



**American Hospital
Association**

RAC Update

Elizabeth Baskett, Senior Associate Director, Policy, AHA

November 7, 2011

Agenda

- RACTrac
- RAC Program Update
 - Activity
 - New RAC Statement of Work
 - CMS Report
- RAC Process Issues
 - Pilot program for accepting electronic records
 - MACs sending demand letters
 - CMS rebilling policy
 - Other process issues
- Medicaid RACs
- AHA and CMS RAC Resources
 - AHA-CMS RAC conference calls
 - CMS provider education





RAC

TRAC



American Hospital
Association

RACTrac Background Information

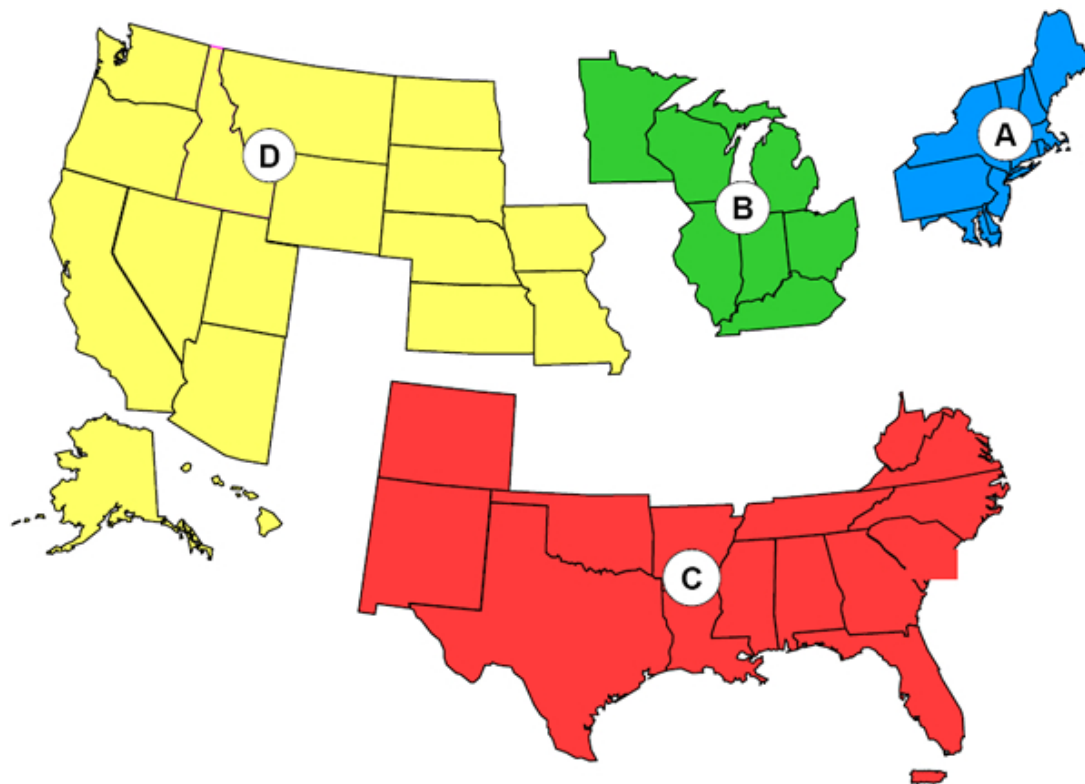
- AHA created *RACTrac*—a free, web-based survey—in response to a lack of data and information provided by the Centers for Medicare & Medicaid Services (CMS) on the impact of the Recovery Audit Contractor (RAC) program on America's hospitals
 - Data are collected on a quarterly basis, capturing cumulative RAC activity in participating hospitals
 - Survey questions are designed to assess RAC activity in hospitals and the administrative burden associated the RAC program
 - Respondents use AHA's online survey application, *RACTrac* (accessed at www.aharactrac.com), to submit their data regarding the impact of the RAC program
- Since *RACTrac* began collecting data in January, 2010, more than 2,000 hospitals have participated
- *RACTrac* survey enhancements are made on a regular basis



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 2nd Quarter, 2011

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	15%
Region B	19%	25%
Region C	40%	35%
Region D	26%	25%



Source: Centers for Medicare and Medicaid Services

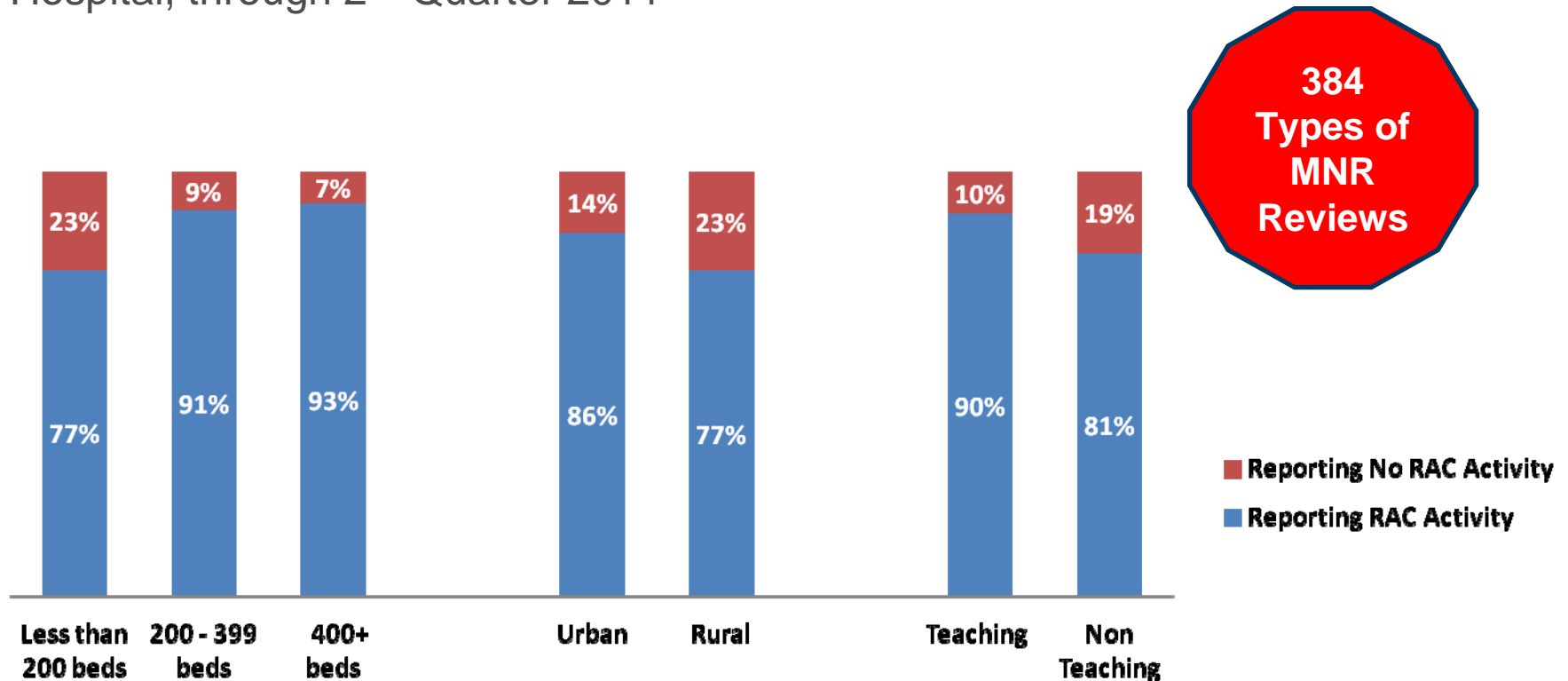


**American Hospital
Association**

RAC Update

Different types and sizes of hospitals reported that they were subject to RAC review.

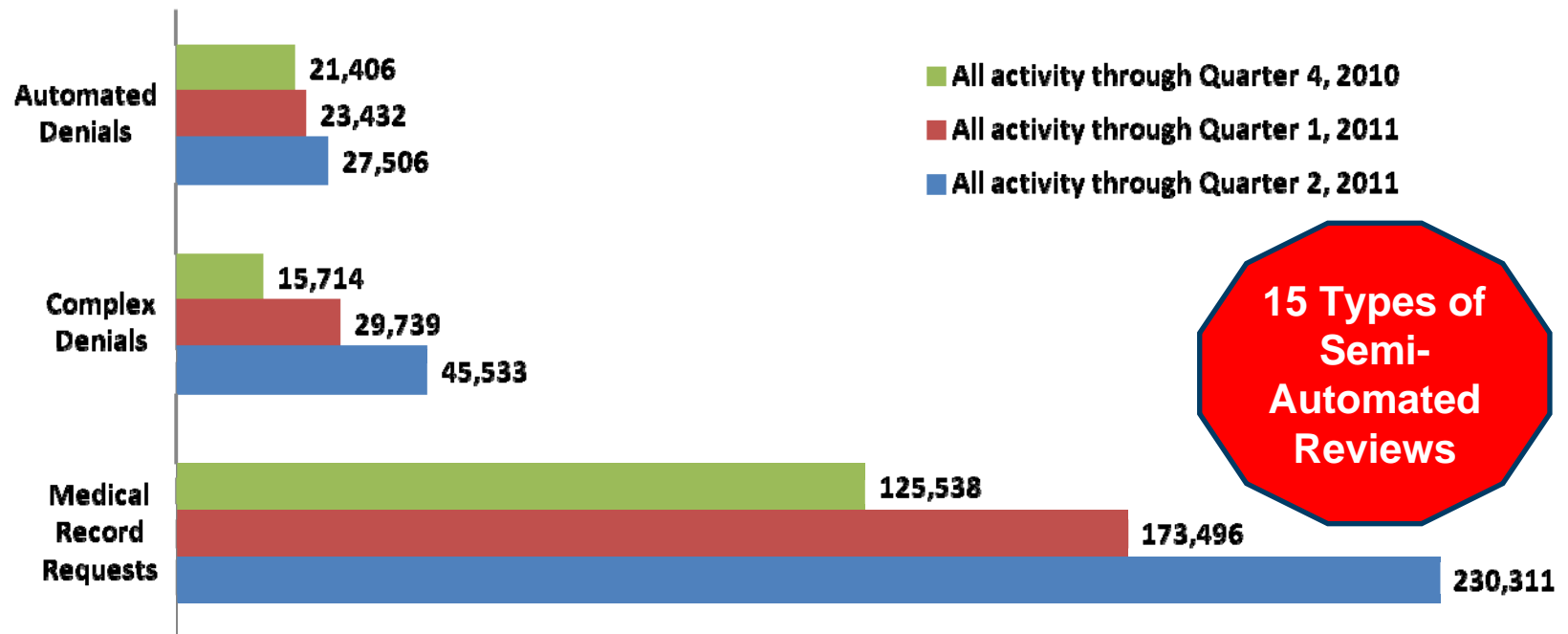
Percent Reporting RAC Activity vs. No RAC Activity by Type of Participating Hospital, through 2nd Quarter 2011



Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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.

Participants continue to report significant increases in RAC denials and medical record requests.

Reported Automated Denials, Complex Denials and Medical Records Requests by Participating Hospitals, through 2nd Quarter 2011

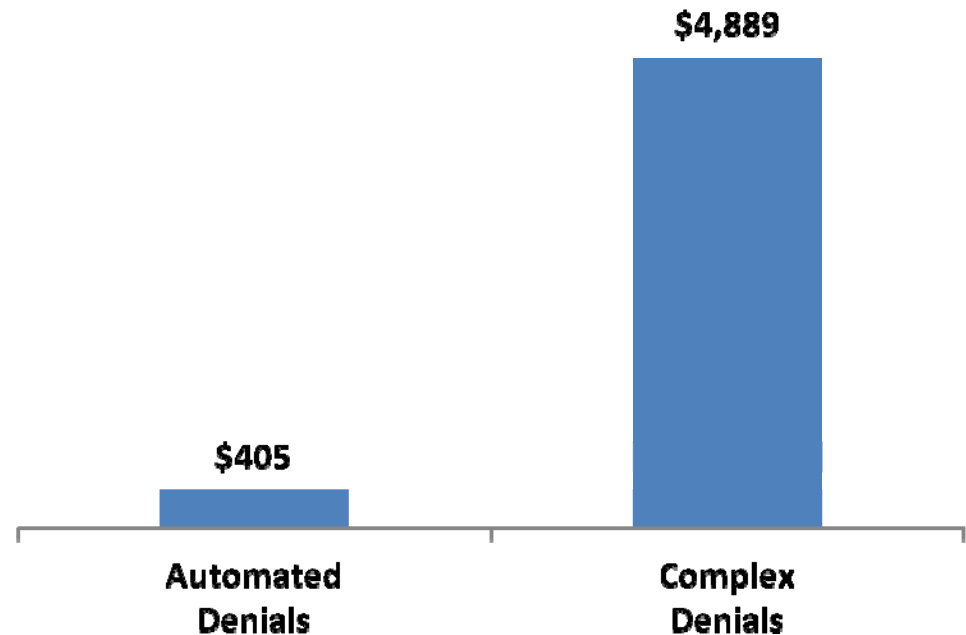


Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

The average dollar value of an automated denial was \$405 and the average dollar value of a complex denial was \$4,889.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd Quarter 2011

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
Region A	\$404	\$4,309
Region B	\$349	\$4,402
Region C	\$347	\$5,367
Region D	\$649	\$5,299

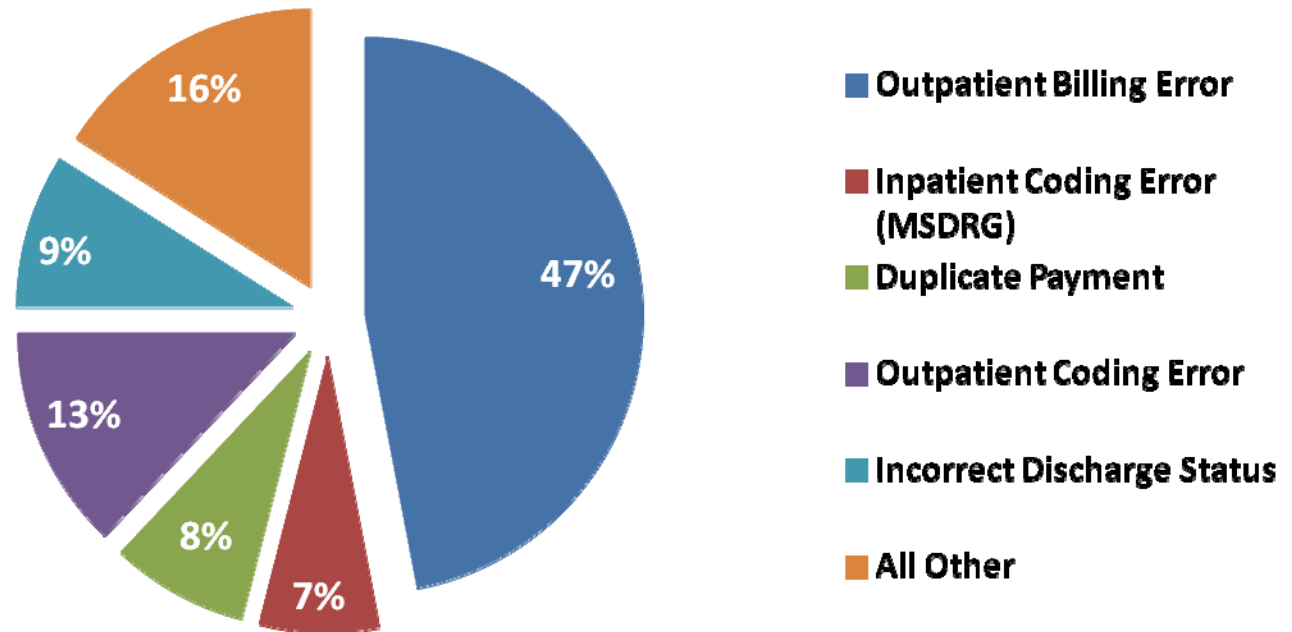


Source: AHA. (July 2011). RACTrac Survey
 AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Among automated denials, outpatient billing errors had the largest financial impact on reporting hospitals.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd Quarter 2011

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

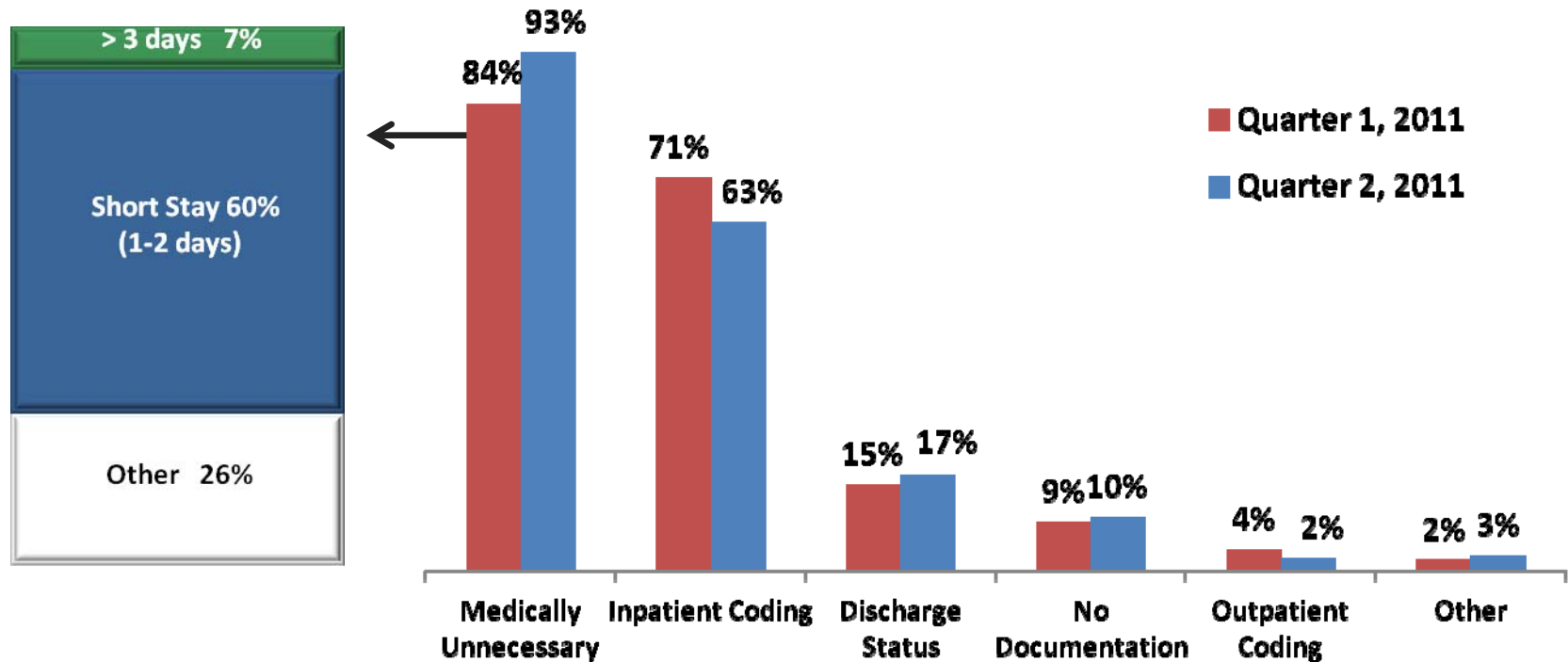


Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

93% of medical/surgical acute care hospitals with RAC activity reported medically unnecessary as a reason for complex denials.

Percent of Participating Medical/Surgical Acute Hospitals with RAC Activity Experiencing Complex Denials by Reason, 1st and 2nd Quarter 2011

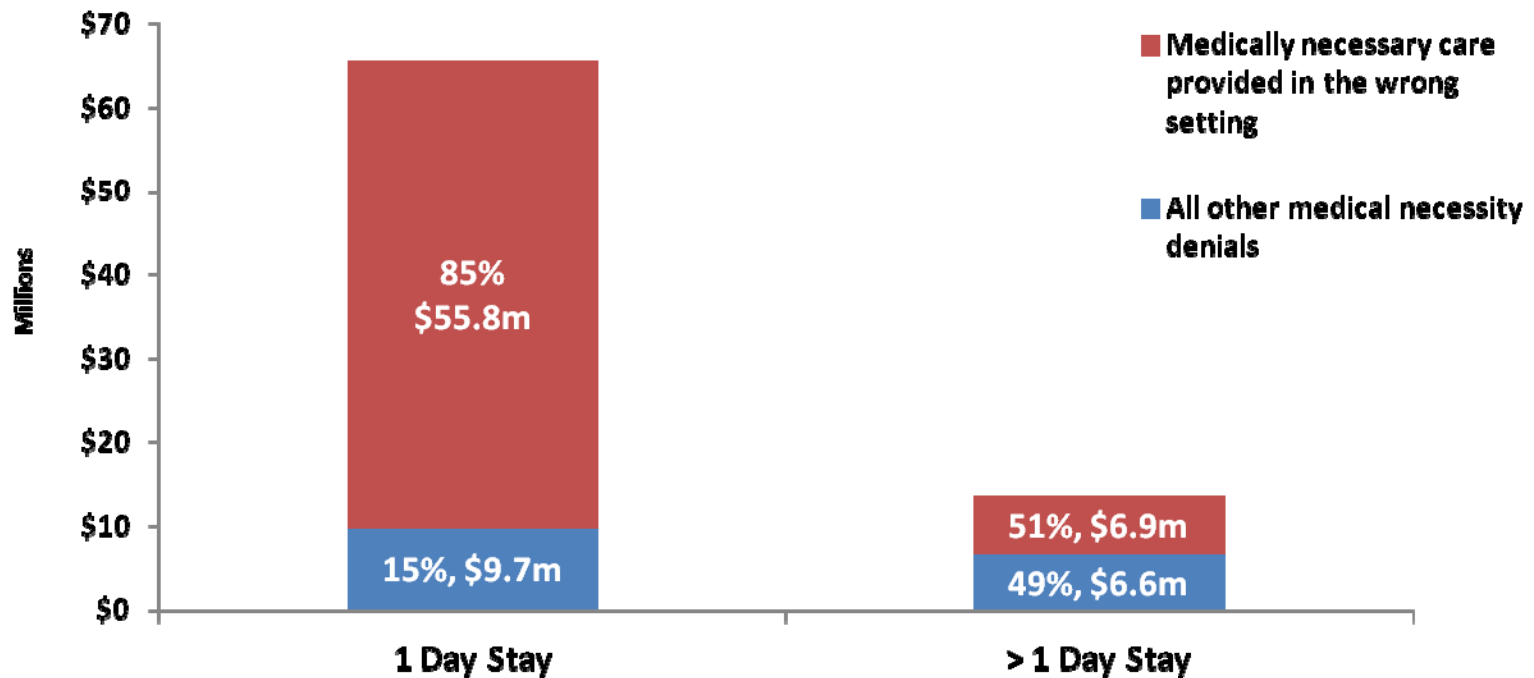
Survey participants were asked to select all reasons for denial.



Source: AHA. (July 2011). RACTrac Survey
 AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 medical necessity denials were for 1-day stays and were because the care was provided in the wrong setting, not because the care was not medically necessary.

Reason for Medical Necessity Denials by Length of Stay Among Hospitals Reporting Medical Necessity Denials, 2nd Quarter 2011



Source: AHA. (July 2011). RACTrac Survey

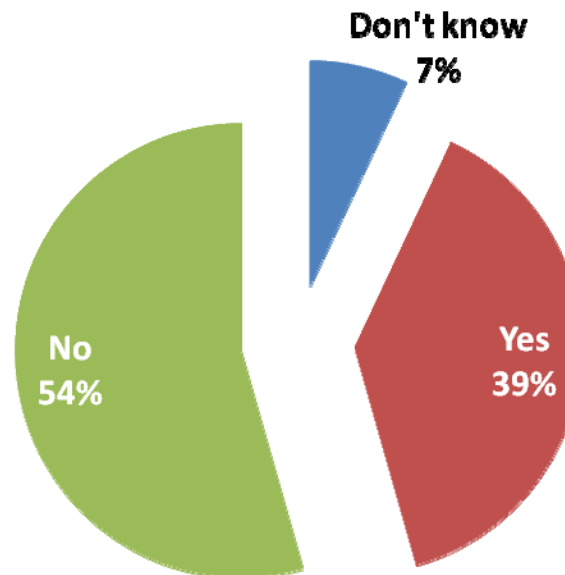
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

More than one-third of participating hospitals report having a denial reversed during the discussion period.

Percent of Participating Hospitals With Denials Reversed During the Discussion Period, National and By Region, 2nd Quarter 2011

Overtured Denials by RAC Region

	Yes	No	Don't Know
Region A	35%	58%	7%
Region B	39%	54%	7%
Region C	42%	51%	7%
Region D	36%	56%	8%



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. The discussion period happens before the appeals process and is not a formal part of the Medicare appeals process.

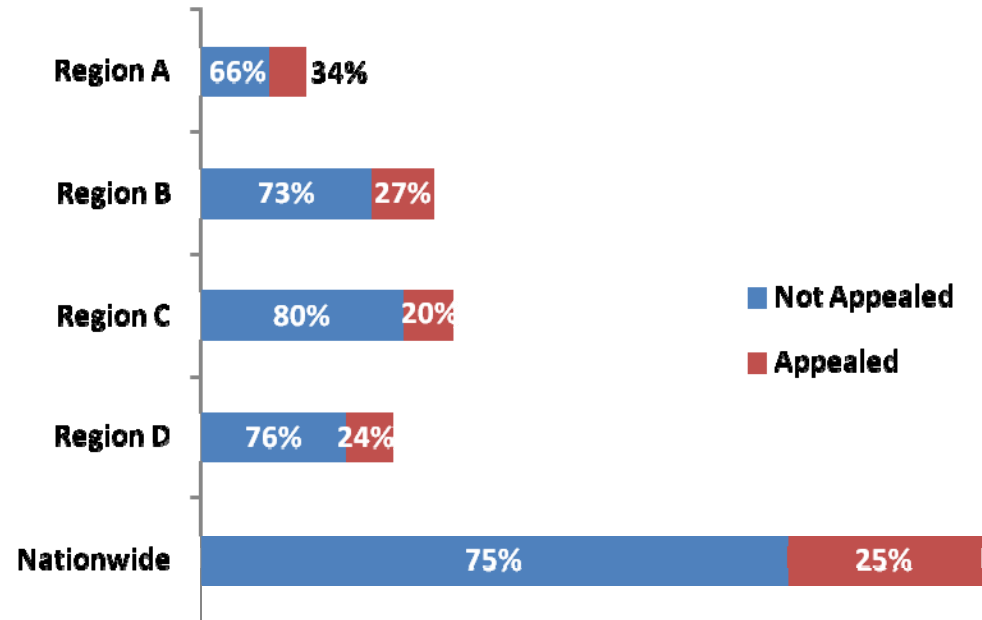


Source: AHA. (July 2011). RACTrac Survey
 AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Nationwide hospitals reported appealing one-quarter of all denials. The appeal rate was highest in Region A.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with RAC Activity, by Region, through 2nd Quarter 2011

	Total Number of Denials Available* for Appeal	Percent of Denials Appealed
NATIONWIDE	73,039	25%
Region A	9,714	34%
Region B	21,783	27%
Region C	23,590	20%
Region D	17,952	24%



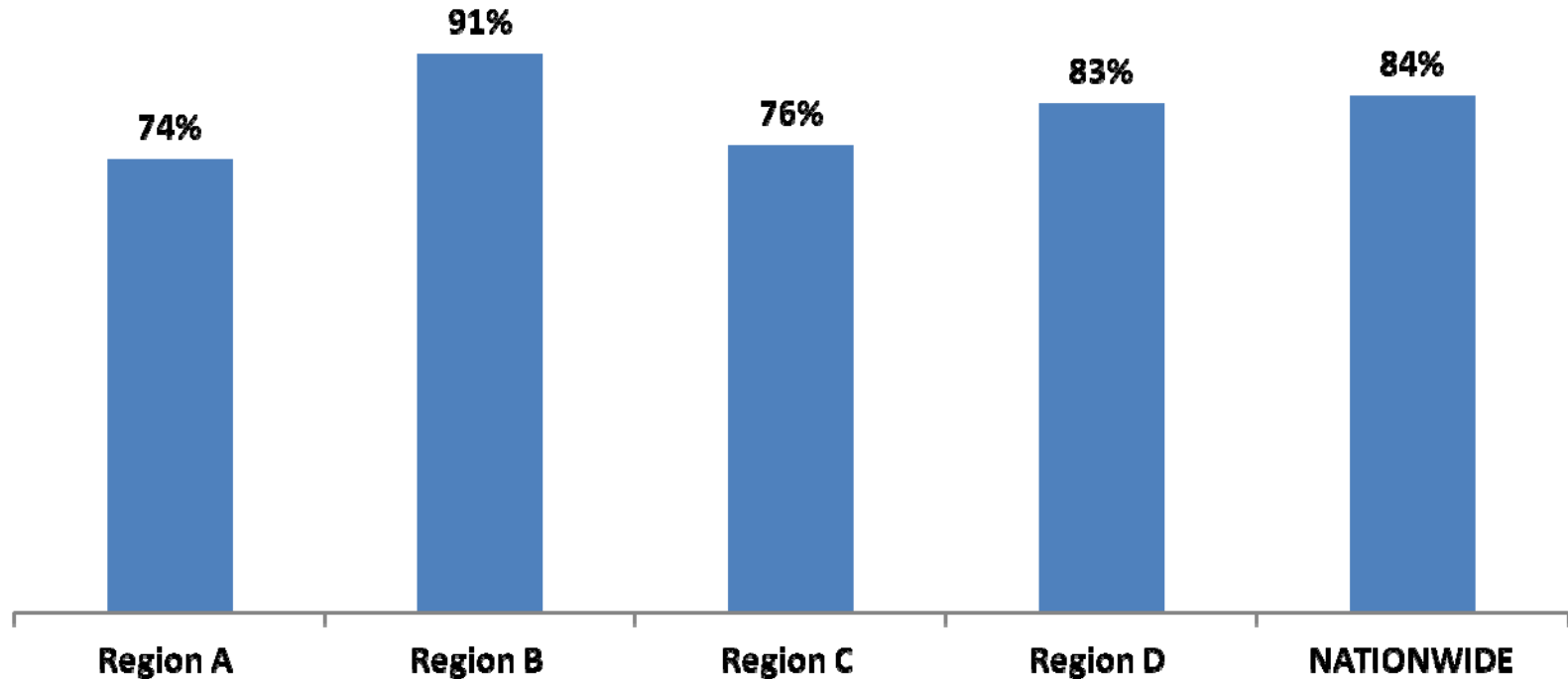
* Available for appeal means that the hospital received a demand letter for this claim, either as a result of automated or complex review.

Source: AHA. (July 2011). RACTrac Survey
 AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 has the highest overturn rate upon appeal at 91%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 2nd Quarter 2011

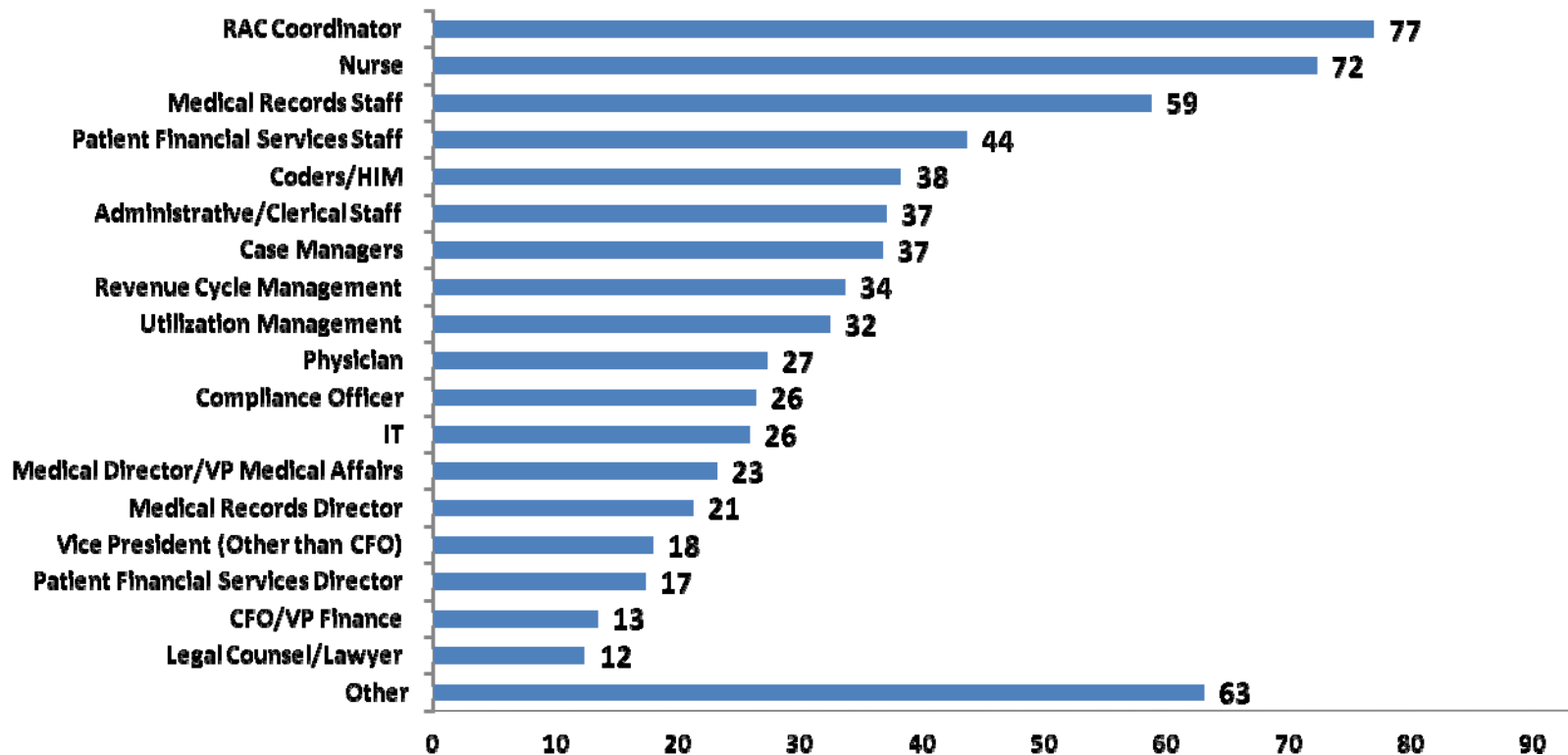


Source: AHA. (July 2011). RACTrac Survey

AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 administrative burden of RAC is spread across all types of hospital staff. RAC coordinators spent the most time responding to RAC activity.

Average Hours of Staff Time Spent Per Participating Hospital* on RAC by Staff Type, 2nd Quarter 2011



* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2011). RACTrac Survey

AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 Update—New Statement of Work

- New RAC Statement of Work

<https://www.cms.gov/Recovery-Audit-Program/Downloads/090111RACFinSOW.pdf>

A contract signed by all four RACs:

- More CMS oversight of RACs to increase program collections
- Semi-automated review
- Requires better organization of websites
- Requires appropriate notification of reasons for denials
- Guarantees a discussion period

RAC Update—CMS RAC Report

- CMS releases 2010 RAC [annual report](#)
 - \$92.3 million in combined overpayments (82%) and underpayments (18%), \$41.4 million were inpatient claims.
 - Providers appealed 5% of claims collected in FY 2010, nearly one in two of those appeals resulted in decisions made in favor of the provider (2010 appeals still in the process are not factored in to these statistics).
 - RAC Accuracy Scores?
 - Update on RAC expansion to Parts C and D
 - Contains region and state specific overpayment amounts and top incorrect codes and errors.



**American Hospital
Association**

RAC Process Problems

RAC Update—EsMD Pilot Program

- EsMD Pilot program for accepting electronic records
 - Began in September, 2011
 - Allows providers to submit electronic medical records to RACs through Health Information Handlers (HIH)
 - RACs A and B currently participating, CMS anticipates 3 out of 4 RACs will participate by Jan. 2012
 - MedLearn Matters Article: SE 1110:
<http://www.cms.gov/MLNMMattersArticles/downloads/SE1110.pdf>
 - Phase 2 of the EsMD Pilot will allow providers to register to receive RAC correspondence electronically
 - www.cms.gov/esmd

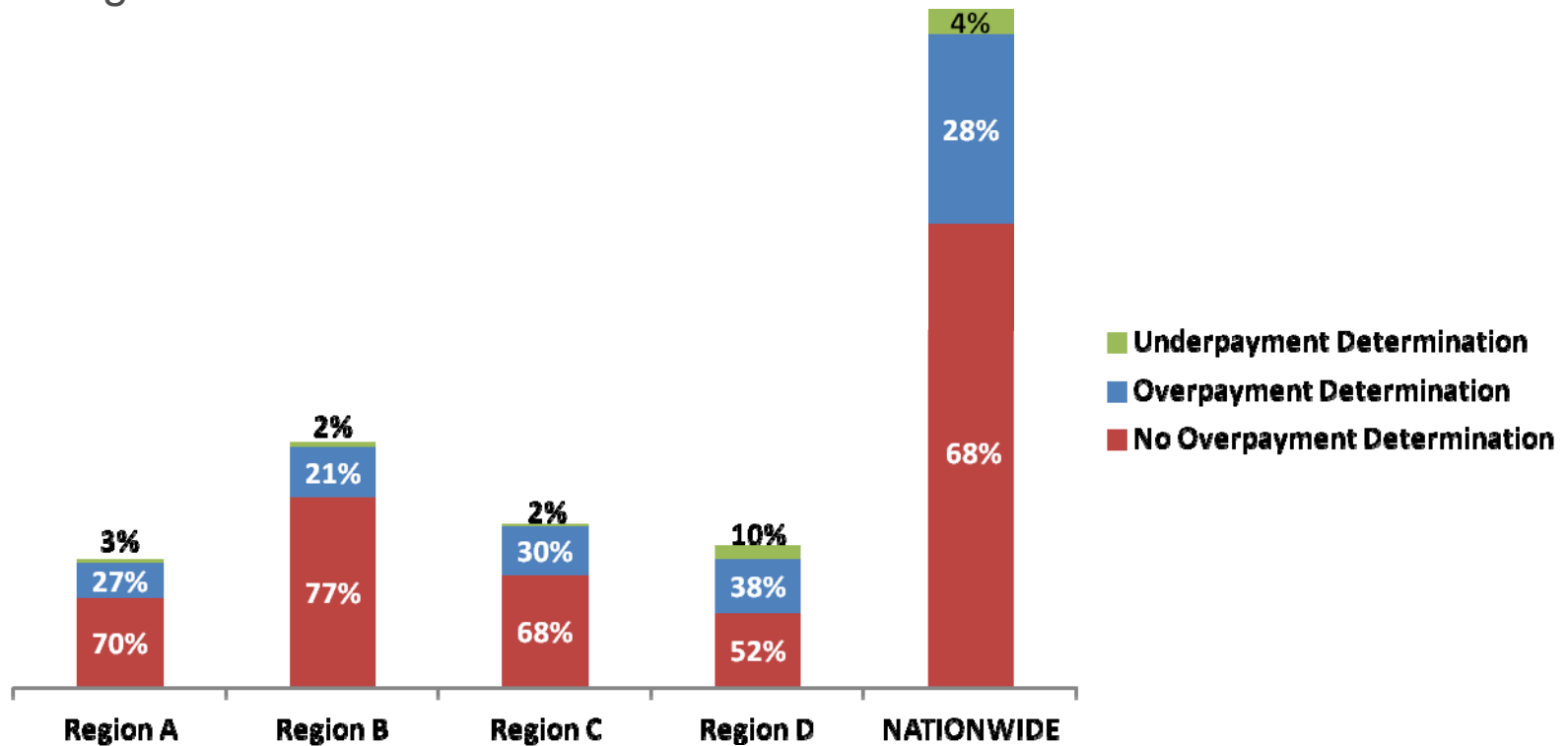


RAC Process Problems

- MACs sending Demand Letters— [CMS MLN Matters Article](#)
- CMS rebilling policy
- Other RAC process problems

Over two-thirds of medical records reviewed by RACs did not contain an improper payment.

Total Number and Percent of Completed Complex Reviews with and without Overpayment or Underpayment Determinations for Participating Hospitals, by Region, through 2nd Quarter 2011



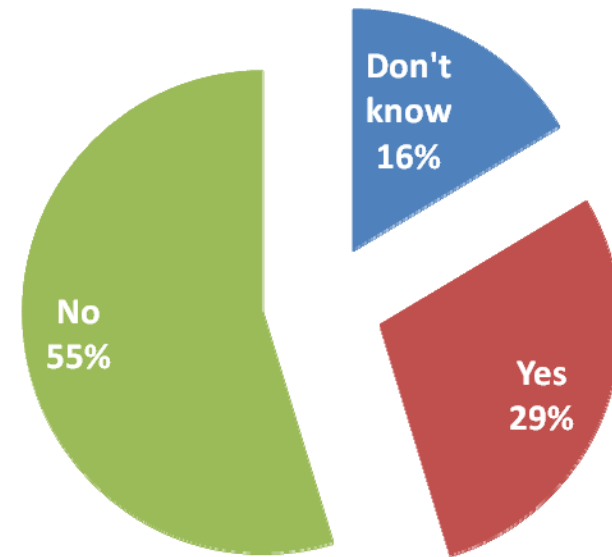
Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

55% 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, 2nd Quarter 2011

Reported Education by RAC Region

	Yes	No	Don't Know
Region A	34%	51%	15%
Region B	28%	58%	14%
Region C	29%	54%	17%
Region D	25%	55%	20%



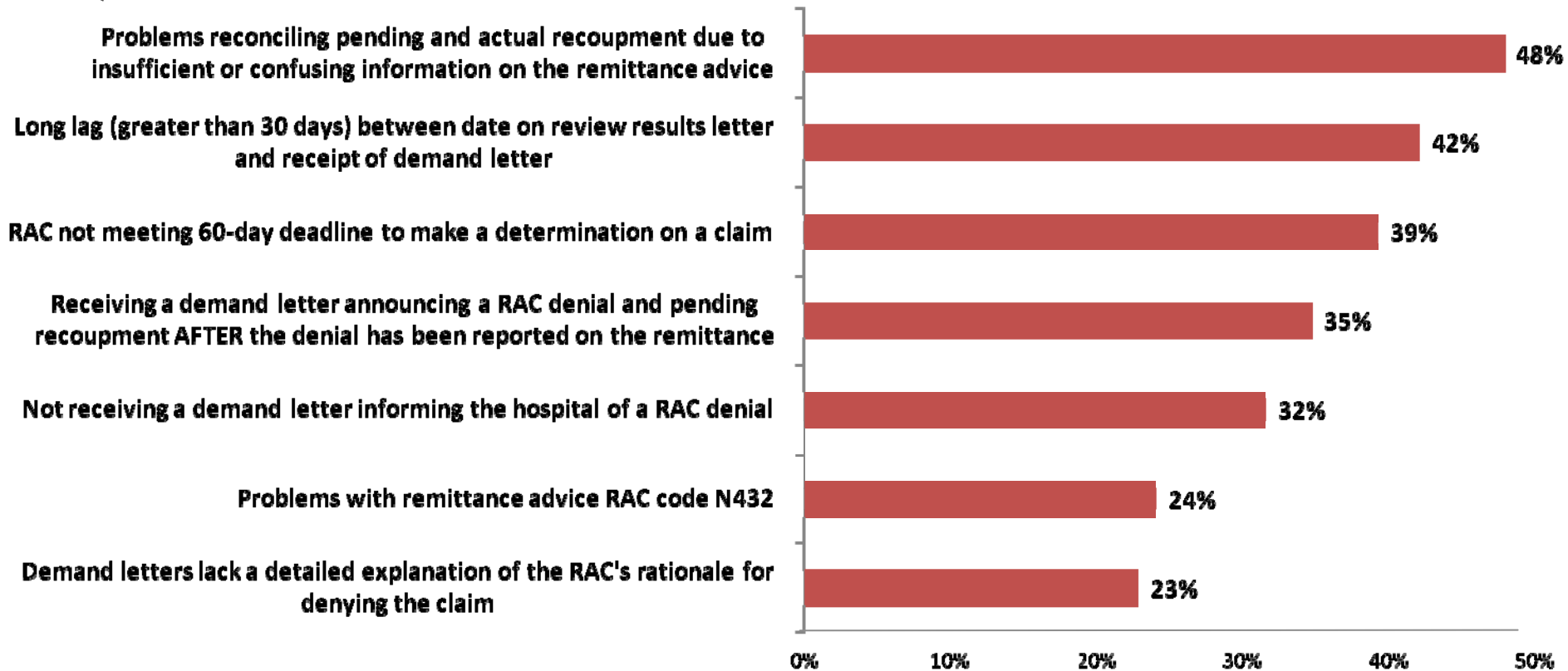
* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2011). RACTrac Survey
 AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 hospital respondents reported problems with reconciling pending and actual recoupments due to insufficient or confusing information on the remittance advice.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2nd Quarter 2011



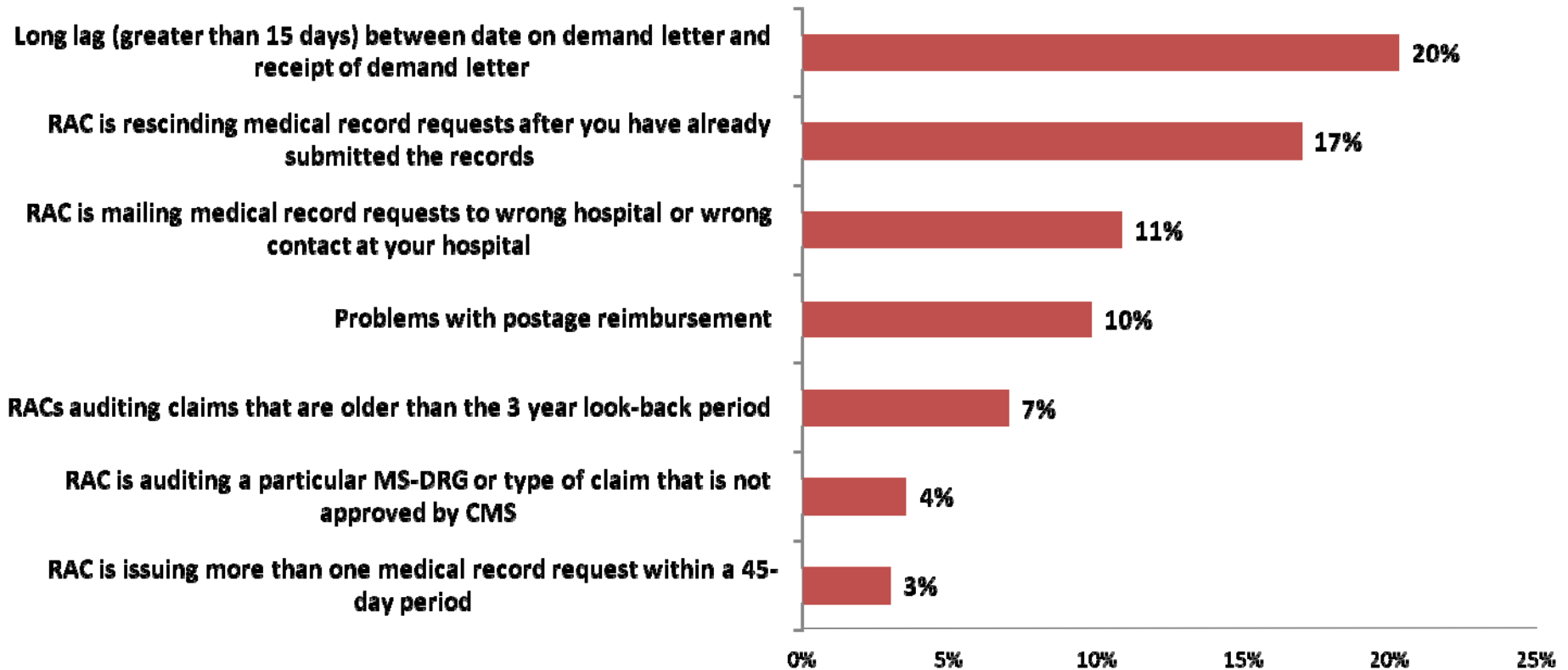
* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



Hospitals continue to report that they are receiving demand letters late and that RACs are rescinding medical record requests after the hospital has already submitted the records.

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2nd Quarter 2011



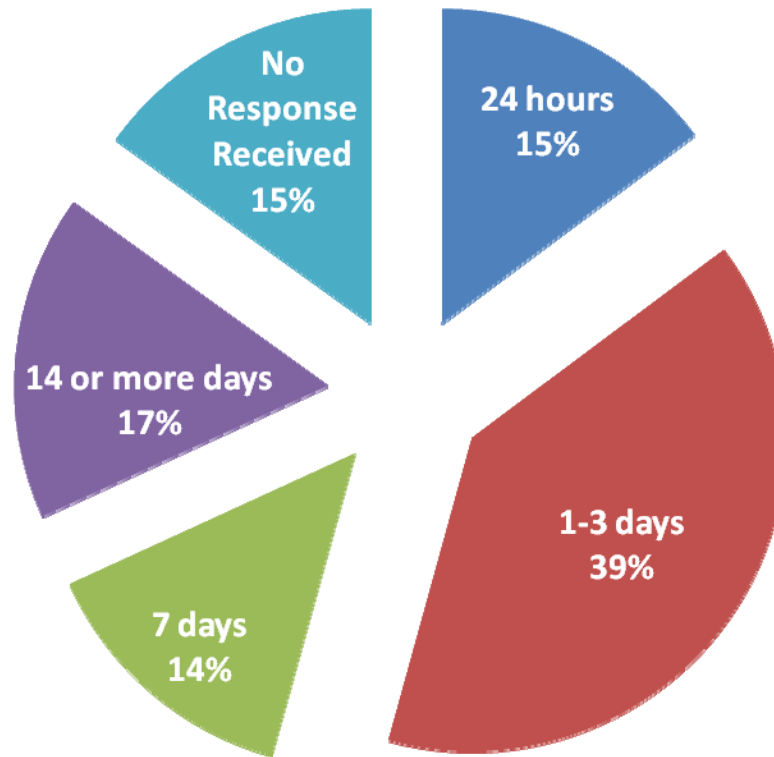
* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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 wait time for a RAC response varied significantly, with 17% of hospitals reporting it took 14 days or more to receive a response from their RAC.

Average Number of Days it Took RACs to Respond to Hospital Inquiries for Participating Hospitals, 2nd Quarter 2011



* Includes participating hospitals with and without RAC activity

Source: AHA. (July 2011). RACTrac Survey
AHA analysis of survey data collected from 2,024 hospitals: 1,649 reporting activity, 375 reporting no activity through June 2011. 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.





**American Hospital
Association**

Medicaid RACs

Medicaid RACs

- Final Medicaid RAC rule issued September 14, 2011:
http://www.ofr.gov/OFRUpload/OFRData/2011-23695_PI.pdf
- CMS website has limited info on the status of states:
<https://www.cms.gov/medicaidracs/home.aspx>
- AHA Advisory:



Regulatory Advisory

October 12, 2011

MEDICAID RECOVERY AUDIT CONTRACTOR PROGRAM: THE FINAL RULE

AT A GLANCE

The Issue:

On September 14, the Centers for Medicare & Medicaid Services (CMS) released a final regulation for the new Medicaid Recovery Audit Contractor (RAC) program. The final rule, available at <http://www.gpo.gov/fdsys/pkg/FR-2011-09-16/pdf/2011-23695.pdf>, was published in the September 16 *Federal Register*. Major provisions of the rule are described below.

Program Basics. States must contract with at least one Medicaid RAC by January 1,



Medicaid RACs

- Begin January 1, 2012
- States *may* exclude managed care payments from RAC review
- Required coordination among all government auditors.
- Medical record limit required
- 3-year look-back period
- Each RAC must hire at least one physician Medical Director and certified coders.
- RACs must develop an education and outreach program.

Medicaid RACs

- RACs must provide minimum customer service measures including:
 - Toll-free customer service telephone number
 - Provider selected points of contact
 - Accepting records on CD/DVD or via fax
 - 60-day requirement to notify providers of overpayment
- Cannot audit claims that have already been audited or that are currently being audited by another entity.
- Must return their contingency payment if provider wins appeal
- States must adequately incentivize the detection of underpayments.
- Appeal process required





American Hospital Association

RAC Resources

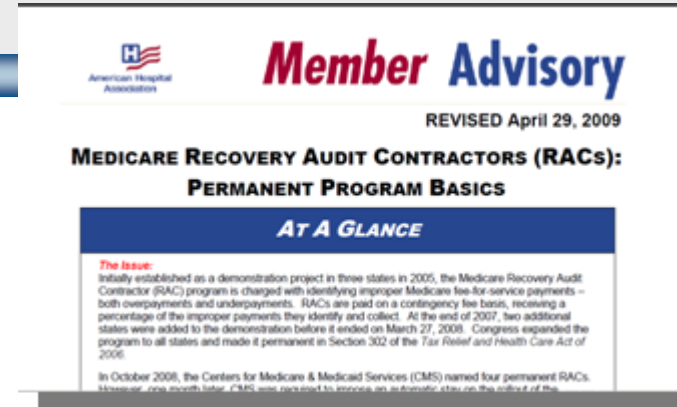
AHA RAC Resources

- AHA RAC Resources

- www.aha.org/rac

- CMS and RAC Contact Information
- Education Series & Advisories
 - Medicare Appeals Process
 - Coding & Documentation Strategies
 - Preparing for RAC Audits
 - RACTrac Advisories & Webinar

**Recordings of
November 2011
AHA-CMS Regional
RAC Calls**



RACTrac Webinars

Note: To facilitate downloads of these files, right-click on the blue links below, select the "save" (Save Target As) option on your browser, and save the file to your computer.

View the Quarterly RACTrac Webinar
Held on July 14, 2010

- [Video Recording \(WMV\)](#)
- [RACTrac Presentation Slides \(PDF\)](#)

View the RACTrac Launch Webinar
Held on April 6, 2010

- [Video Recording \(WMV\) - 1 hour, 18 minutes](#)
- [RACTrac Presentation Slides \(PDF\)](#)
- [RACTrac Presentation Slides \(PPTX\)](#)

JOIN AHA'S RAC NEWS GROUP

www.aha.org/rac

RELATED RAC RESOURCES

- ▶ Frequently Asked Questions
- ▶ AHA RAC Education Series
- ▶ AHA RAC Advocacy Resources
- ▶ RACTrac
- ▶ Centers for Medicare & Medicaid Services (CMS) RAC Resources
- ▶ RAC Contractor Information
- ▶ Questions? Email AHA's RAC Team (Members Only)
- ▶ Join AHA's RAC News Group (Members Only)



American Hospital
Association

HAHA Special Bulletin™

Wednesday, September 14, 2011

CMS Releases Final Rule on Medicaid RACs

CMS adds provider protections



AHA Solutions
An American Hospital Association Company™

Signature Learning Series™

Free Webinar for AHA Members:

Navigating the RAC Appeals Process

View the Recording:

<http://www.aha.org/advocacy-issues/rac/index.shtml>

WHAT YOU WILL LEARN:

- AHA RAC Activity & Resources
- How do you navigate the RAC Appeals process
- RAC Appeals: experiences to date
- Helpful tips and pointers

CMS RAC Program Information

– CMS RAC Program Info and Updates:

<https://www.cms.gov/recovery-audit-program/>

The screenshot displays the CMS website interface. At the top, it features the U.S. Department of Health & Human Services logo and the URL www.hhs.gov. Below this is the CMS logo and the text "Centers for Medicare & Medicaid Services". A search bar is located on the right side of the header. The main navigation menu includes links for Home, Medicare, Medicaid, CHIP, About CMS, Regulations & Guidance, Research, Statistics, Data & Systems, Outreach & Education, and Tools. A secondary menu lists "People with Medicare & Medicaid", "Questions", "Careers", "Newsroom", "Contact CMS", "Acronyms", "Help", "Email", and "Print". The breadcrumb trail reads: "CMS Home > Research, Statistics, Data and Systems > Recovery Audit Program > Recovery Audit Program Providers".

Recovery Audit Program

- Overview
- Recovery Audit Program Providers**
- Recovery Audit Demonstration
- Recent Updates

Recovery Audit Program Providers

CMS will use this section to include updated information specific to providers.

08/15/11: **CMS Updates Additional Documentation Limits for Providers.** Click the link below to review the additional documentation limits for all providers, excluding for physicians and suppliers. The new limit increases the number of requests for providers whose calculated limit is below 35.

Downloads

- [08/15/11 Additional Documentation Limit Update for Providers \[PDF, 51 KB\]](#)
- [Additional Links for Providers \[PDF, 11 KB\]](#)
- [Provider Options Chart \[PDF, 16.20 KB\]](#)
- [FY 2011 Supplier ADR Limits \[PDF, 44.2 KB\]](#)
- [Physician ADR Limits \[PDF, 80 KB\]](#)

Related Links Inside CMS

There are no Related Links Inside CMS

Related Links Outside CMS



CMS Provider Education Resources

– CMS provider education:

http://www.cms.gov/MLNProducts/45_ProviderCompliance.asp

U.S. Department of Health & Human Services www.hhs.gov

CMS Centers for Medicare & Medicaid Services

Home | Medicare | Medicaid | CHIP | About CMS | Regulations & Guidance | Research, Statistics, Data & Systems | Outreach & Education | Tools

People with Medicare & Medicaid | Questions | Careers | Newsroom | Contact CMS | Acronyms | Help | Email | Print

[CMS Home](#) > [Outreach and Education](#) > [MLN Products](#) > Provider Compliance

MLN Products	Provider Compliance
<ul style="list-style-type: none">» Overview» MLN Products Catalog» Web-Based Training (WBT)» Preventive Services» Provider Compliance» Ophthalmology Resource Information» Advanced Practice Nurses and Physician Assistants (APN/PA)» FFS Provider Web Pages» MLN Opinion Page» MLN Publications» MLN Multimedia	<p>FAST FACT</p> <p>Issue: Outpatient Rehabilitation Services – Medical Record Documentation and Claims Submission CERT Errors</p> <p>Solution: The medical record should clearly document:</p> <ul style="list-style-type: none">• Complete plan of care;• Date the plan of care is modified, including how it was modified and why the previous goals were not met or could not be met;• Confirmation that the plan of care is certified (recertified when appropriate) with physician/ NPP signature and date; and• Treatment time for timed codes and total treatment time (including timed and untimed codes).

The Medicare Learning Network® (MLN) Products **Provider Compliance** page contains educational products that inform Medicare Fee-For-Service (FFS) providers about how to avoid common billing errors and other improper activities when dealing with the Medicare Program. Since 1996, the Centers for Medicare &





American Hospital Association



Next Data Collection Period
Jan. 2012

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

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