



Exploring the Impact of the RAC Program on Hospitals Nationwide

Overview of AHA RACTrac Survey Results, 2nd Quarter 2010

For complete report go to:

<http://www.aha.org/aha/issues/RAC/ractrac.html>

What is *RAC*Trac?

- AHA created *RAC*Trac—a free, web-based survey—in response to a lack of data and information provided by the Centers for Medicare & Medicaid Services (CMS) on the impact of the Recovery Audit Contractor (RAC) program on America's hospitals
- *RAC*Trac collects RAC activity data from hospitals on a quarterly basis
- CMS administers the RAC program and there are four RAC regions nationwide
 - RAC Region C encompasses 40% of hospitals in the United States
 - Second quarter 2010 was generally consistent with hospital representation in each of the four RAC regions



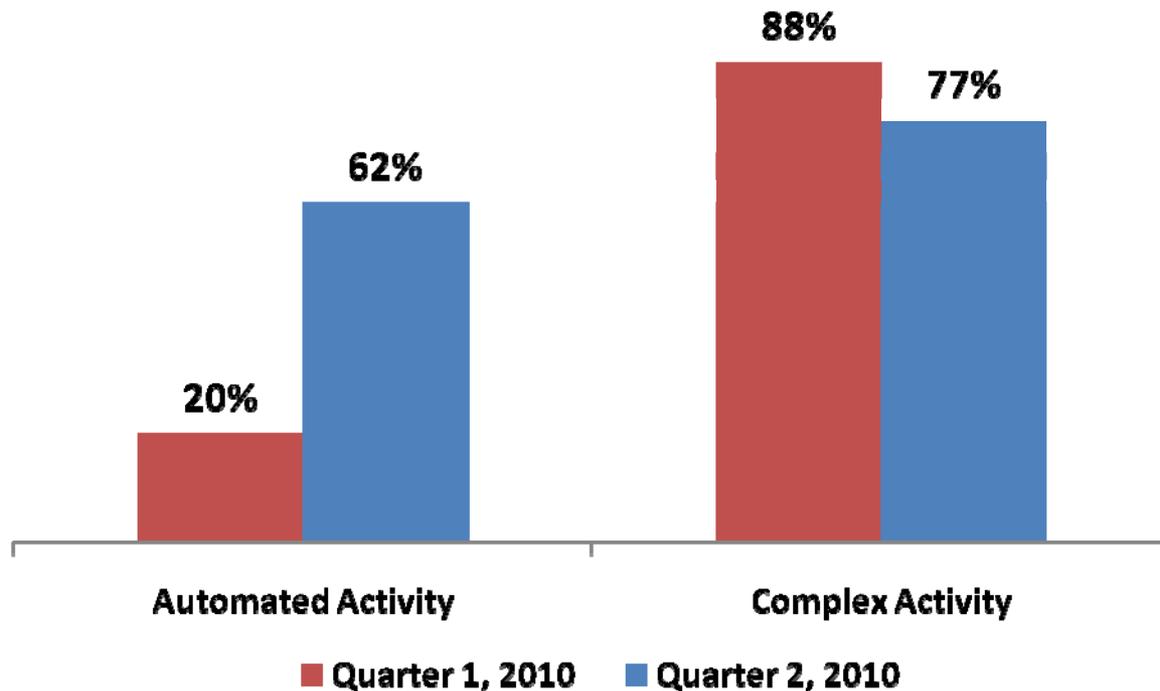
RACTrac Participation and RAC Activity

- Participation in *RACTrac* has more than doubled since the first quarter of 2010, with 1389 hospitals participating.
- More than two thirds of the 1389 hospitals responding to *RACTrac* experienced RAC activity in the first quarter of 2010
 - The majority of hospitals reporting RAC activity were general medical and surgical hospitals
 - Different types and sizes of hospitals were subject to RAC review
 - RAC Region C had the highest number of hospitals reporting RAC activity, but RAC Region D had a higher percentage of participating hospitals reporting RAC activity



A higher percentage of hospitals reported automated reviews than the previous quarter, but RACs continue to focus their efforts on complex reviews.

Percent of Responding Hospitals with RAC Activity Experiencing Automated and/or Complex RAC Review, through 2nd Quarter 2010



Automated Activity: includes all automated reviews, which is a claim determination without a human review of the medical record. RACs use proprietary software that is designed to detect certain types of errors including but not limited to duplicate payments, billing or coding errors. The RAC notifies the provider via a demand letter when an overpayment has been identified through automated review.

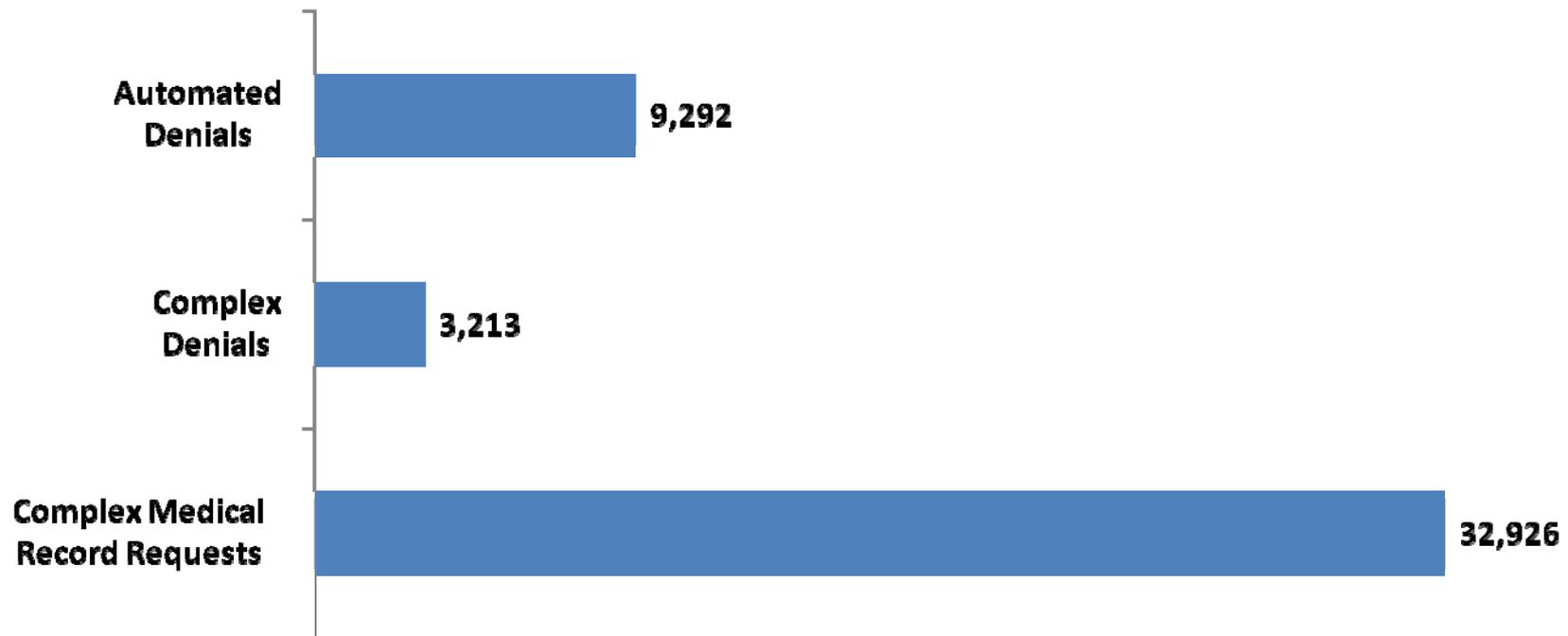
Complex Activity: includes all complex reviews, which is a human review and determination of whether or not an improper payment has been identified once the medical record has been received. Upon that determination, a hospital will be notified via a review results letter if an improper payment was found and therefore the associated claim has been “denied”.



Source: AHA. (August 2010). *RACTrac Survey*
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity through June 2010. 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 RAC activity through the 2nd quarter of 2010 has been medical record requests.

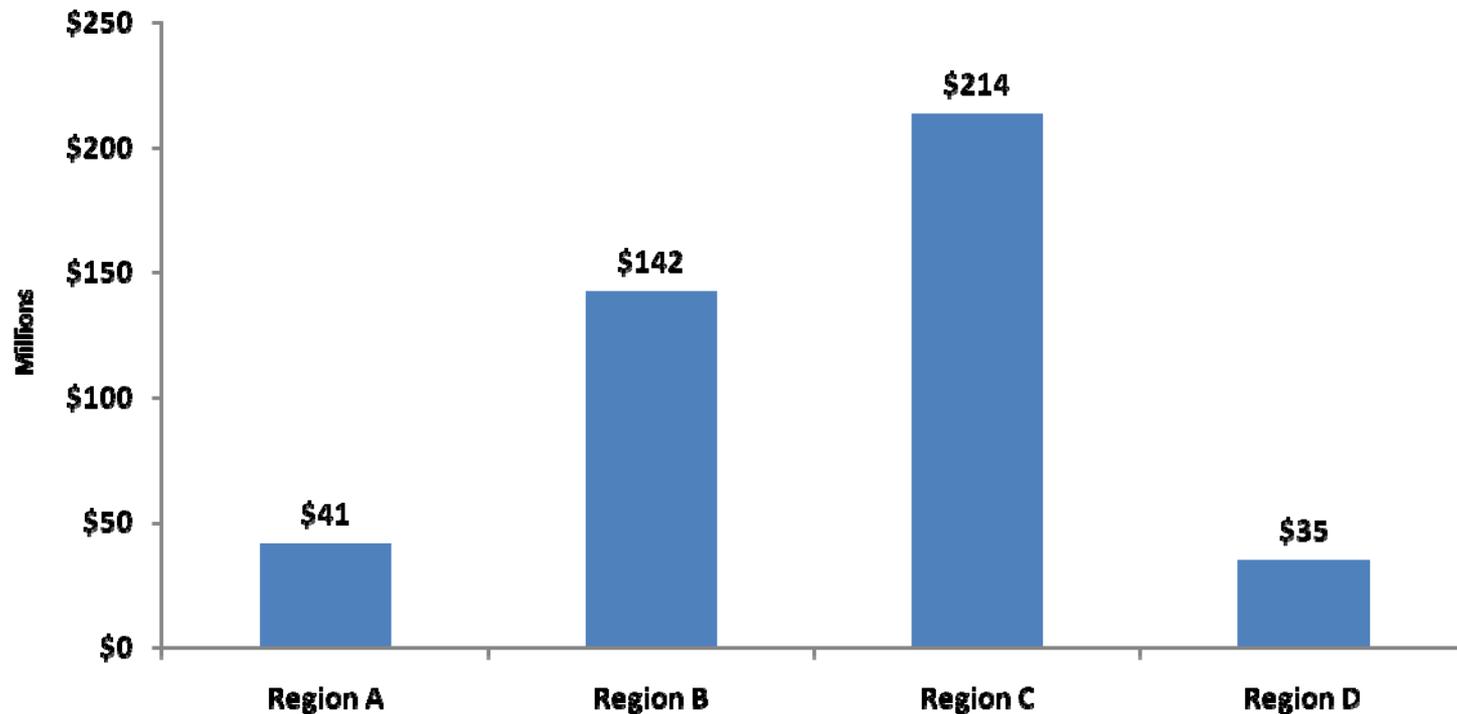
Total Reported Automated Denials, Complex Denials and Complex Medical Records Requests, through 2nd Quarter 2010



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Region C had the highest amount of Medicare payments targeted in medical record requests, over \$214 million.

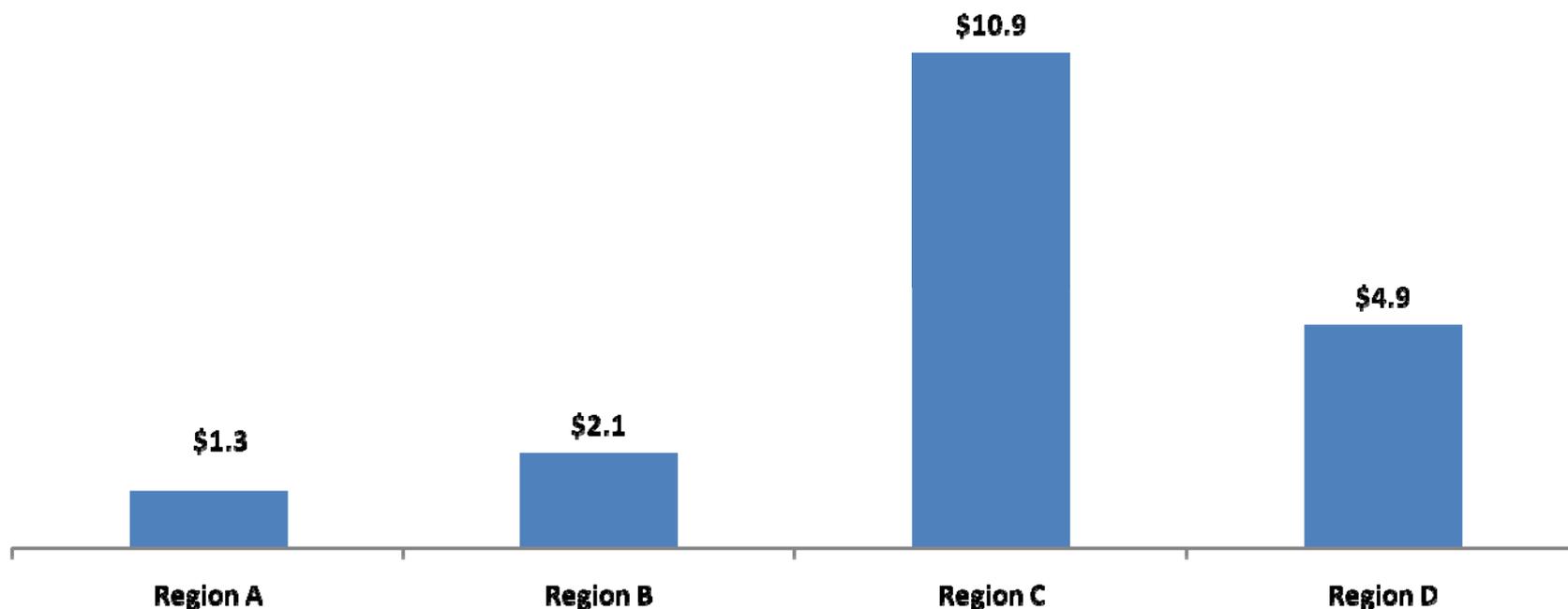
Medicare Payments Associated with Medical Records Requested from Responding Hospitals, through 2nd Quarter 2010, in Millions



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\$19.2 million in denied claims have been reported since the first quarter of 2010, nearly \$11 million in Region C alone.

Dollar Value of Automated and Complex Denials by RAC Region, through 2nd Quarter 2010, Millions

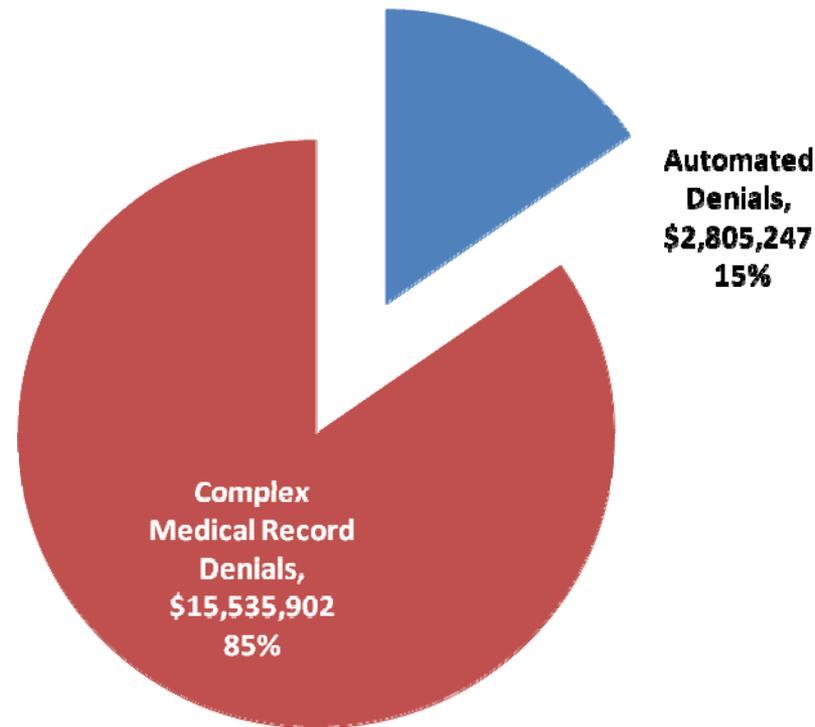


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85% of denied dollars were complex denials totaling over \$15.5 million dollars.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials, through 2nd Quarter 2010

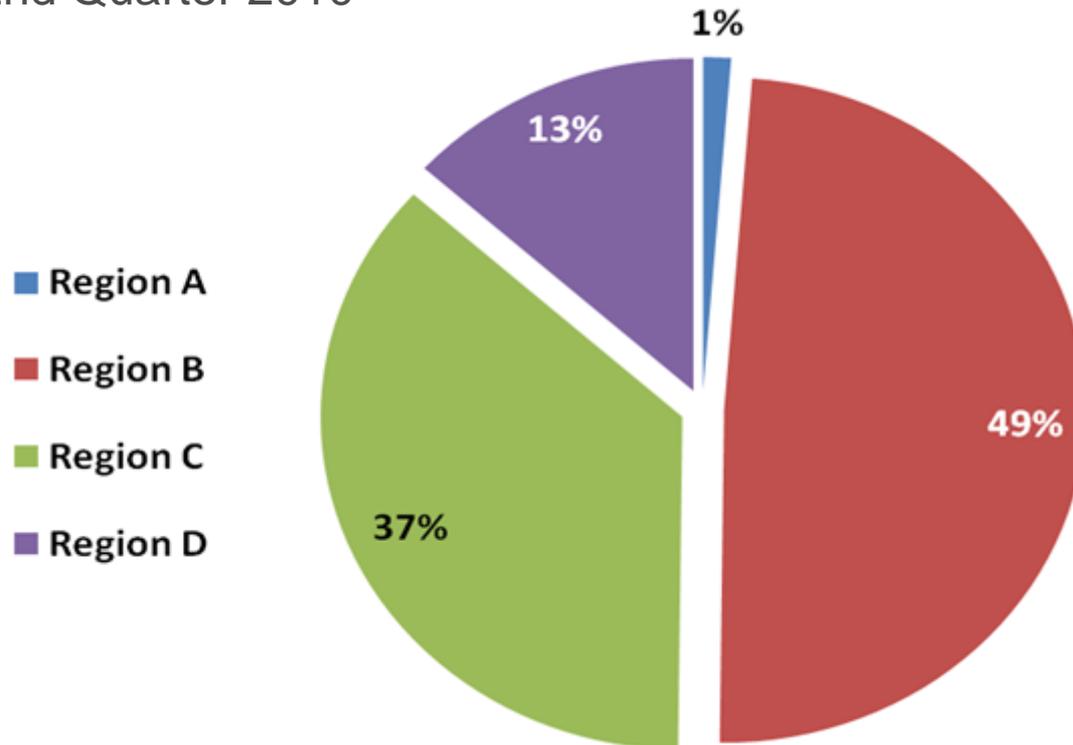


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By the second quarter of 2010, Region B had nearly half of all reported denials.

Percent of Automated and Complex Denials by RAC Region, through 2nd Quarter 2010

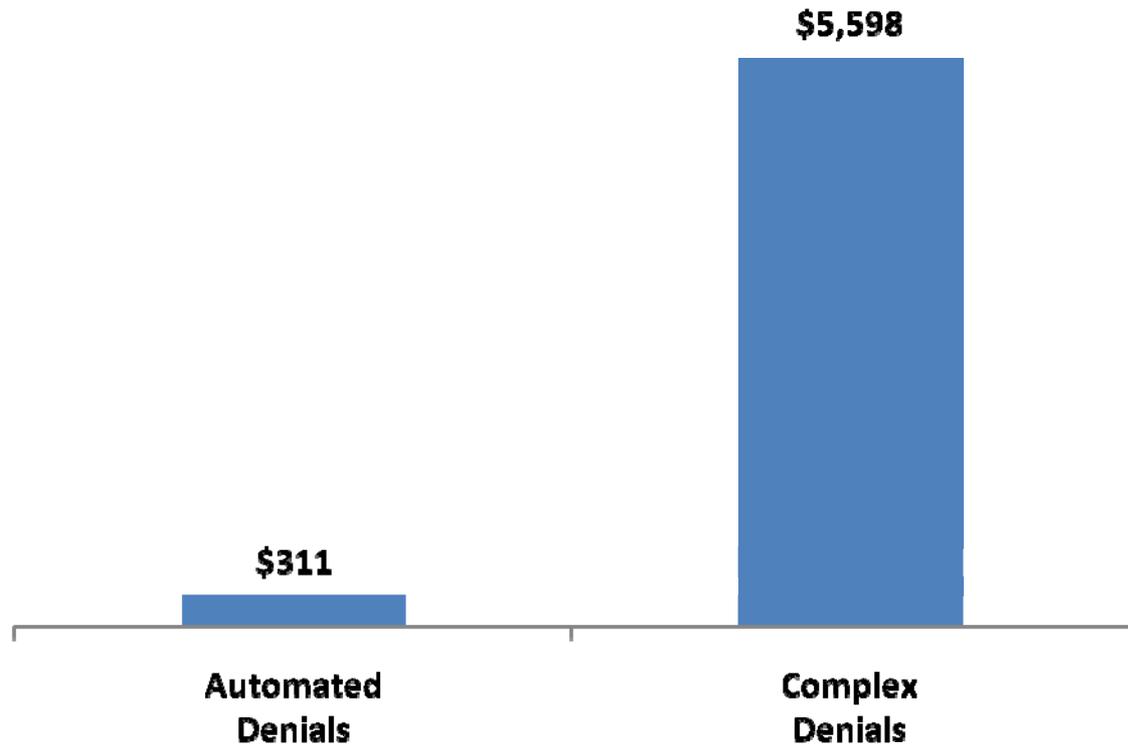


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The average dollar value of an automated denial was \$311 and the average dollar value of a complex denial was \$5,598.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd Quarter 2010

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
Region A	Insufficient data	\$6,227
Region B	\$242	\$5,576
Region C	\$397	\$5,717
Region D	\$389	\$4,868

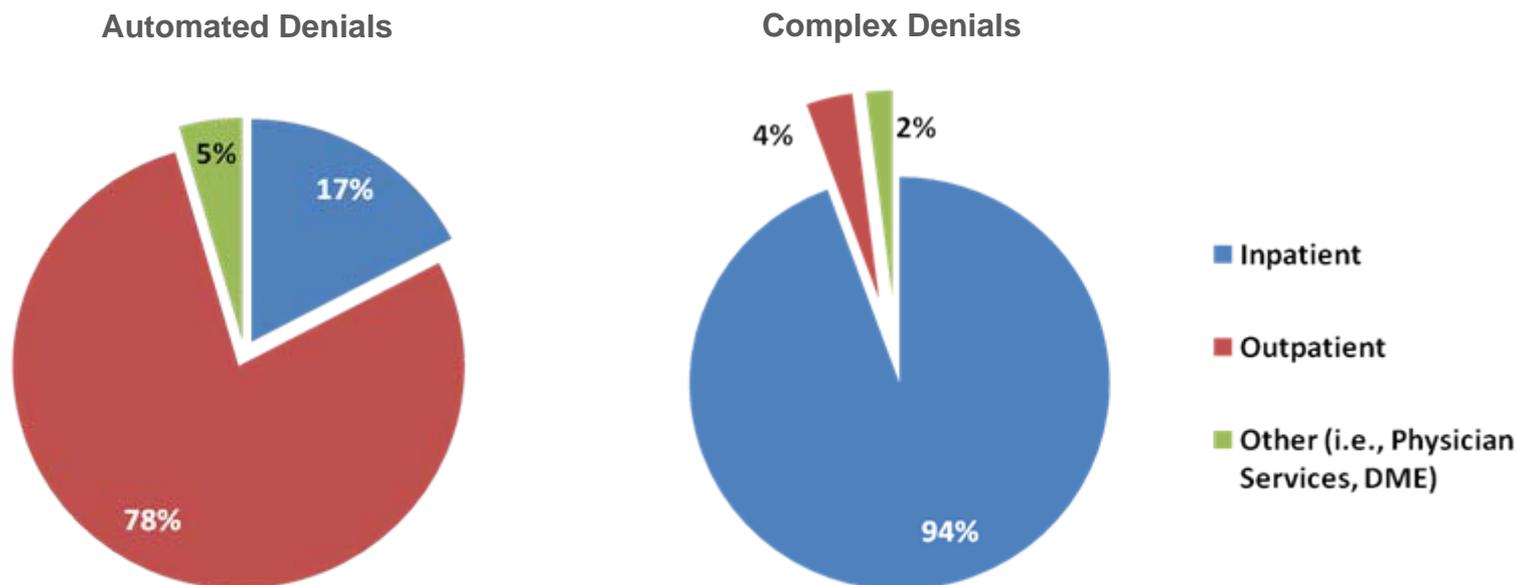


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Hospitals reporting automated denials in the outpatient service area had the largest financial impact while complex denials in the inpatient service area had the largest financial impact.

Top Service Area for Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010

Survey participants were asked to rank denials by service, according to dollars impacted.



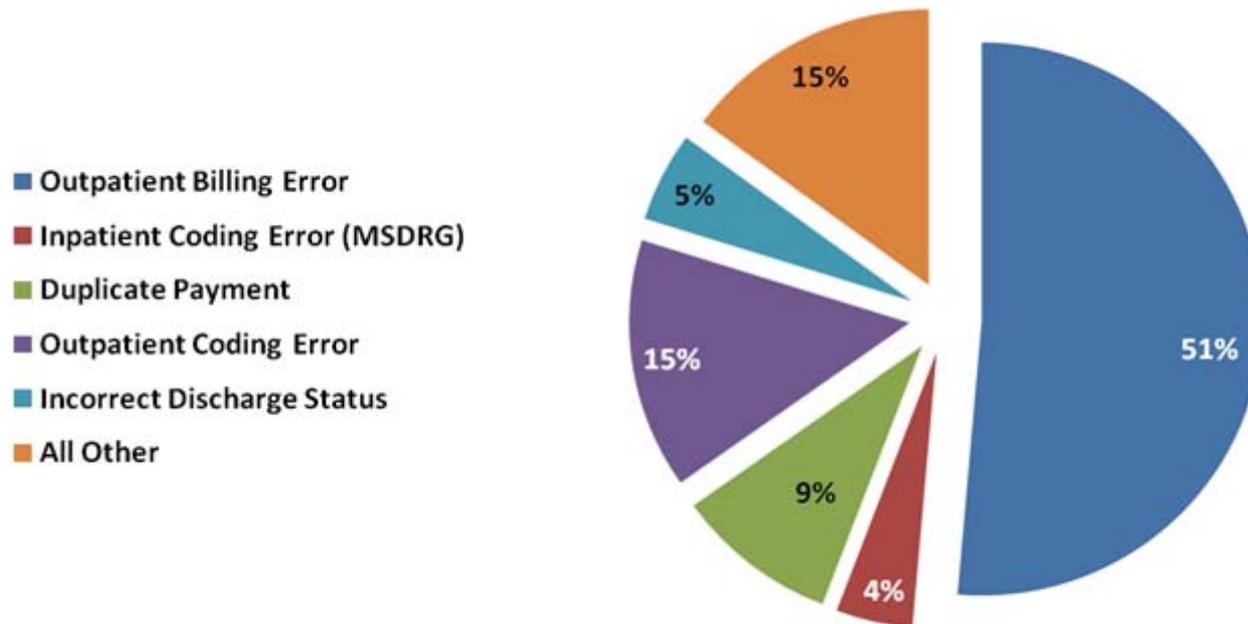
Source: AHA. (August 2010). RACTrac Survey
AHA analysis of survey data collected from 1,389 hospitals: 972 reporting activity, 417 reporting no activity from April to June 2010. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



Automated denials for outpatient billing errors had the largest financial impact on reporting hospitals.

Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010

Survey participants were asked to rank denials by reason, according to dollars impacted.

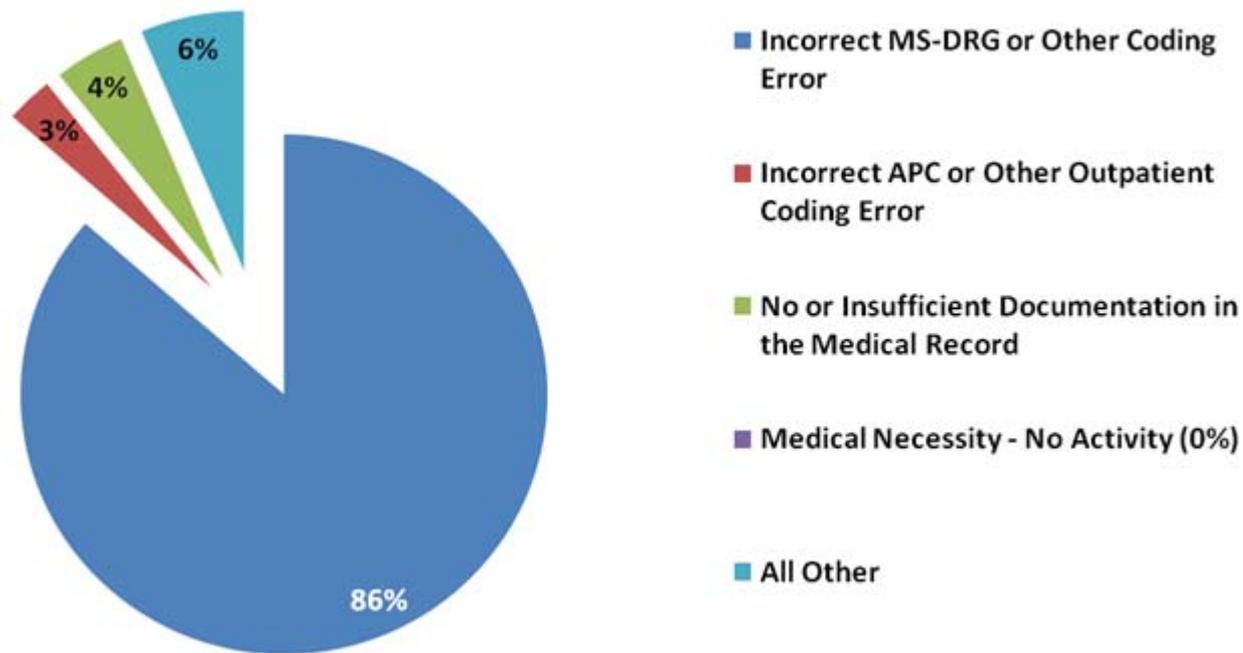


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Incorrect coding of MS-DRGs or other coding errors represented the top reason by dollars for complex denials for 86% of hospitals.

Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 2nd Quarter 2010

Survey participants were asked to rank denials by reason, according to dollars impacted.

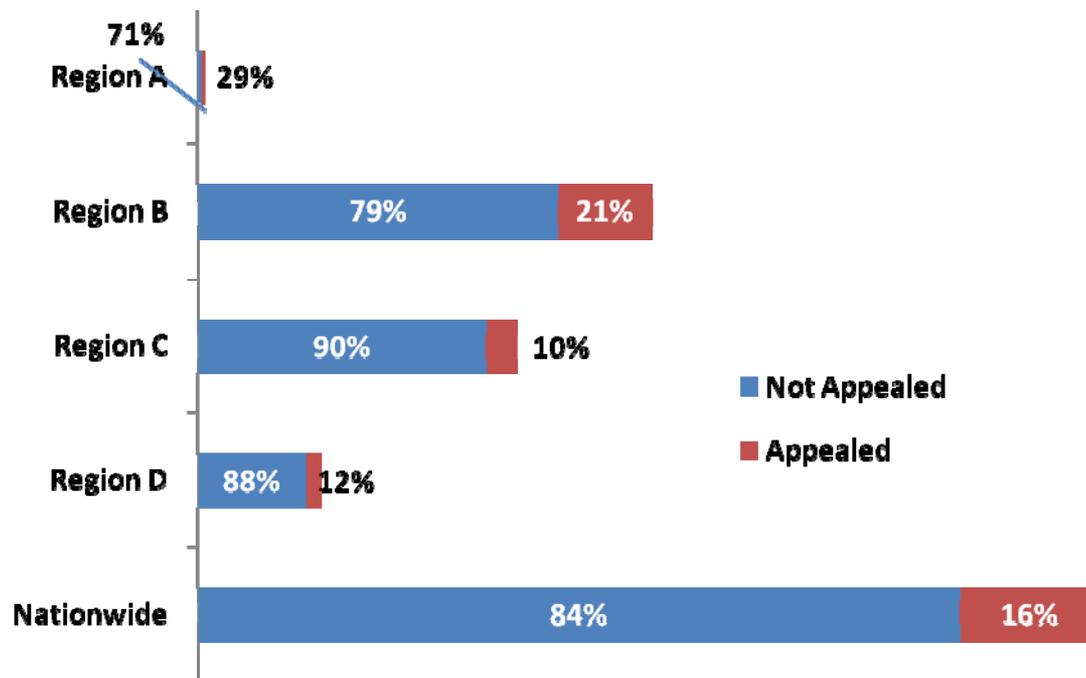


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Hospitals reported appealing 1,892 of RAC denials available for appeal.

Total Number of Automated and Complex Denials Appealed by Hospitals with RAC Activity, by Region, through 2nd Quarter 2010

	Total Number of Denials Available for Appeal	Total Number of Appealed Denials
NATIONWIDE	12,090	1,892
Region A	93	27
Region B	6,081	1,261
Region C	4,272	412
Region D	1,644	192



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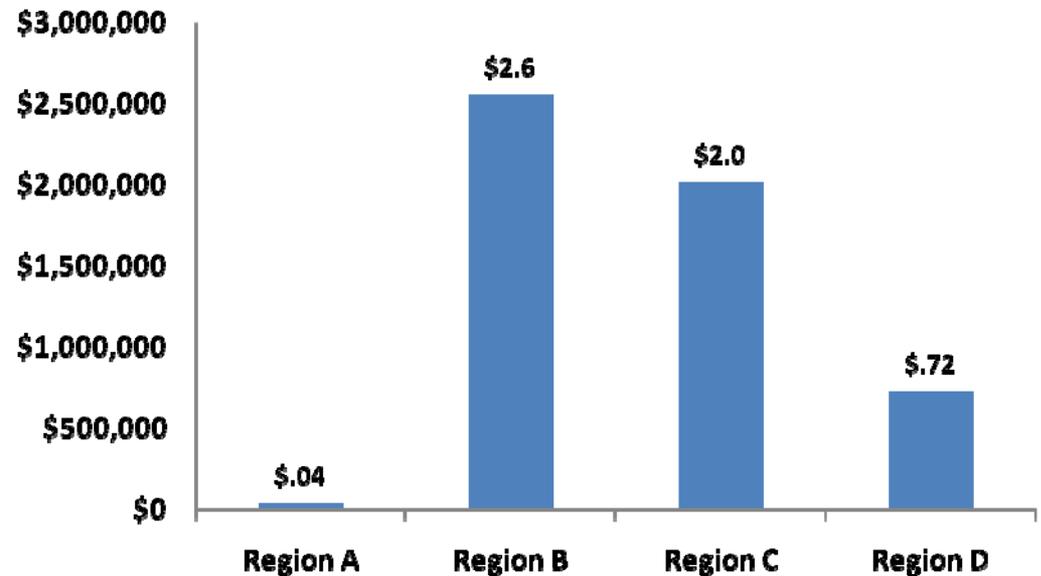
*Available for appeal means that the hospital received a demand letter for this claim, either as a result of automated or complex review.



Hospitals reported appealing denials totaling over \$5 million in value and 16% of hospitals reported appealing at least one RAC denial.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 2nd Quarter 2010, Millions

	Percent of Hospitals with Any Appealed Denials	Average Number of Appealed Denials per Hospital
NATIONWIDE	16%	8.4
Region A	29%	3.9
Region B	54%	14.0
Region C	37%	5.6
Region D	29%	3.6



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Of the claims that have completed the appeals process, 13% were overturned in favor of the provider. 1,571 of claims are still in the appeals process.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 2nd Quarter 2010

	Appealed	Percent of Denials Appealed	Number of Claims Pending Appeals Determination	Number of Claims Withdrawn from Appeals Process	Number of Denials Overturned in the Appeals Process	Percent of Appealed Denials Overturned
NATIONWIDE*	1,892	16%	1,571	61	238	13%
Region A	27	29%	21	3	3	11%
Region B	1261	21%	1,082	15	150	12%
Region C	412	10%	319	40	49	12%
Region D	192	12%	149	3	36	19%

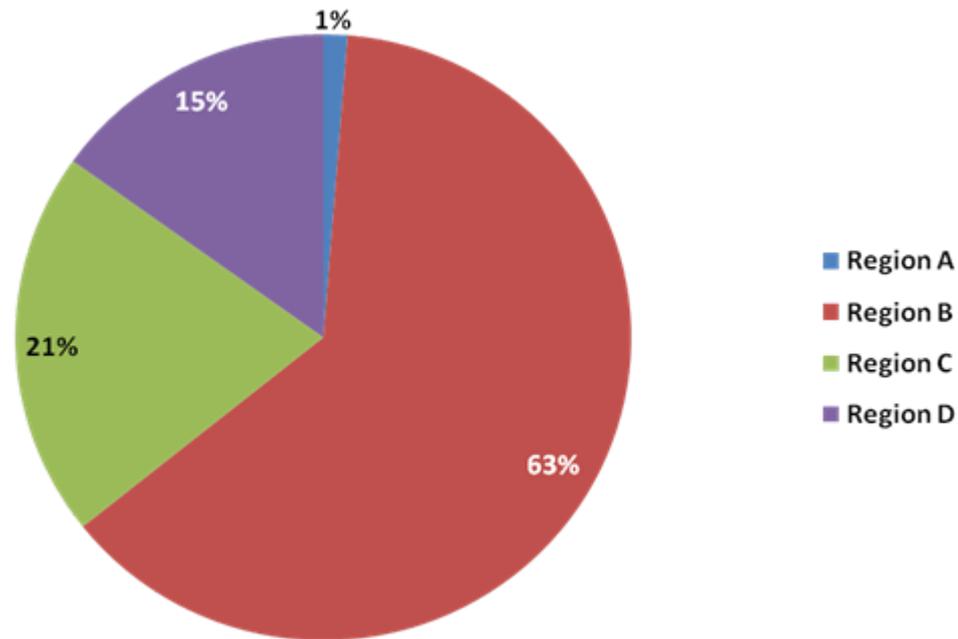
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Of the claims that have completed the appeals process, two-thirds of the overturned denials were reported in Region D.

Percent of Overturned Denials by Region, through 2nd Quarter 2010

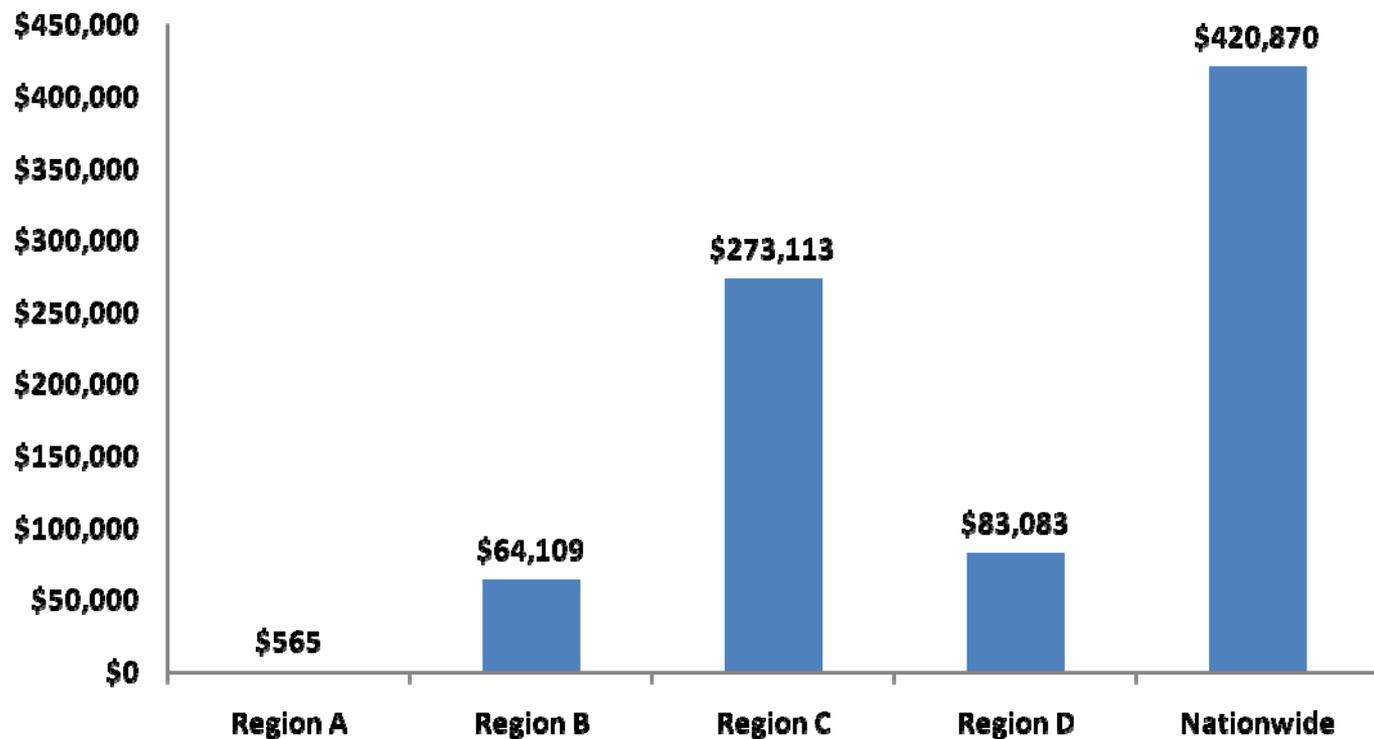


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Hospitals reported a total of \$420,870 in overturned denials, with \$273,113 in Region C alone.

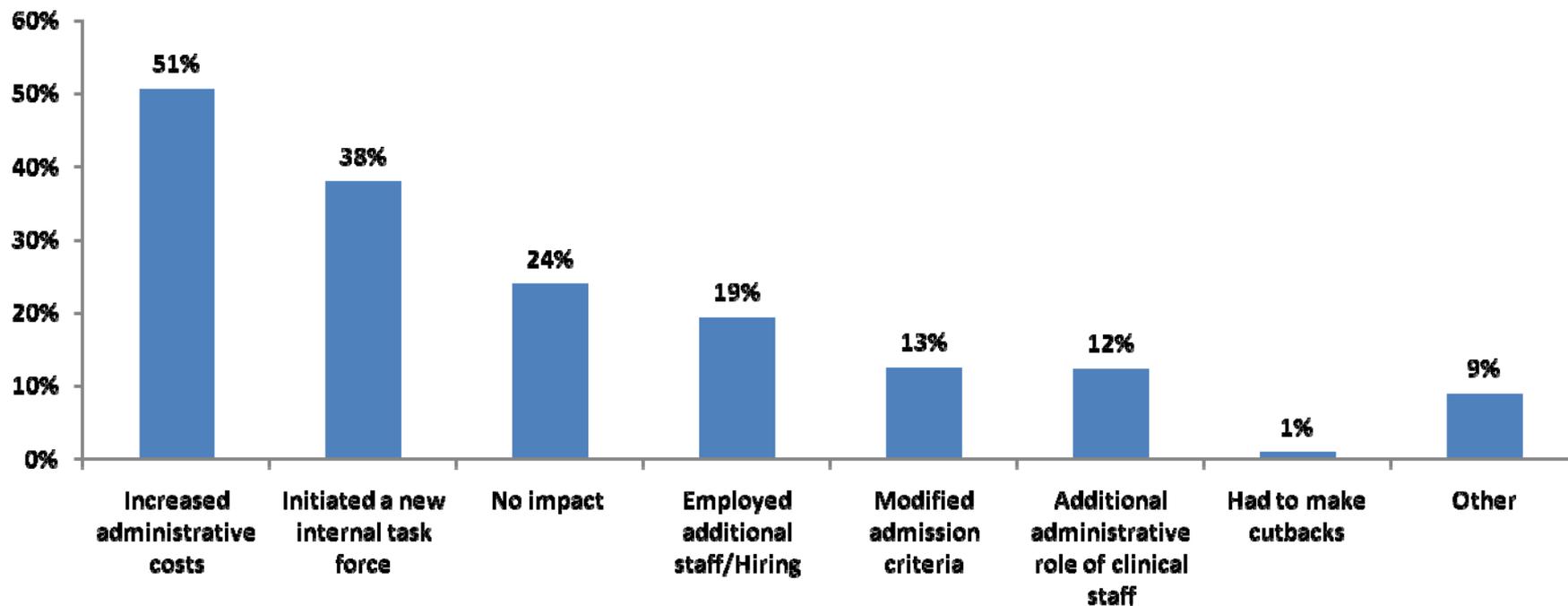
Total Value of Appeal Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 2nd Quarter 2010



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86% of responding hospitals reported that RACs impacted their organization during the second quarter of 2010 and 51% reported increased administrative costs.

Impact of RAC on Responding Hospitals* by Type, through 2nd Quarter 2010



*Includes responding hospitals with and without RAC activity

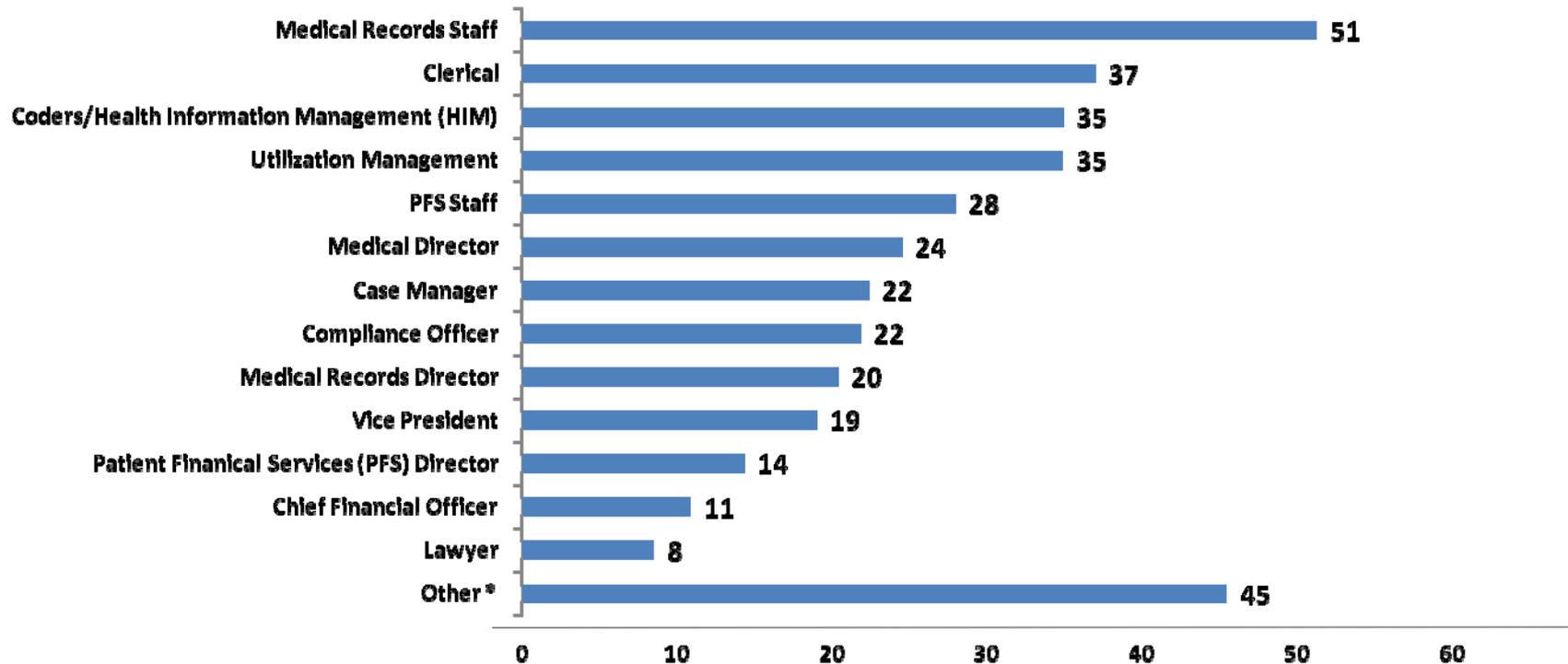
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The administrative burden of RAC is spread across all types of hospital staff. Medical records staff spent the most time responding to RAC activity

Average Hours of Staff Time Spent Per Responding Hospital* on RAC by Staff Type, 2nd Quarter 2010



*Includes responding hospitals with and without RAC activity

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*Other includes other types of hospital staff, including RAC Coordinator and IT Department.





For more information visit AHA's *RAC*Trac Website:

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