Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RACTRAC Survey, 1st Quarter 2013

June 4, 2013
Centers for Medicare & Medicaid Services (CMS) Recovery Audit Contractors (RACs) conduct automated reviews of Medicare payments to health care providers—using computer software to detect improper payments. RACs also conduct complex reviews of provider payments—using human review of medical records and other medical documentation to identify improper payments to providers.

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.
  – Survey questions are designed to collect cumulative RAC experience data, from the inception of a hospital’s RAC activity through the 1st quarter of 2013.
  – Survey registration information and RAC TRAC support can be accessed at ractracsupport@providercs.com or 1-888-722-8712.

• The AHA recently enhanced the RAC TRAC survey to capture more detailed information on medical necessity review denials and the administrative burden due to problems with the RAC process.
Executive Summary

• 2,380 hospitals have participated in RAC TRAC since data collection began in January of 2010. 1,324 hospitals participated this quarter.

• Participants continue to report dramatic increases in RAC activity:
  – The number of medical record requests for survey respondents has increased by 53% in comparison to the cumulative total reported in Q3 2012.
  – The total number of complex audit denials issued to respondents has increased by 42% in comparison to the cumulative total reported in Q3 2012.

• 60% of medical records reviewed by RACs did not contain an overpayment, according to the RAC.

• 96% of hospitals indicated medical necessity denials were the most costly complex denials.

• 68% of medical necessity denials reported were for 1-day stays where the care was found to have been provided in the wrong setting, not because the care was medically unnecessary.
Executive Summary (cont.)

- Hospitals reported appealing 44% of all RAC denials, with a 72% success rate in the appeals process.
- Nearly 30% of participating hospitals reported having a RAC denial reversed through utilization of the discussion period.
- 71% of all hospitals filing a RAC appeal during the 1st quarter of 2013 reported appealing short stay medically unnecessary denials.
- Three-fourths of all appealed claims are still sitting in the appeals process.
- 63% of all hospitals reported spending more than $10,000 managing the RAC process during the first quarter of 2013, 46% spent more than $25,000 and 10% 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, 2013

<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>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>19%</td>
<td>24%</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 Activity
Nine out of ten hospitals participating in RAC TRAC reported experiencing RAC activity through March 2013.

Percent of Participating Hospitals Experiencing RAC Activity, 4th Quarter 2012 and 1st Quarter 2013

4th Quarter, 2012

- Experiencing RAC Activity: 90%
- No RAC Activity: 10%

1st Quarter, 2013

- Experiencing RAC Activity: 91%
- No RAC Activity: 9%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The majority of hospitals reporting RAC activity are general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 1\textsuperscript{st} Quarter 2013

*Other includes: Cancer, Chronic Disease, Alcohol and Other Chemical Dep., Heart, Obstetrics & Gynecology, Orthopedic, Other Specialty, and Surgical hospitals.

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Most hospitals, regardless of characteristics, are reporting that they are experiencing RAC reviews.

Percent Reporting RAC Activity vs. No RAC Activity by Type of Participating Hospital, through 1st Quarter 2013

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 Region C has the highest number of hospitals reporting RAC activity.

Number of Participating Hospitals Reporting RAC Activity by Region, through 1st Quarter 2013

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 Reviews
Participants continue to report dramatic increases in RAC denials and medical record requests.

**Reported Automated Denials, Complex Denials and Medical Records Requests by Participating Hospitals, through 1\textsuperscript{st} Quarter 2013**

<table>
<thead>
<tr>
<th>Category</th>
<th>All activity through Quarter 1, 2013</th>
<th>All activity through Quarter 3, 2012</th>
<th>All activity through Quarter 4, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Denials</td>
<td>84,304</td>
<td>64,577</td>
<td>58,426</td>
</tr>
<tr>
<td>Complex Denials</td>
<td>343,853</td>
<td>200,941</td>
<td>233,769</td>
</tr>
<tr>
<td>Medical Record Requests</td>
<td>1,012,334</td>
<td>662,710</td>
<td>720,590</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 reports the highest total number of medical record requests, while Region A has the highest average number of medical record requests per hospital.

Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 1st Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Number of Medical Record Requests per Reporting Hospital, through Q1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>1,420</td>
</tr>
<tr>
<td>Region B</td>
<td>975</td>
</tr>
<tr>
<td>Region C</td>
<td>917</td>
</tr>
<tr>
<td>Region D</td>
<td>1,183</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Among participating hospitals, $8.7 billion in Medicare payments were targeted for medical record requests through the 1st quarter of 2013.

**Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 1st Quarter 2013, in Millions**

<table>
<thead>
<tr>
<th>Region</th>
<th>All activity through Quarter 4, 2012</th>
<th>All activity through Quarter 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$1,777</td>
<td>$2,555</td>
</tr>
<tr>
<td>Region B</td>
<td>$1,755</td>
<td>$1,931</td>
</tr>
<tr>
<td>Region C</td>
<td>$1,530</td>
<td>$2,286</td>
</tr>
<tr>
<td>Region D</td>
<td>$1,353</td>
<td>$1,894</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.
Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The average value of a medical record requested in a complex review was highest in Region A.

### Average Value of a Medical Record Requested in a Complex Review Among Hospitals Reporting RAC Activity, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>$9,780</td>
</tr>
<tr>
<td>Region B</td>
<td>$8,608</td>
</tr>
<tr>
<td>Region C</td>
<td>$7,815</td>
</tr>
<tr>
<td>Region D</td>
<td>$8,089</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
58% of medical records reviewed by RACs did not contain an improper payment.

Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Underpayment Determination</th>
<th>Overpayment Determination</th>
<th>No Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2%</td>
<td>34%</td>
<td>64%</td>
</tr>
<tr>
<td>B</td>
<td>1%</td>
<td>33%</td>
<td>66%</td>
</tr>
<tr>
<td>C</td>
<td>5%</td>
<td>46%</td>
<td>51%</td>
</tr>
<tr>
<td>D</td>
<td>4%</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>2%</td>
<td>40%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
More than 60% of hospitals reported that over two-thirds of their claims were requested by a RAC after the timely filing window had elapsed.

### Percent of Participating Hospitals Reporting the Percentage of Medical Records Requested after the Timely Filing Window had Elapsed, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Number of Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 45%</td>
<td>22%</td>
</tr>
<tr>
<td>45%–54%</td>
<td>4%</td>
</tr>
<tr>
<td>55%–64%</td>
<td>7%</td>
</tr>
<tr>
<td>65%–74%</td>
<td>7%</td>
</tr>
<tr>
<td>75%–84%</td>
<td>16%</td>
</tr>
<tr>
<td>85%–94%</td>
<td>16%</td>
</tr>
<tr>
<td>95% or more</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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
$1.9 billion in denials were reported through the first quarter of 2013.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 1st Quarter 2013, in Millions*

*Response rates vary by quarter.

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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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96% of denied dollars were for complex denials.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 1st Quarter 2013

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 are spread among all four RAC regions.

Percent of Automated and Complex Denials by RAC Region for Participating Hospitals, through 1st Quarter 2013

- Region A: 21%
- Region B: 18%
- Region C: 36%
- Region D: 25%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The average dollar value of an automated denial was $755 and the average dollar value of a complex denial was $5,441.

### Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>RAC Region</th>
<th>Automated Denial</th>
<th>Complex Denial</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>$755</td>
<td>$5,441</td>
</tr>
<tr>
<td>Region A</td>
<td>$491</td>
<td>$5,455</td>
</tr>
<tr>
<td>Region B</td>
<td>$553</td>
<td>$5,041</td>
</tr>
<tr>
<td>Region C</td>
<td>$815</td>
<td>$5,162</td>
</tr>
<tr>
<td>Region D</td>
<td>$894</td>
<td>$6,025</td>
</tr>
</tbody>
</table>
In terms of dollars, the top service area for automated denials was outpatient and for complex denials, inpatient.

Percent of Participating Hospitals by Top Service Area for Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013

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

Automated Denials

- Outpatient: 74%
- Other (i.e., Physician Services, DME): 8%
- Psych/Rehab/SNF: 1%

Complex Denials

- Inpatient: 94%
- Outpatient: 1%
- Psych/Rehab/SNF: 1%
- Other (i.e., Physician Services, DME): 4%

Source: AHA. (April 2013). RAC TRAC Survey
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Automated RAC Denials
Region C continues to experience the vast majority of all automated denial activity.

Percent and Number of Reported Automated Denials for Participating Hospitals, by Region, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Automated Denials by RAC Region through 1st Quarter 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>10,030</td>
</tr>
<tr>
<td>Region B</td>
<td>10,874</td>
</tr>
<tr>
<td>Region C</td>
<td>49,744</td>
</tr>
<tr>
<td>Region D</td>
<td>13,656</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
RACs are issuing automated denials for many different reasons.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1\textsuperscript{st} Quarter 2013

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

![Pie chart showing the distribution of reasons for automated denials.]

- Outpatient Billing Error: 24%
- Inpatient Coding Error (MSDRG): 45%
- Duplicate Payment: 4%
- Outpatient Coding Error: 16%
- Incorrect Discharge Status: 9%
- All Other: 2%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: A significant portion of hospitals cited outpatient coding error as the top reason for automated denial.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region A

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

- Outpatient Billing Error: 36%
- Inpatient Coding Error (MSDRG): 10%
- Outpatient Coding Error: 32%
- All Other: 22%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 more commonly ranked outpatient billing error as the top reason for automated denials than in other regions.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1\textsuperscript{st} Quarter 2013, Region B

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

- Outpatient Billing Error: 54%
- Inpatient Coding Error (MSDRG): 26%
- Outpatient Coding Error: 11%
- All Other: 9%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: Top denial reasons were fairly consistent with the national trend reflecting a wide range of denial reasons.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region C

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

Source: AHA. (April 2013). RAC TRAC Survey. AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: More than half of hospitals cited outpatient billing error as the top reason for automated denial.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region D

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

- Outpatient Billing Error: 52%
- Inpatient Coding Error (MS-DRG): 11%
- Duplicate Payment: 6%
- Outpatient Coding Error: 5%
- Incorrect Discharge Status: 3%
- All Other: 23%

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 was ‘short-stay medically unnecessary.’

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 3rd Quarter 2012 – 1st Quarter 2013

Survey participants were asked to select all reasons for denial.

Source: AHA. (April 2013). RAC TRAC Survey
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66% of hospitals indicated short-stay medical necessity denials were the most costly complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013

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

- Short Stay Medically Unnecessary: 66%
- Medically Unnecessary Inpatient Stay Longer than 3 days: 2%
- Other Medically Unnecessary: 15%
- Incorrect MS-DRG or Other Coding Error: 6%
- No or Insufficient Documentation in the Medical Record: 2%
- Incorrect APC or Other Outpatient Coding/Billing Error: 1%
- Incorrect Discharge Status: 3%
- All Other: 2%

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Nearly 70% of short-stay medical necessity denial dollars were denied because the care was provided in the wrong setting, not because the care was medically unnecessary.

Reason for Medical Necessity Denials by Length of Stay Among Hospitals Reporting Medical Necessity Denials, through 1st Quarter 2013

Chart includes hospitals reporting any inappropriate setting denials or the ability to track inappropriate setting denials. Not all hospital decision-support systems and RAC Trac compatible vendors have made accommodations to allow hospitals to answer this question yet. As a result, the volume of medical necessity denials for inappropriate setting may be under-represented in this chart. Furthermore, older RAC claims may not be classified as “inappropriate setting” by the hospital.

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
All regions are reporting a significant number of complex denials.

Percent and Number of Reported RAC Complex Denials for Participating Hospitals, by Region, 4th Quarter 2012 and 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Claims with Overpayment Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>78,935</td>
</tr>
<tr>
<td>Region B</td>
<td>63,836</td>
</tr>
<tr>
<td>Region C</td>
<td>106,000</td>
</tr>
<tr>
<td>Region D</td>
<td>95,221</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: Short-stay medically unnecessary was identified by 52% of hospitals as the top reason for complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region A

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

- Short Stay Medically Unnecessary: 52%
- Medically Unnecessary Inpatient Stay Longer than 3 days: 2%
- Other Medically Unnecessary: 15%
- Incorrect MS-DRG or Other Coding Error: 7%
- Incorrect APC or Other Outpatient Coding/Billing Error: 20%
- Incorrect Discharge Status: 1%
- All Other: 3%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: Short-stay medically unnecessary was identified by 75% of hospitals as the top reason for complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region B

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

- **Short Stay Medically Unnecessary**: 75%
- **Medically Unnecessary Inpatient Stay Longer than 3 days**: 1%
- **Other Medically Unnecessary**: 16%
- **Incorrect MS-DRG or Other Coding Error**: 2%
- **No or Insufficient Documentation in the Medical Record**: 2%
- **Incorrect Discharge Status**: 3%
- **All Other**: 1%

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: Short-stay medically unnecessary was identified by 70% of hospitals as the top reason for complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region C

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

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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: Short-stay medically unnecessary was identified by 59% of hospitals as the top reason for complex denials.

Percent of Participating Hospitals by Top Reason for Complex Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 1st Quarter 2013, Region D

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

- Short Stay Medically Unnecessary: 59%
- Other Medically Unnecessary: 11%
- Incorrect MS-DRG or Other Coding Error: 2%
- Incorrect APC or Other Outpatient Coding/Billing Error: 7%
- Incorrect Discharge Status: 20%
- All Other: 1%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Stents and Syncope & Collapse were the top MS-DRGs denied by RACs, in terms of dollar impact.

Percent of Participating Hospitals Reporting the MS-DRG for Medically Unnecessary and all Other Complex Denials with the Largest Financial Impact, through 1st Quarter 2013

Survey participants were asked to identify top MS-DRGs, according to dollar impact.

<table>
<thead>
<tr>
<th>Medical Necessity Denials</th>
<th>All Other Complex Denials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MS-DRG</strong></td>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>247</td>
<td>PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC</td>
</tr>
<tr>
<td>312</td>
<td>SYNCOPE &amp; COLLAPSE</td>
</tr>
<tr>
<td>392</td>
<td>ESOPHAGITIS, GASTROENT &amp; MISC DIGEST DISORDERS W/O MCC</td>
</tr>
<tr>
<td>313</td>
<td>CHEST PAIN</td>
</tr>
<tr>
<td>491</td>
<td>BACK &amp; NECK PROC EXC SPINAL FUSION W/O CC/MCC</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Underpayments
Nearly three-quarters of participating hospitals nationwide with RAC activity report receiving at least one underpayment determination.

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>80%</td>
</tr>
<tr>
<td>Region B</td>
<td>74%</td>
</tr>
<tr>
<td>Region C</td>
<td>73%</td>
</tr>
<tr>
<td>Region D</td>
<td>72%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>74%</td>
</tr>
</tbody>
</table>

© American Hospital Association
66% of hospitals with underpayment determinations cited incorrect MS-DRG as the reason for the underpayment.

Percent of Participating Hospitals with RAC Activity Experiencing Underpayments by Reason, 1st Quarter 2013

Survey participants were asked to select all reasons for underpayment.

- Incorrect MS-DRG: 66%
- Inpatient Discharge Disposition: 19%
- Billing Error: 12%
- Outpatient Coding Error: 9%
- Other: 16%

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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
Nearly one-third of participating hospitals report having a denial reversed during the discussion period, including 40% of hospitals in Region A.

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 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.

Percent of Participating Hospitals with Denials Reversed During the Discussion Period, National and by Region, 1st Quarter 2013

Reversed Denials by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>40%</td>
<td>45%</td>
<td>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>28%</td>
<td>58%</td>
<td>14%</td>
</tr>
<tr>
<td>Region C</td>
<td>26%</td>
<td>65%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>28%</td>
<td>60%</td>
<td>12%</td>
</tr>
</tbody>
</table>

© American Hospital Association
The value of appealed claims is approaching $1.1 billion dollars. On average, hospitals report appealing 226 claims to date.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 1st Quarter 2013, Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of Hospitals with Any Appealed Denials</th>
<th>Average Number of Appealed Denials per Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>87%</td>
<td>226</td>
</tr>
<tr>
<td>Region A</td>
<td>90%</td>
<td>251</td>
</tr>
<tr>
<td>Region B</td>
<td>88%</td>
<td>161</td>
</tr>
<tr>
<td>Region C</td>
<td>89%</td>
<td>214</td>
</tr>
<tr>
<td>Region D</td>
<td>80%</td>
<td>296</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 44% of all denials. In Regions A & D, nearly half have been appealed.

<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>428,296</td>
<td>189,071</td>
</tr>
<tr>
<td>Region A</td>
<td>88,965</td>
<td>42,158</td>
</tr>
<tr>
<td>Region B</td>
<td>74,710</td>
<td>33,315</td>
</tr>
<tr>
<td>Region C</td>
<td>155,744</td>
<td>60,849</td>
</tr>
<tr>
<td>Region D</td>
<td>108,877</td>
<td>52,749</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 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
More than 70% of all hospitals filing a RAC appeal during the 1st Quarter of 2013 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 1st Quarter 2013

Survey participants were asked to select all reasons for denial.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Stay Medically Unnecessary</td>
<td>71%</td>
</tr>
<tr>
<td>Inpatient Coding</td>
<td>29%</td>
</tr>
<tr>
<td>Outpatient Coding</td>
<td>22%</td>
</tr>
<tr>
<td>Outpatient Billing</td>
<td>12%</td>
</tr>
<tr>
<td>Discharge Status</td>
<td>12%</td>
</tr>
<tr>
<td>Medically Unnecessary</td>
<td>15%</td>
</tr>
<tr>
<td>Greater than 3 Days</td>
<td>4%</td>
</tr>
<tr>
<td>No Documentation</td>
<td>3%</td>
</tr>
<tr>
<td>Duplicate Payment</td>
<td>22%</td>
</tr>
<tr>
<td>Other Medically Unnecessary</td>
<td>16%</td>
</tr>
<tr>
<td>Other Complex Review</td>
<td>11%</td>
</tr>
<tr>
<td>Other Automated Review</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 are receiving widespread notices from QICs stating that issuing a determination on a RAC appeal will take longer than the statutory maximum of 60 days.

Average Number of Claims for which Participating Hospitals Received Communication from the QIC Reporting the Inability to Complete an Appeal Review within the Required 60 Day Window from Receipt, through 1st Quarter 2013

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
88% of reporting hospitals have experienced at least one delay longer than the statutory limit of 90 days for an ALJ determination to be issued.

Percentage of Reporting Hospitals by Longest Delay Experienced for ALJ to Issue a Decision on an Appeal, for Participating Hospitals, 1st Quarter 2013

- Less than 90 days: 12%
- 91-100 days: 7%
- 101-110 days: 2%
- 111 to 120 days: 9%
- More than 120 days: 70%

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 over 40 percent of claims appealed to the ALJ, the judge 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 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>39%</td>
</tr>
<tr>
<td>Region B</td>
<td>38%</td>
</tr>
<tr>
<td>Region C</td>
<td>34%</td>
</tr>
<tr>
<td>Region D</td>
<td>50%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
14% of reporting hospitals reported having claims denied for DRG Validation converted into full medical necessity denials when the determination was appealed by the hospital.

Percent of Responding Hospitals Experiencing Denied Claims Converted to Full Medical Necessity Denials during Appeals Process, 1st Quarter 2013

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Three-fourths of all appealed claims are still sitting in the appeals process.

Percent ofAppealed Claims Pending Determination for Participating Hospitals, by Region, through 1st Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>73%</td>
</tr>
<tr>
<td>Region B</td>
<td>69%</td>
</tr>
<tr>
<td>Region C</td>
<td>77%</td>
</tr>
<tr>
<td>Region D</td>
<td>80%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>75%</td>
</tr>
</tbody>
</table>

*Response rates vary by quarter.
Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.

Manual survey entries only for Region A.
Of the claims that have completed the appeals process, 72% 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 1\textsuperscript{st} Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>Appealed</th>
<th>Percent of Denials Appealed</th>
<th>Number of Denials Awaiting Appeals Determination</th>
<th>Number of Denials Not Overturned from Appeals Process (Withdrawn/Not Continued)</th>
<th>Number of Denials Overturned in the Appeals Process</th>
<th>Percent of Appealed Denials Overturned (as a Percent of Total Completed Appeals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONWIDE</td>
<td>160,747</td>
<td>44%</td>
<td>122,437</td>
<td>10,537</td>
<td>27,595</td>
<td>72%</td>
</tr>
<tr>
<td>Region A*</td>
<td>42,158</td>
<td>51%</td>
<td>10,107</td>
<td>799</td>
<td>2,926</td>
<td>79%</td>
</tr>
<tr>
<td>Region B</td>
<td>33,315</td>
<td>45%</td>
<td>23,097</td>
<td>2,153</td>
<td>8,007</td>
<td>79%</td>
</tr>
<tr>
<td>Region C</td>
<td>60,849</td>
<td>39%</td>
<td>46,876</td>
<td>3,404</td>
<td>10,495</td>
<td>76%</td>
</tr>
<tr>
<td>Region D</td>
<td>52,749</td>
<td>48%</td>
<td>42,357</td>
<td>4,181</td>
<td>6,167</td>
<td>60%</td>
</tr>
</tbody>
</table>

**Manual survey entries only for Region A. Due to survey submission error, total appeals may be greater than the sum of pending/withdrawn/overturned appeals.**

*Response rates vary by quarter.

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
When hospitals choose to appeal, they win 72% of the time. Regions A and B have the highest overturn rate upon appeal at 79%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 1st Quarter 2013*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>79%</td>
</tr>
<tr>
<td>B</td>
<td>79%</td>
</tr>
<tr>
<td>C</td>
<td>76%</td>
</tr>
<tr>
<td>D</td>
<td>60%</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>72%</td>
</tr>
</tbody>
</table>

Manual survey entries only for Region A.

*Response rates vary by quarter.

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 reported a total of $157.2 million in overturned denials, with $44.1 million in Region C alone.

Value of Denials Overturned in the Appeals Process, by Region, through 1st Quarter 2013, in Millions

<table>
<thead>
<tr>
<th>Region</th>
<th>Value (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$31.9</td>
</tr>
<tr>
<td>B</td>
<td>$43.5</td>
</tr>
<tr>
<td>C</td>
<td>$44.1</td>
</tr>
<tr>
<td>D</td>
<td>$37.7</td>
</tr>
<tr>
<td>NATIONWIDE</td>
<td>$157.2</td>
</tr>
</tbody>
</table>

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Two-thirds of all hospitals with a RAC denial overturned had a denial reversed because the care was found to be medically necessary.

Percent of Participating Hospitals that had a Denial Overturned by Reason, 1st Quarter 2013

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

- Care provided was found to be medically necessary: 67%
- Additional information provided by the hospital substantiated the claim: 33%
- The RAC made an error in its determination process: 19%
- The claim is currently under review by a different auditor: 8%
- Other: 7%

Source: AHA. (April 2013). RAC TRAC Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Administrative Burden
Hospitals experience many types of impacts due to RACs; over half of all reporting hospitals noted they had increased administrative costs due to the program.

Impact of RAC on Participating Hospitals* by Type of Impact, 1st Quarter 2013

- Increased administrative costs: 55%
- Training & education: 36%
- Tracking software: 29%
- Employed additional staff: 29%
- Additional administrative role of clinical staff: 23%
- Modified admission criteria: 20%
- Initiated a new internal task force: 17%
- Had to make cutbacks: 6%
- Other: 5%
- No impact: 23%

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC Trac Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
63% of all hospitals reported spending more than $10,000 managing the RAC process during the 1st quarter of 2013, 46% spent more than $25,000 and 10% spent over $100,000.

Percent of Participating Hospitals* Reporting Average Cost Dealing with the RAC Program, 1st Quarter 2013

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 hospitals participated this quarter. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.
The additional cost of managing the RAC program varies by region.

Percent of Participating Hospitals* Reporting Additional Cost of Managing the RAC Program, by Region, 1\textsuperscript{st} Quarter 2013

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Many hospitals report spending on external resources, such as outside consultants, to deal with the RAC process.

Percent of Participating Hospitals* that Use External Resources by Type and Average Dollars Spent This Quarter, 1st Quarter 2013

<table>
<thead>
<tr>
<th>Administrative Burden</th>
<th>Average Dollar Amount This Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Legal Counsel</td>
<td>$32,573</td>
</tr>
<tr>
<td>Utilization Management Consultant</td>
<td>$58,320</td>
</tr>
<tr>
<td>RAC Claim Tracking Service</td>
<td>$8,390</td>
</tr>
<tr>
<td>RAC Claim Management Tool</td>
<td>$9,137</td>
</tr>
<tr>
<td>Medical Record Copying Service</td>
<td>$3,775</td>
</tr>
</tbody>
</table>

* Includes participating hospitals with and without RAC activity. Average dollars spent and percentages reflect only those hospitals that reported utilizing external resources.

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.

Percent of Participating Hospitals Reporting they Received Education from CMS or its Contractors, National and by Region, through 1st Quarter 2013

Reported Education by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>40%</td>
<td>45%</td>
<td>15%</td>
</tr>
<tr>
<td>Region B</td>
<td>28%</td>
<td>58%</td>
<td>14%</td>
</tr>
<tr>
<td>Region C</td>
<td>26%</td>
<td>65%</td>
<td>9%</td>
</tr>
<tr>
<td>Region D</td>
<td>28%</td>
<td>60%</td>
<td>12%</td>
</tr>
</tbody>
</table>

National Reporting

- Yes: 29%
- No: 59%
- Don't know: 12%

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 those hospitals that have received education, the perceived quality varied by region.

Percent of Participating Hospitals Reporting the Effectiveness of Received Education from CMS or its Contractors, National and by Region, through 1st Quarter 2013

### Reported Effectiveness of Education by RAC Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>48%</td>
<td>18%</td>
<td>30%</td>
<td>4%</td>
</tr>
<tr>
<td>Region B</td>
<td>21%</td>
<td>42%</td>
<td>12%</td>
<td>26%</td>
</tr>
<tr>
<td>Region C</td>
<td>0%</td>
<td>30%</td>
<td>56%</td>
<td>14%</td>
</tr>
<tr>
<td>Region D</td>
<td>4%</td>
<td>42%</td>
<td>46%</td>
<td>9%</td>
</tr>
</tbody>
</table>

*Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC Trac Survey

AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
54% of hospitals reporting RAC process issues cite ‘excessively long delays between receipt of the review results letter and the demand letter’ as an operational issue.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 1st Quarter 2013

- **Long lag (greater than 30 days) between date on review results letter and receipt of demand letter:** 54%
- **Not receiving a demand letter informing the hospital of a RAC denial:** 53%
- **Problems reconciling pending and actual recoupment due to insufficient or confusing information on the remittance advice:** 47%
- **Demand letters lack a detailed explanation of the RAC’s rationale for denying the claim:** 43%
- **RAC not meeting 60-day deadline to make a determination on a claim:** 38%
- **Receiving a demand letter announcing a RAC denial and pending recoupment AFTER the denial has been reported on the remittance:** 38%
- **Long lag (greater than 15 days) between date on demand letter and receipt of demand letter:** 35%

*Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC Trac Survey

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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, 1st Quarter 2013

- RAC is rescinding medical record requests after the facility has already submitted the records: 25%
- Problems with remittance advice RAC code N432: 21%
- Other issues/problems (include box): 17%
- RAC is mailing medical record requests to wrong hospital or wrong contact at your hospital: 12%
- RACs auditing claims that are older than the 3 year look-back period: 10%
- Problems with postage reimbursement: 5%
- RAC is auditing a particular MS-DRG or type of claim that is not approved by CMS: 4%
- RAC is issuing more than one medical record request within a 45-day period: 3%

* Includes participating hospitals with and without RAC activity

Source: AHA. (April 2013). RAC TRAC Survey

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The majority of hospital respondents indicated RAC responsiveness and overall communication was “fair” or “good.”

Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 1st Quarter 2013

- **Excellent**: 7%
- **Fair**: 34%
- **Good**: 52%
- **Poor**: 7%

Source: AHA. (April 2013). RAC Trac Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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.
Participating hospitals rated RAC responsiveness and communication lowest in regions B and C.

### Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>15%</td>
<td>60%</td>
<td>23%</td>
<td>2%</td>
</tr>
<tr>
<td>Region B</td>
<td>5%</td>
<td>49%</td>
<td>35%</td>
<td>11%</td>
</tr>
<tr>
<td>Region C</td>
<td>5%</td>
<td>50%</td>
<td>37%</td>
<td>8%</td>
</tr>
<tr>
<td>Region D</td>
<td>5%</td>
<td>54%</td>
<td>37%</td>
<td>4%</td>
</tr>
</tbody>
</table>

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AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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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The average wait time for a RAC response varied significantly, with nearly 20 percent of hospitals reporting they did not receive a response from their RAC within 2 weeks.

Average Number of Days it Took RACs to Respond to Hospital Inquiries for Participating Hospitals, 1st Quarter 2013

- 1-3 days: 45%
- 7 days: 15%
- 14 or more days: 13%
- 24 hours: 21%
- No response received: 6%

Source: AHA. (April 2013). RAC TRAC Survey
AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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 response time varied by region.

### Average Number of Days For RACs to Respond to Hospital Inquiries for Participating Hospitals, by Region, 1st Quarter 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>24 hours</th>
<th>1-3 days</th>
<th>7 days</th>
<th>14 or more days</th>
<th>No Response Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>39%</td>
<td>38%</td>
<td>15%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Region B</td>
<td>11%</td>
<td>44%</td>
<td>15%</td>
<td>22%</td>
<td>8%</td>
</tr>
<tr>
<td>Region C</td>
<td>23%</td>
<td>46%</td>
<td>13%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Region D</td>
<td>14%</td>
<td>50%</td>
<td>19%</td>
<td>14%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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AHA analysis of survey data collected from 2,380 hospitals: 2,060 reporting activity, 320 reporting no activity through March 2013. 1,324 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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www.aha.org/RACTrac