

### RACTrac Quarterly Webinar

Elizabeth Baskett, Associate Director, Policy, AHA

January 5, 2011

#### Agenda

- Thanks for making RACTrac a Success!!
- RAC Update
- RACTrac Results, October 2010
  - New this quarter--data on Medical Necessity Review & Underpayments
- Making RACTrac Results Work For You
- RACTrac Data Collection Period, January 2011
- Questions and Answers







# THANK YOU for Making *RAC*Trac a Success!!!!

1667 Responding Hospitals (up from 1389 last quarter)
1250 with RAC Activity, 417 without



RAC Update

#### **RAC Update**

- As of December 16, 567 CMS-approved RAC issues
  - > 145 automated audits, 465 complex audits (mostly DRG validations)
- Medical Necessity Review issues approved for all four RAC regions
  - ➤ 28 approved for all four RACs
  - Some RACs are collaborating to identify new MNR issues
- CMS rebilling policy
- AHA survey to assess frequency and magnitude of ongoing operational problems with RACs
- New CMS policy on RAC audits of PIP hospitals
- FY 2011 ADR policy
- Medicaid RAC expansion



#### AHA RAC & RACTrac Resources

#### AHA RAC Resources

- www.aha.org/rac
  - CMS and RAC Contact Information
  - Education Series & Advisories
    - RAC Program Basics
    - Medicare Appeals Process
    - Coding & Documentation Strategies
    - Preparing for RAC Audits
    - RACTrac Advisories & Webinar



#### **Member Advisory**

April 24, 2009

#### MONITORING MEDICARE RECOVERY AUDIT CONTRACTOR ACTIVITY

RACTRAC:

#### The Issue

The Centers for Medicare & Medicaid Services (CMS) recently named four permanent Medicare Recovery Audit Contractors (RACs) as part of the nationwide program rollout, and has begun conducting education sessions across the country. RACs are authorized by Congress to identify improper Medicare payments – both overpayments and underpayments – and receive a contingency fee based on a percentage of the improper payments they identify and collect.



#### **Member Advisory**

REVISED April 29, 2009

#### MEDICARE RECOVERY AUDIT CONTRACTORS (RACS): PERMANENT PROGRAM BASICS

#### AT A GLANCE

he Issue:

Initially established as a demonstration project in three states in 2005, the Medicare Recovery Audit Contractor (RAC) program is charged with identifying improper Medicare fee-for-service payments both overpayments and underpayments. RACs are paid on a contingency fee basis, receiving a percentage of the improper payments they identify and collect. At the end of 2007, two additional states were added to the demonstration before it ended on March 7, 2008. Congress expanded the program to all states and made it permanent in Section 302 of the Tax Relief and Health Care Act of 2006.

In October 2008, the Centers for Medicare & Medicaid Services (CMS) named four permanent RACs. However, one month later, CMS was required to impose an automatic stay on the reliquit of the





<u>Note</u>: 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)



RACTrac Results, November 2010

#### 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 <u>www.aharactrac.com</u>), to submit their data regarding the impact of the RAC program
- Since RACTrac began collecting data in January, 2010, nearly 1700 hospitals have participated
- RACTrac survey enhancements are made on a regular basis



#### November 2010 Survey Results—Executive Summary

- Nearly 1700 hospitals have participated in RACTrac since we began collecting data in January of 2010.
- Nearly two thirds of the participating hospitals reported experiencing RAC activity.
- RACs are primarily engaging in complex reviews.
- \$42 million in denied claims have been reported since the first quarter of 2010.
- Nearly half of all hospitals with RAC activity reported receiving at least one underpayment determination.
- 46% of hospitals reported appealing at least one RAC denial.
- Of the claims that have completed the appeals process, 38% were overturned in favor of the provider.
- 72% of responding hospitals report that the RAC program impacted their organization in the first quarter of 2010—whether they experienced RAC reviews or not.





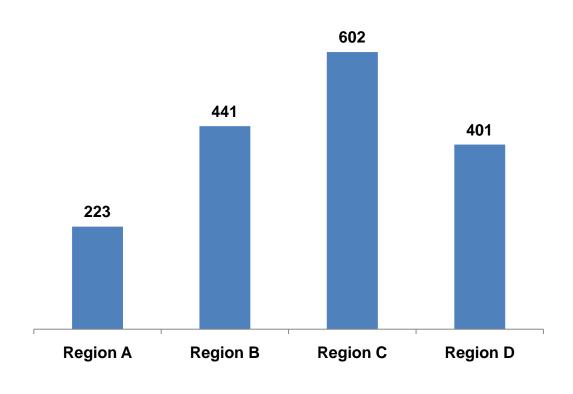
RACTrac Participation

# Participation in RACTrac was generally consistent with hospital representation in each of the RAC regions.

Hospitals Participating in the *RAC*Trac Survey by RAC Region, through 3<sup>rd</sup> Quarter, 2010

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	13%
Region B	19%	27%
Region C	40%	36%
Region D	26%	24%

psychiatric hospitals.



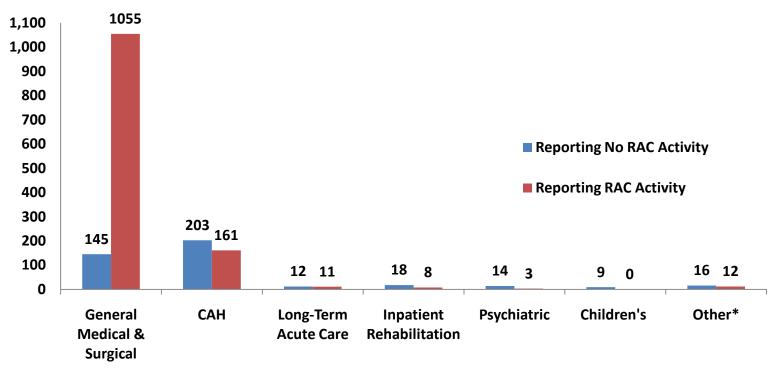




**RAC** Activity

### The majority of hospitals reporting RAC activity were general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 3<sup>rd</sup> Quarter 2010



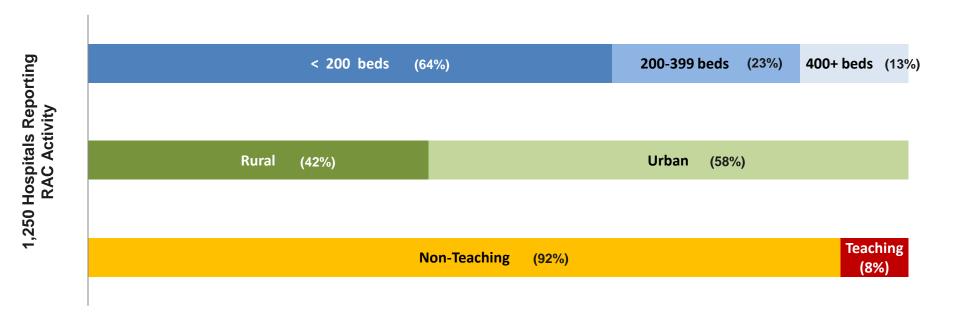




Source: AHA. (November 2010). RACTrac Survey

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

Types of Hospitals Reporting RAC Activity, through 3<sup>rd</sup> Quarter 2010

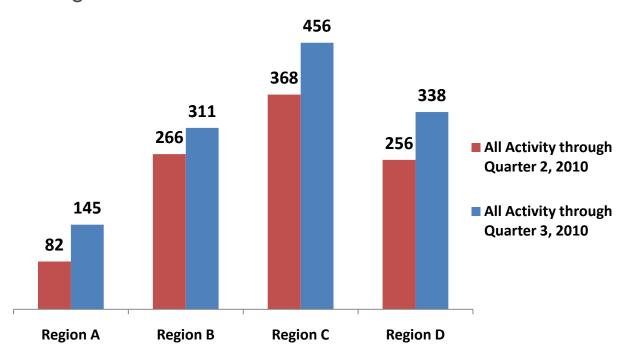




## RAC Region C had the highest number of hospitals reporting RAC activity...

Number of Responding Hospitals Reporting RAC Activity by Region,

through 3<sup>rd</sup> Quarter 2010



#### States By RAC Region

Region A: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont

Region B: Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin

Region C: Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, Puerto Rico, and U.S. Virgin Islands

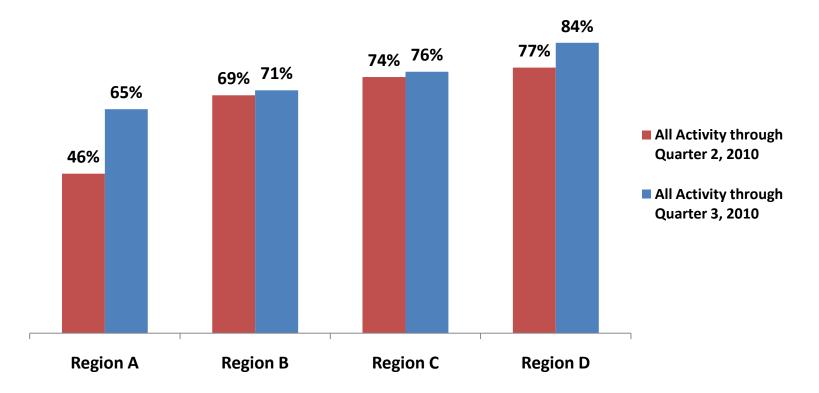
Region D: Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, North Dakota, Nebraska, Nevada, Oregon, South Dakota, Utah, Washington, Wyoming, Guam, American Samoa, and Northern Marianas



Source: AHA. (November 2010). *RACT*rac Survey

# ...but RAC Region D had a higher percentage of participating hospitals reporting RAC activity.

Percent of Participating Hospitals Reporting RAC Activity, by Region, through 3<sup>rd</sup> Quarter, 2010



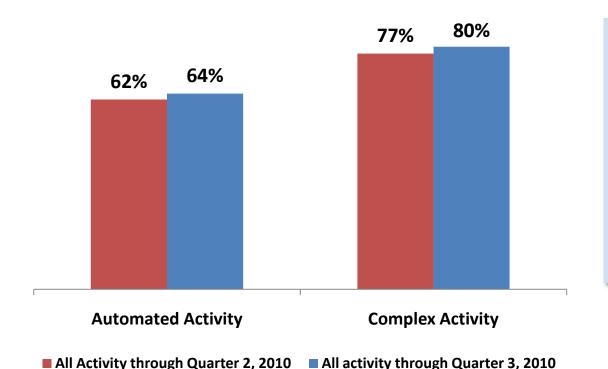




**RAC** Reviews

#### 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 3<sup>rd</sup> 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.

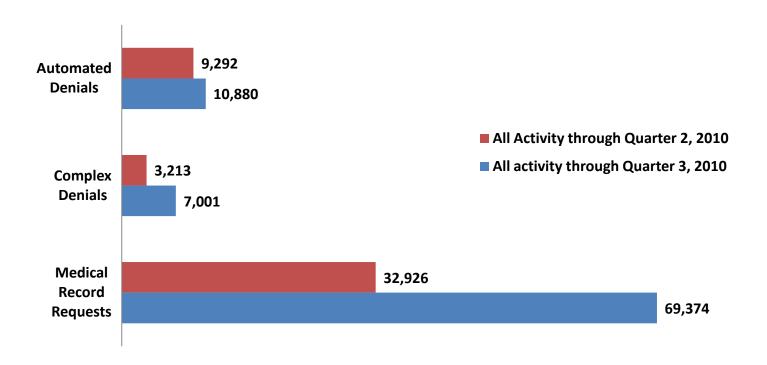
Complex Activity: includes all complex reviews, which is a human review and determination of whether or not an improper payment has been identified once the medical record has been received. Upon that determination, a hospital will be notified via a review results letter if an improper payment was found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



Source: AHA. (November 2010). RACTrac Survey

### The majority of RAC activity through the 3rd quarter of 2010 has been medical record requests.

Reported Automated Denials, Complex Denials and Medical Records Requests by Responding Hospitals, through 3<sup>rd</sup> Quarter 2010



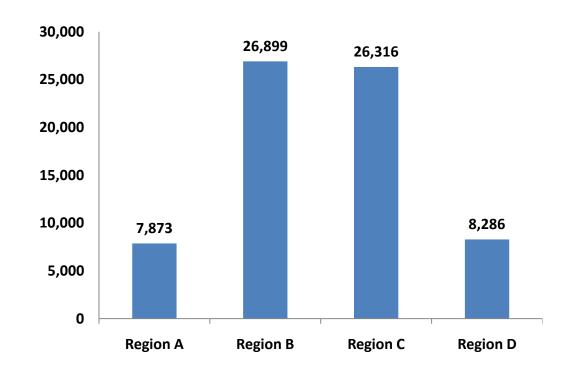


Source: AHA. (November 2010). RACTrac Survey

## Region B experienced, on average, 50% more medical records requested per reporting hospital.

Number of Medical Records Requested from Responding Hospitals With Complex Medical Record RAC Activity, through 3<sup>rd</sup> Quarter 2010

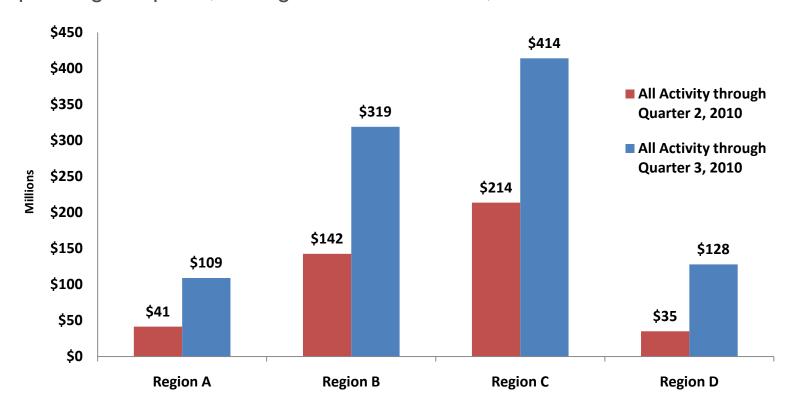
Average Number of Medical Record Requests per Reporting Hospital		
Region A	87	
Region B	120	
Region C	85	
Region D	66	





# Among responding hospitals, \$970 million in Medicare payments were targeted for medical record requests through the 3<sup>rd</sup> quarter of 2010.

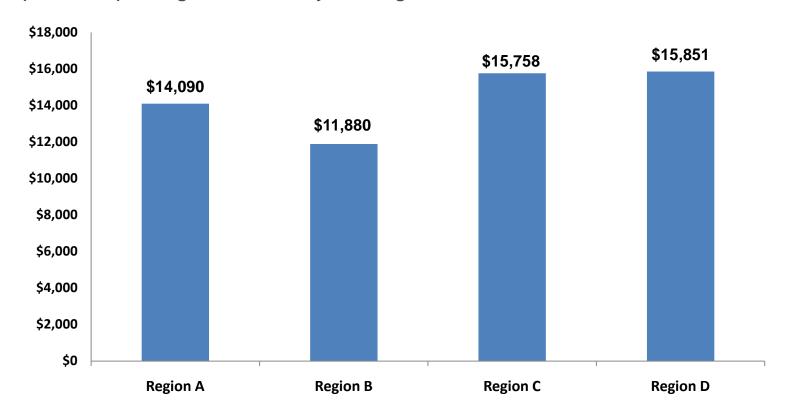
Medicare Payments Associated with Medical Records Requested from Responding Hospitals, through 3<sup>rd</sup> Quarter 2010, in Millions





# The average value of a medical record requested in a complex review varied slightly across RAC Regions.

Average Value of a Medical Record Requested in a Complex Review Among Hospitals Reporting RAC Activity, through 3<sup>rd</sup> Quarter 2010



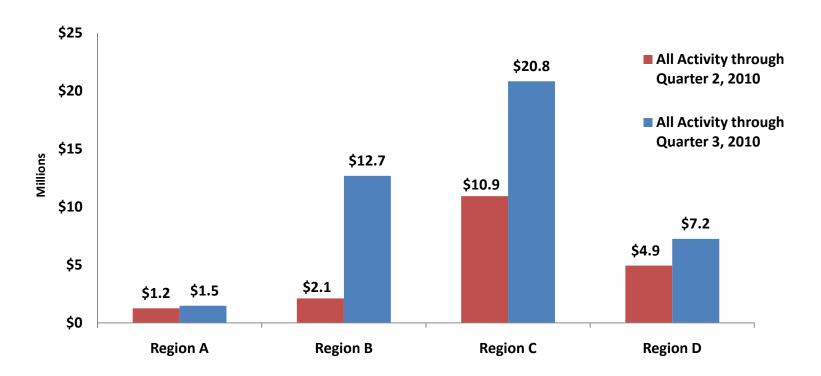




**RAC Denials** 

# \$42 million in denials have been reported since the first quarter of 2010, up from \$19 million last quarter.

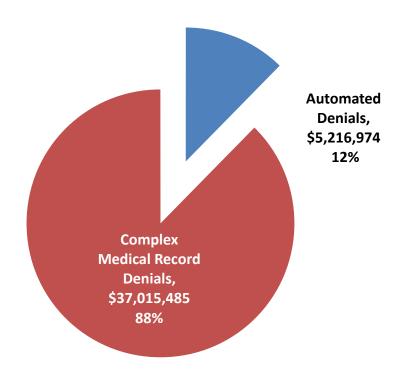
Dollar Value of Automated and Complex Denials by RAC Region for Reporting Hospitals, through 3<sup>rd</sup> Quarter 2010, Millions





### 88% of denied dollars were complex denials totaling over \$37 million dollars.

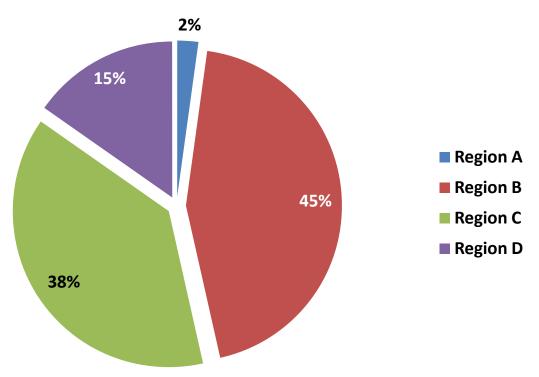
Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Reporting Hospitals, through 3<sup>rd</sup> Quarter 2010





## Regions B and C account for more than 80% of all reported denials.

Percent of Automated and Complex Denials by RAC Region for Reporting Hospitals, through 3<sup>rd</sup> Quarter 2010



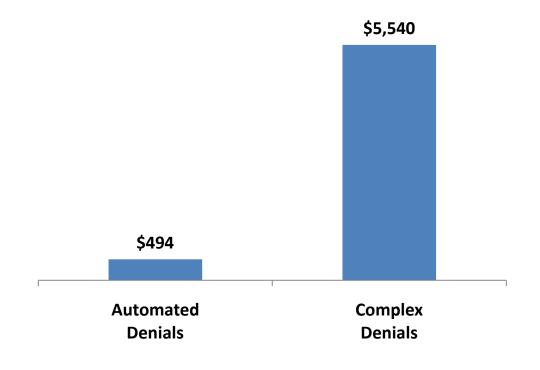


psychiatric hospitals.

# The average dollar value of an automated denial was \$494 and the average dollar value of a complex denial was \$5,540.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 3<sup>rd</sup> Quarter 2010

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region				
RAC Region	Automated Denial	Complex Denial		
Region A *	\$663	\$5,371		
Region B	\$411	\$5,101		
Region C	\$559	\$5,344		
Region D	\$624	\$7,608		



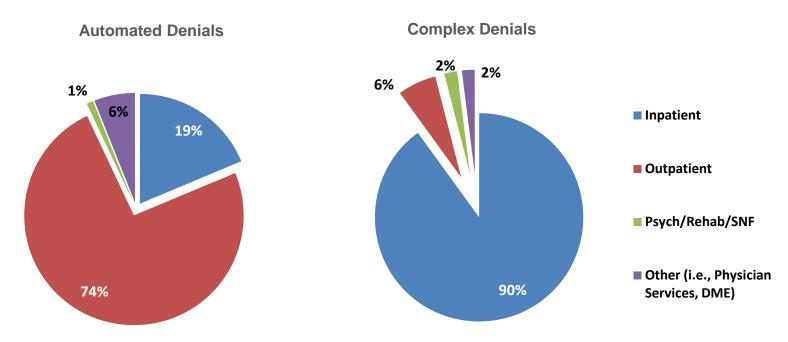


<sup>\*</sup> Only 13 hospitals reporting for automated denial activity in Region A.

#### Outpatient services experienced the largest financial impact among automated denials while inpatient services had the largest financial impact among complex denials.

### Top Service Area for Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010

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





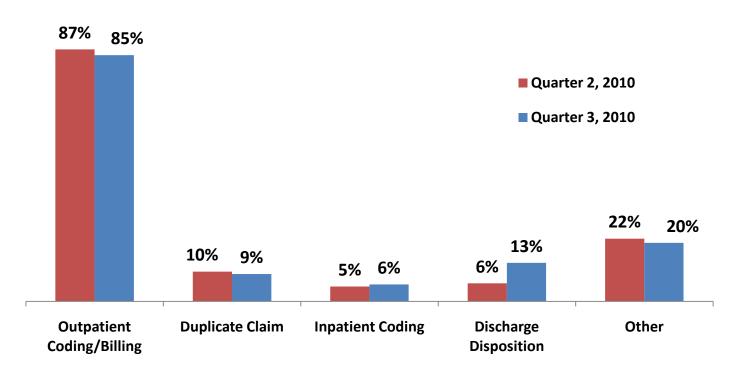


**Automated RAC Denials** 

# 85% of responding hospitals with automated activity cited outpatient coding/billing as a reason for denial.

### Percent of Responding Hospitals with RAC Activity Experiencing Automated Denials, by Reason, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2010

Survey participants were asked to select all reasons for denial.

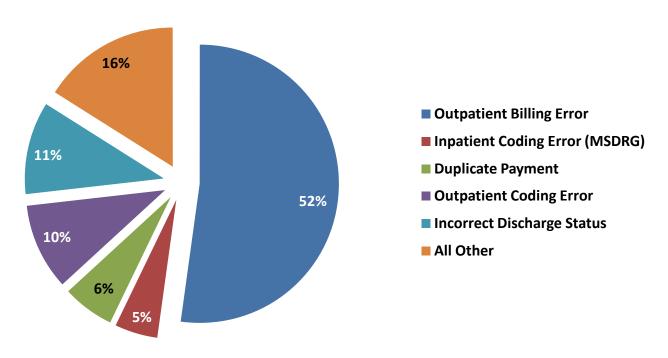




# Automated denials for outpatient billing errors had the largest financial impact on reporting hospitals.

### Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010

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

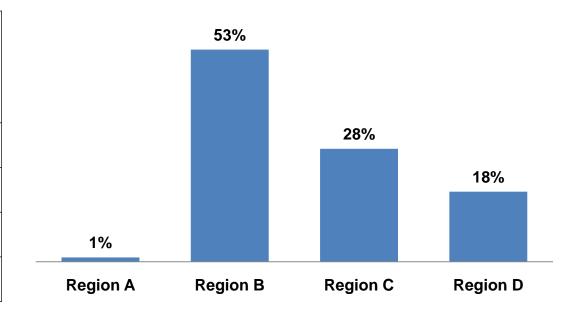




### Region B has experienced 53% of all reported automated denials.

Percent and Number of Reported Automated Denials, by Region, through 3<sup>rd</sup> Quarter 2010

	Total Number of Automated Denials by RAC Region
Region A	84
Region B	5,803
Region C	3,077
Region D	1,916

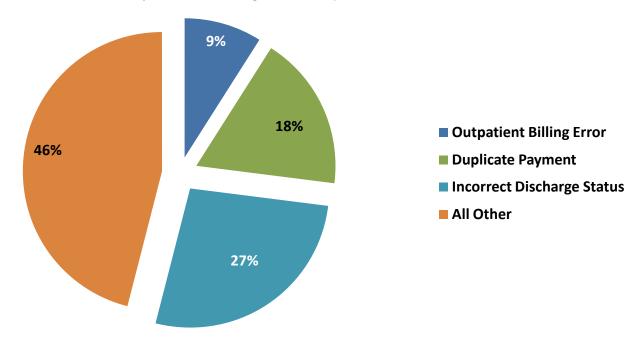


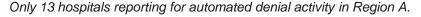


# Region A: Bucking the national trend, only 9% of Region A hospitals ranked outpatient billing errors as the top reason for automated denials.

### Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region A

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





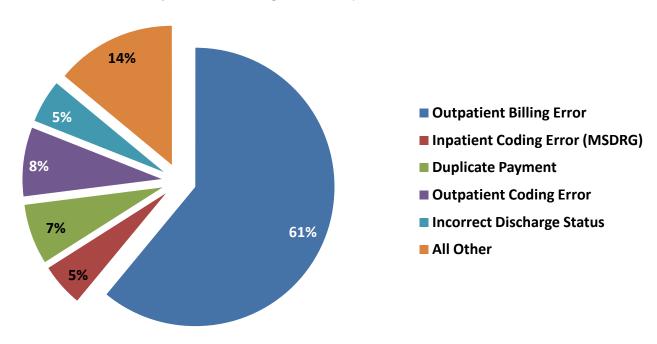


Source: AHA. (November 2010). RACTrac Survey

### Region B: With more than half of all automated denial activity, top denial reasons were consistent with national trend.

### Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region B

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

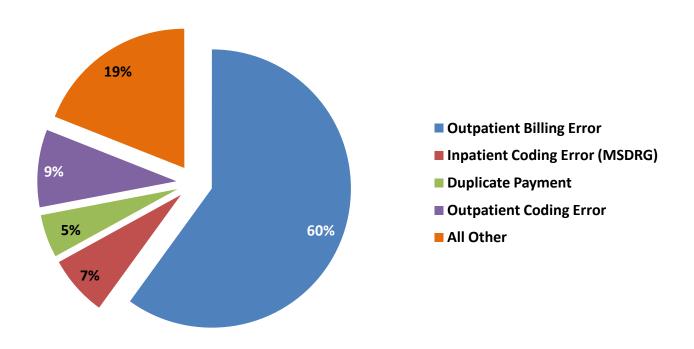




## Region C: 60% of hospitals reported outpatient billing error as the top reason for automated denials.

### Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region C

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

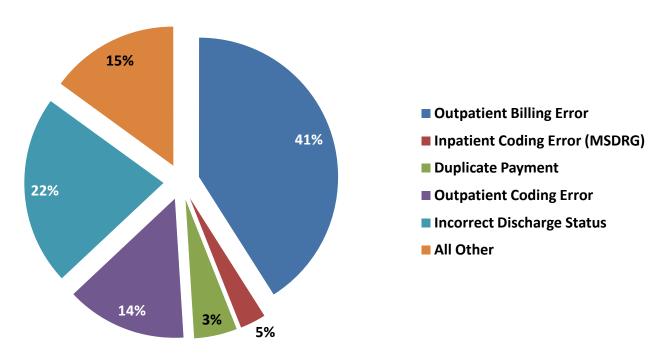




### Region D: Incorrect discharge status was more likely to be cited as a top reason for automated denials.

### Top Reason for Automated Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region D

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



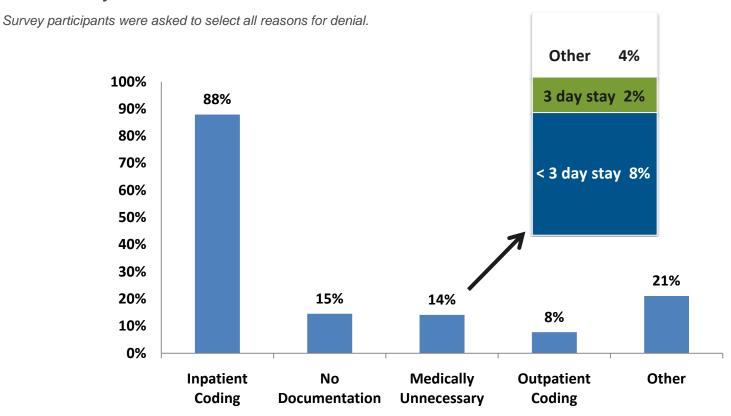




Complex RAC Denials

# Now that medical necessity review is underway, 14% of hospitals have cited medically unnecessary as the top reason for complex denials.

Percent of Responding Hospitals with RAC Activity Experiencing Complex Denials by Reason, 3<sup>rd</sup> Quarter 2010

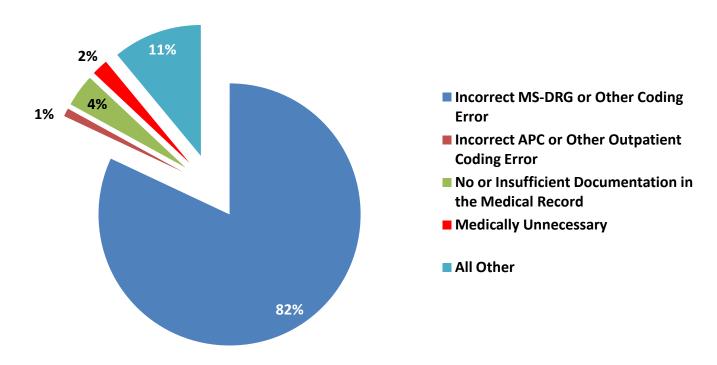




### Incorrect MS-DRG or other coding error represented the top reason by dollars for complex denials for 82% of hospitals.

### Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010

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

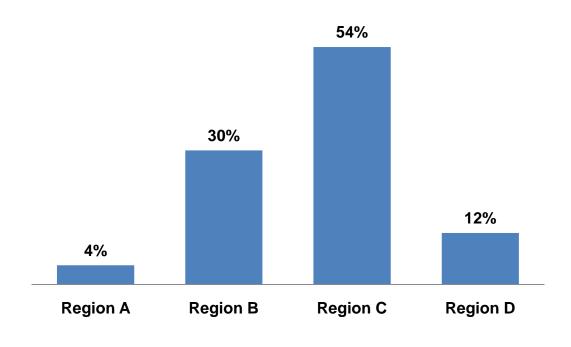




#### Region C hospitals reported 54% of all complex denials.

Percent and Number of Reported RAC Complex Denials, by Region, through 3<sup>rd</sup> Quarter 2010

	Total Number of Claims with Overpayment Determination
Region A	305
Region B	2,119
Region C	3,761
Region D	816





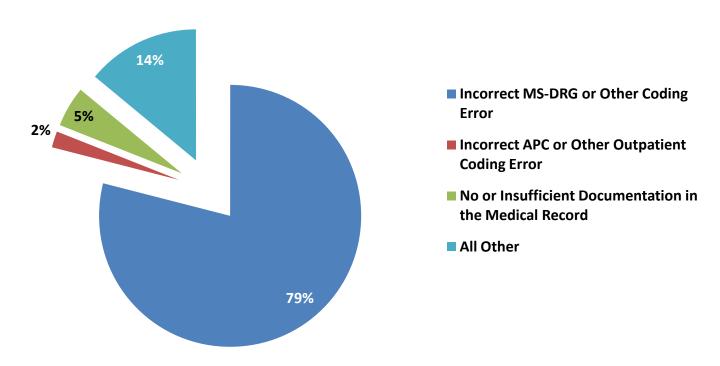
Source: AHA. (November 2010). *RACT*rac Survey
AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity
through September 2010. Data were collected from general medical/surgical acute care hospitals (including critical
access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient

psychiatric hospitals.

### Region A: The dominant reason for complex denials was incorrect MS-DRG or other coding errors.

### Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region A

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

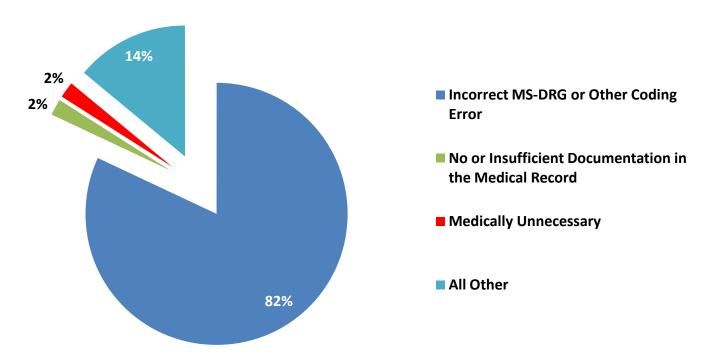




# Region B: For the first time, hospitals are reporting denials for services determined by the RAC to be medically unnecessary.

### Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region B

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

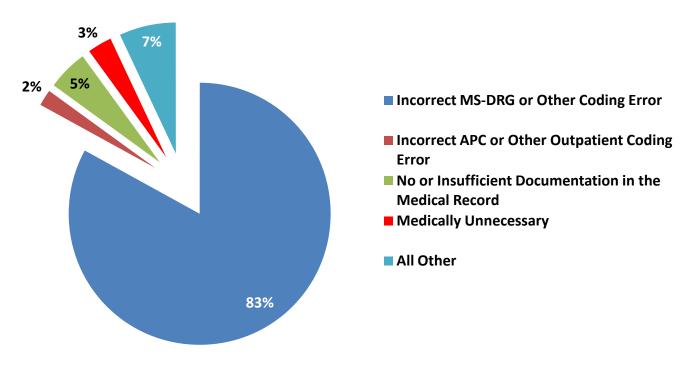




### Region C: Medically Unnecessary, for the first time, was identified by some hospitals as a top reason for complex denials.

#### Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region C

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

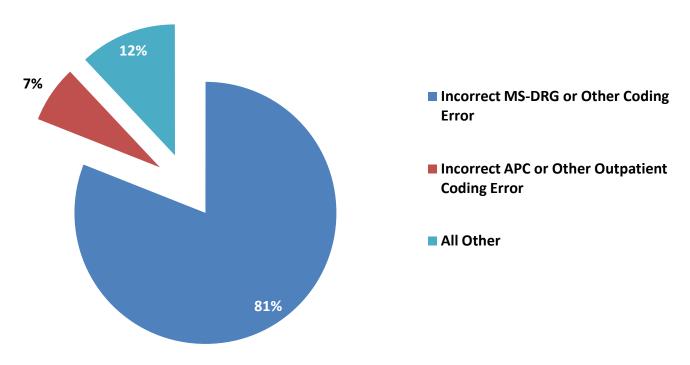




# Region D: Incorrect MS-DRG or other coding error was the top reason for denial with no hospitals reporting medically unnecessary as a top reason.

### Top Reason for Complex Denials by Dollar Amount for Hospitals with RAC Activity, 3<sup>rd</sup> Quarter 2010, Region D

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



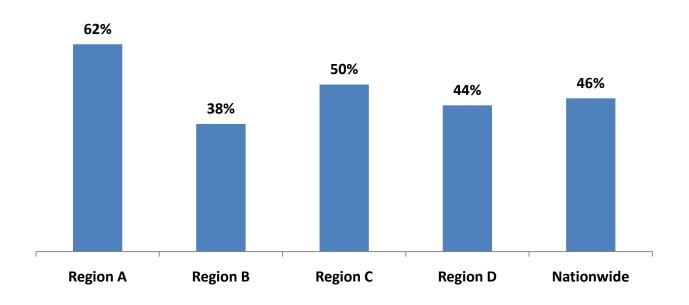




Underpayments

### Nearly half of all hospitals with RAC activity reported receiving at least one underpayment determination.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 3<sup>rd</sup> Quarter 2010

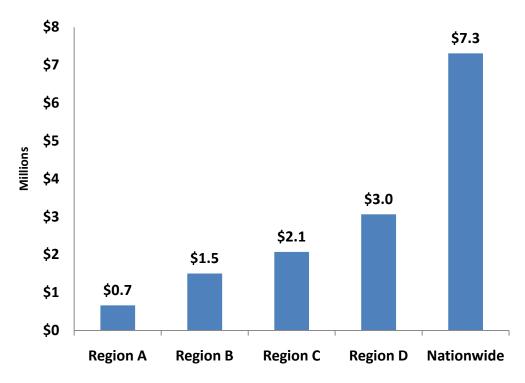




# Region D reported more than 50% of all underpayment determinations. The dollar amount of underpayments varied by region.

Total Dollar Value of Underpayment Determination, By Region, through 3<sup>rd</sup> Quarter 2010, Millions

	Number of RAC Underpayment Determinations
NATIONWIDE	1,669
Region A	148
Region B	236
Region C	344
Region D	941



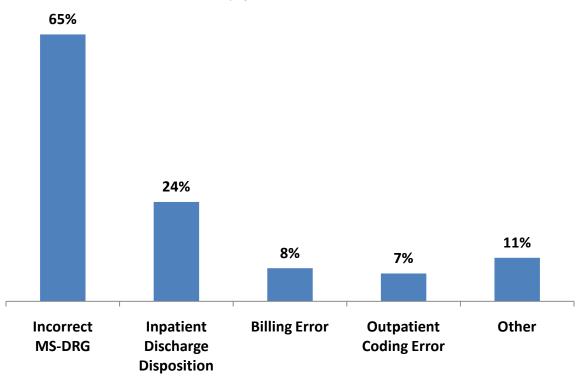


Source: AHA. (November 2010). RACTrac Survey

# Nearly two-thirds of hospitals with underpayment determinations cited incorrect MS-DRG as a reason for the underpayment.

### Percent of Responding Hospitals with RAC Activity Experiencing Underpayments by Reason, 3<sup>rd</sup> Quarter 2010

Survey participants were asked to select all reasons for underpayment.





Source: AHA. (November 2010). RACTrac Survey

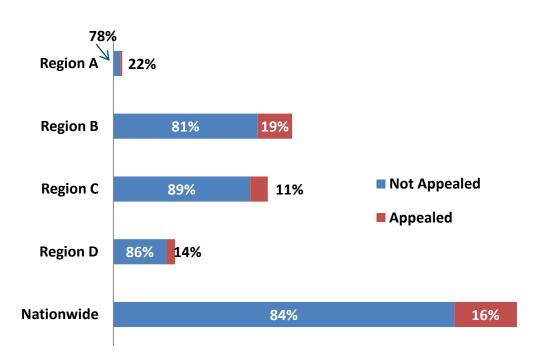


**Appeals** 

### Hospitals reported appealing 16% of RAC denials available\* for appeal.

Total Number of Automated and Complex Denials Appealed by Hospitals with RAC Activity, by Region, through 3<sup>rd</sup> Quarter 2010

	Total Number of Denials Available* for Appeal	Percent of Appealed Denials
NATIONWIDE	17,881	16%
Region A	389	22%
Region B	7,922	19%
Region C	6,838	11%
Region D	2,732	14%



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

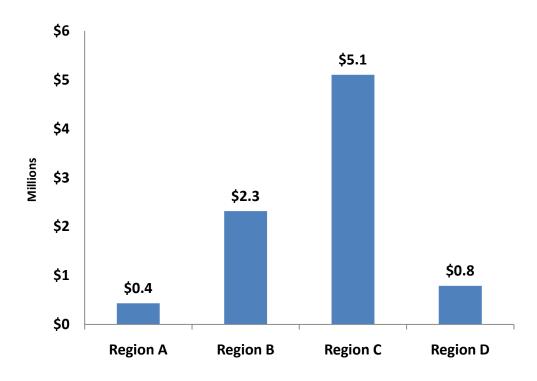


Source: AHA. (November 2010). RACTrac Survey

Hospitals reported appealing denials totaling \$8.6 million in value and 46% 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 3<sup>rd</sup> Quarter 2010, Millions

	Percent of Hospitals with Any Appealed Denials	Average Number of Appealed Denials per Hospital
NATIONWIDE	46%	8.1
Region A	45%	3.8
Region B	56%	12.7
Region C	43%	6.4
Region D	39%	5.0





Source: AHA. (November 2010). *RACT*rac Survey AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 2010. Data were collected from general medical/surgical acute care hospitals (including

through September 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.

Of the claims that have completed the appeals process, 38% were overturned in favor of the provider. 1,475 claims are still in the appeals process.

Summary of Appeal Rate and Determinations in Favor of the Provider, for Hospitals with RAC Activity, through 3<sup>rd</sup> Quarter 2010

	Appealed	Denials	Number of Claims Pending Appeals Determination		Number of Denials Overturned in the Appeals Process	
NATIONWIDE	2,773	16%	1,475	165	1,064	38%
Region A	87	22%	69	3	13	15%
Region B	1,527	19%	672	50	780	51%
Region C	777	11%	531	75	139	18%
Region D	382	14%	203	37	132	35%

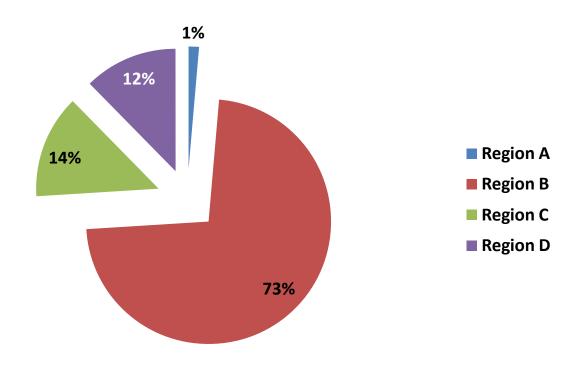
The data does not reflect the outcome of appeals currently still in the appeals process, therefore the overturn rate may increase as more appeals complete the appeals process. Due to survey submission marginal error, total appeals may be slightly greater than the sum of pending/withdrawn/overturned appeals.



Source: AHA. (November 2010). RACTrac Survey

# Of the claims that have completed the appeals process, nearly three-fourths of overturned denials were reported in Region B.

#### Percent of Overturned Denials by Region, through 3<sup>rd</sup> Quarter 2010

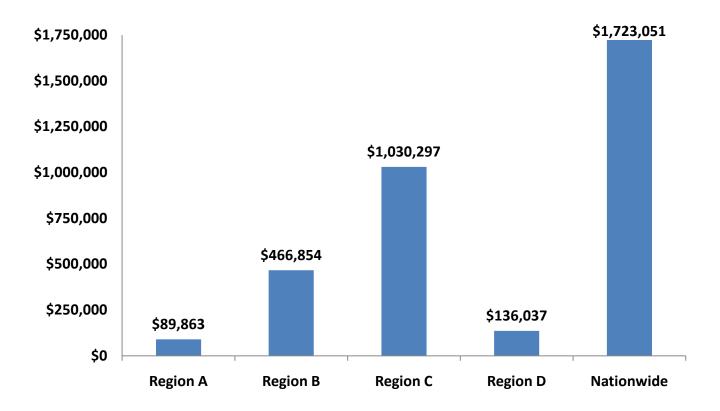




psychiatric hospitals.

### Hospitals reported a total of \$1.7 million in overturned denials, with \$1 million in Region C alone.

Value of Denials Overturned in the Appeals Process, by Region, through 3<sup>rd</sup> Quarter 2010



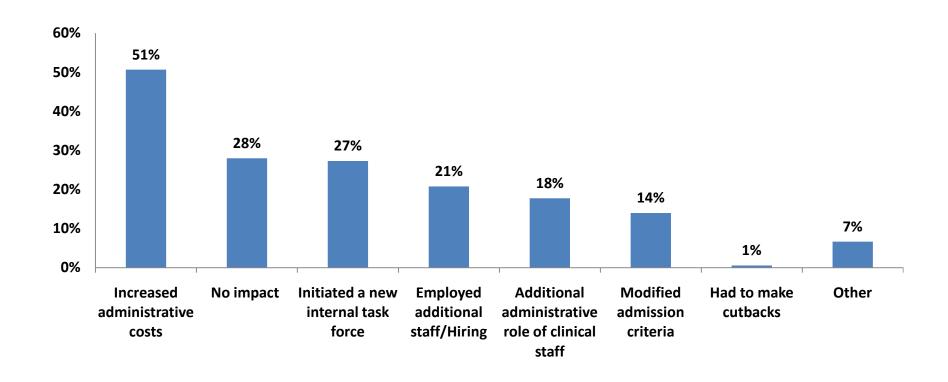




Administrative Burden

### 72% of responding hospitals reported that RAC impacted their organization this quarter and 51% reported increased administrative costs.

Impact of RAC on Responding Hospitals\* by Type of Impact, 3rd Quarter 2010

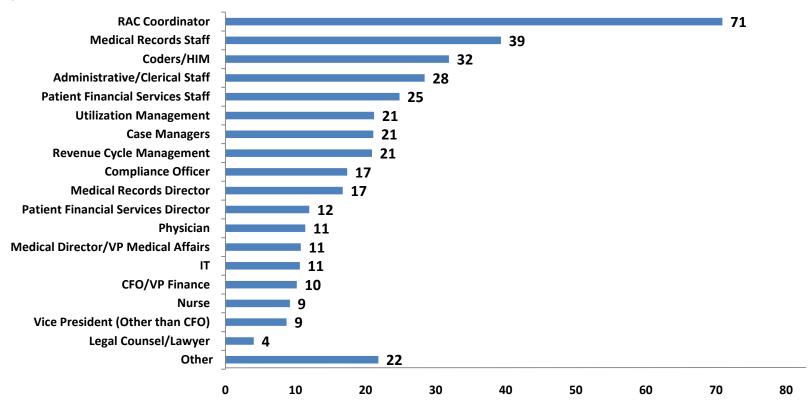




Includes responding hospitals with and without RAC activity

# 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 Responding Hospital\* on RAC by Staff Type, 3<sup>rd</sup> Quarter 2010



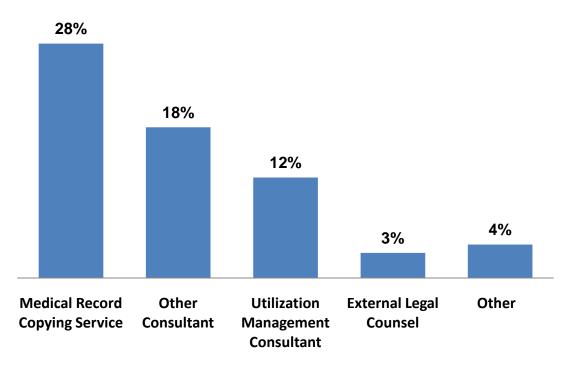




Source: AHA. (November 2010). RACTrac Survey

# On average, \$52,782 was spent this past quarter to hire an external utilization management consultant for those hospitals utilizing external resources.

Percent of Hospitals Using External Resources by Type and Average Dollars Spent *this quarter*, 3<sup>rd</sup> Quarter 2010



Administrative Burden	Average Dollar Amount This Quarter
Medical Record Copying Service	\$1,972
Other Consultant	\$15,330
Utilization Management Consultant	\$52,782
External Legal Counsel	\$2,822
Other	\$16,825

Average dollars spent by hospitals that reported utilizing external resources.



Source: AHA. (November 2010). *RACT* ac Survey AHA analysis of survey data collected from 1,667 hospitals: 1,250 reporting activity, 417 reporting no activity through September 2010. Data were collected from general medical/surgical acute care hospitals (including

through September 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.

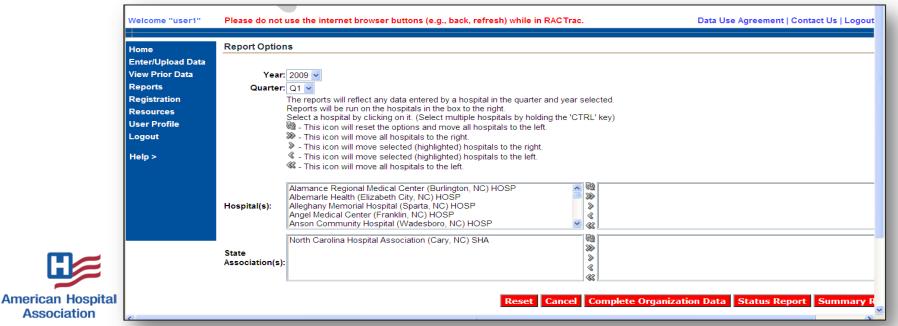


Making RACTrac Results Work For You

#### RACTrac Hospital(s) Report

Association

- Hospitals and health systems can run reports of their own data to understand RAC impact on hospital/health system
- Compare individual hospital/system to state, regional or national norm
- State hospital associations can run reports analyzing statespecific trends across individual hospitals and health systems



#### Using RACTrac Results in Your Hospital

- ✓ Identify RAC trends in hospital, your health system, your state, RAC region and nationwide
- ✓ Use RACTrac data to implement preventative measures to avoid future RAC recoupments
- ✓ Learn what's going on in other RAC regions to identify potential future RAC issues in your state
- ✓ Learn more about the administrative burden associated with RACs



#### RACTrac Supports Critical Advocacy Efforts

- ✓ Currently only tool available to gather RAC experience data
- ✓ No more anecdotal evidence—RACTrac provides real data on hospital RAC experience nationwide
- ✓ AHA and state hospital associations use RACTrac data for advocacy efforts
  - RACTrac data was recently used to identify inappropriate RAC denials
  - RACTrac data was recently used in advocacy efforts relating to the expansion of RACs to the Medicaid program
- ✓ RACTrac allows state hospital associations to put their finger
  on the pulse of RAC activity in their state
- ✓ State hospital associations can conduct their own analysis and pull out relevant points





RACTrac Data Collection Period, January 2011

#### January 2011 RACTrac Data Collection Period

- On December 20, hospital leaders nationwide received RACTrac registration info
- RACTrac is collecting data NOW through January 14
- Sign Up For RACTrac at: www.aharactrac.com
- Contact the RACTrac Help Desk if you need your hospital's RACTrac registration information: ractracsupport@providercs.com or 1-888-722-8712
- Please participate even if no RAC activity. The lack of activity across a given population is sometimes the most important information of all.





#### QUESTIONS?

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

www.aha.org/aha/issues/RAC/ractrac.html