



# Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC *TRAC* Survey, 4<sup>th</sup> Quarter 2015

March 2, 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) 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<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 4th quarter of 2015.
  - 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

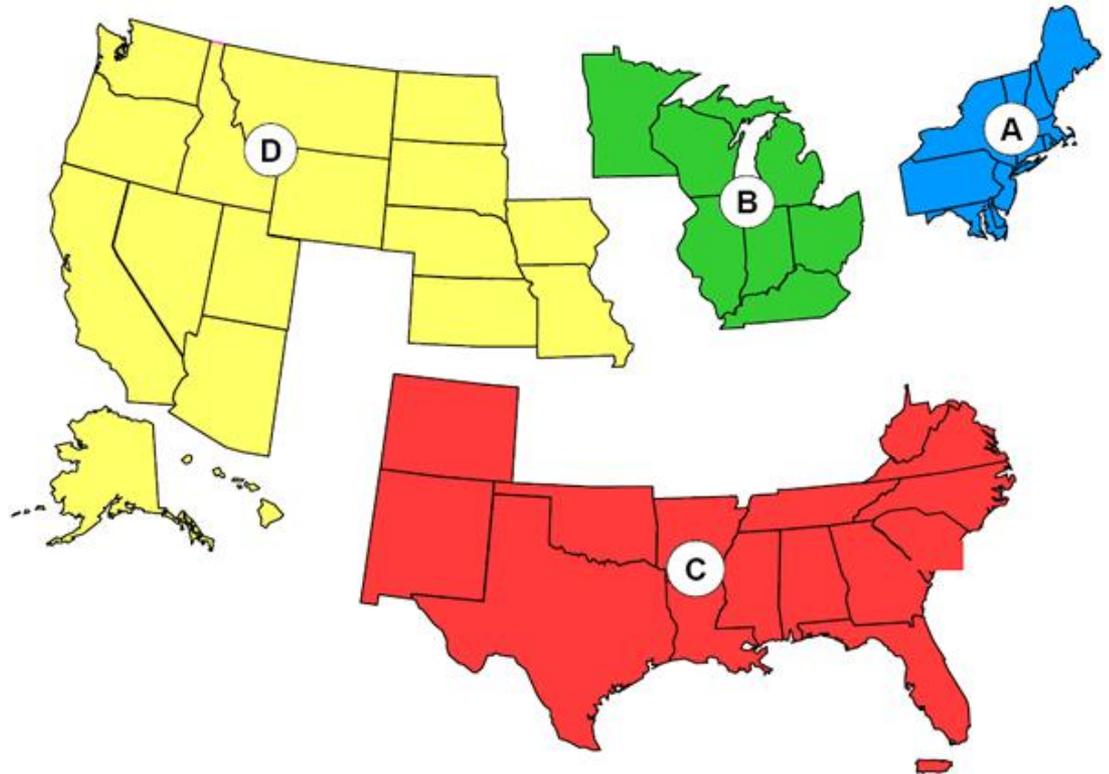
- 2,575 hospitals have participated in RAC TRAC since data collection began in January of 2010. 745 hospitals participated this quarter.
- 60% of reviewed claims in Q4 2015 were found to not have an overpayment.
- 40% of hospitals indicated, for automated denials, that outpatient coding error had the largest financial impact.
- 81% of hospitals received a complex denial based on inpatient coding in Q4 2015.
- Hospitals report appealing 49% of all RAC denials.
- 39% of hospitals report having a denial reversed in the discussion period.
- 48% of all hospitals reported spending more than \$10,000 managing the RAC process during the 4th quarter of 2015, 29% spent more than \$25,000 and 7% 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 4th Quarter 2015

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	16%
Region B	19%	23%
Region C	40%	35%
Region D	26%	26%



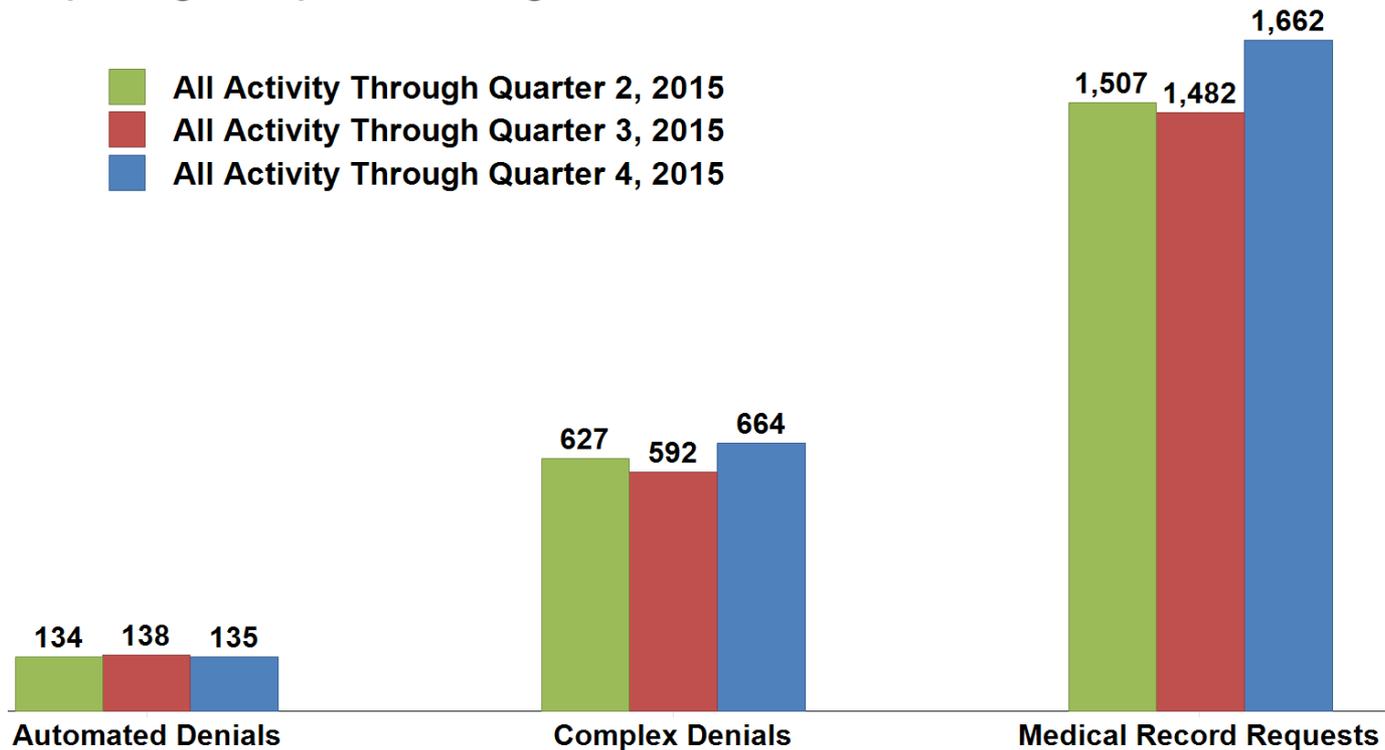
Source: Centers for Medicare and Medicaid Services



# RAC Reviews

# The average number of medical record requests per hospital increased significantly in Q4 2015.

## Average Automated Denials, Complex Denials and Medical Records Requests Per Participating Hospital, through 4th Quarter 2015\*



\*Response rates vary by quarter.

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

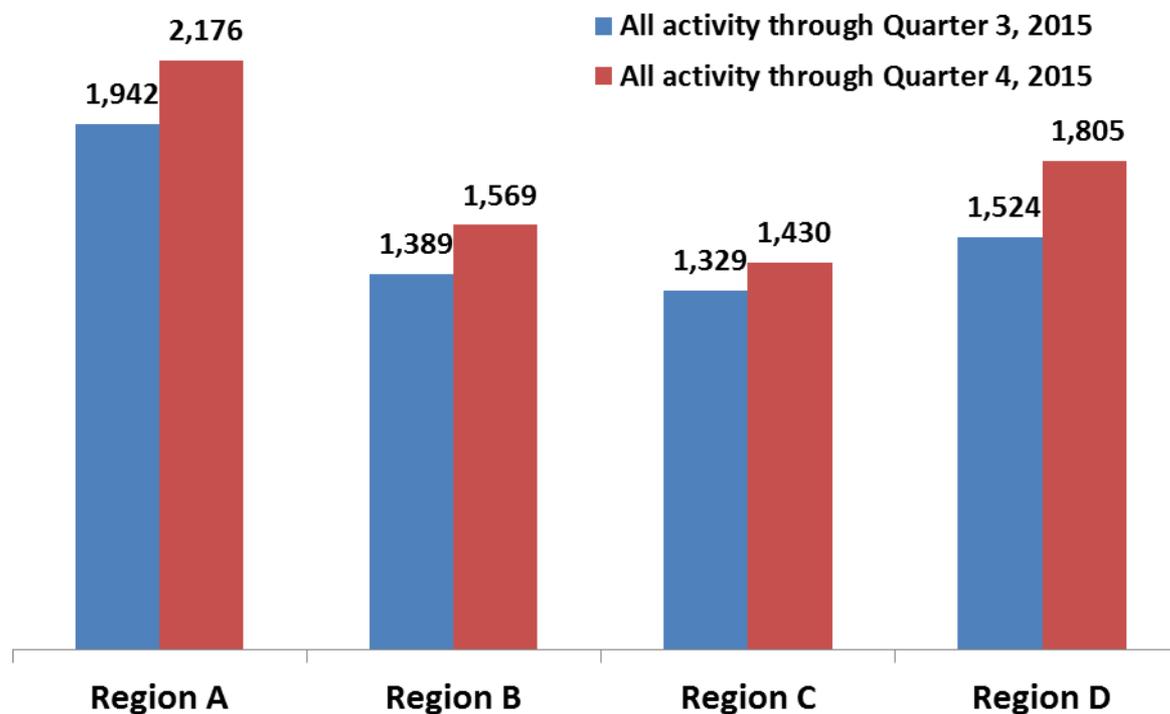
AHA analysis of survey data collected from 2,575 hospitals: 2,315 reporting activity, 260 reporting no activity through December 2015. 745 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

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# Region A 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 4th Quarter 2015\*



\*Response rates vary by quarter.

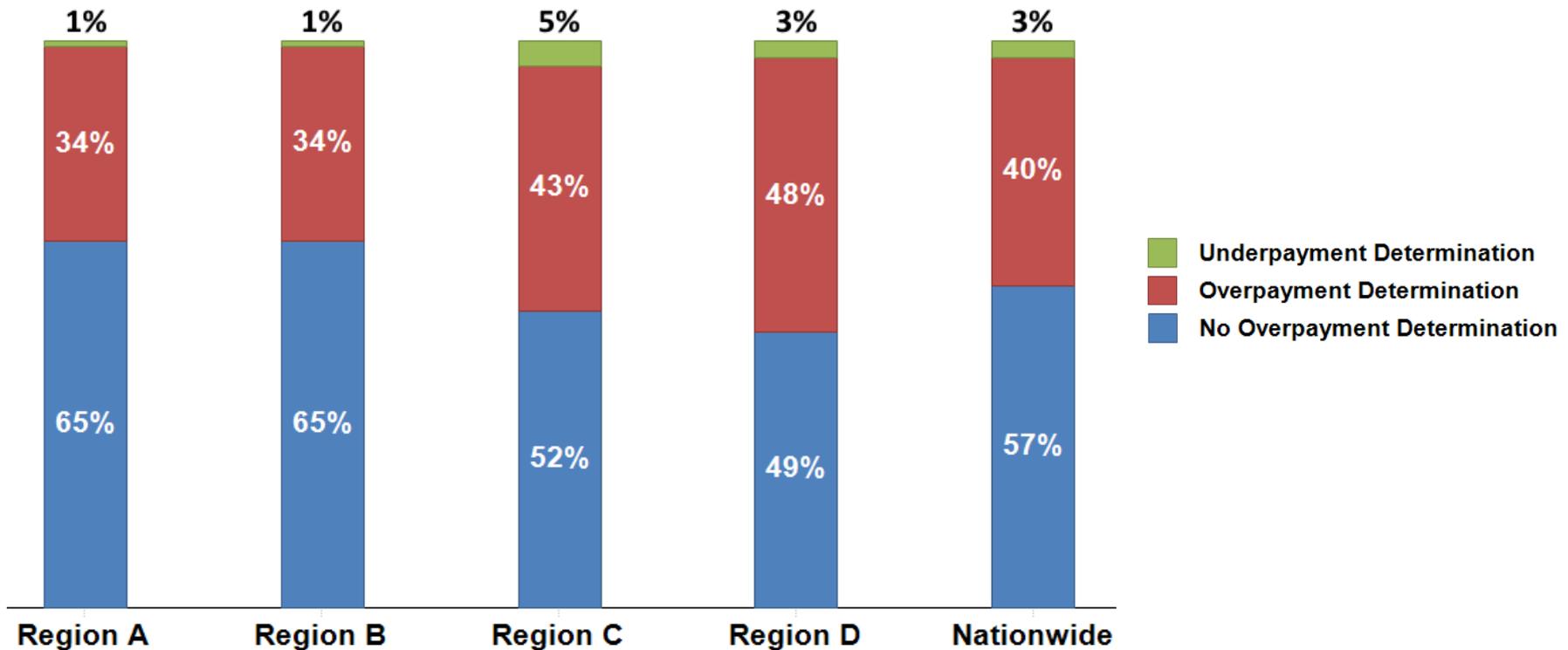
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# 60% of medical records reviewed by RACs did not contain an overpayment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 4th Quarter 2015



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

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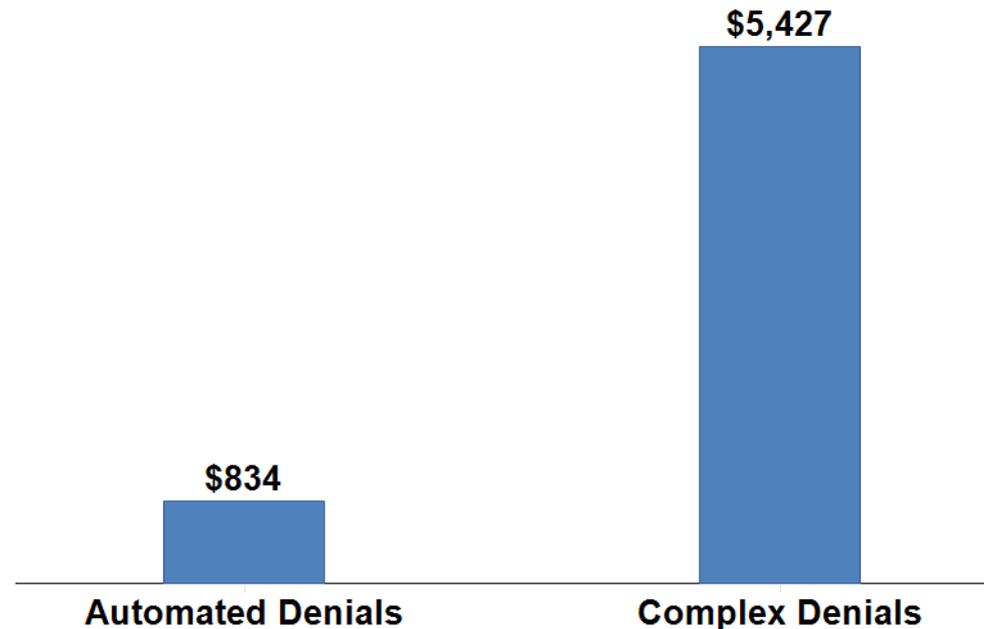


## RAC Denials

The average dollar value of an automated denial was \$834 and the average dollar value of a complex denial was \$5,427.

## Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 4th Quarter 2015

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$834	\$5,427
Region A	\$311	\$5,290
Region B	\$1,476	\$4,823
Region C	\$697	\$5,639
Region D	\$1,155	\$5,600



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

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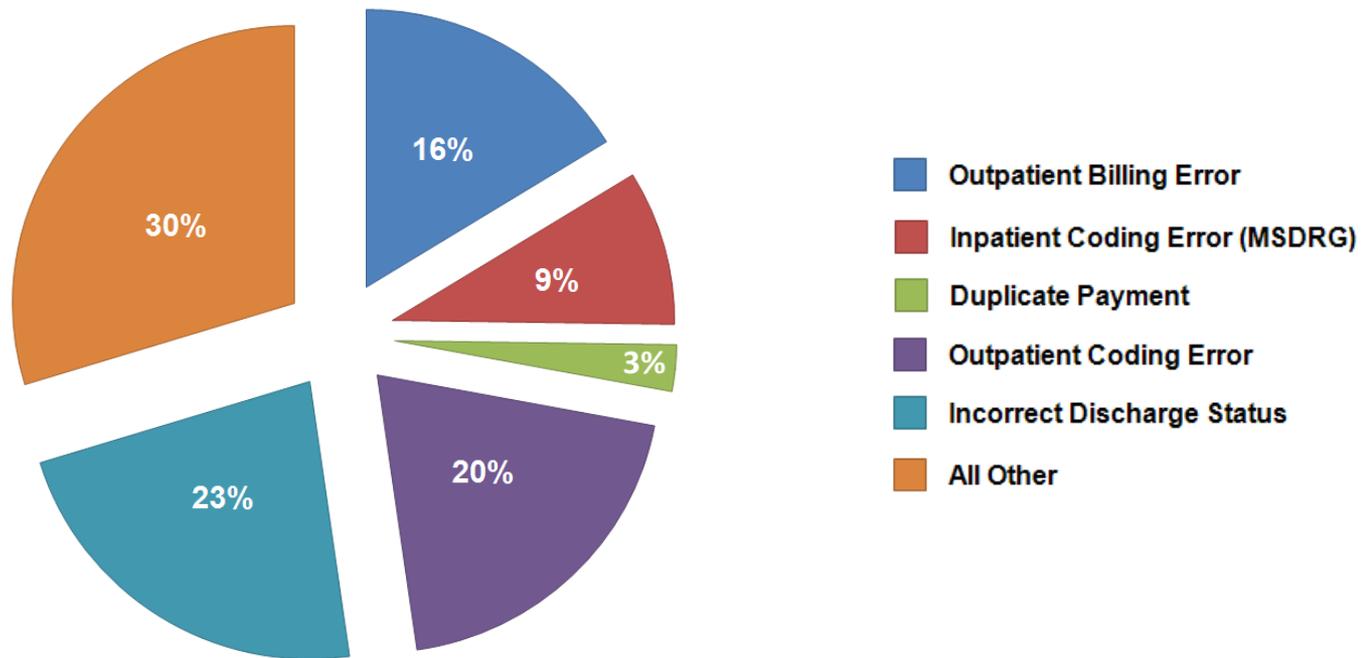


## Automated RAC Denials

# 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, 4th Quarter 2015

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



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

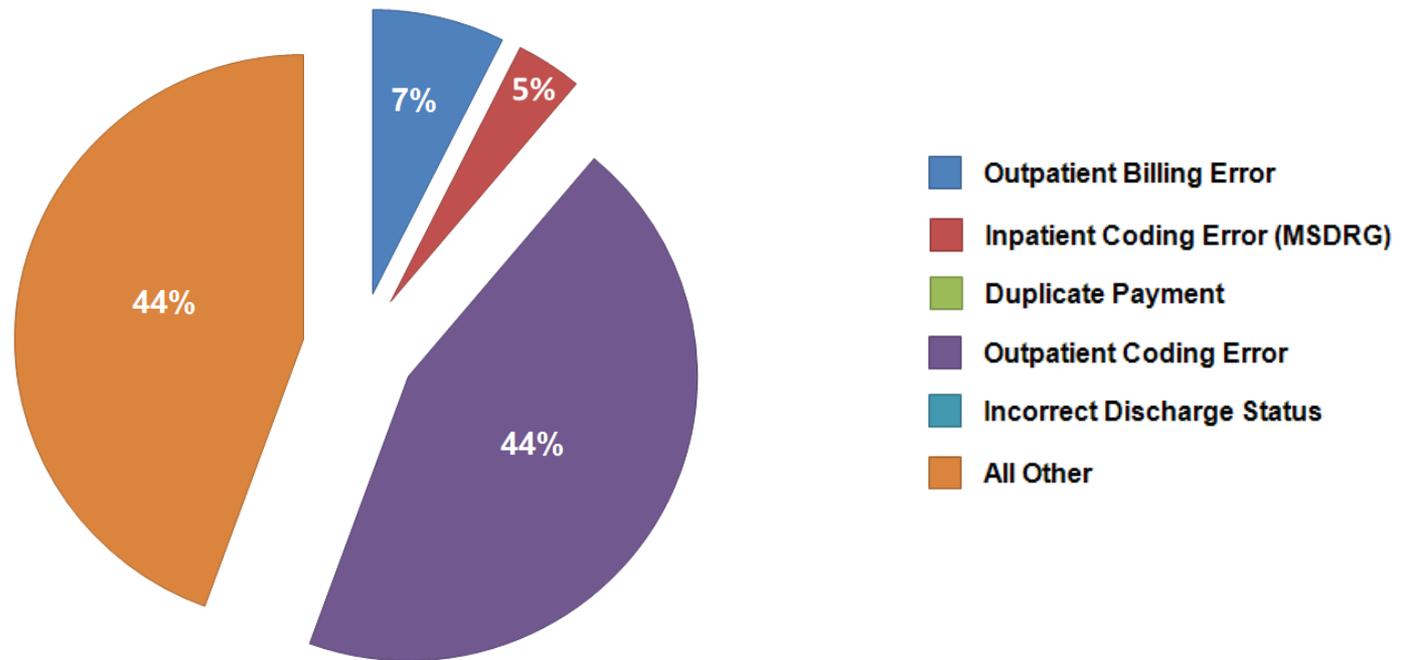
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# Region A: Outpatient coding error and all other were reported as the top reasons for automated denial, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region A

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



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

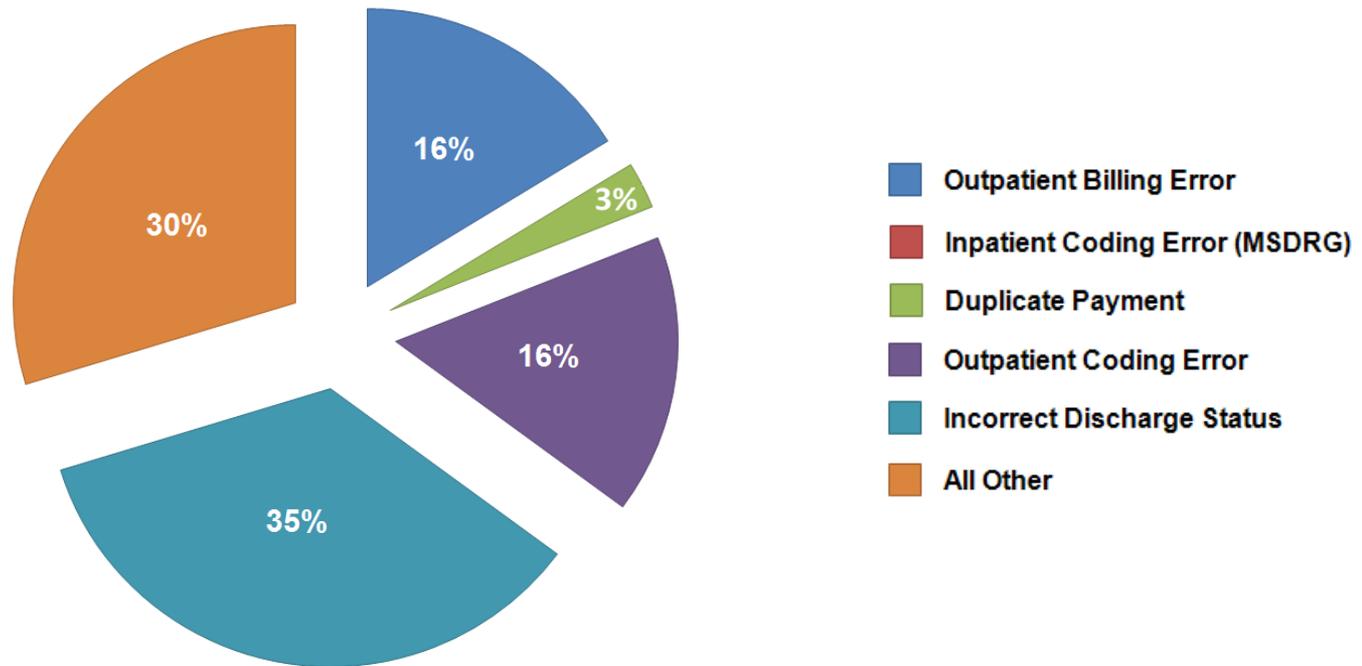
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# Region B: Hospitals reported incorrect discharge status as the top reason for automated denials, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region B

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



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

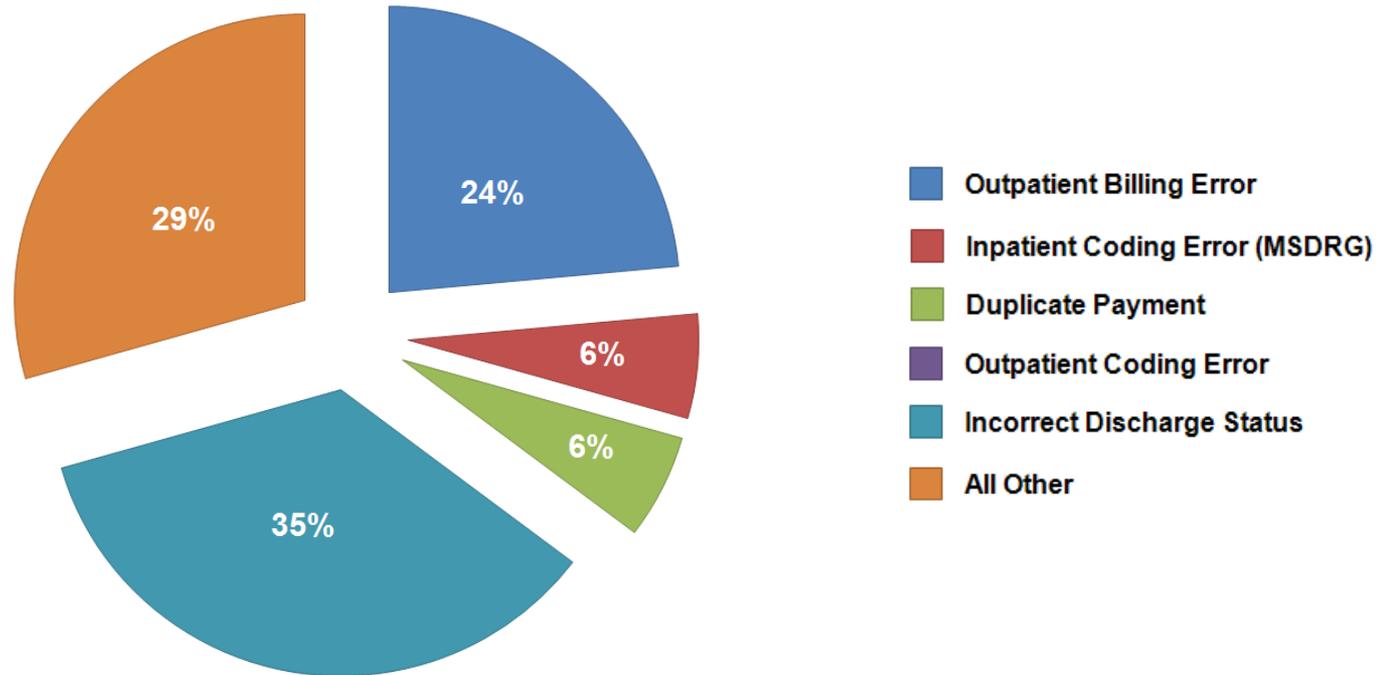
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# Region C: Hospitals reported incorrect discharge status as the top reason for RAC denials, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region C

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



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

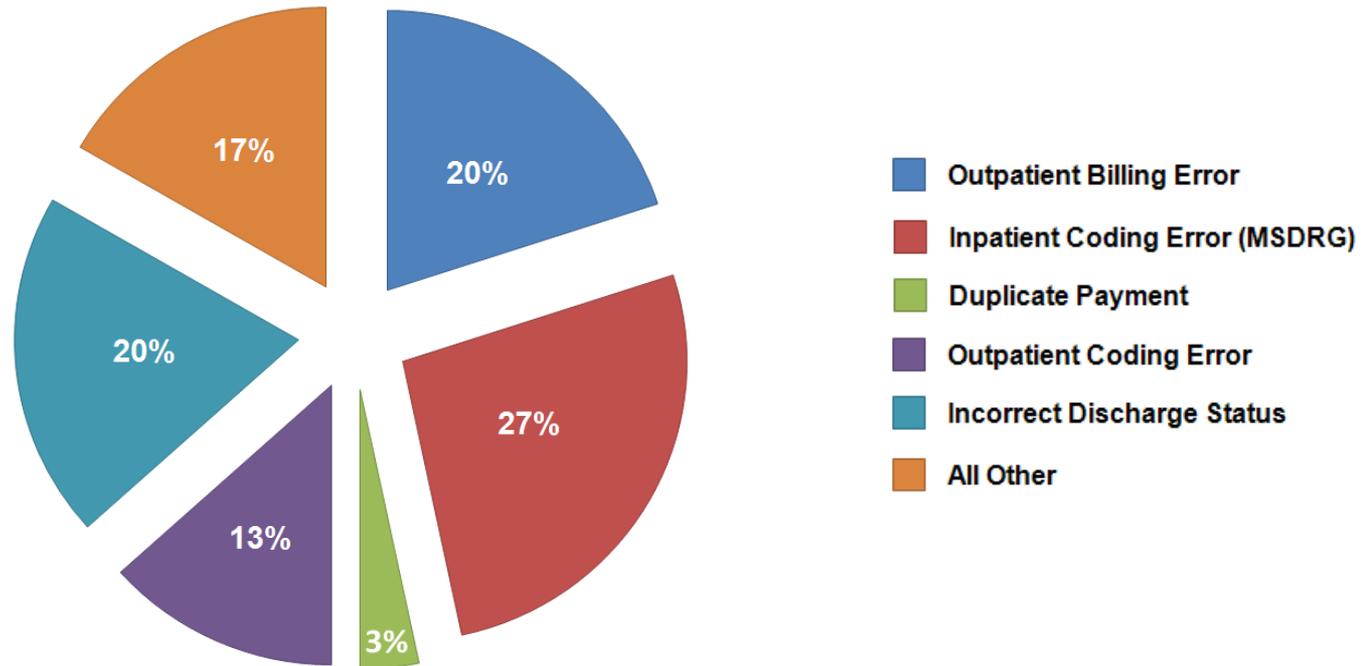
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# Region D: Hospitals reported inpatient coding error as the top reason for RAC denials, by dollar impact.

## Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region D

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



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

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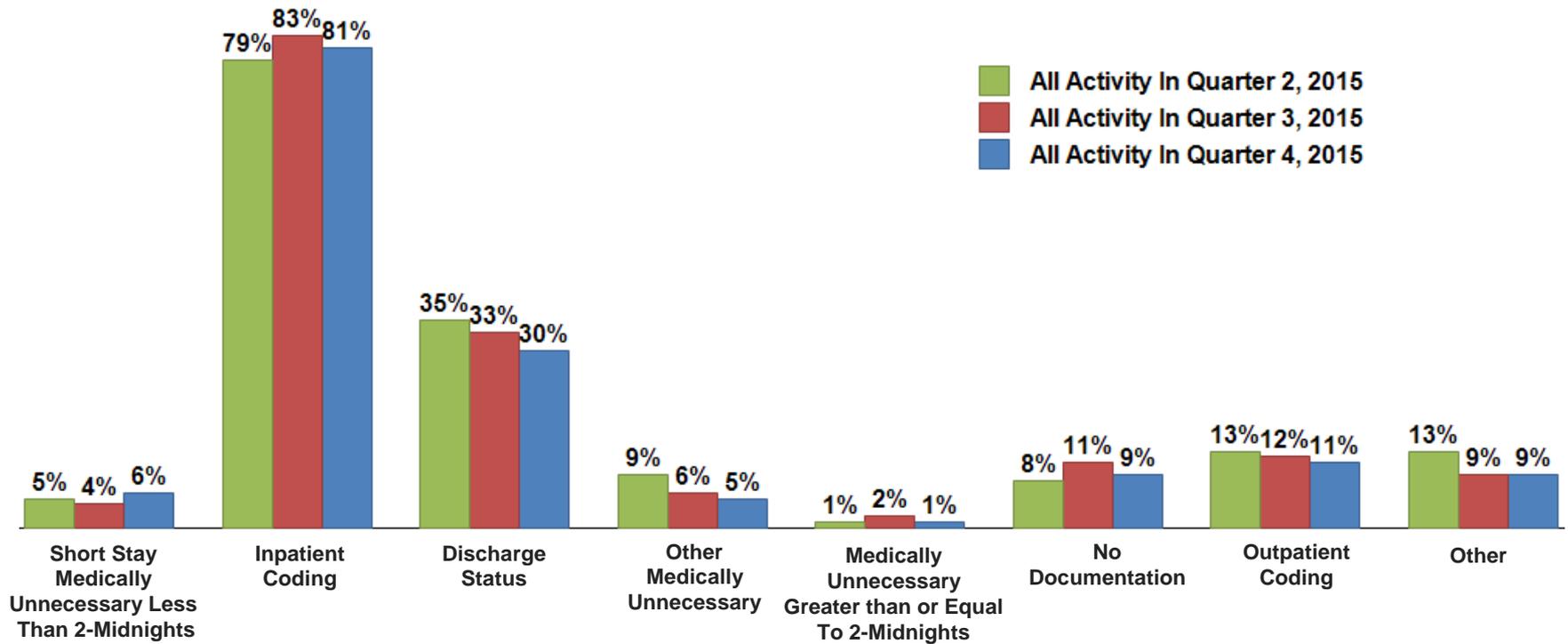


## Complex RAC Denials

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

## Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, through 4th Quarter 2015

Survey participants were asked to select all reasons for denial.



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

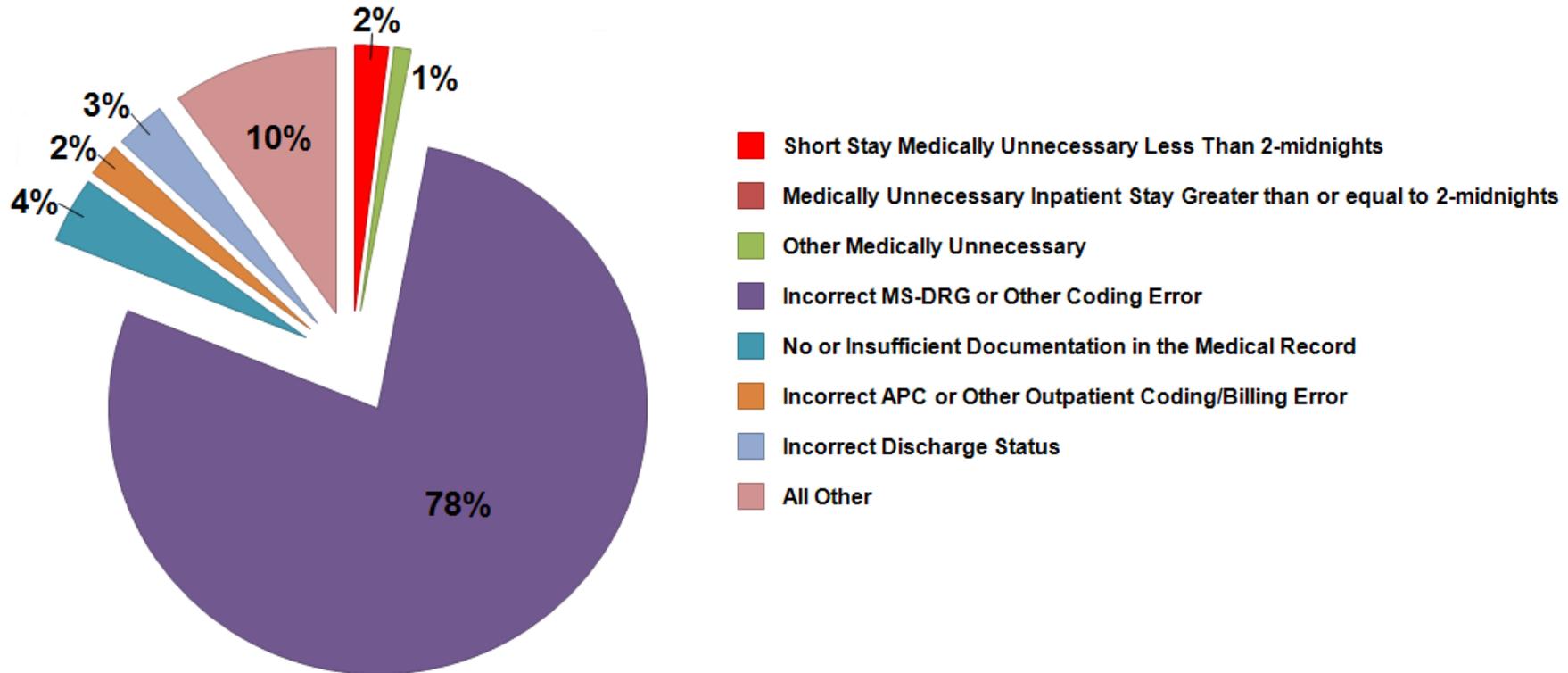
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# Nationally, hospitals reported a high percentage of complex denials due to incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015

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



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

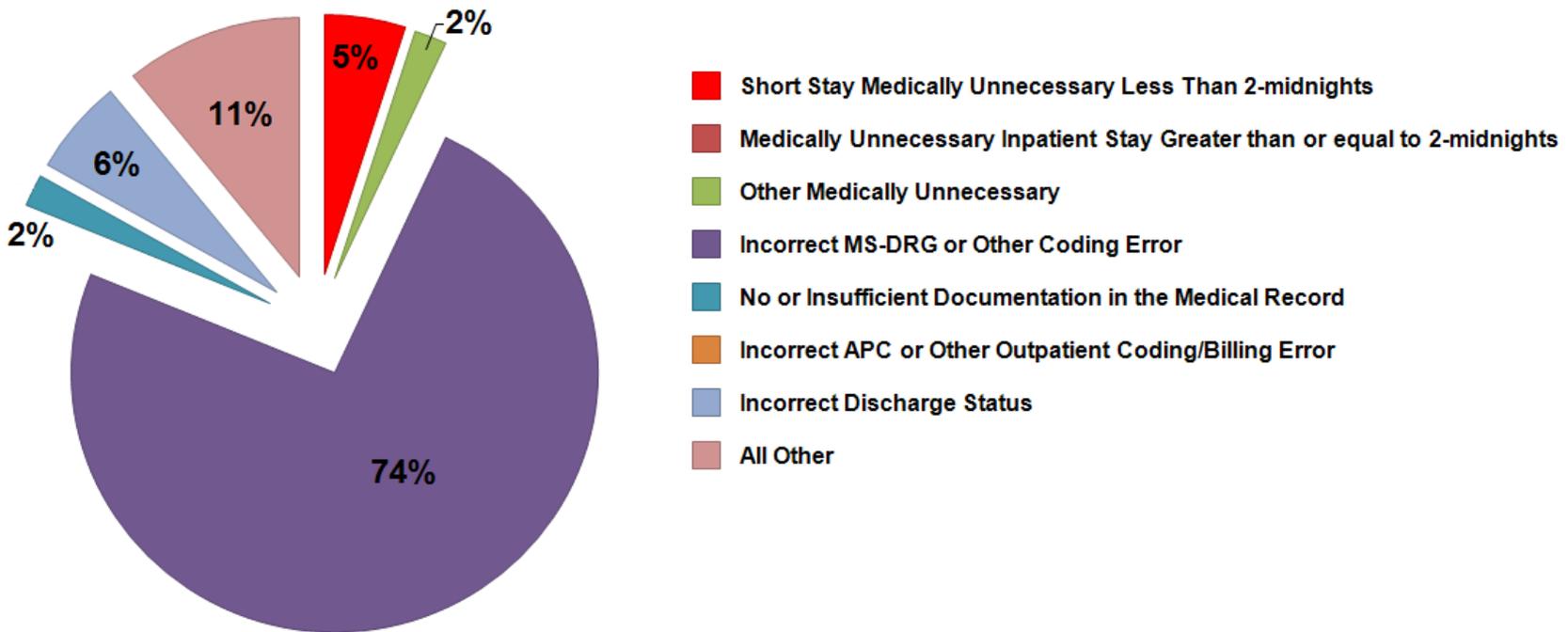
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# Region A: Hospitals reported a very high percentage of denials for incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region A

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



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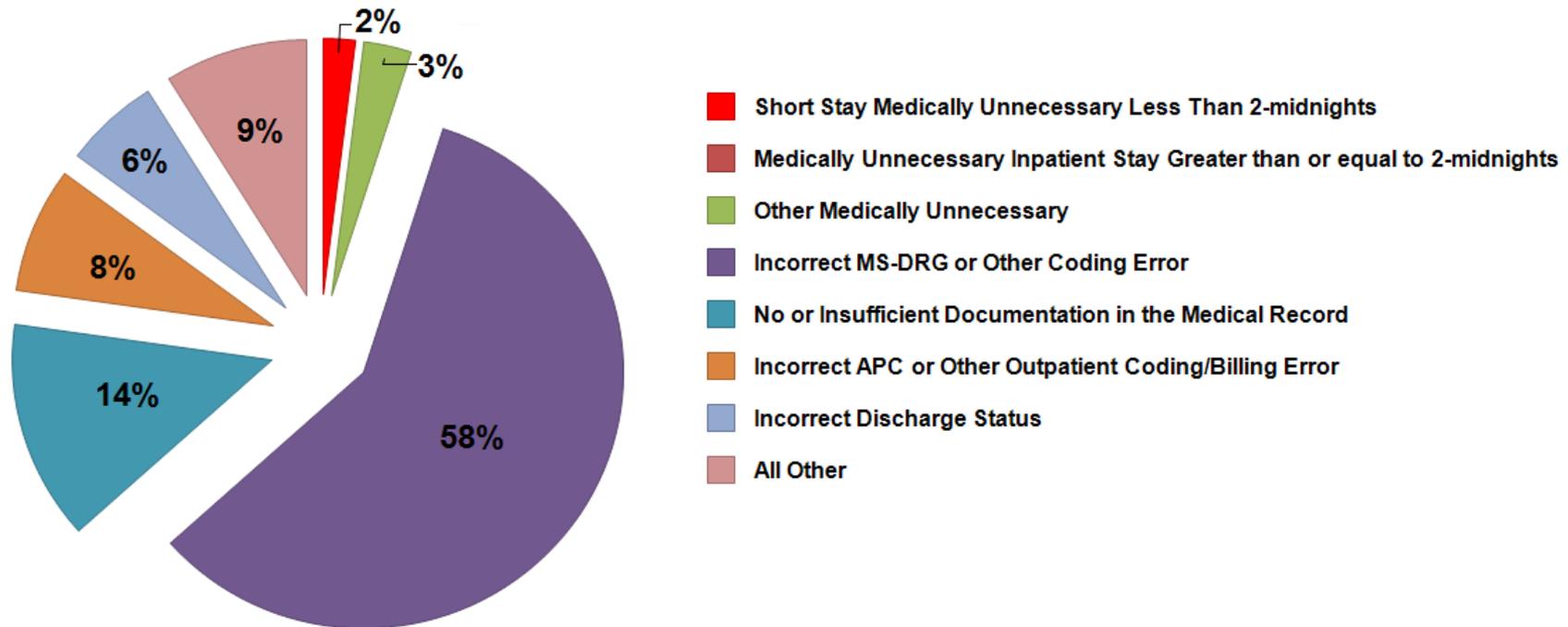
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# Region B: Hospitals reported a significant percentage of denials for incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region B

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



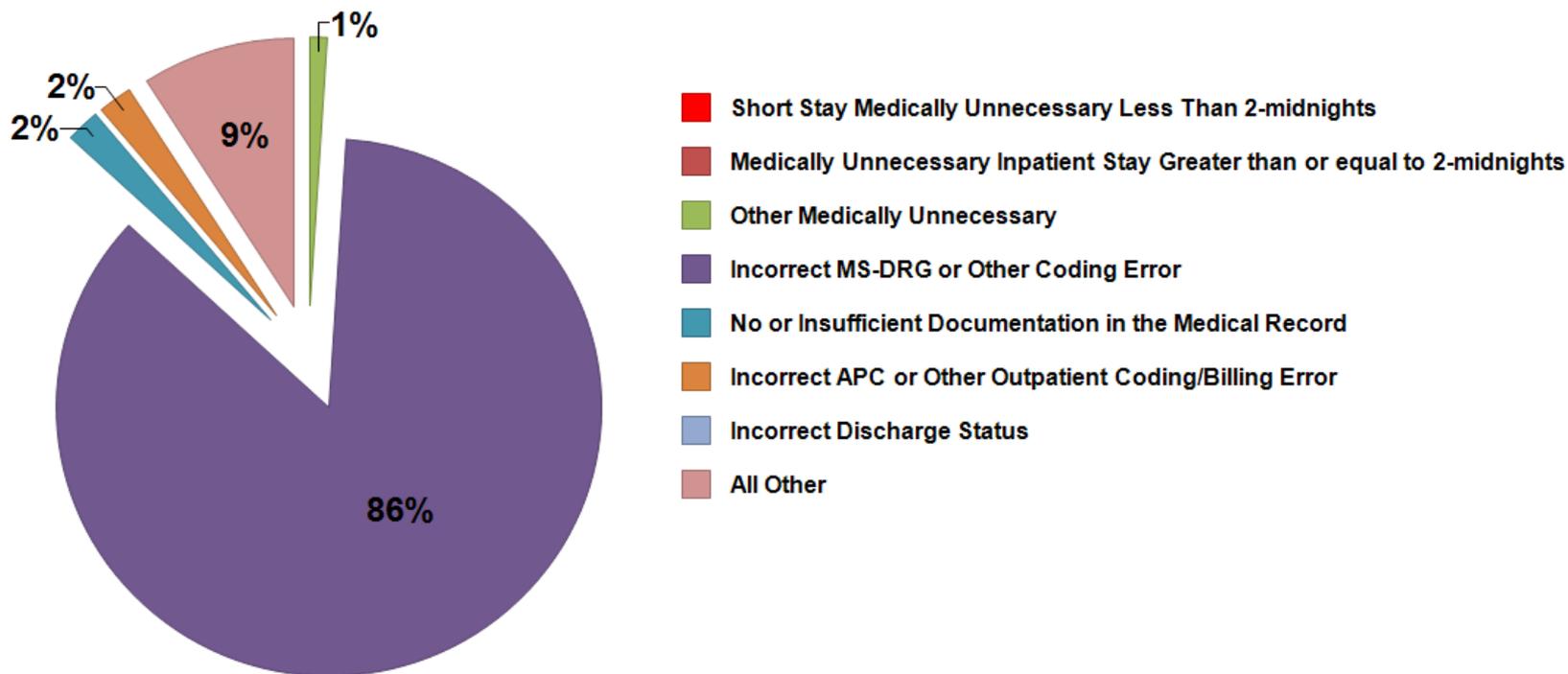
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# Region C: Hospitals reported a very high percentage of denials on incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region C

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



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

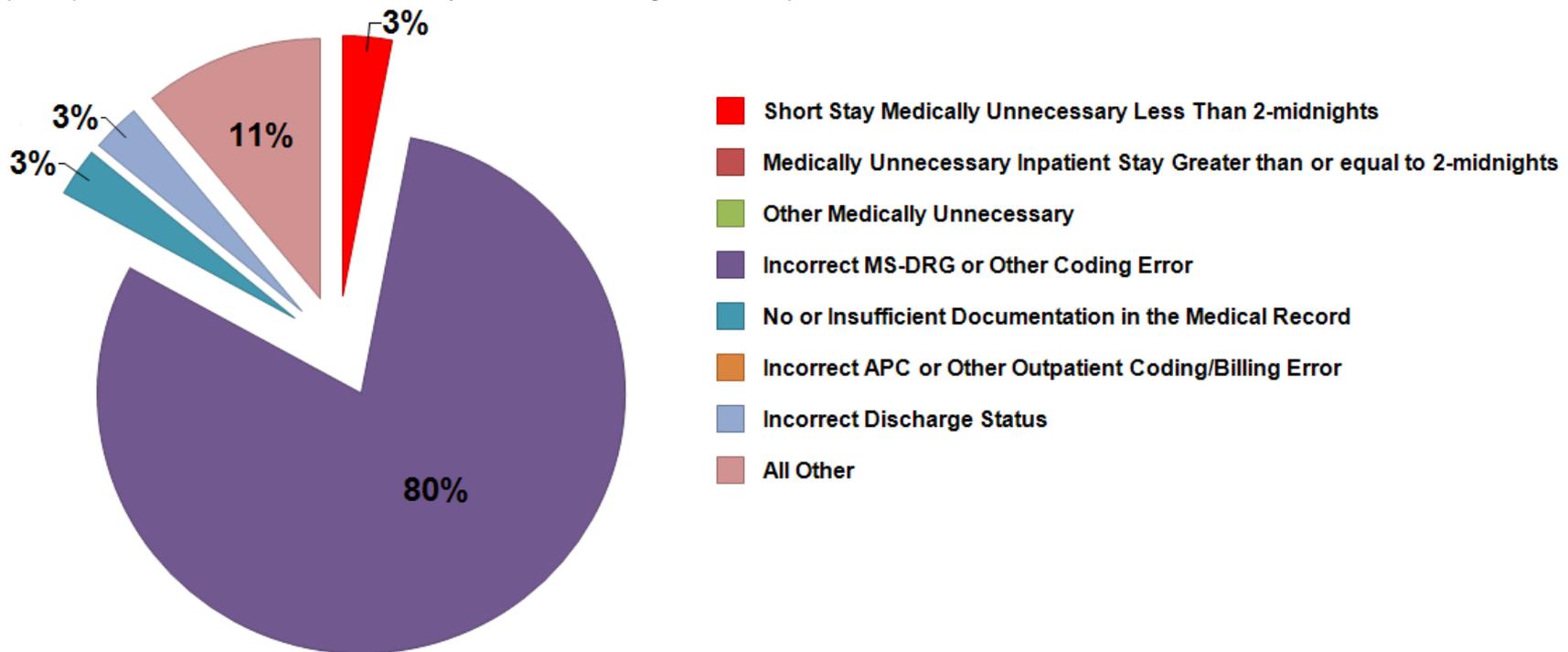
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# Region D: Hospitals reported a very high percentage of denials on incorrect MS-DRG or other coding error.

## Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 4th Quarter 2015, Region D

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



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

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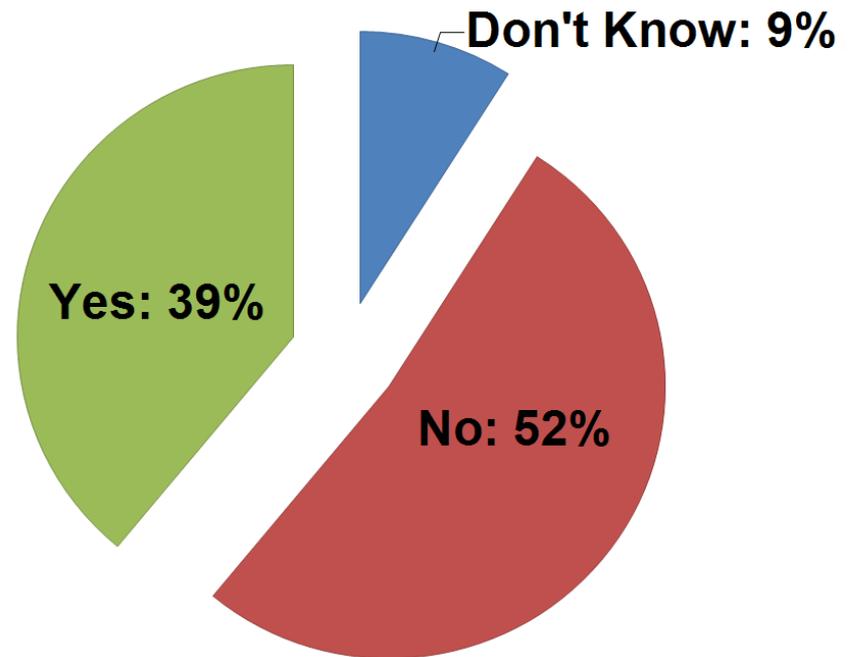
Appeals

# 39% 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, 4th Quarter 2015

## Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	44%	45%	11%
Region B	42%	54%	4%
Region C	34%	54%	12%
Region D	39%	51%	10%



*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. (January 2016). RAC TRAC Survey

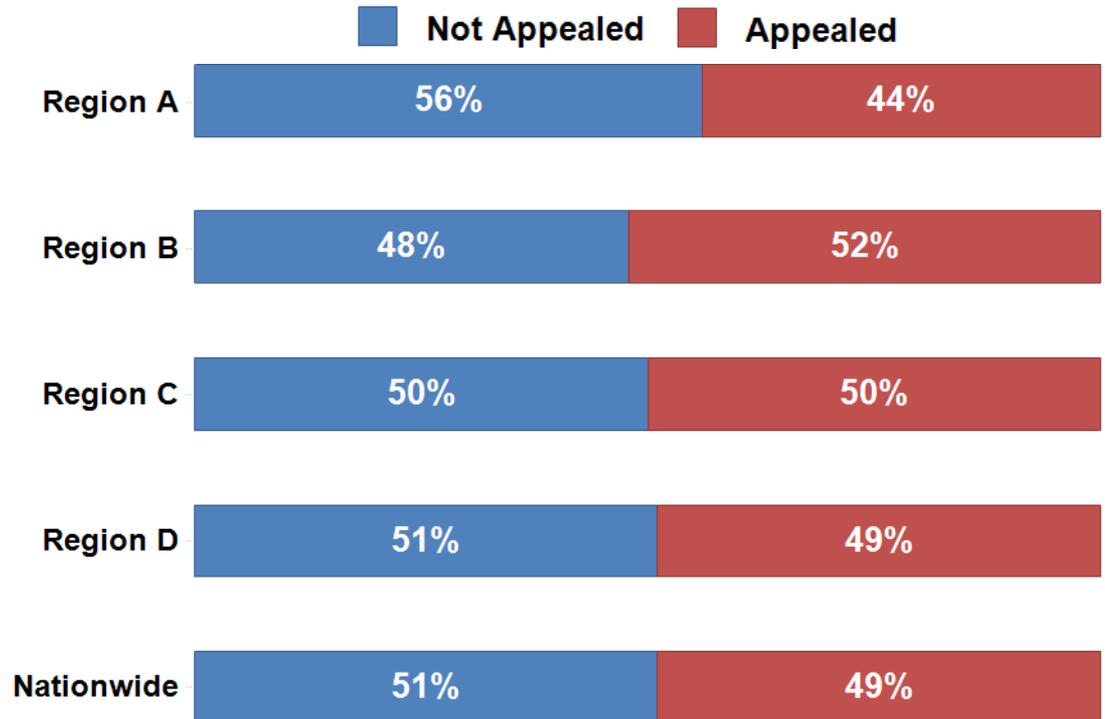
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# Nationwide hospitals report appealing 49% of RAC denials including over half of all denials in Region B.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 4th Quarter 2015

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
Nationwide	479,376	235,216
Region A	83,709	37,085
Region B	81,346	42,481
Region C	198,701	98,548
Region D	115,620	57,102



\* 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. (January 2016). RAC TRAC Survey

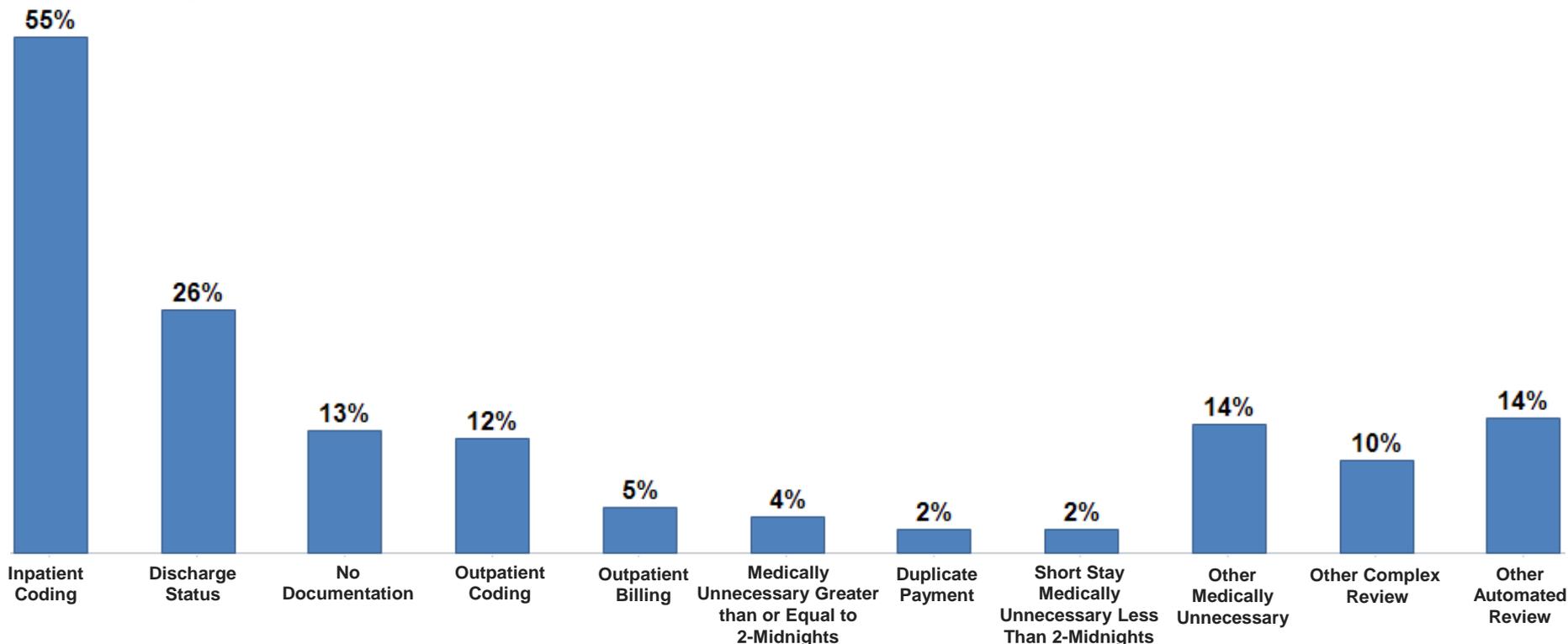
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# 55% of all hospitals filing an appeal of a RAC denial – to any level of the appeals system – during Q4 2015 reported appealing inpatient coding denials.

## Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 4th Quarter 2015

Survey participants were asked to select all reasons for denial.



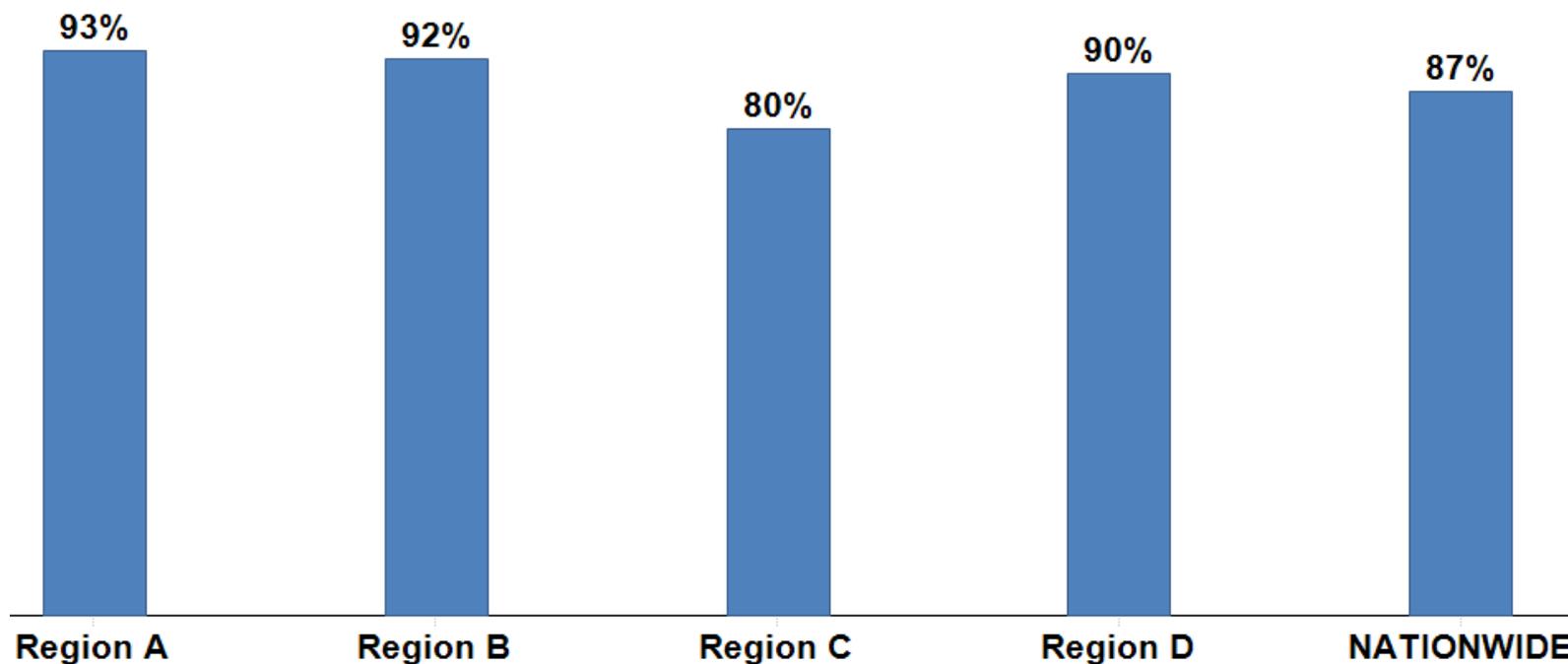
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For more than 87% of claims appealed to the administrative law judge (ALJ), the ALJ has taken longer than the statutory limit of 90 days to provide a determination to the hospital.

Percent of Appeals for which ALJ has taken Longer than the Statutory Maximum of 90 Calendar Days to Issue a Decision, through 4th Quarter 2015



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

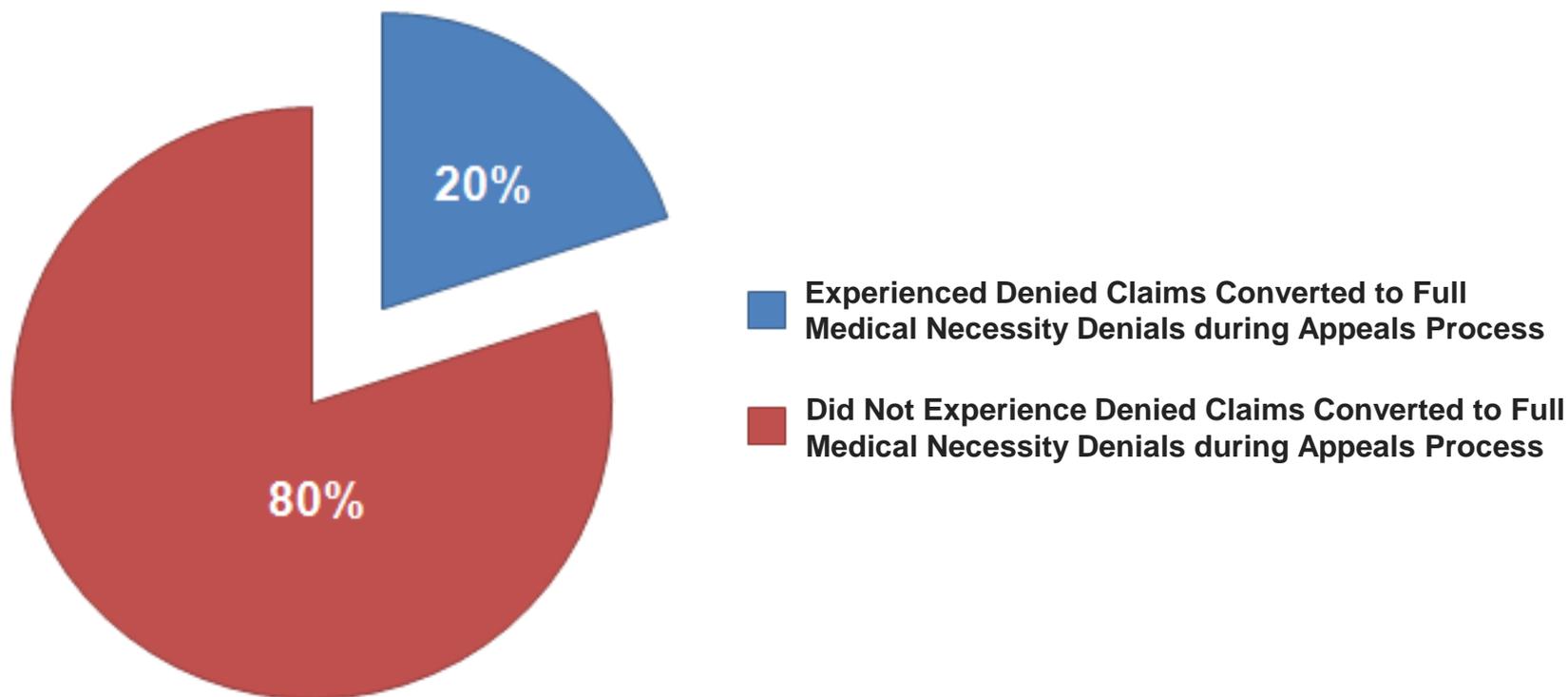
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# 20% of reporting hospitals reported having claims denied for DRG validation converted into full medical necessity denials when the determination was appealed.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 4th Quarter 2015



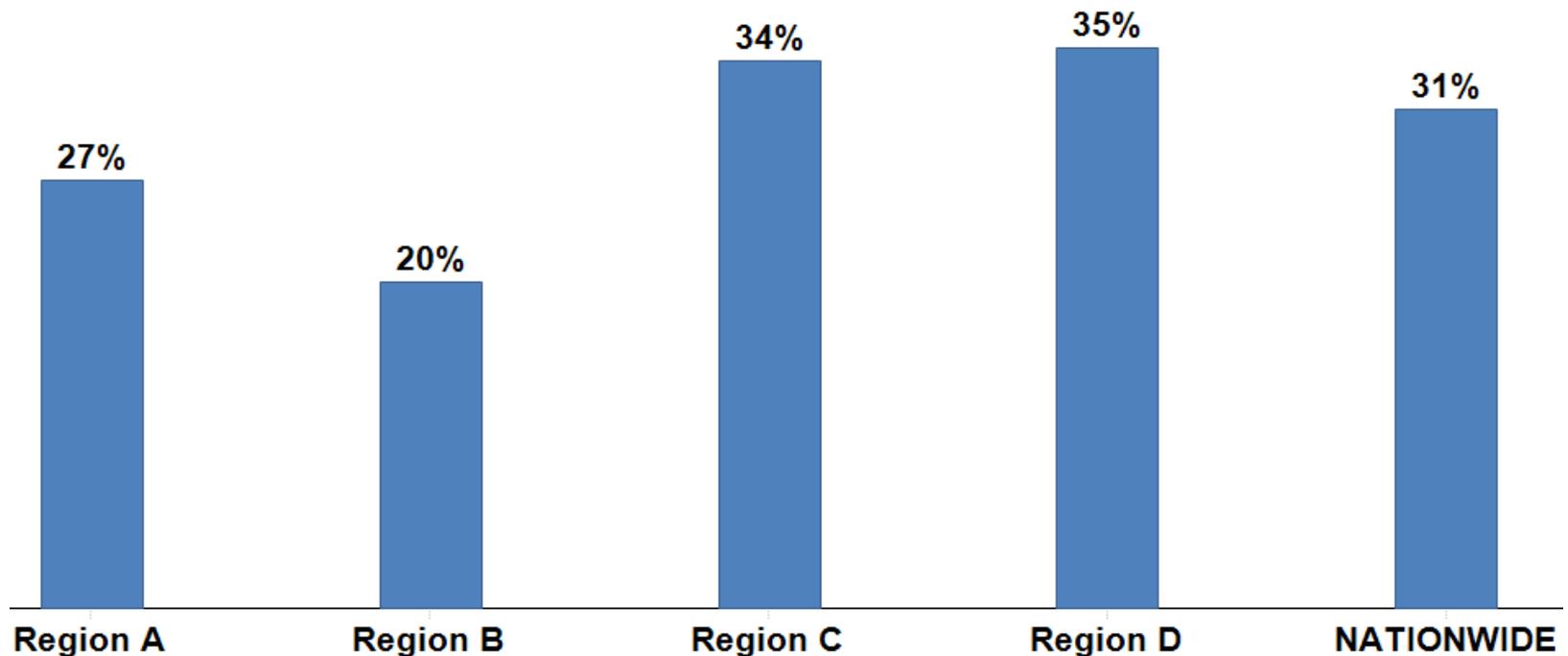
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# 31% of all cumulative claims appealed are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 4th Quarter 2015\*



\*Response rates vary by quarter.

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# For complex denials that are re-billed under Part B, hospitals report receiving 38% of the original Part A reimbursement.

## Summary of Medical Necessity Level of Care Denials Re-billed Under Part B, through 4th Quarter, 2015

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	120	12,398	\$81,166,378	10,875	\$2,153	\$5,684	38%
Region A	22	2,974	\$25,821,894	1,826	\$3,751	\$7,438	50%
Region B	28	1,844	\$9,535,235	1,130	\$1,271	\$5,123	25%
Region C	58	6,447	\$36,644,391	6,866	\$1,834	\$4,942	37%
Region D	12	1,133	\$9,164,856	1,053	\$2,406	\$8,085	30%

\*Response rates vary by quarter.

Source: AHA. (November 2015). RAC TRAC Survey

AHA analysis of survey data collected from 2,568 hospitals: 2,306 reporting activity, 262 reporting no activity through September 2015. 604 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, 65% 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 4th Quarter 2015\*

	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	214,133	48%	67,128	38,194	71,648	65%
Region A	25,782	39%	6,932	4,827	8,749	64%
Region B	35,562	50%	7,285	6,406	12,371	66%
Region C	96,486	50%	33,130	17,569	28,710	62%
Region D	56,303	49%	19,781	9,392	21,818	70%

\* May include appeals withdrawn to re-bill.

\*Response rates vary by quarter.

Source: AHA. (November 2015). RAC TRAC Survey

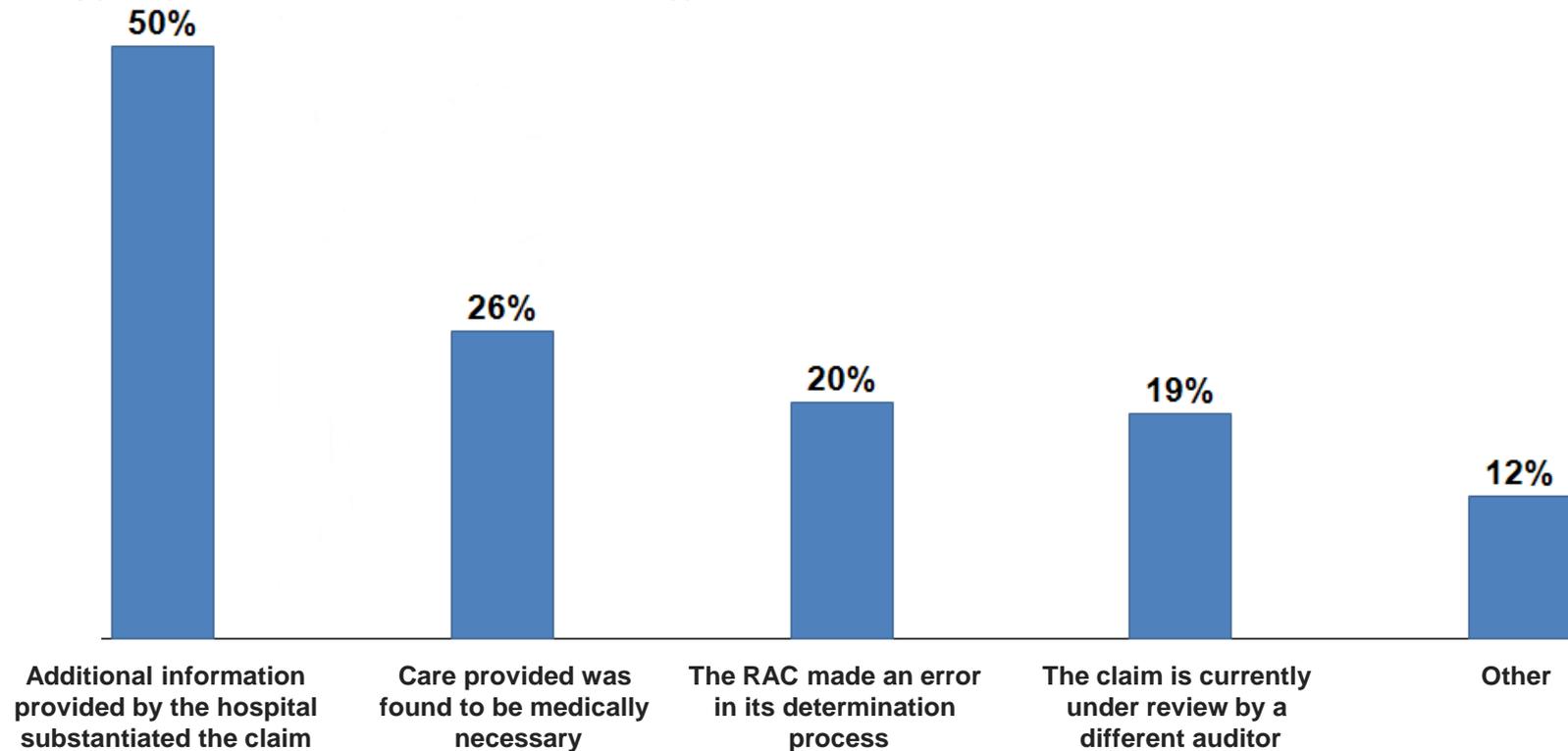
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# 50% of hospitals with a RAC denial overturned had a denial reversed when additional information was provided by the hospital to substantiate the original claim.

## Percent of Participating Hospitals that Had a Denial Overturned by Reason, 4th Quarter 2015

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



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

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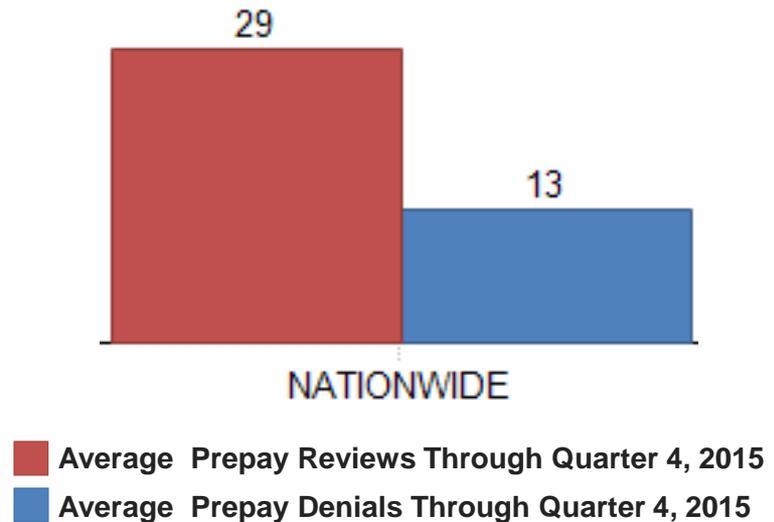


## RAC Pre-payment Reviews

# 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 4th Quarter, 2015

	Nationwide
Number Prepay Reviews	2,245
Average Dollar Amount Of Prepay Claims Reviewed	\$7,881
Number Prepay Denials	993
Average Dollar Amount Of Prepay Denials	\$5,848



\*Response rates vary by quarter.

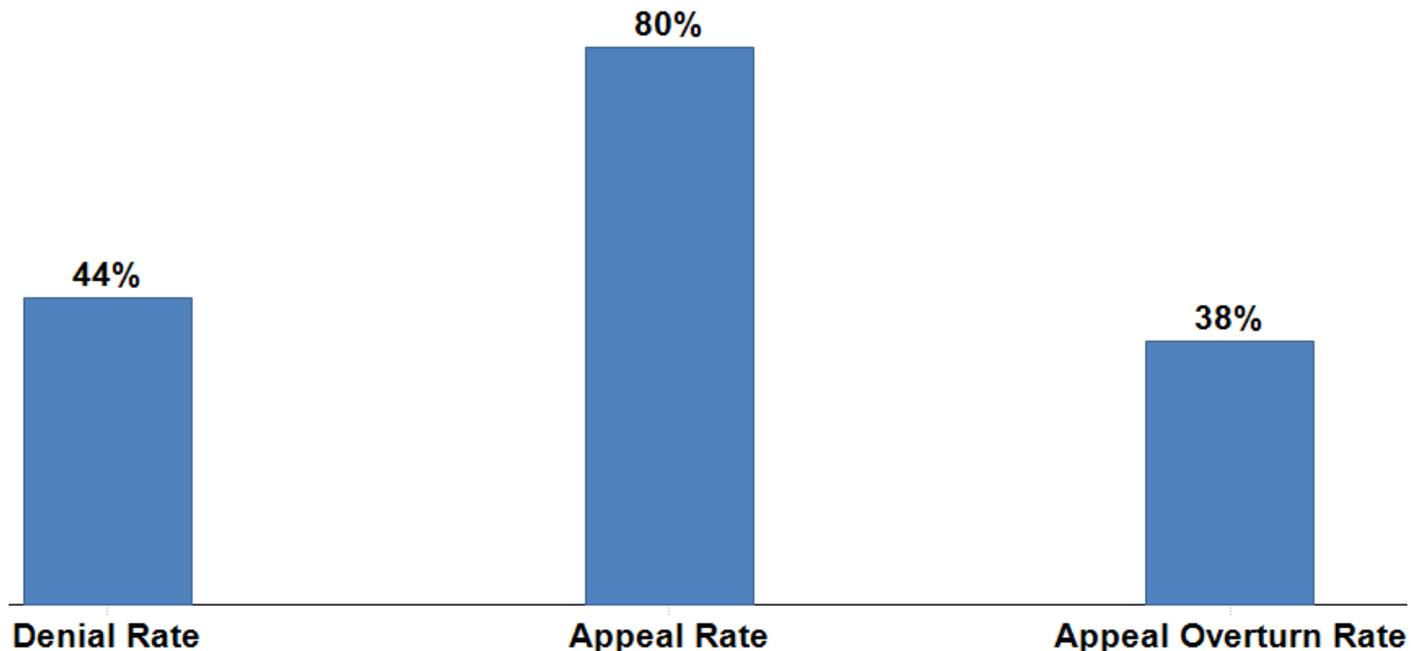
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# 44% of prepayment reviews are denied by a RAC and hospitals are appealing 80% of denied claims.

Summary of Denial Rate, Appeal Rate and Determinations in Favor of the Provider, for Hospitals with Reported Prepayment Reviews in the Demonstration States, through 4th Quarter, 2015



\*Response rates vary by quarter.

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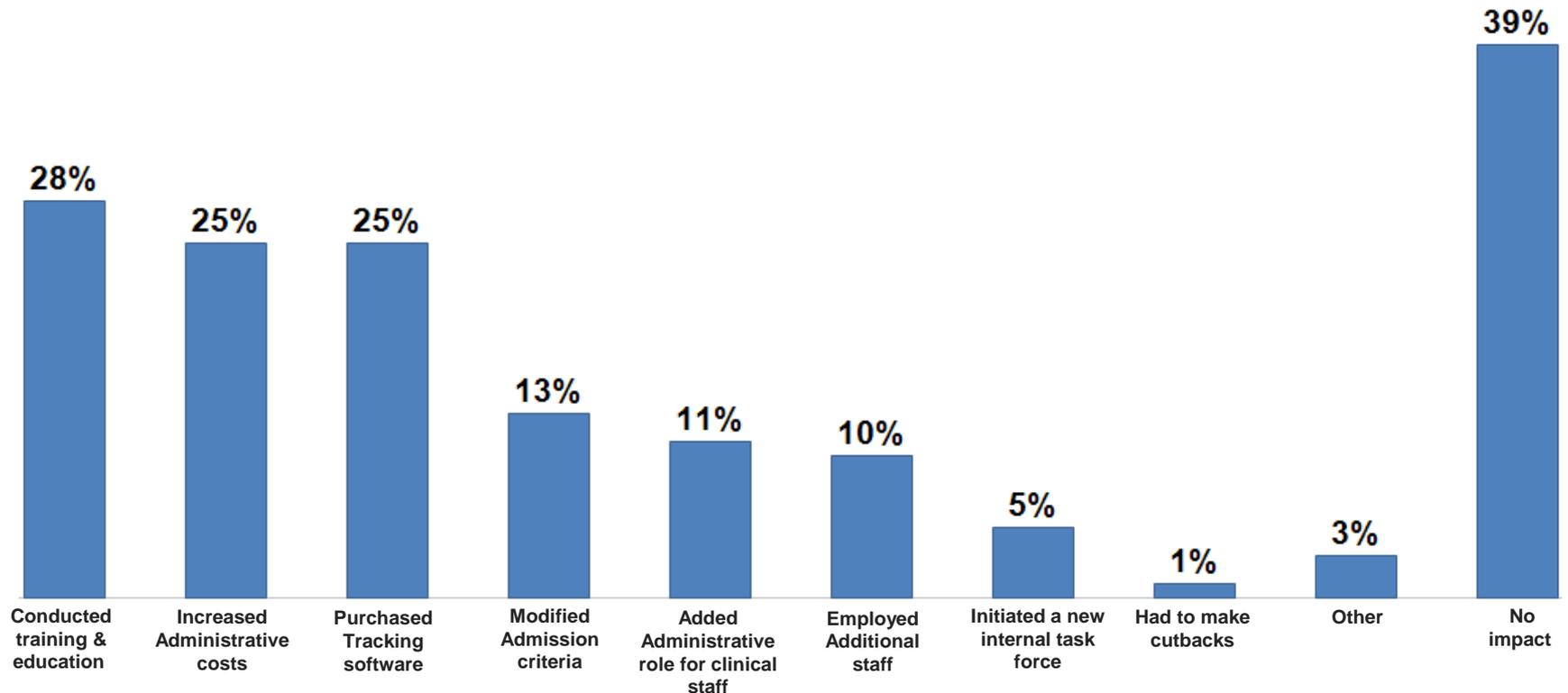




# Administrative Burden

# Hospitals experience many types of additional administrative impacts due to RACs.

## Impact of RAC on Participating Hospitals\* by Type of Impact, 4th Quarter 2015



\* Includes participating hospitals with and without RAC activity

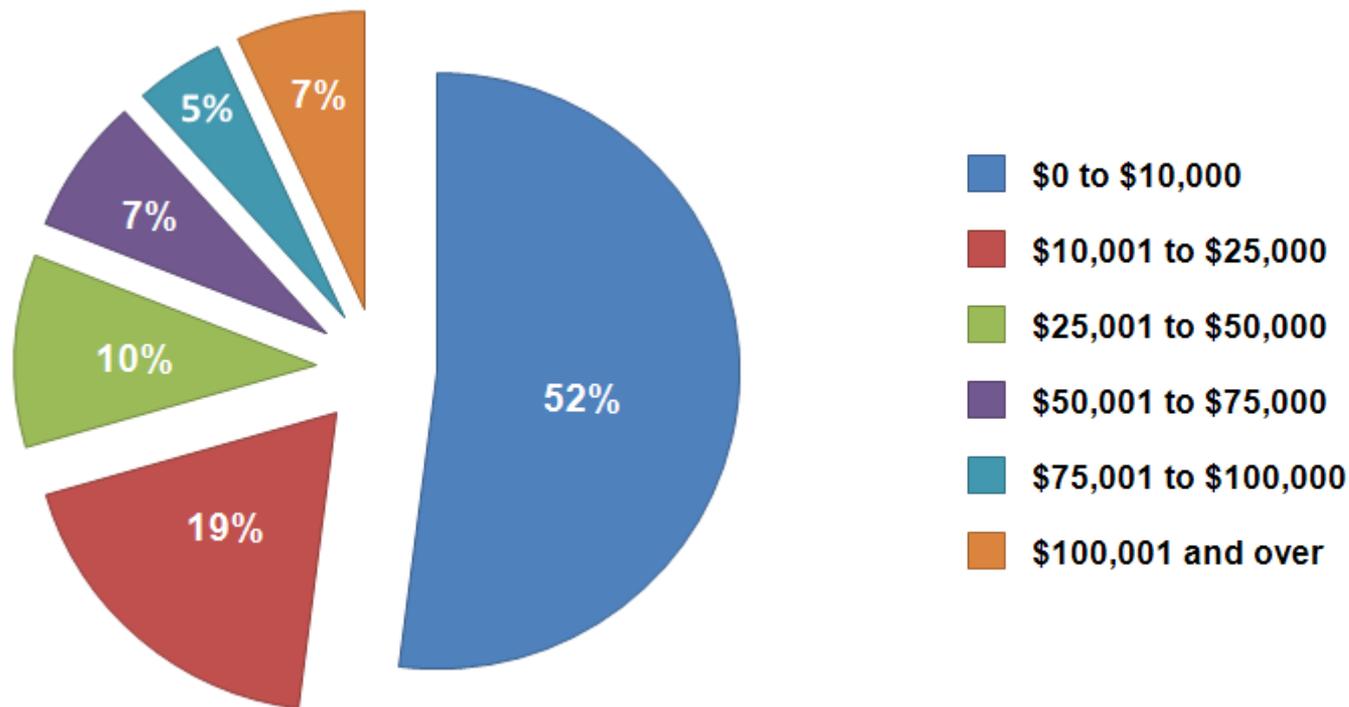
Source: AHA. (January 2016). RAC TRAC Survey

AHA analysis of survey data collected from 2,575 hospitals: 2,315 reporting activity, 260 reporting no activity through December 2015. 745 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.



48% of all hospitals reported spending more than \$10,000 managing the RAC process during the 4th quarter of 2015, 29% spent more than \$25,000 and 7% spent over \$100,000.

### Percent of Participating Hospitals\* Reporting Average Cost Dealing with the RAC Program, 4th Quarter 2015



\* Includes participating hospitals with and without RAC activity

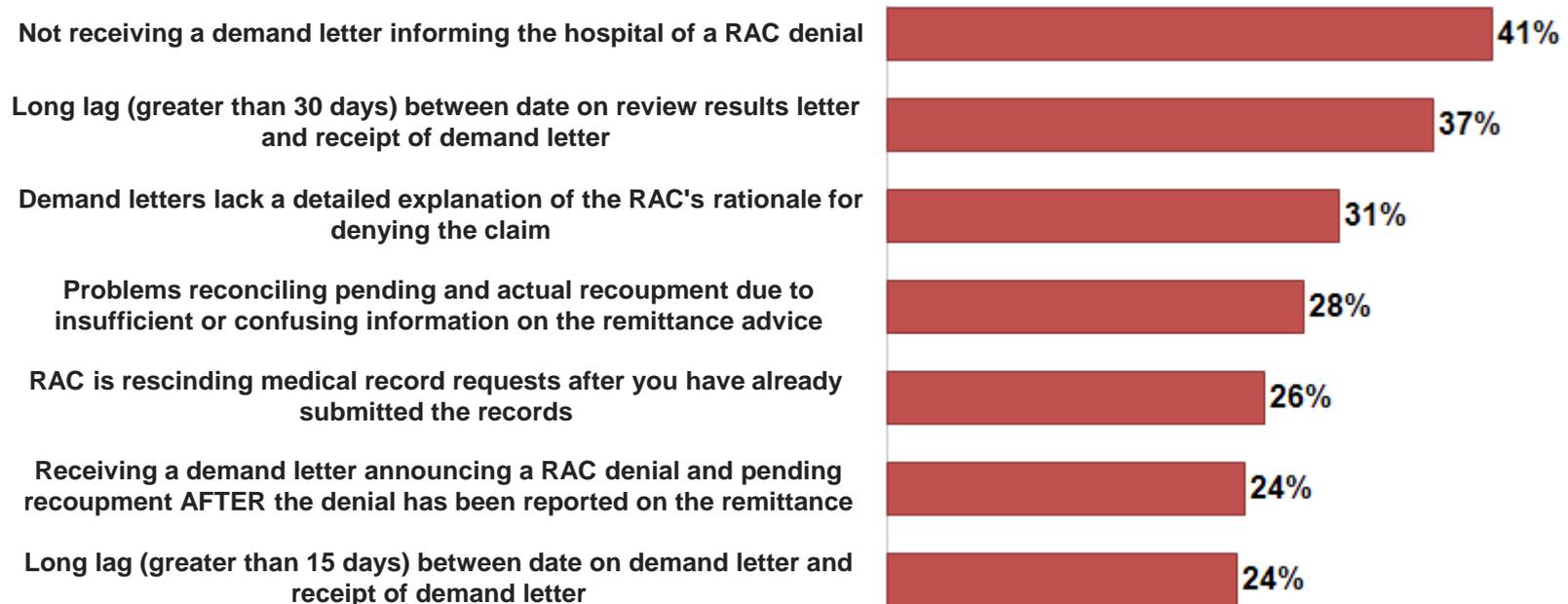
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# Hospitals report widespread RAC process-related issues, including multiple problems with Medicare audit contractors (MACs) and the demand letter process.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 4th Quarter 2015



\* Includes participating hospitals with and without RAC activity

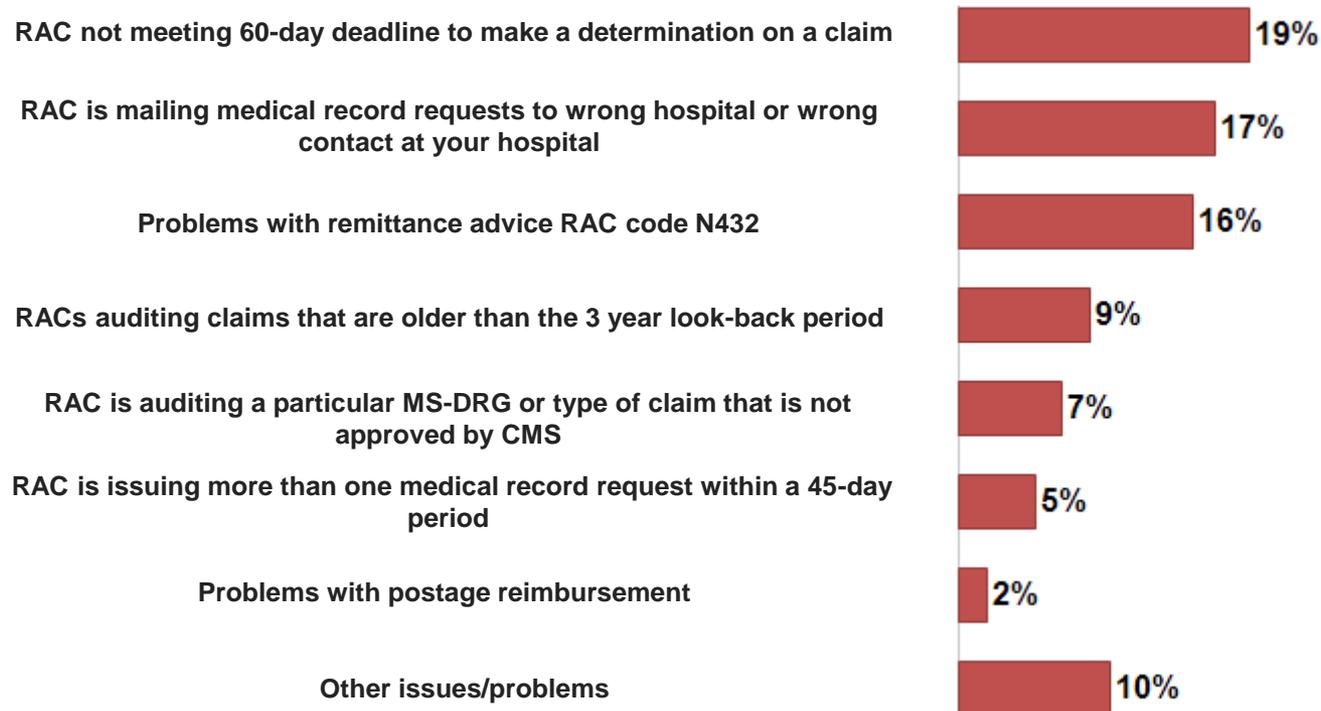
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# Hospitals continue to report a wide variety of RAC process problems.

## Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 4th Quarter 2015



\* Includes participating hospitals with and without RAC activity

Source: AHA. (January 2016). RACTRAC Survey

AHA analysis of survey data collected from 2,575 hospitals: 2,315 reporting activity, 260 reporting no activity through December 2015. 745 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>