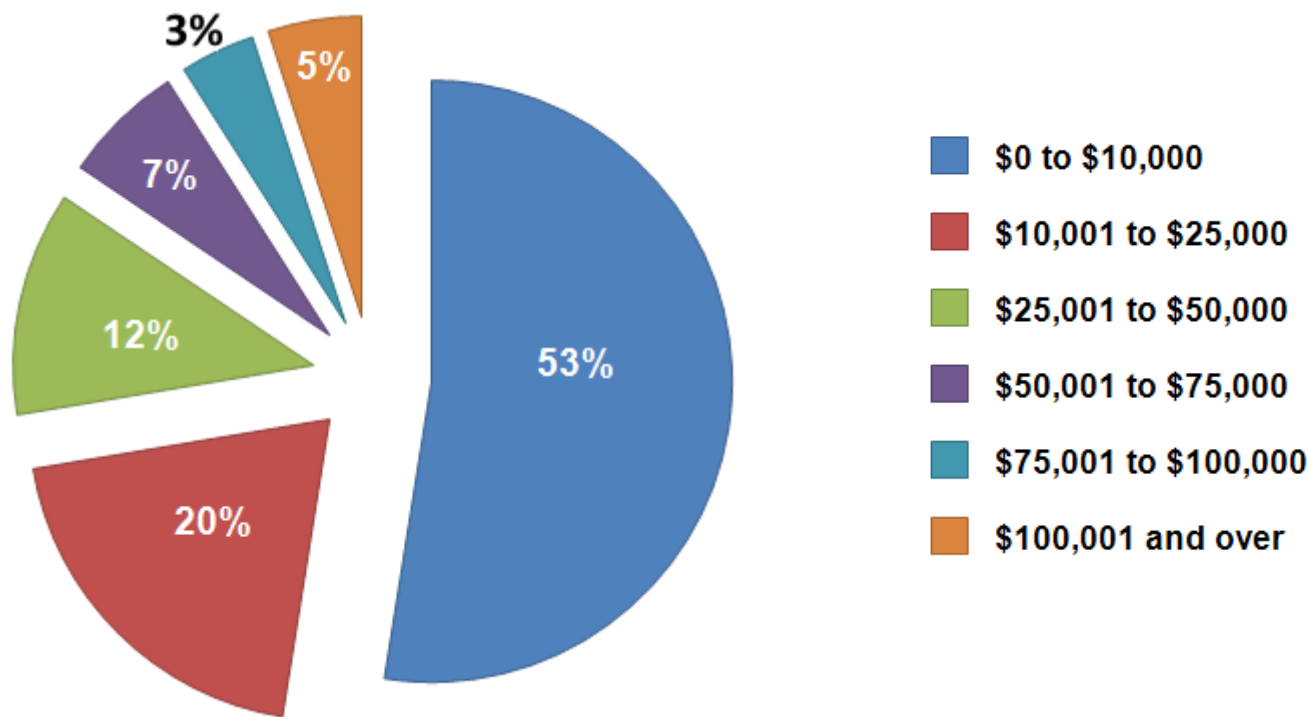
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Administrative Burden

47% of all hospitals reported spending more than \$10,000 managing the RAC process during the 2nd quarter of 2016, 27% spent more than \$25,000 and 5% spent over \$100,000.

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



* Includes participating hospitals with and without RAC activity

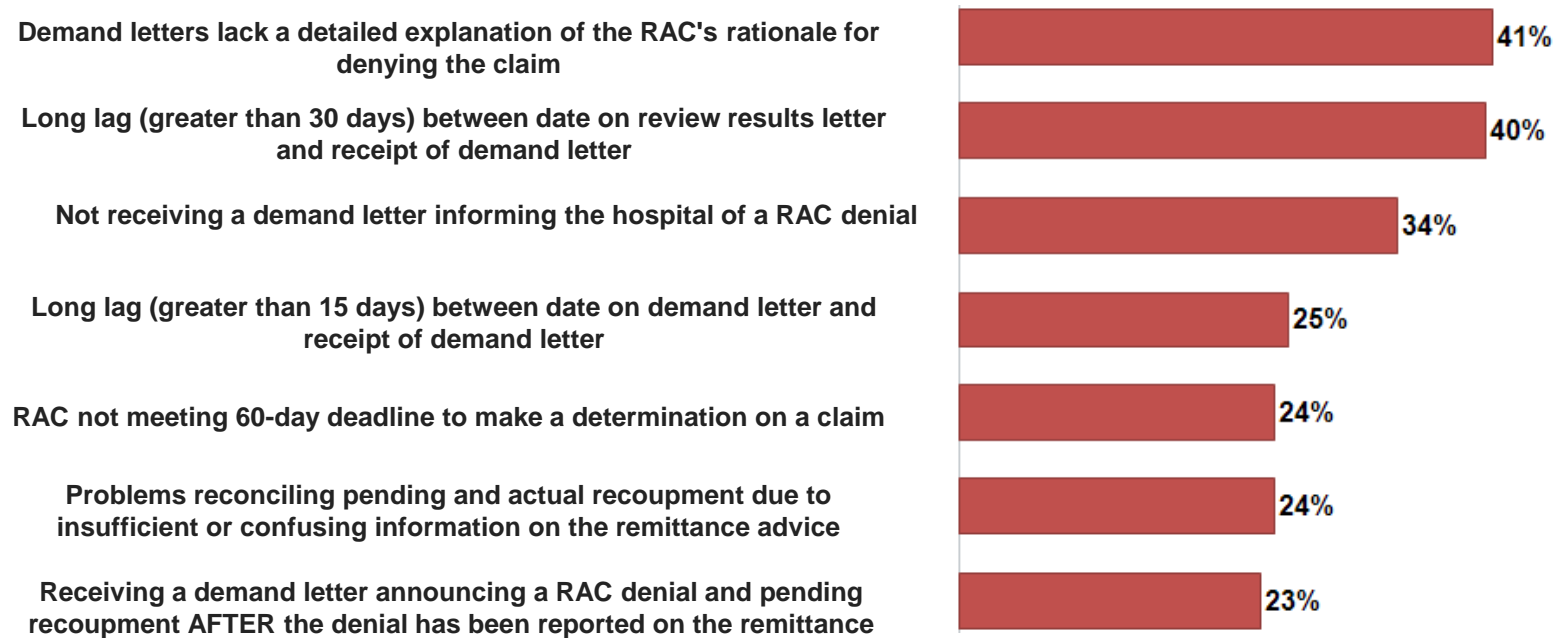
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Hospitals report widespread RAC process-related issues, including multiple problems with Medicare audit contractors (MACs) and the demand letter process.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2nd Quarter 2016



** Includes participating hospitals with and without RAC activity*

Source: AHA. (July 2016). RACTRAC Survey

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

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