



Exploring the Impact of the RAC Program on Hospitals Nationwide

Results of AHA RAC TRAC Survey, 2nd Quarter 2012

August 22, 2012

RAC 101

- 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 timely.



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 2nd quarter of 2012.
 - 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

- 2266 hospitals have participated in RAC *TRAC* since data collection began in January of 2010.
- Participants continue to report dramatic increases in RAC activity:
 - Medical record requests are up 22% relative to last quarter.
 - The number of denials is up 24% relative to last quarter.
 - The dollar value of denials is up 21% relative to last quarter.
- Nearly two-thirds of medical records reviewed by RACs **did not** contain an improper payment.
- 84% of hospitals indicated medical necessity denials were the most costly complex denials.
- More than two-thirds 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 not medically necessary.



Executive Summary (cont.)

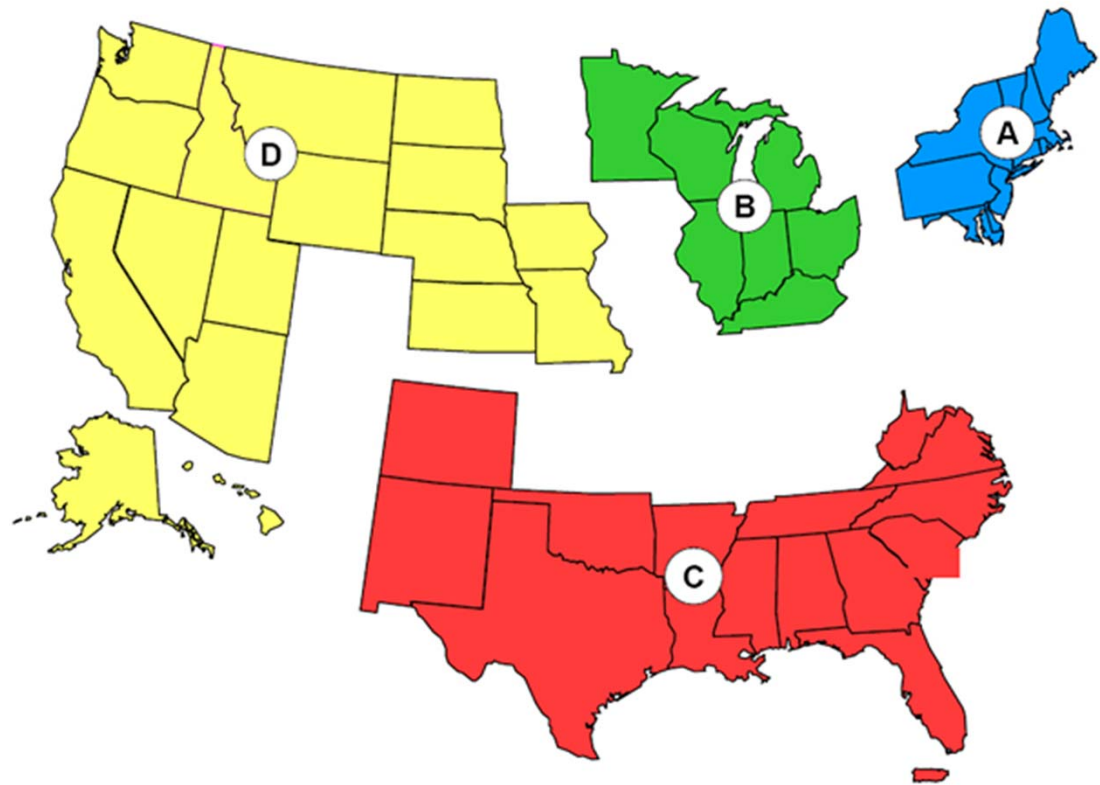
- Hospitals reported appealing more than 40% of all RAC denials, with a 75% success rate in the appeals process.
- Nearly two-thirds of all hospitals filing a RAC appeal during the 2nd Quarter of 2012 reported appealing short stay medically unnecessary denials.
- Nearly three-fourths of all appealed claims are still sitting in the appeals process.
- 55% of all hospitals reported spending more than \$10,000 managing the RAC process during the second quarter of 2012, 33% spent more than \$25,000 and 9% spent over \$100,000.
- Hospital staff are spending an increasing amount of time responding to RAC activity.
- 58% of respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.
- The most frequently cited RAC process problem is 'not receiving a demand letter'.



There are four RAC regions nationwide. Participation in RAC TRAC is generally consistent with hospital representation in each of the RAC regions.

Distribution of Hospitals by RAC Region and Hospitals Participating in RAC TRAC by RAC Region, through 2nd Quarter, 2012

	Percent of Hospitals Nationwide	Percent of Participating Hospitals by Region
Region A	15%	16%
Region B	19%	24%
Region C	40%	35%
Region D	26%	25%



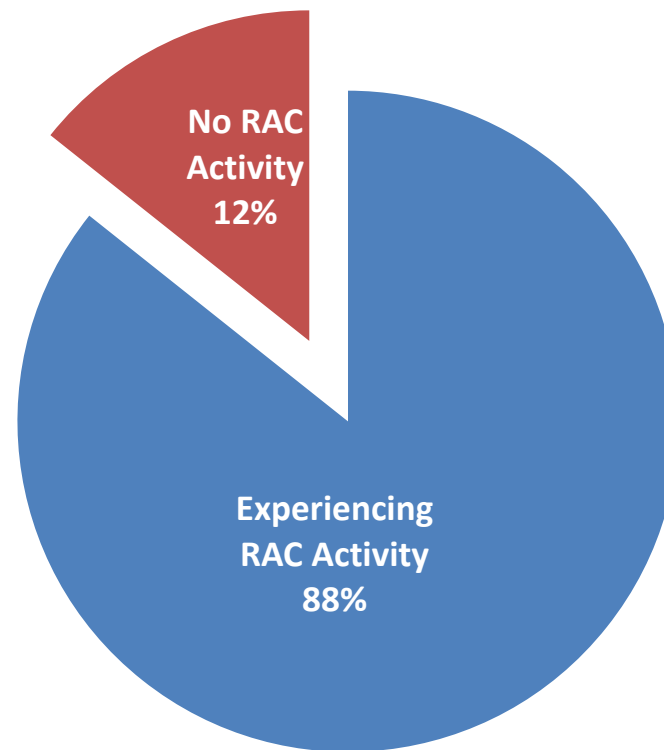
Source: Centers for Medicare and Medicaid Services



RAC Activity

Nearly nine out of ten hospitals participating in RAC TRAC reported experiencing RAC activity through June of 2012.

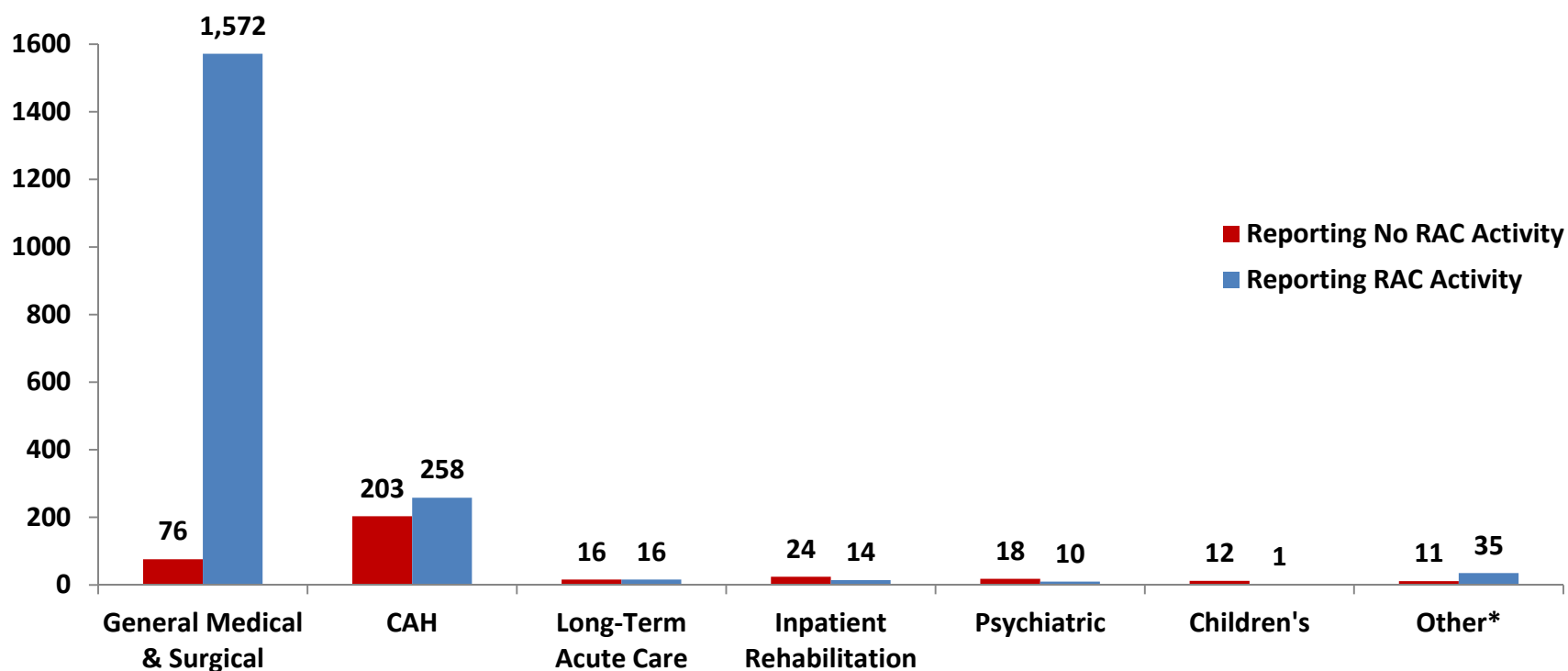
Percent of Participating Hospitals Experiencing RAC Activity, 2nd Quarter 2012



Source: AHA. (August 2012). RAC TRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 were general medical and surgical hospitals.

Number of Hospitals Reporting RAC Activity by Hospital Type, through 2nd Quarter 2012



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

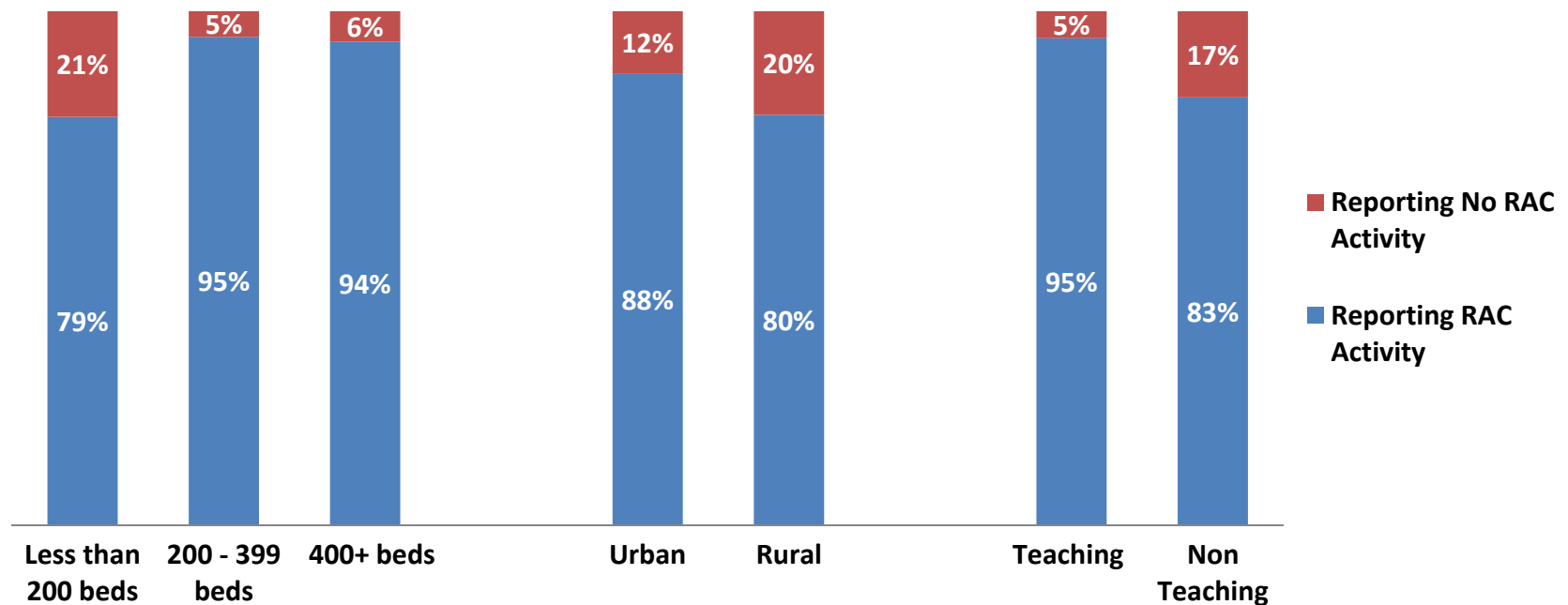
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.



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

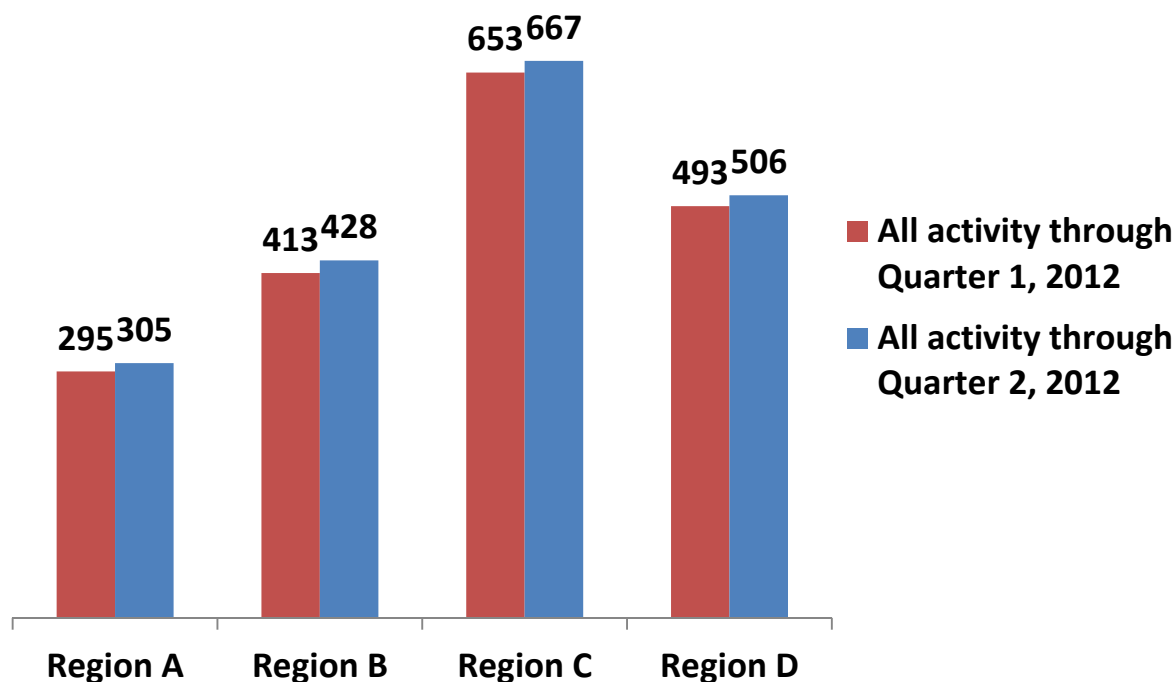
Percent Reporting RAC Activity vs. No RAC Activity by Type of Participating Hospital, through 2nd Quarter 2012



Source: AHA. (August 2012). RAC TRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 2nd Quarter 2012



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



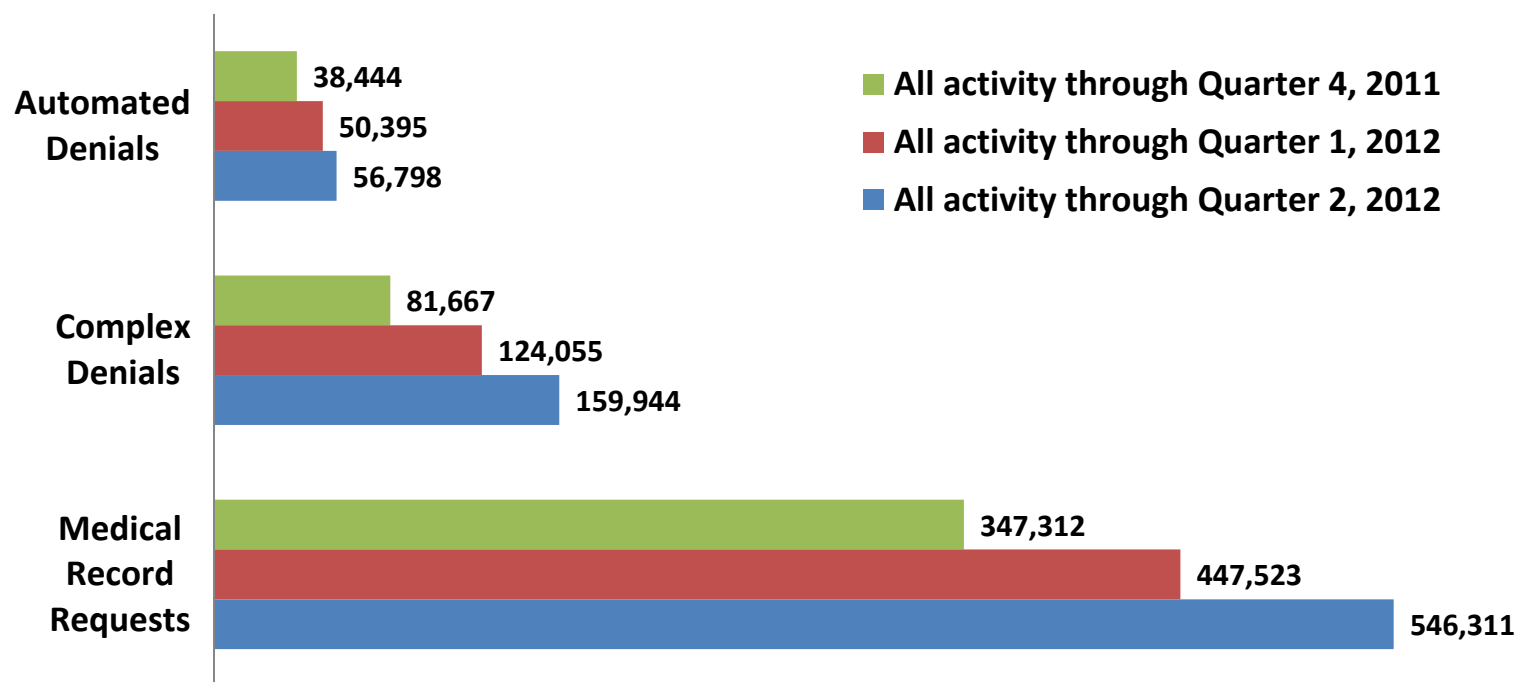
Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), 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 2nd Quarter 2012



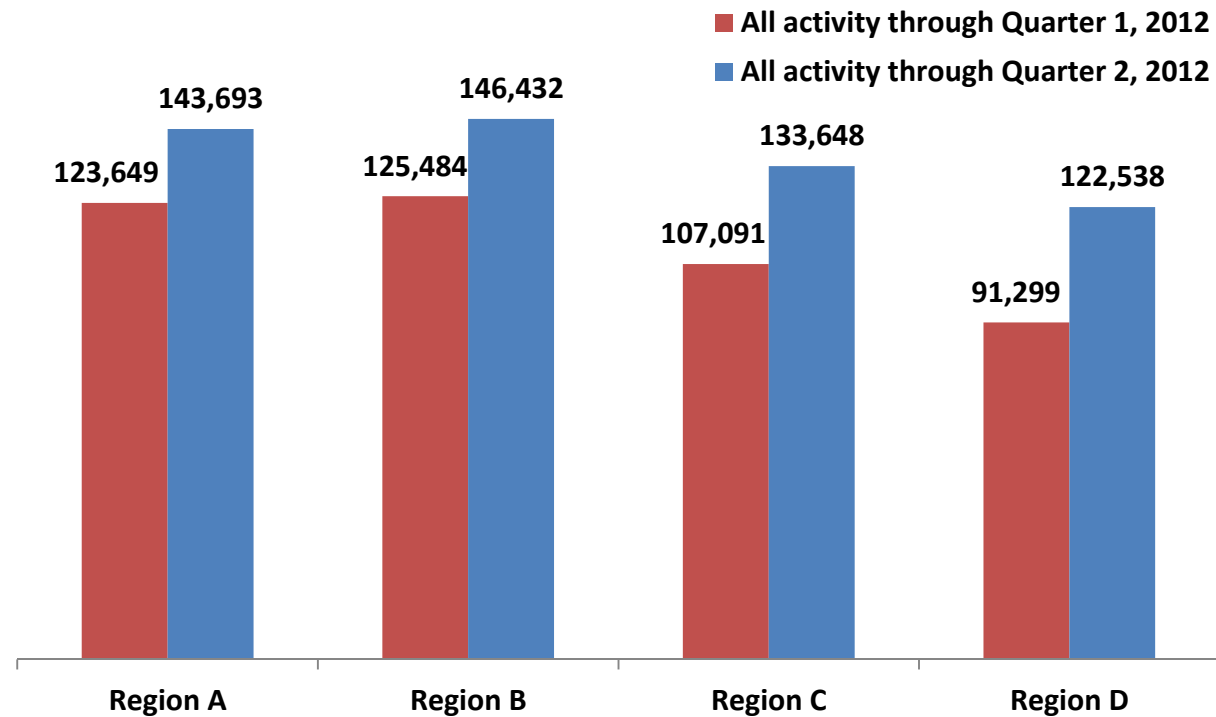
Source: AHA. (August 2012). RAC TRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

Regions C and D experienced the highest increases in medical record requests.

Number of Medical Records Requested from Participating Hospitals With Complex Medical Record RAC Activity, through 2nd Quarter 2012

Average Number of Medical Record Requests per Reporting Hospital, through Q2, 2012	
Region A	876
Region B	637
Region C	497
Region D	700

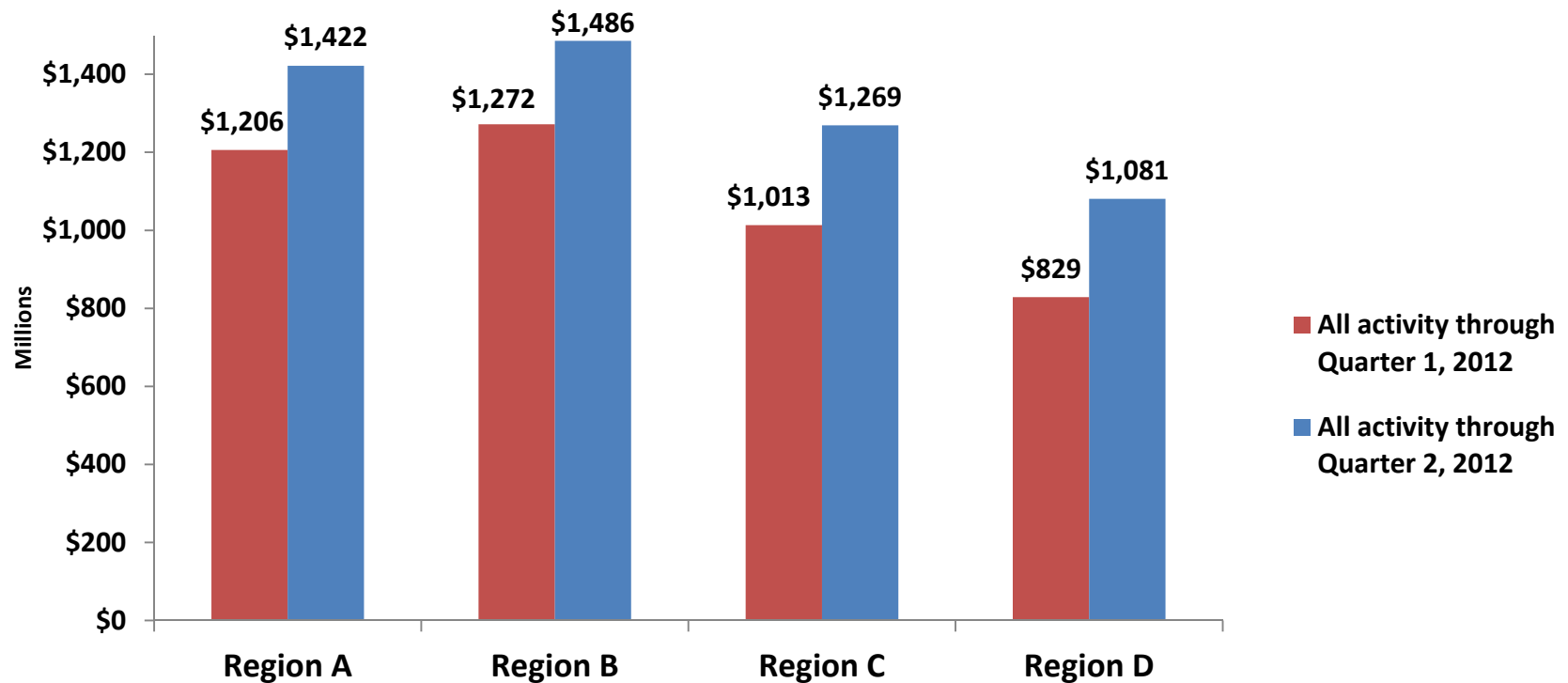


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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, \$5.3 billion in Medicare payments were targeted for medical record requests through the 2nd quarter of 2012.

Medicare Payments Associated with Medical Records Requested from Participating Hospitals, through 2nd Quarter 2012, in Millions

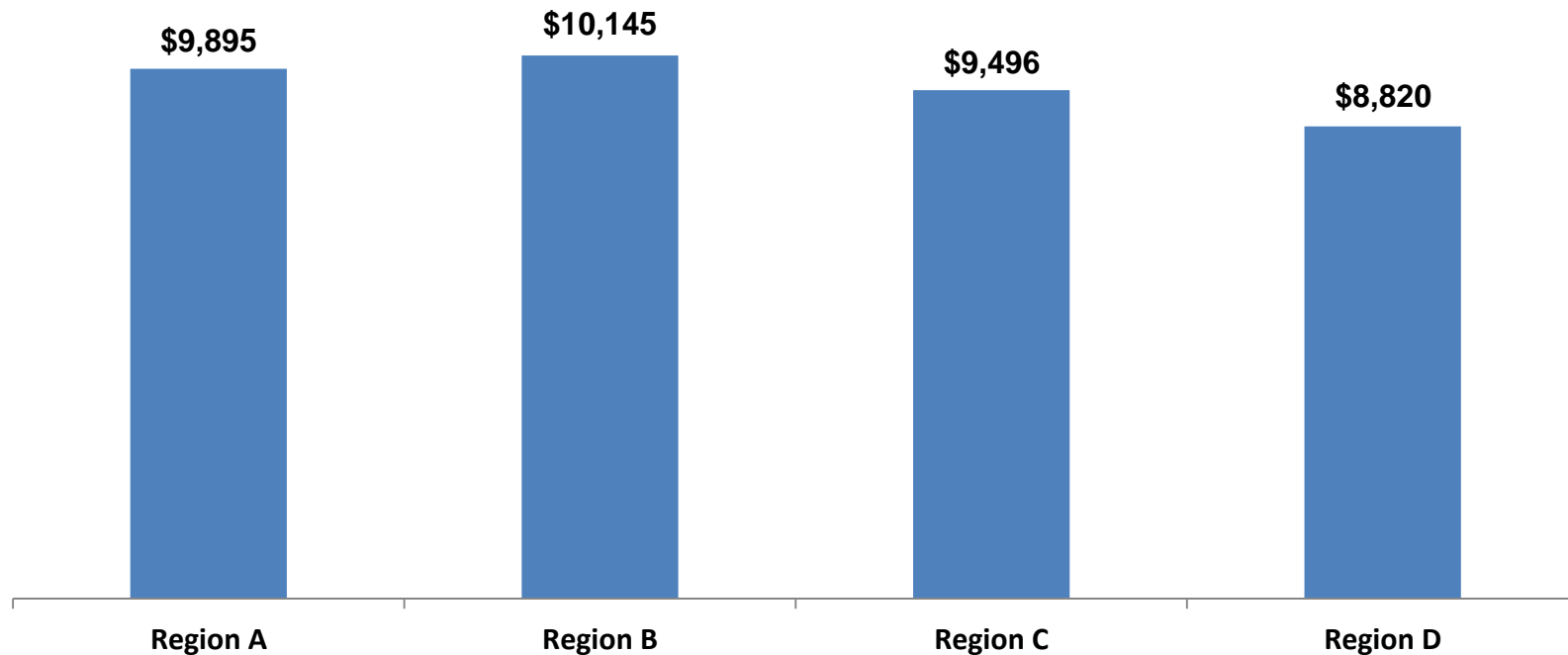


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 lowest in Region D.

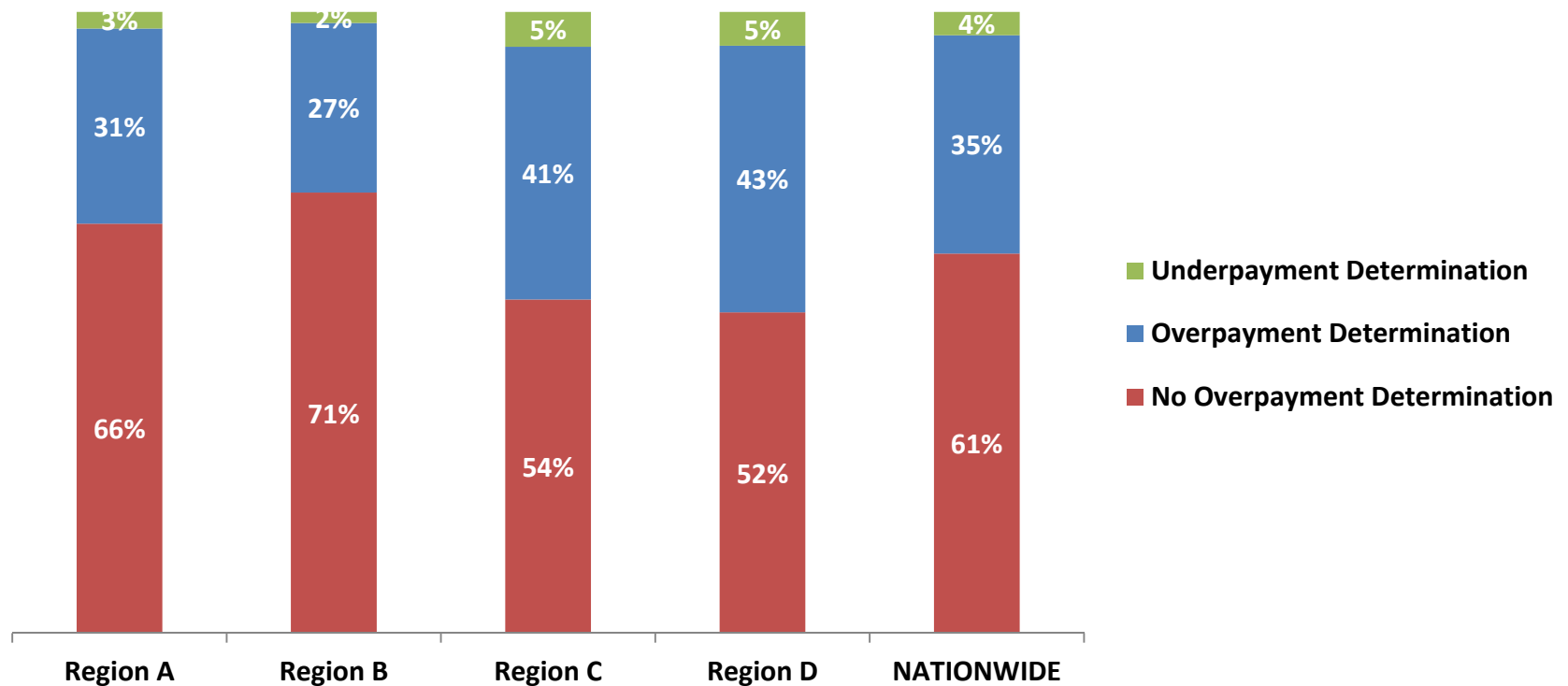
Average Value of a Medical Record Requested in a Complex Review Among Hospitals Reporting RAC Activity, through 2nd Quarter 2012



Source: AHA. (August 2012). RAC TRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 two-thirds 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 2nd Quarter 2012



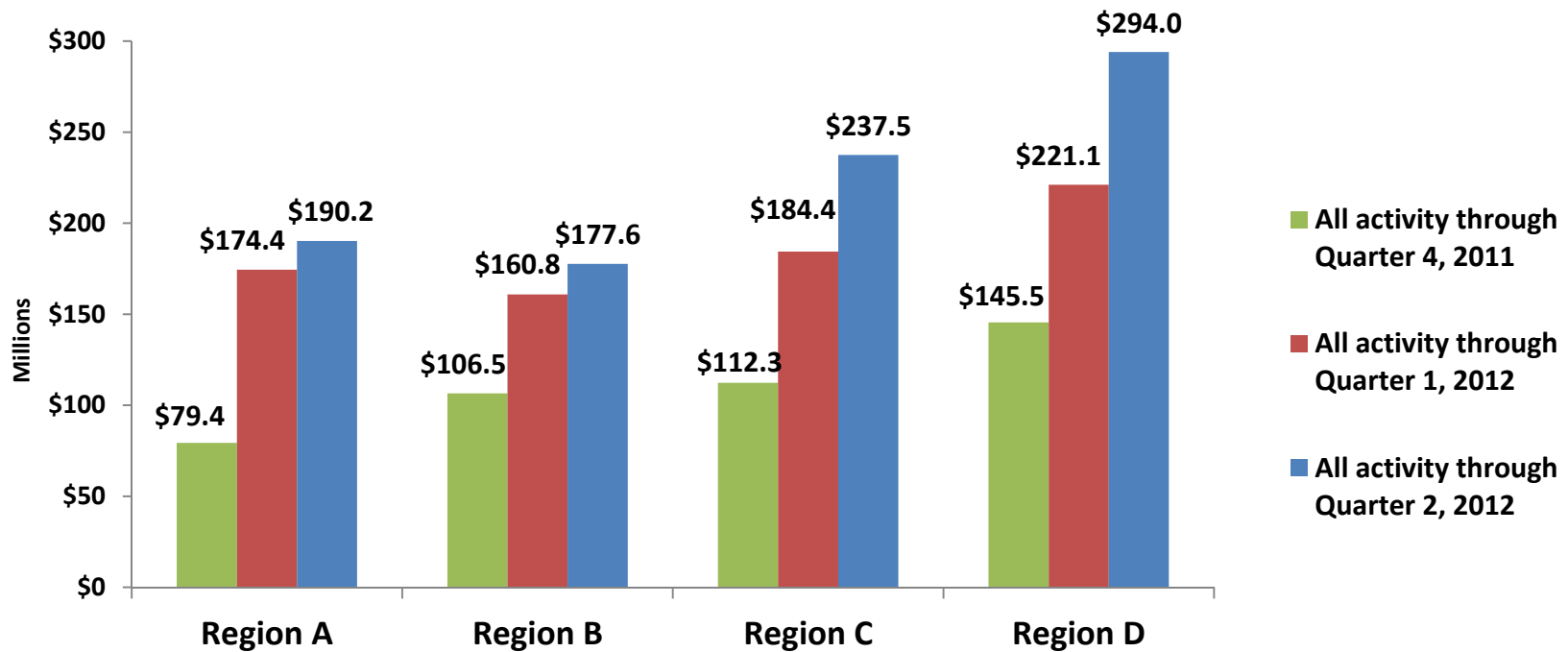
Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



RAC Denials

\$899 million in denials were reported through the second quarter of 2012, up 21% from the first quarter.

Dollar Value of Automated and Complex Denials by RAC Region for Participating Hospitals, through 2nd Quarter 2012, Millions

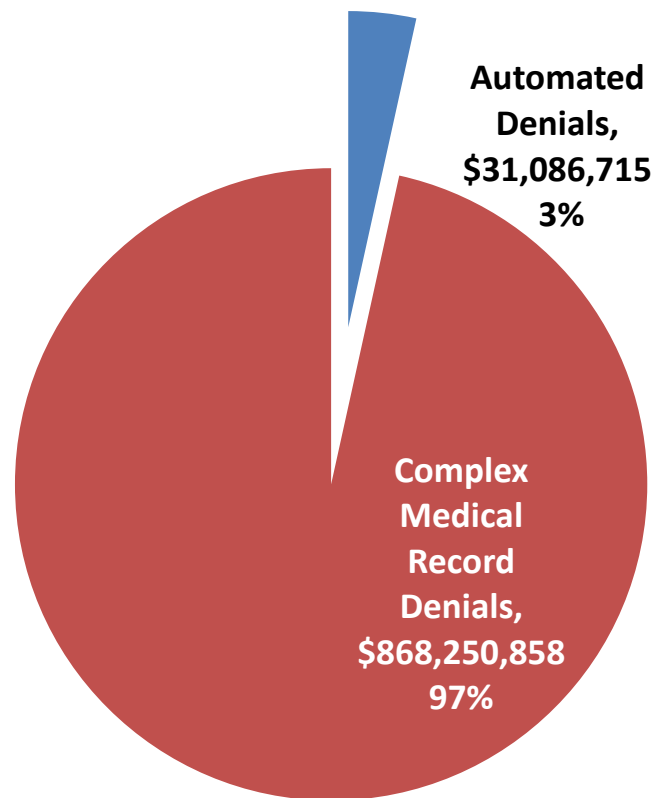


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

97% of denied dollars were for complex denials.

Percent and Dollar Amounts of Automated Denials Versus Complex Denials for Participating Hospitals, through 2nd Quarter 2012

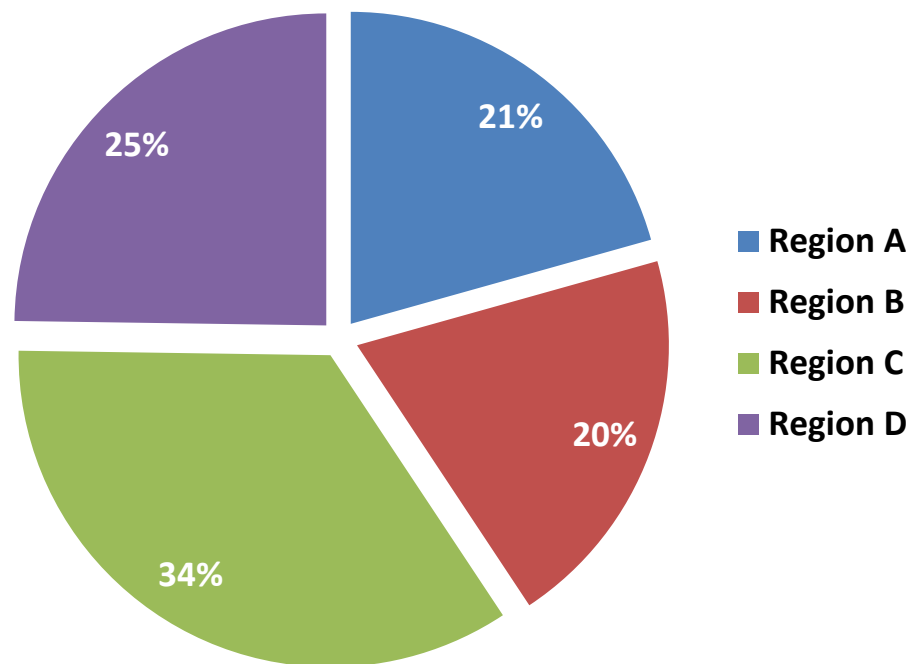


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 2nd Quarter 2012

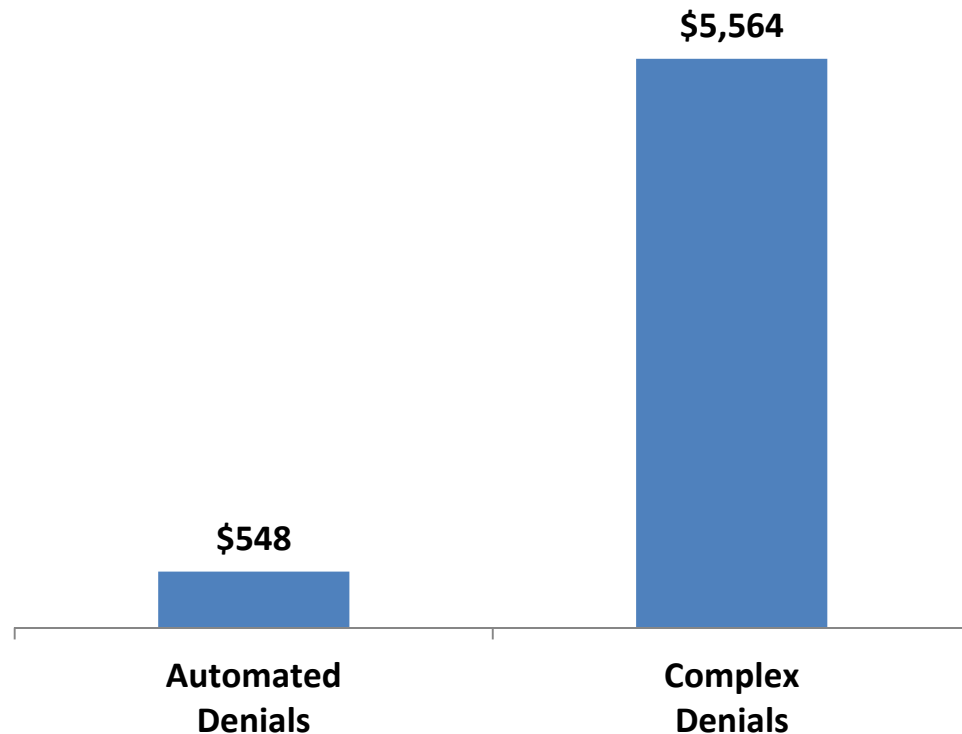


Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

The average dollar value of an automated denial was \$548 and the average dollar value of a complex denial was \$5,564.

Average Dollar Value of Automated and Complex Denials Among Hospitals Reporting RAC Denials, through 2nd Quarter 2012

Average Dollar Amount of Automated and Complex Denials Among Reporting Hospitals, by Region		
RAC Region	Automated Denial	Complex Denial
NATIONWIDE	\$548	\$5,564
Region A	\$378	\$5,112
Region B	\$460	\$5,225
Region C	\$585	\$5,366
Region D	\$662	\$6,352



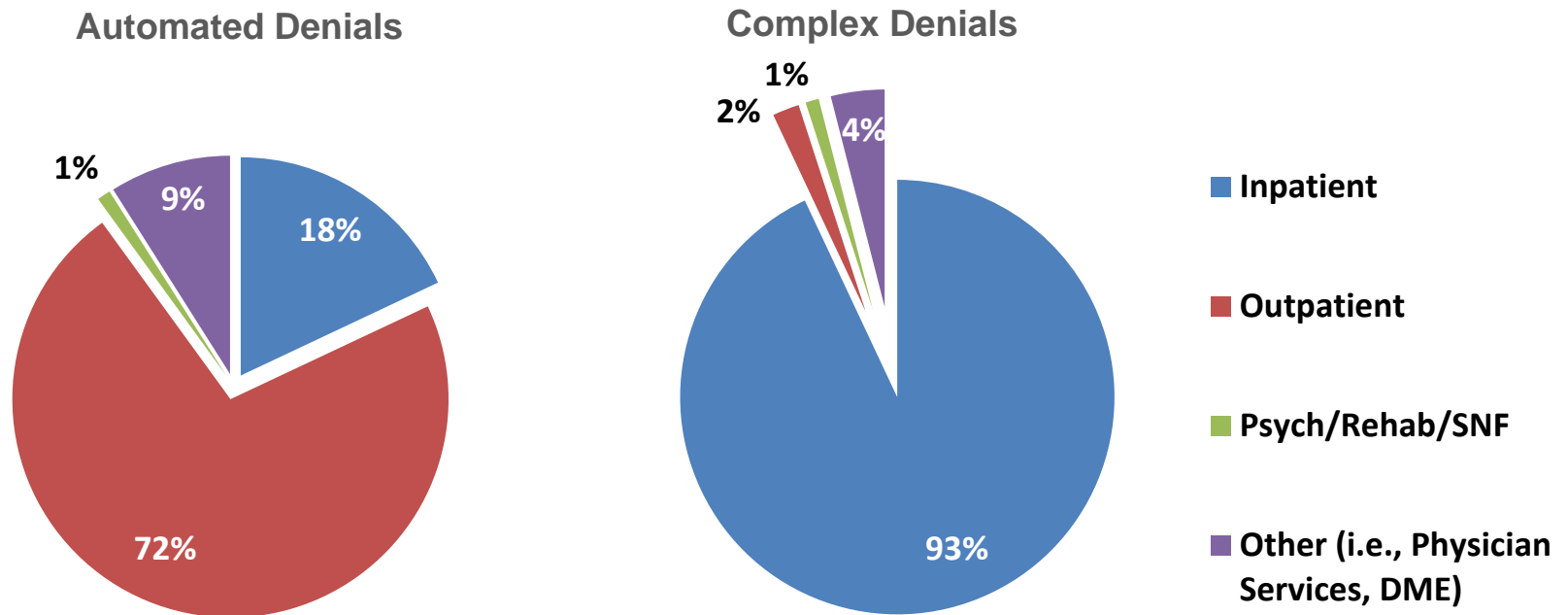
Source: AHA. (August 2012). RAC TRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

Denials in the outpatient setting were the automated denials with the largest financial impact while inpatient setting denials were the complex denials with the largest financial impact.

Percent of Participating Hospitals by Top Service Area for Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd Quarter 2012

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



Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

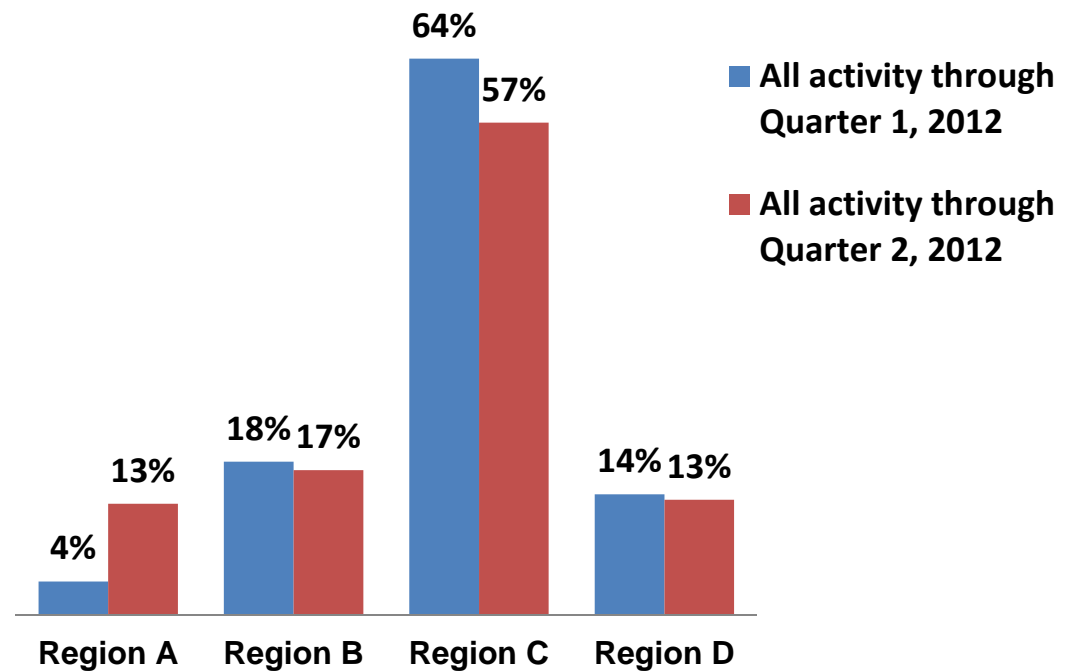


Automated RAC Denials

Region A had an uptick in automated denials in the second quarter.

Percent and Number of Reported Automated Denials for Participating Hospitals, by Region, through 2nd Quarter 2012

	Total Number of Automated Denials by RAC Region through 2 nd Quarter 2012
Region A	7,334
Region B	9,537
Region C	32,336
Region D	7,591



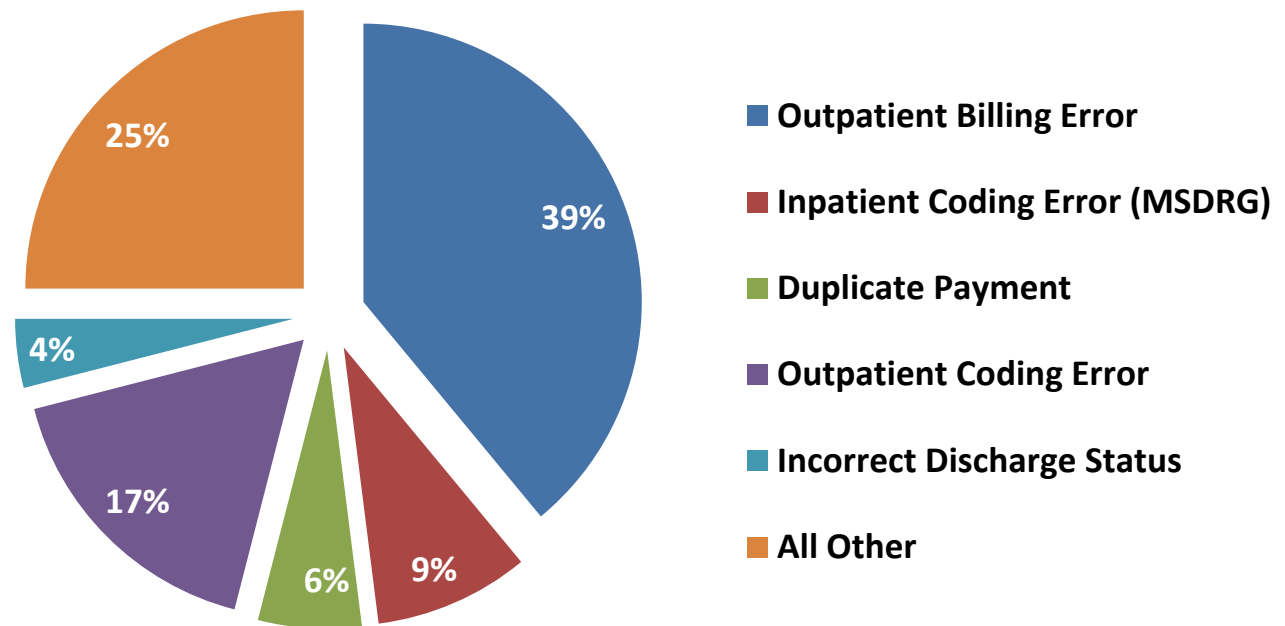
Source: AHA. (August 2012). RAC TRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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, 2nd Quarter 2012

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

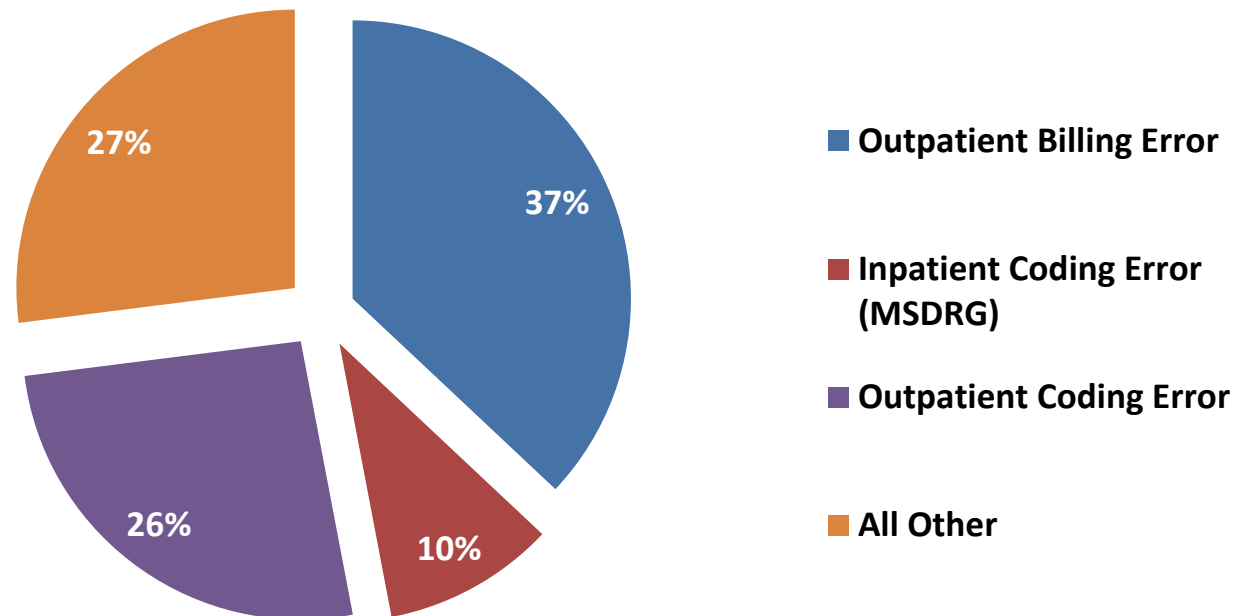


Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Region A: More than a third of hospitals ranked outpatient billing error as the top reason for automated denials.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd Quarter 2012, Region A

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



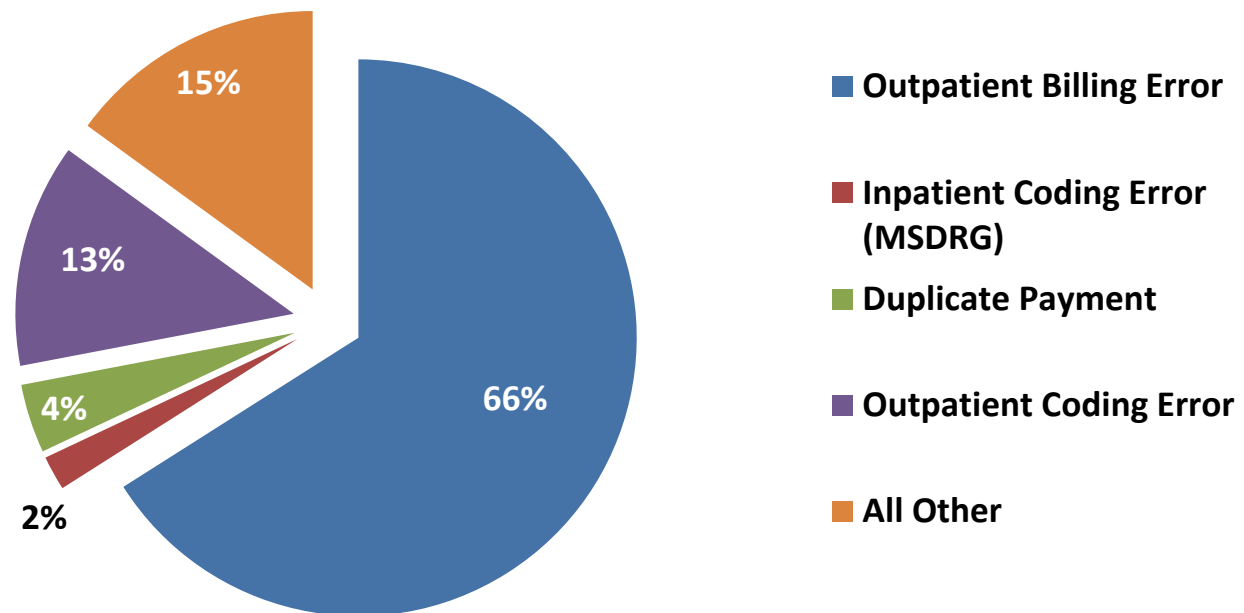
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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, 2nd Quarter 2012, Region B

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



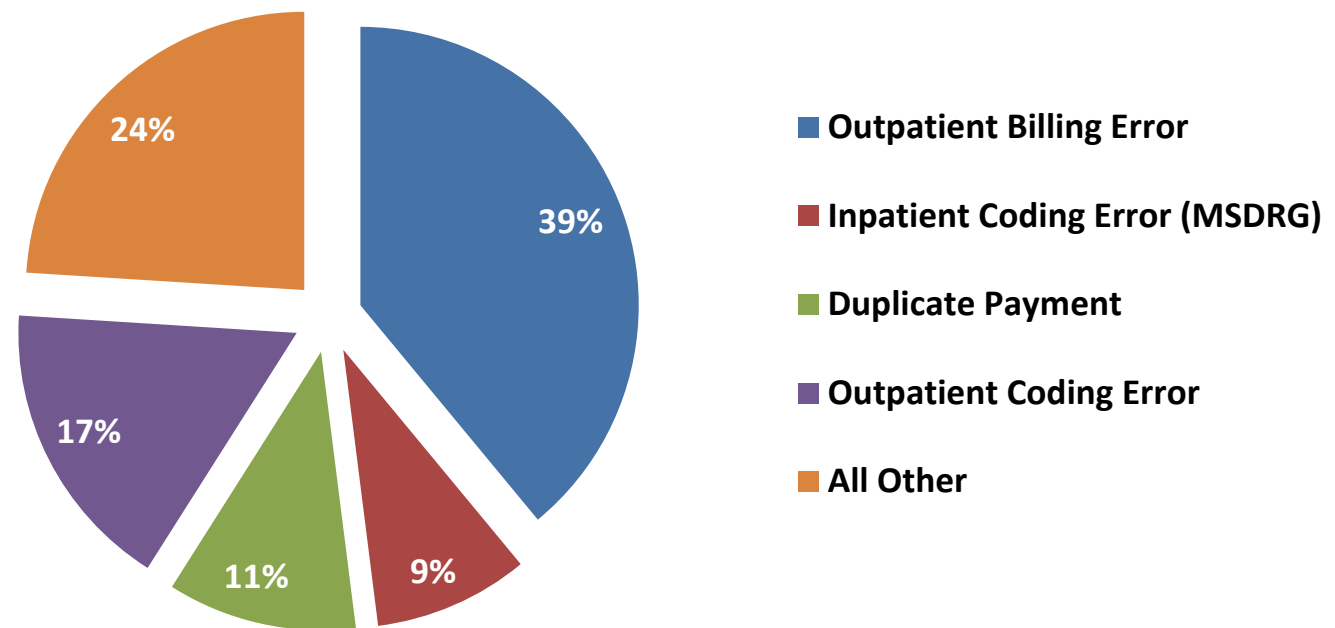
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd Quarter 2012, Region C

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



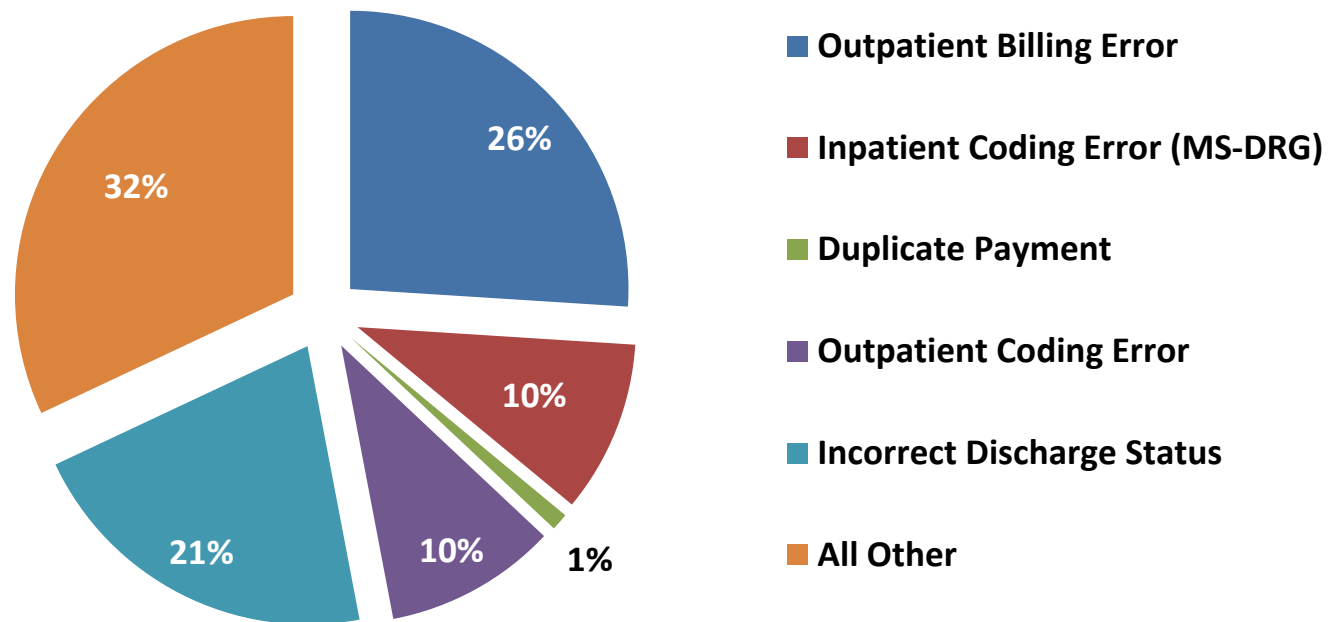
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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: A significant portion of hospitals cited “other” as the top reason for automated denial in Region D.

Percent of Participating Hospitals by Top Reason for Automated Denials by Dollar Amount for Medical/Surgical Acute Hospitals with RAC Activity, 2nd Quarter 2012, Region D

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



Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

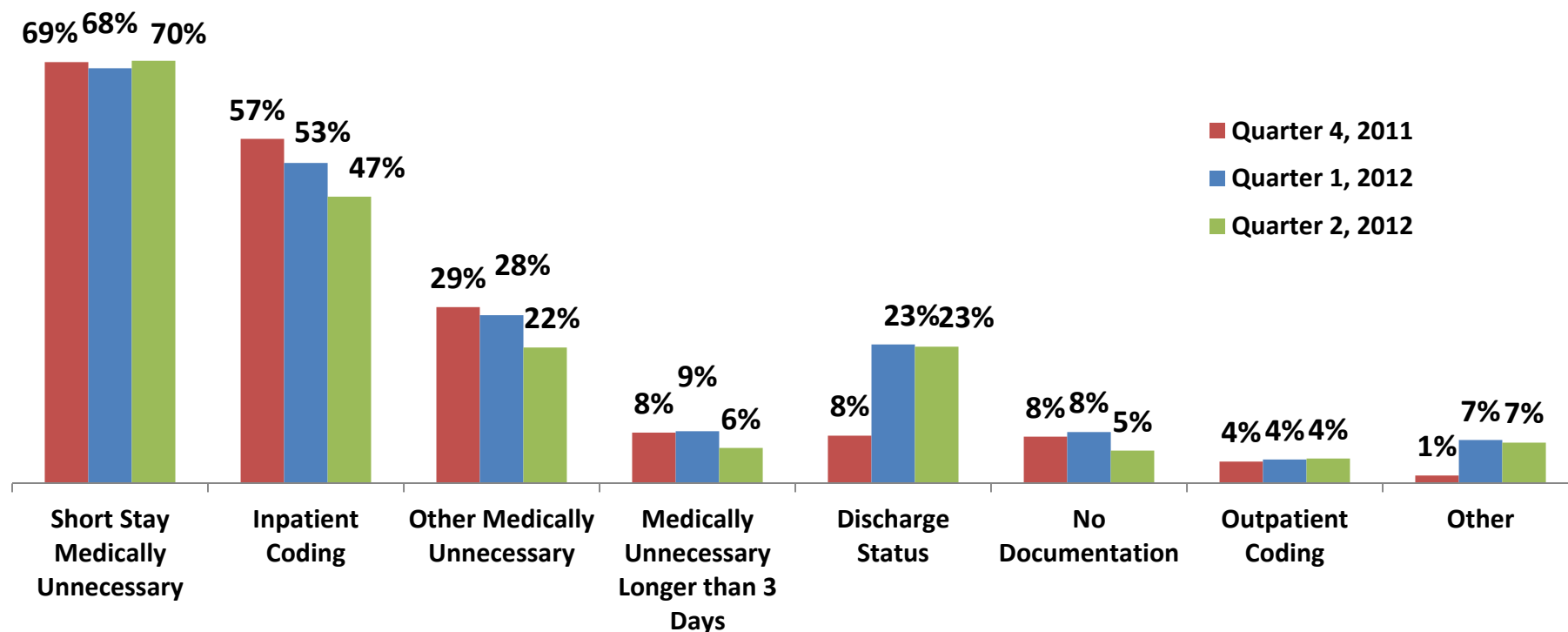


Complex RAC Denials

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, 4th Quarter 2011 and 1st and 2nd Quarter, 2012

Survey participants were asked to select all reasons for denial.

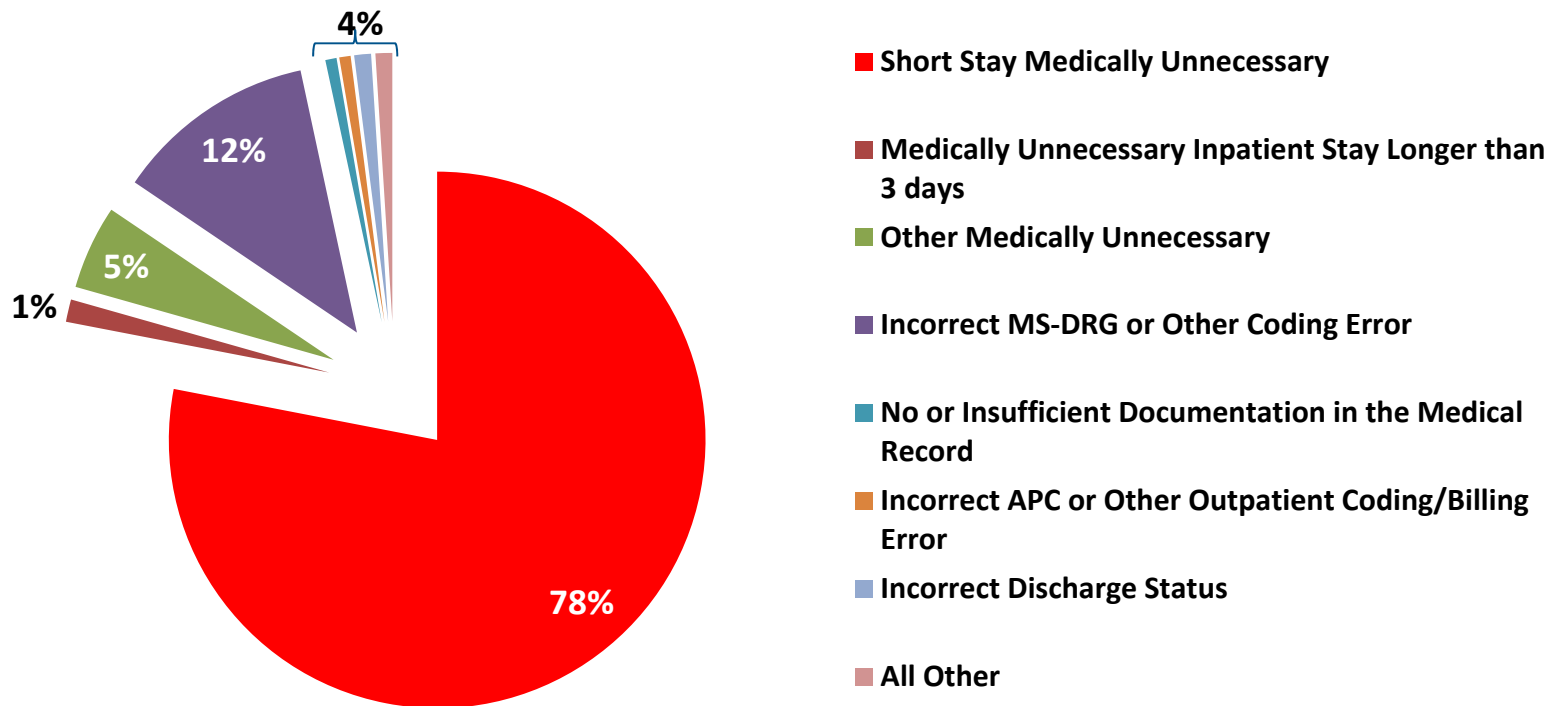


Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

84% of hospitals indicated 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, 2nd Quarter 2012

Survey participants were asked to rank denials by reason, according to dollars impacted, manual survey entries only.



Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 two-thirds of short-stay medical necessity denials 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, through 2nd Quarter 2012

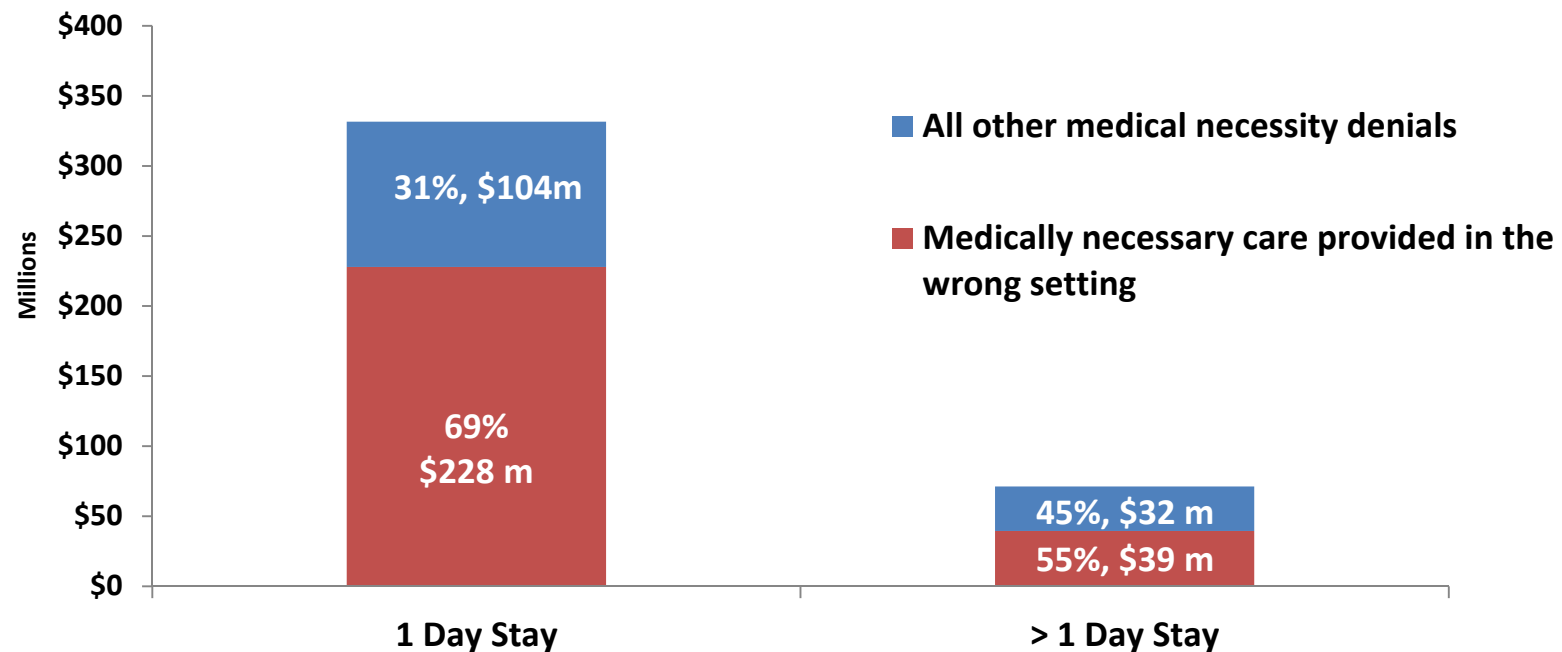


Chart includes hospitals reporting ANY inappropriate setting denials. Not all hospital decision-support systems and RAC TRAC compatible vendors have made accommodations to allow hospitals to answer this question yet. As a result, the volume of medical necessity denials for inappropriate setting may be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

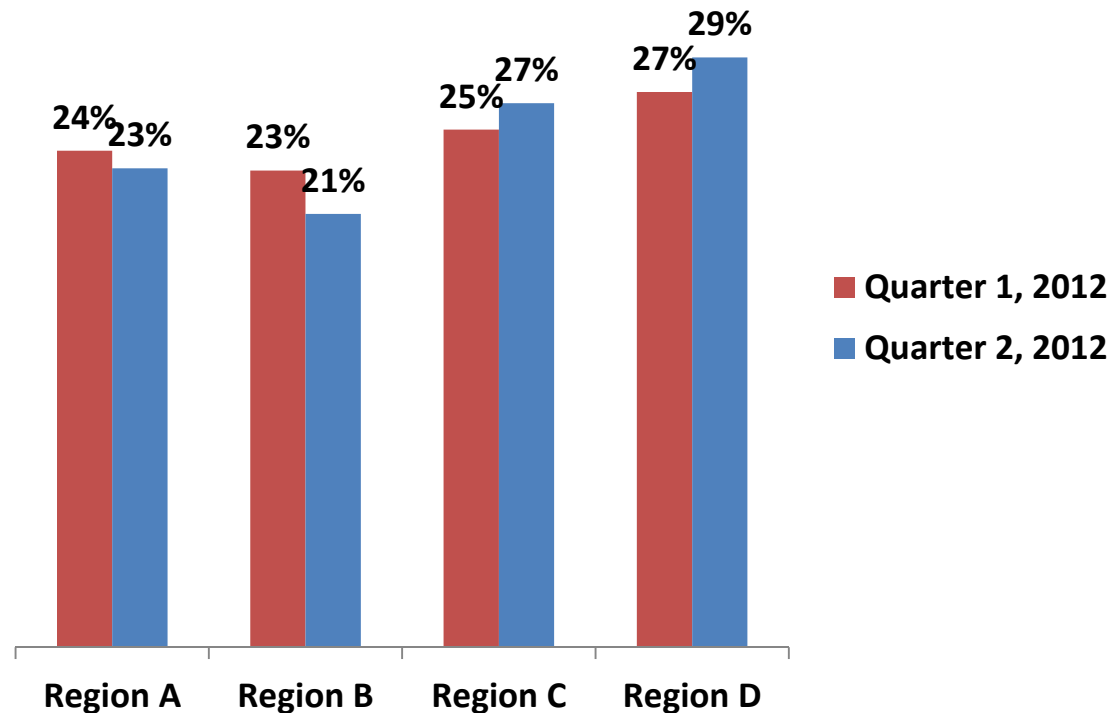


Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), 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, 1st and 2nd Quarter 2012

	Total Number of Claims with Overpayment Determination
Region A	37,435
Region B	33,869
Region C	42,530
Region D	46,110

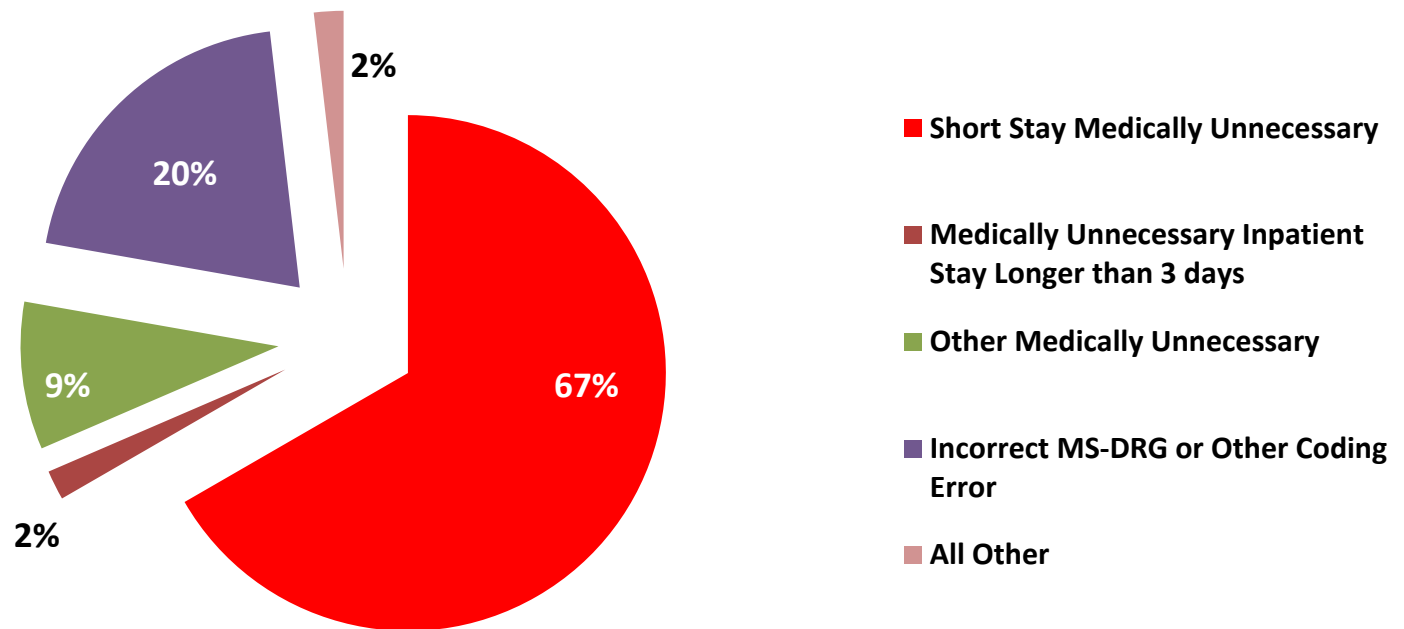


Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Region A: Medically unnecessary was identified by 78% 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, 2nd Quarter 2012, Region A

Survey participants were asked to rank denials by reason, according to dollars impacted, manual survey entries only.



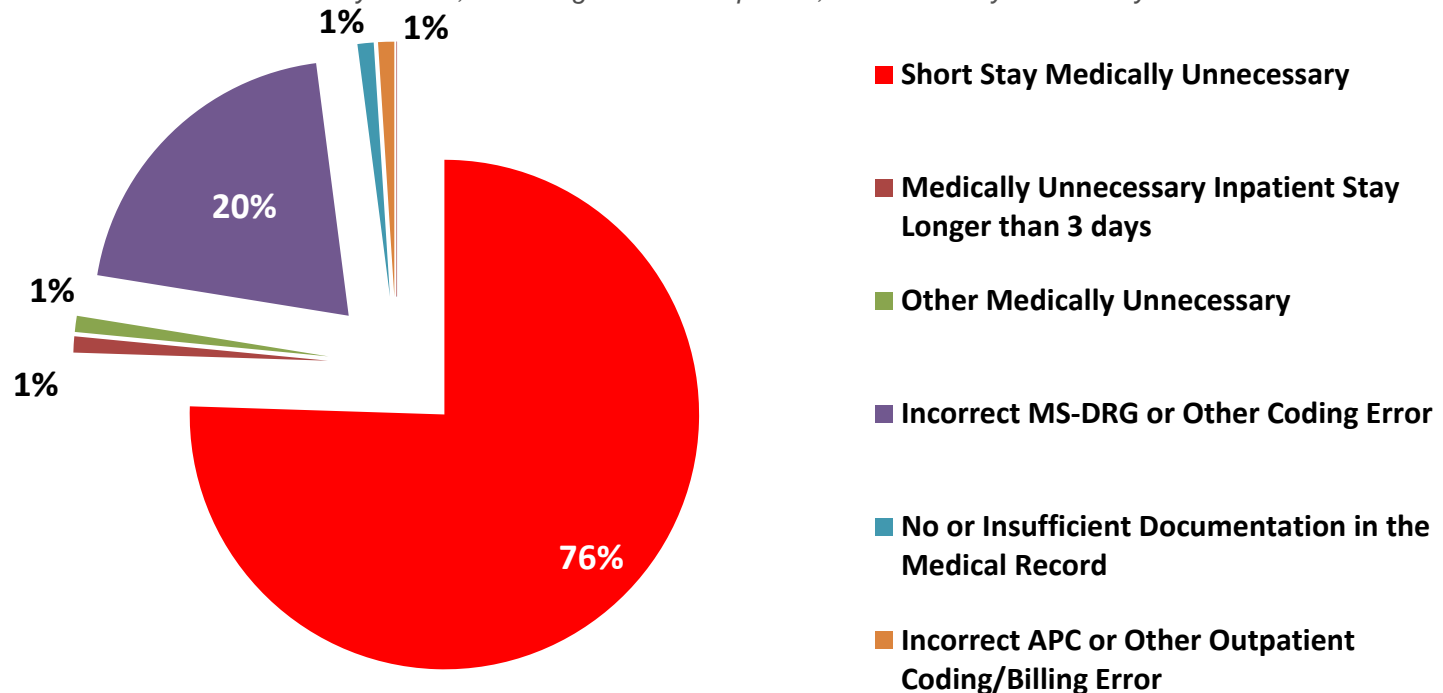
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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: Medically unnecessary was identified by 78% 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, 2nd Quarter 2012, Region B

Survey participants were asked to rank denials by reason, according to dollars impacted, manual survey entries only.

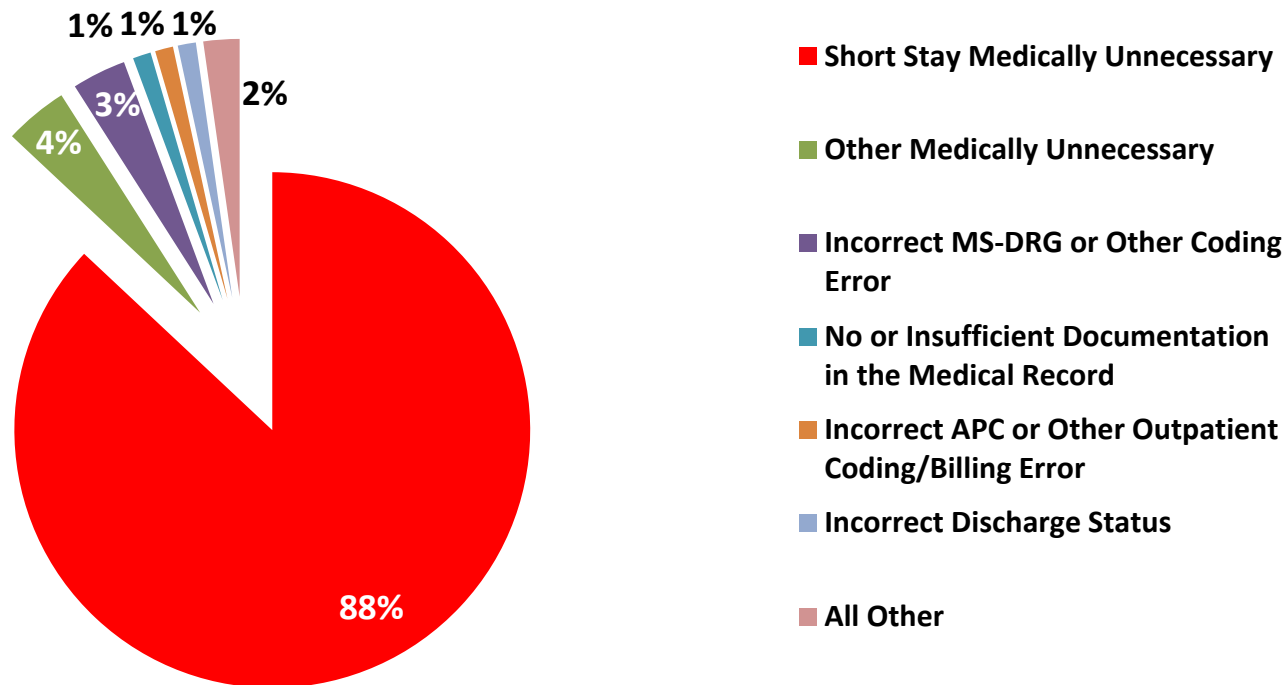


Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Region C: Medically unnecessary was identified by 92% 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, 2nd Quarter 2012, Region C

Survey participants were asked to rank denials by reason, according to dollars impacted, manual survey entries only.

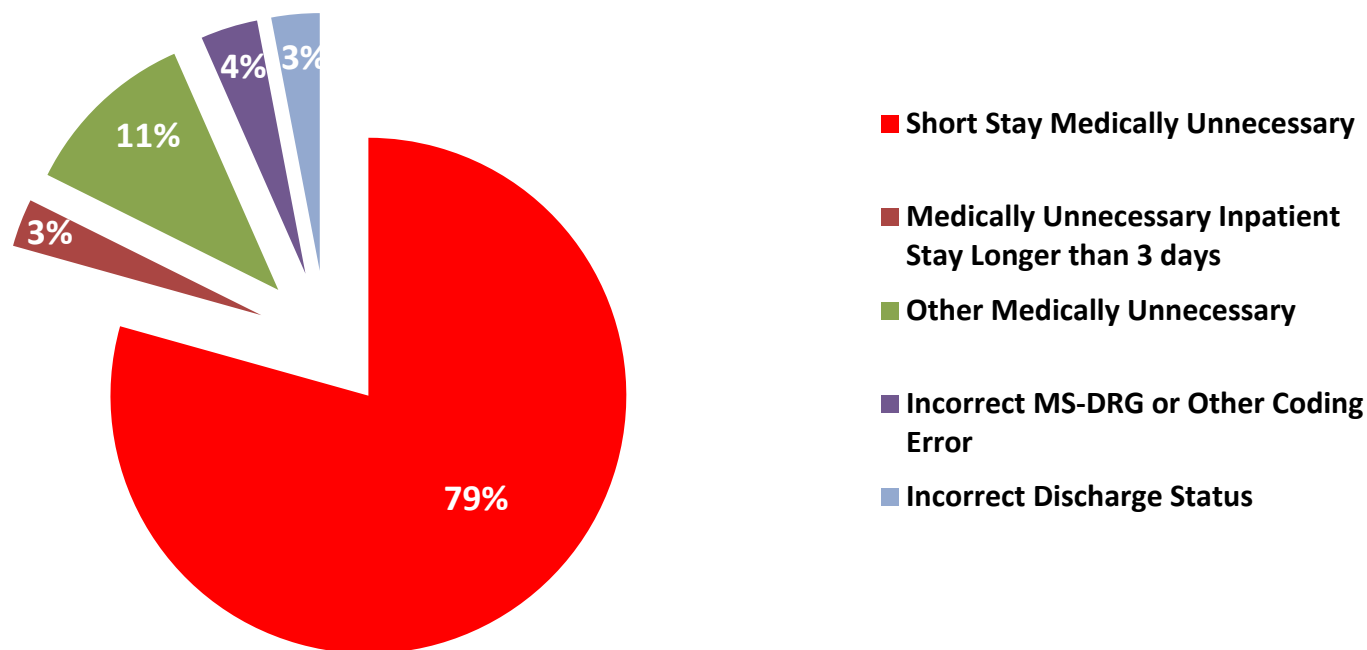


Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Region D: Medically unnecessary was identified by 93% 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, 2nd Quarter 2012, Region D

Survey participants were asked to rank denials by reason, according to dollars impacted, manual survey entries only.



Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

Syncope & Collapse and Stents 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 2nd Quarter 2012

Survey participants were asked to identify top MS-DRGs, according to dollars impacted.

Medical Necessity Denials

MS-DRG	Description	% of Hospitals
247	PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC	25%
312	SYNCOPE & COLLAPSE	19%
313	CHEST PAIN	10%
392	ESOPHAGITIS, GASTROENT & MISC DIGEST DISORDERS W/O MCC	9%
69	TRANSIENT ISCHEMIA	3%

All Other Complex Denials

MS-DRG	Description	% of Hospitals
312	SYNCOPE & COLLAPSE	7%
166	OTHER RESP SYSTEM O.R. PROCEDURES W MCC	5%
247	PERC CARDIOVASC PROC W DRUG-ELUTING STENT W/O MCC	4%
313	CHEST PAIN	4%
981	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC	4%



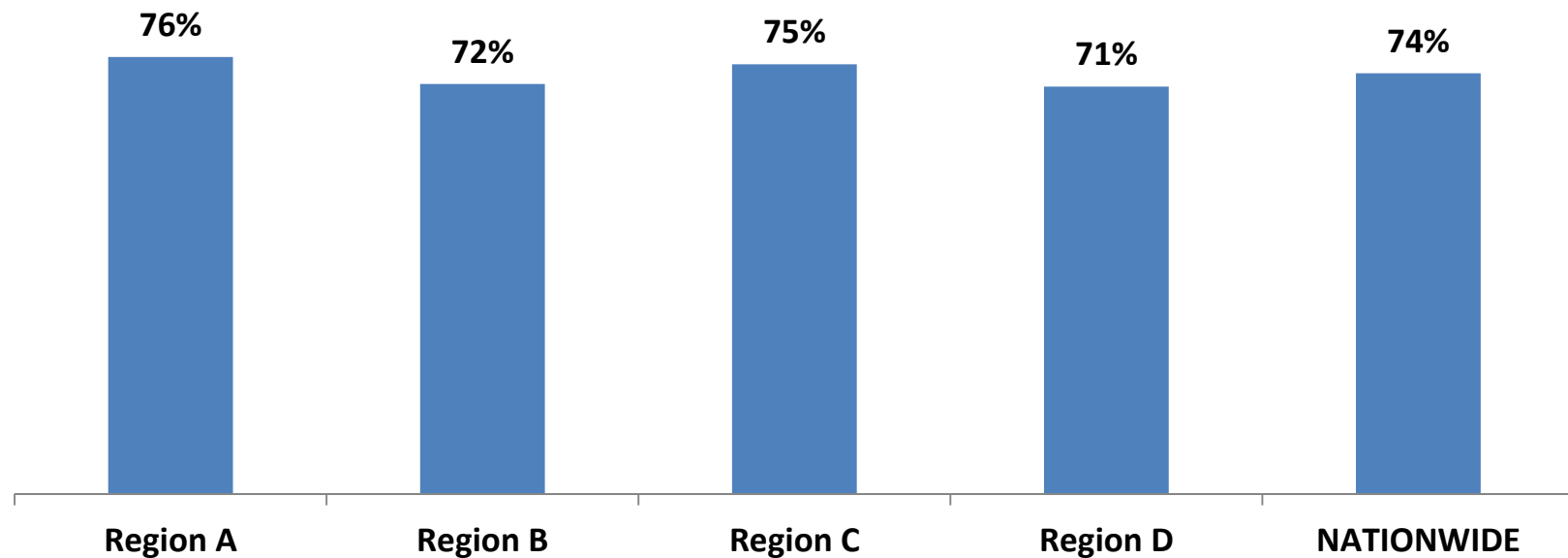
Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



Underpayments

Nearly three-quarters of participating hospitals nationwide with RAC activity reported receiving at least one underpayment determination.

Percent of Hospitals Reporting Underpayment Determinations, By Region, through 2nd Quarter 2012



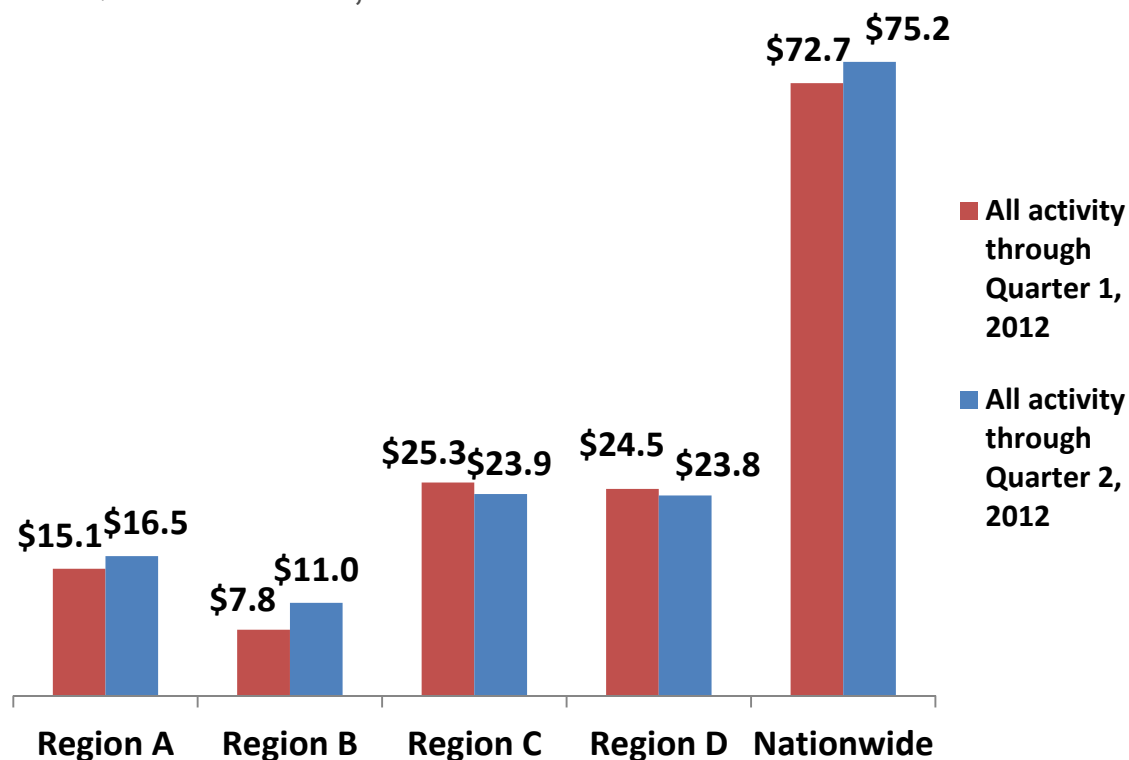
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 RAC identified underpayments totaling \$75 million dollars.

Total Dollar Value of Underpayment Determinations for Participating Hospitals, By Region, through 1st and 2nd Quarter 2012, Millions

	Number of RAC Underpayment Determinations, through Quarter 2, 2012
NATIONWIDE	17,087
Region A	3,186
Region B	2,191
Region C	5,866
Region D	5,844

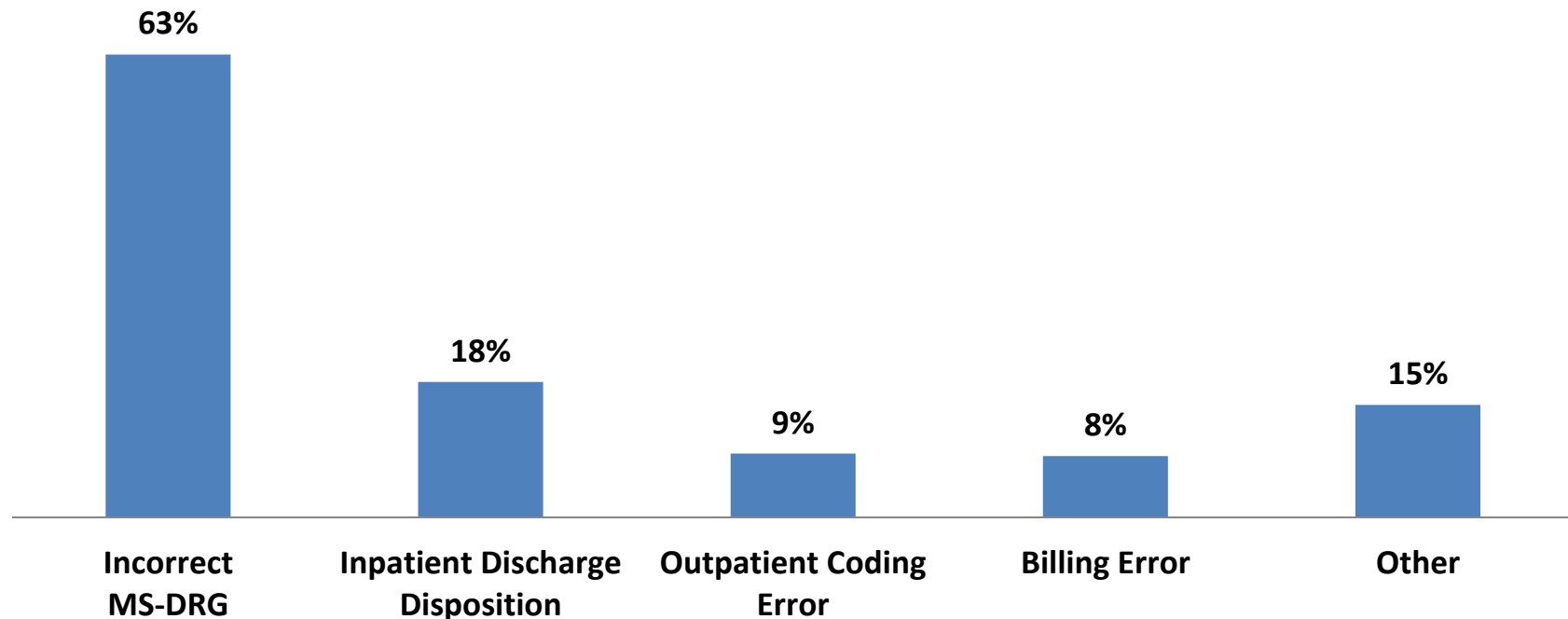


Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

63% of hospitals with underpayment determinations cited incorrect MS-DRG as a reason for the underpayment and 18% cited discharge disposition.

Percent of Participating Hospitals with RAC Activity Experiencing Underpayments by Reason, 2nd Quarter 2012

Survey participants were asked to select all reasons for underpayment.



Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.



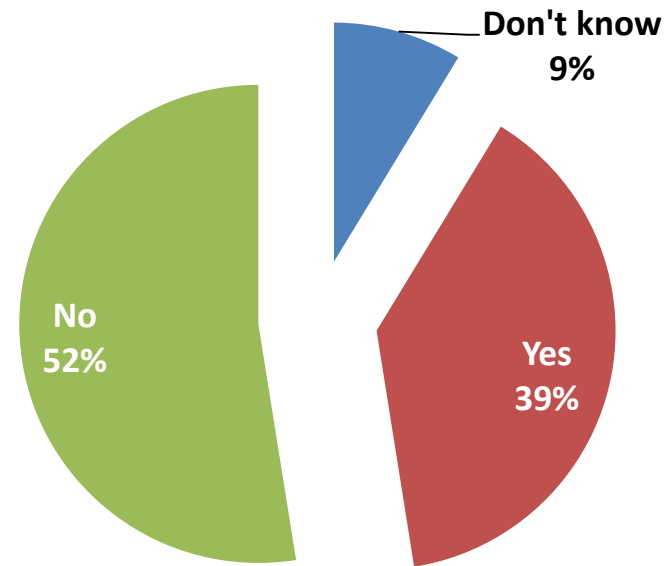
Appeals

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 2012

Reversed Denials by RAC Region

	Yes	No	Don't Know
Region A	50%	40%	10%
Region B	42%	51%	7%
Region C	31%	59%	10%
Region D	38%	55%	7%



*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.*



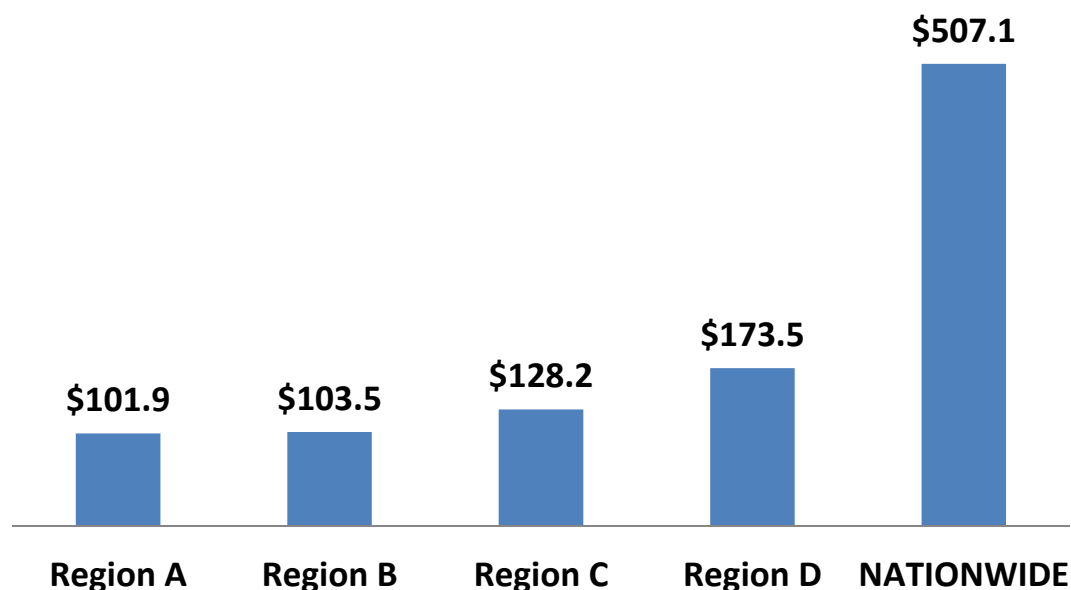
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 value of appealed claims exceeds a half a billion dollars. On average, hospitals report appealing 118 claims.

Total Dollar Value, Percent and Average Number of Appealed Claims for Hospitals with Automated or Complex RAC Denials, through 2nd Quarter 2012, Millions

	Percent of Hospitals with Any Appealed Denials	Average Number of Appealed Denials per Hospital
NATIONWIDE	86%	118
Region A	83%	134
Region B	92%	79
Region C	86%	111
Region D	83%	163

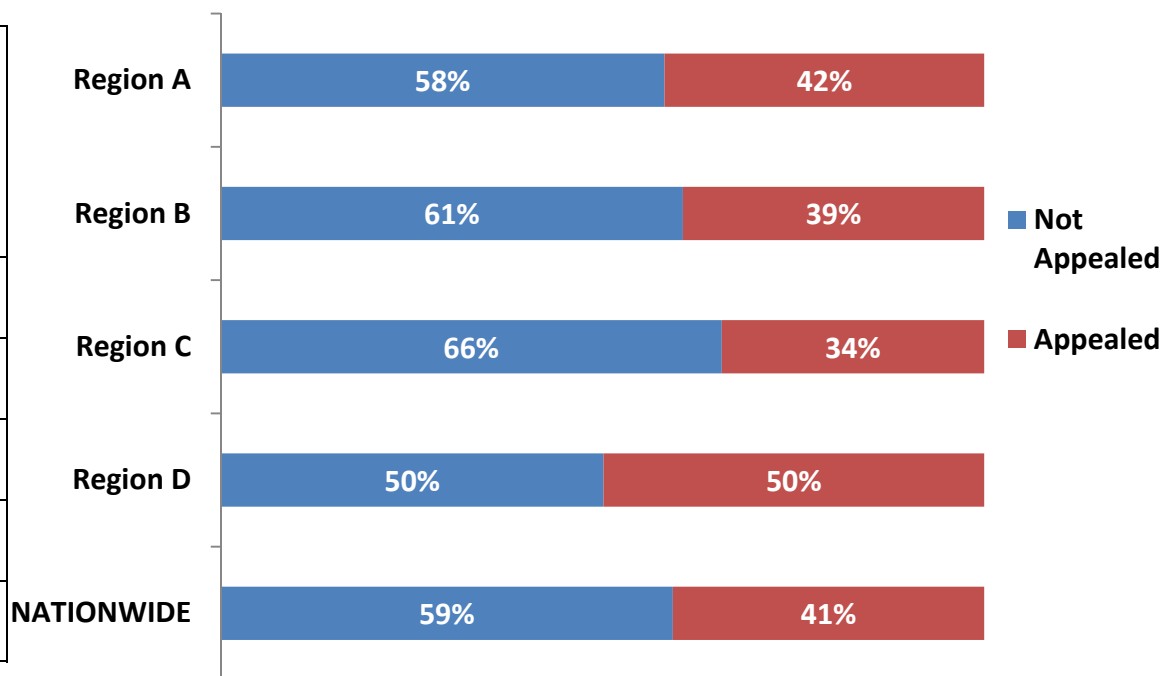


Source: AHA. (August 2012). RAC TRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.

Nationwide hospitals report appealing more than 40% of all denials. In Region D, half have been appealed.

Total Number and Percent of Automated and Complex Denials Appealed by Hospitals with Automated or Complex RAC Denials, by Region, through 2nd Quarter 2012

	Total Number of Denials Available* for Appeal	Total Number of Denials Appealed
NATIONWIDE	216,742	88,410
Region A	44,769	18,750
Region B	43,406	17,133
Region C	74,866	25,741
Region D	53,701	26,786



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

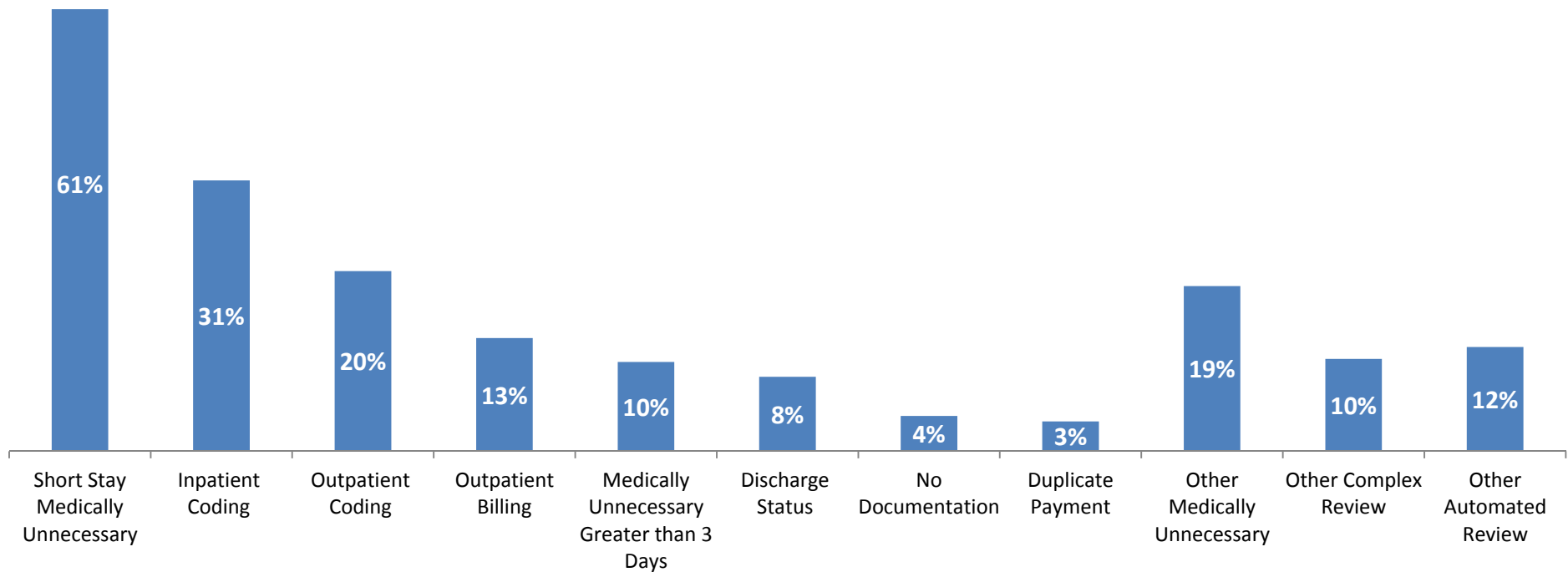
Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



Nearly two-thirds of all hospitals filing a RAC appeal during the 2nd Quarter of 2012 reported appealing short stay medically unnecessary denials.

Percent of Participating Medical/Surgical Acute Hospitals Reporting RAC Appeals by Denial Reason, 2nd Quarter 2012

Survey participants were asked to select all reasons for denial.



Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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, 75% 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 2nd Quarter 2012

	Number of Claims 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 (as a Percent of Overturned or Withdrawn claims)
NATIONWIDE	77,243	41%	55,111	5055	15,147	75%
Region A*	7,583	42%	5,914	487	1,182	71%
Region B	17,133	39%	10,002	1142	5,890	84%
Region C	25,741	34%	18,613	1395	4,413	76%
Region D	26,786	50%	20,582	2031	3,662	64%

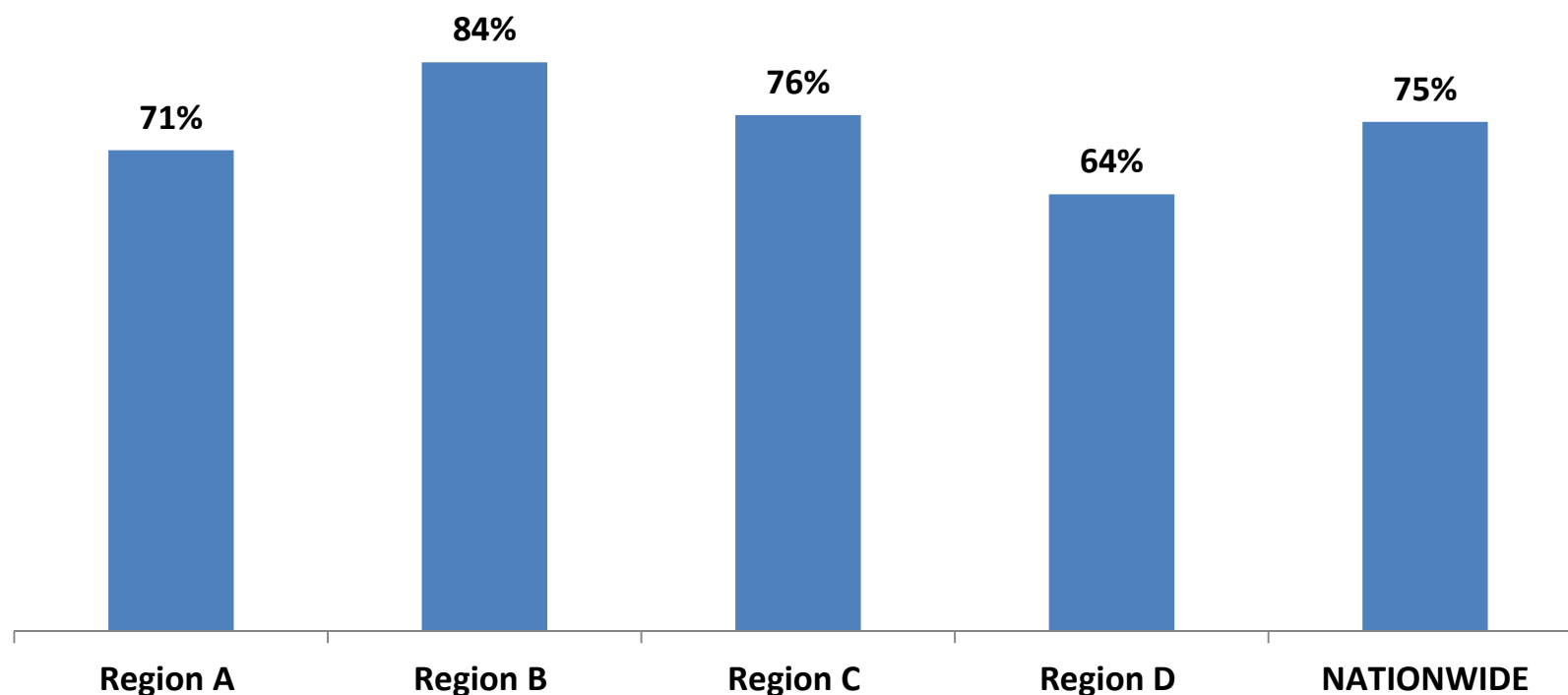
* Survey submission error stemming from a problem with a RACTRAC compatible vendor's tool required the exclusion of some appeals data in Region A. If you have questions or would like to find out if your data was excluded, contact RACTRAC Support: 1-888-722-8712 or ractracsupport@providercs.com



Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 75% of the time. Region B has the highest overturn rate upon appeal at 84%.

Percent of Completed Appeals with Denials Overturned for Participating Hospitals, by Region, through 2nd Quarter 2012



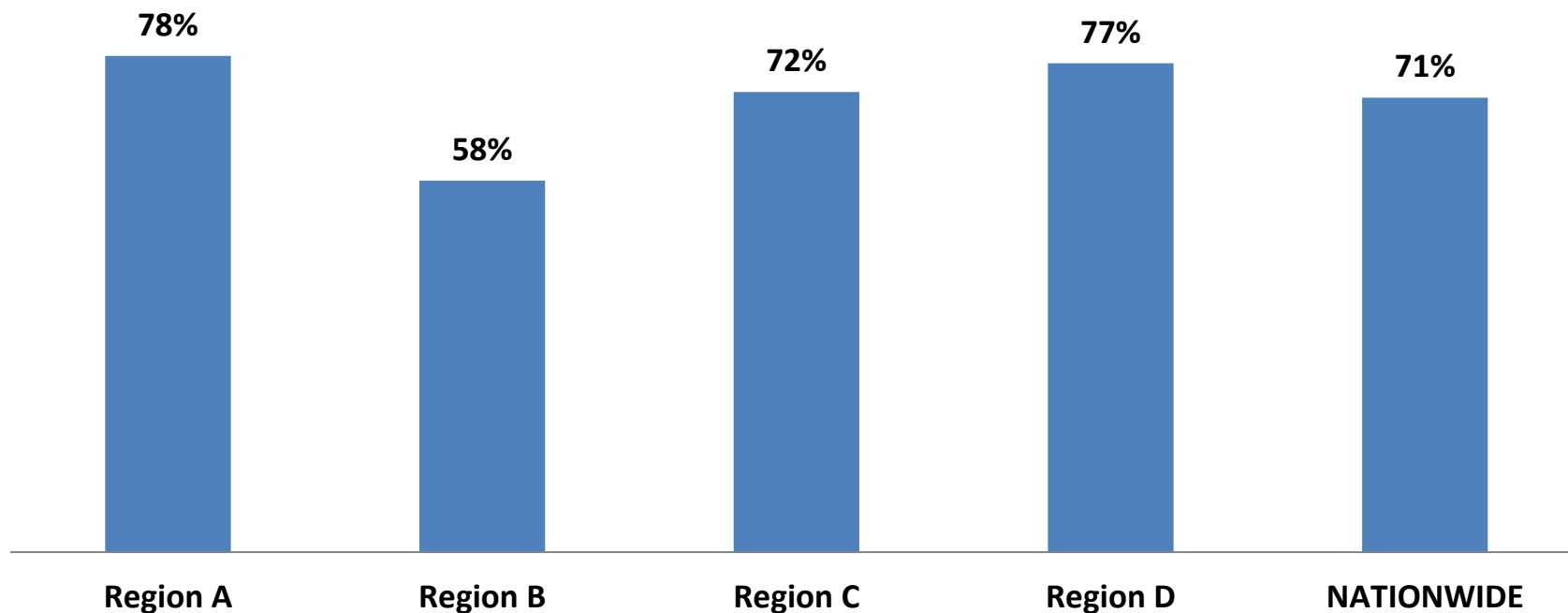
Survey submission error stemming from a problem with a RACTRAC compatible vendor's tool required the exclusion of some appeals data in Region A. If you have questions or would like to find out if your data was excluded, contact RACTRAC Support: 1-888-722-8712 or ractracsupport@providercs.com



Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 three-fourths of all appealed claims are still sitting in the appeals process.

Percent of Appealed Claims Pending Determination for Participating Hospitals, by Region, through 2nd Quarter 2012



Survey submission error stemming from a problem with a RACTRAC compatible vendor's tool required the exclusion of some appeals data in Region A. If you have questions or would like to find out if your data was excluded, contact RACTRAC Support: 1-888-722-8712 or ractracsupport@providercs.com

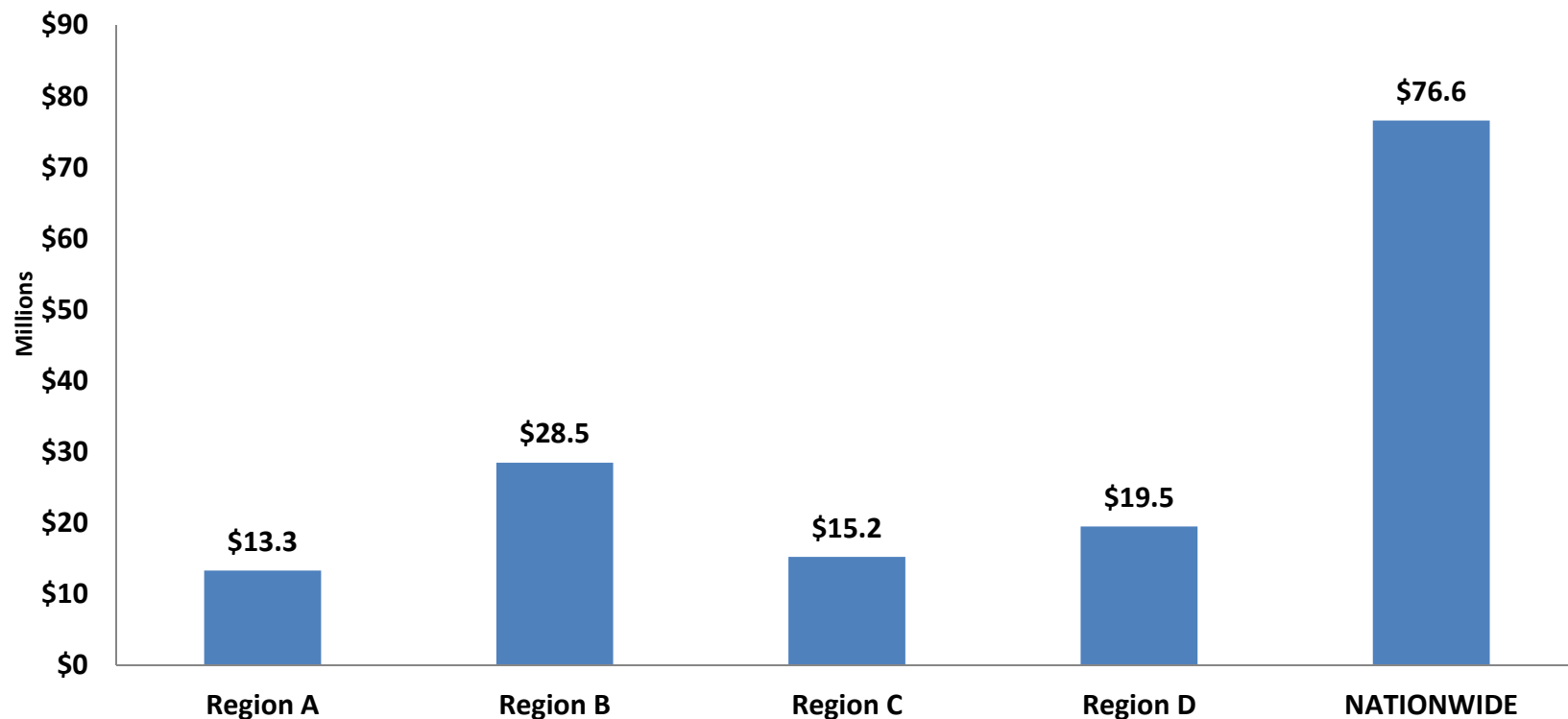


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 \$76.6 million in overturned denials, with \$28.5 million in Region B alone.

Value of Denials Overturned in the Appeals Process, by Region, through 2nd Quarter 2012, Millions



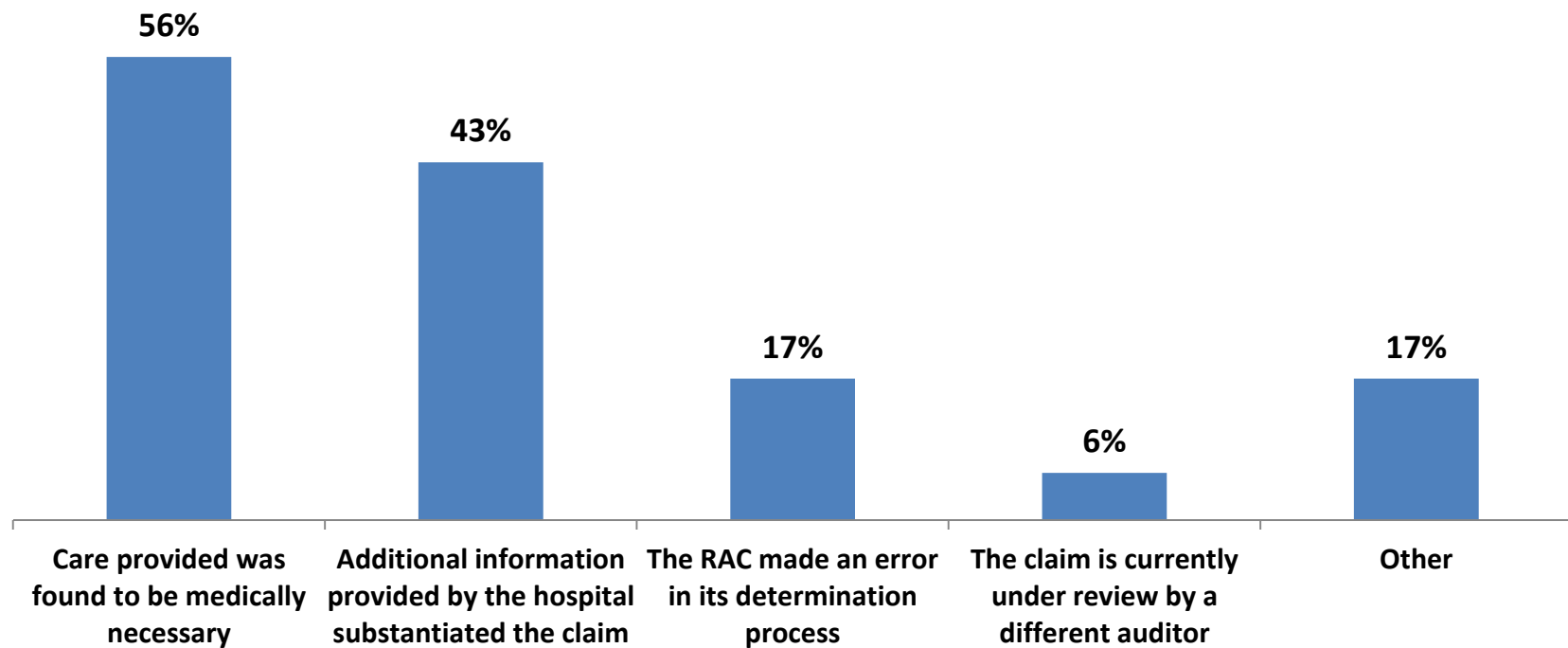
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 half of all hospitals with a RAC denial overturned had a denial overturned because the care was found to be medically necessary.

Percent of Participating Hospitals That Had a Denial Overturned by Reason, 2nd Quarter 2012

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



Source: AHA. (August 2012). RACTRAC Survey

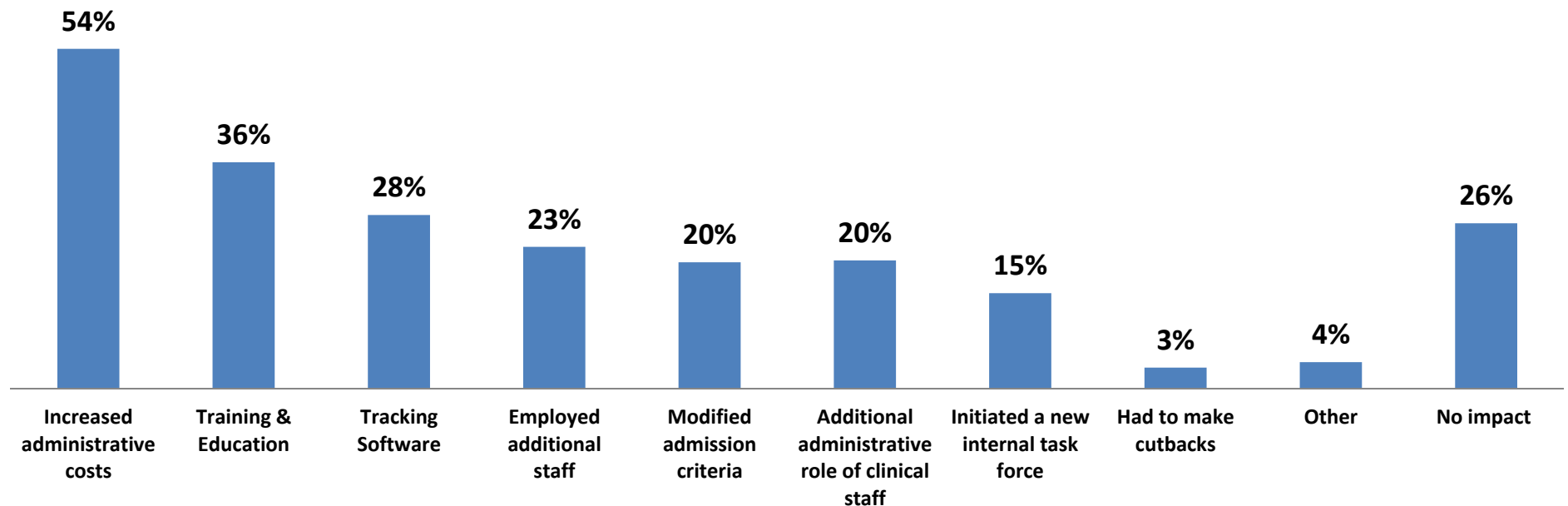
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



Administrative Burden

74% of participating hospitals reported that RAC impacted their organization this quarter and 54% reported increased administrative costs.

Impact of RAC on Participating Hospitals* by Type of Impact, 2nd Quarter 2012



* Includes participating hospitals with and without RAC activity

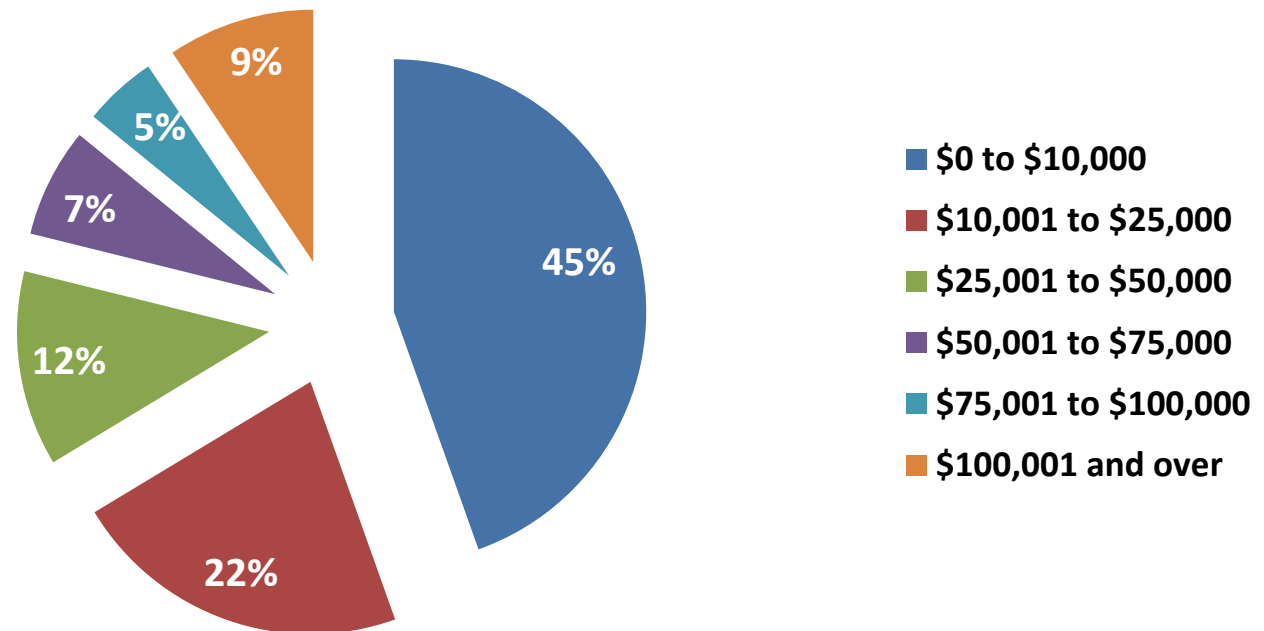
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 all hospitals reported spending more than \$10,000 managing the RAC process during the second quarter of 2012, 33% spent more than \$25,000 and 9% spent over \$100,000.

Percent of Participating Hospitals* Reporting Average Cost dealing with the RAC Program, 2nd Quarter 2012



* Includes participating hospitals with and without RAC activity

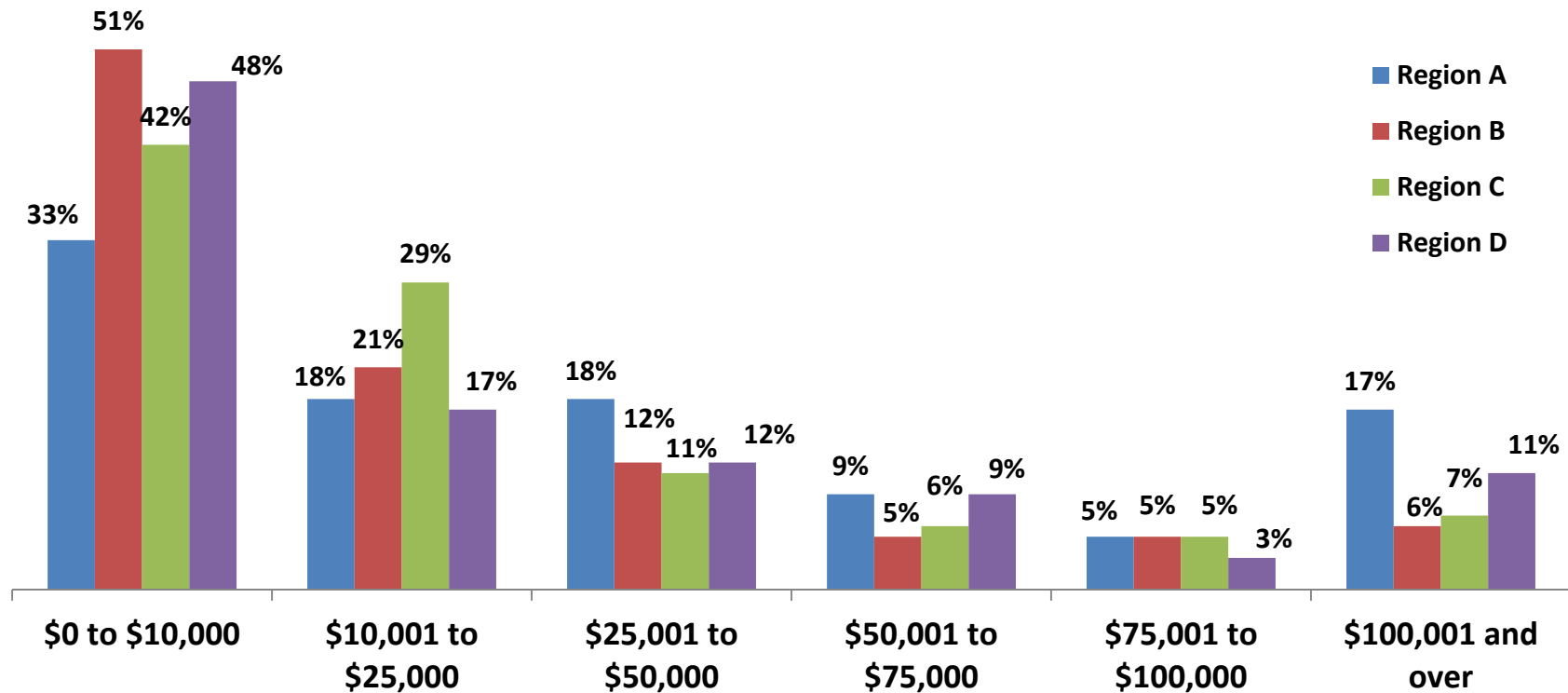
Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 cost of managing the RAC process varies by region.

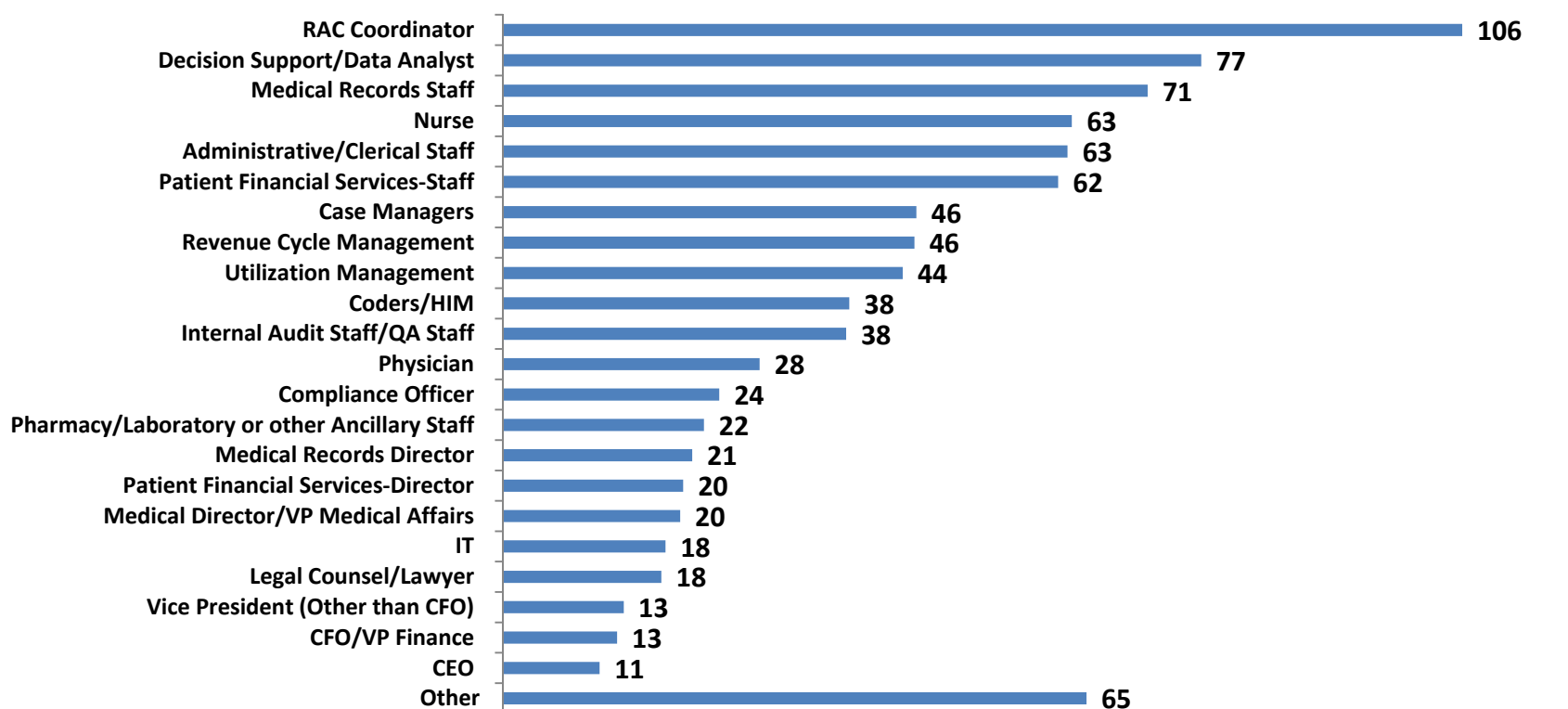
Percent of Participating Hospitals* Reporting Average Cost dealing with the RAC Program, by Region, 2nd Quarter 2012



Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

Hospital staff spend hundreds of hours responding to RAC activity.

Average Hours of Staff Time Spent Per Participating Hospital* on RAC by Staff Type, 2nd Quarter 2012



* Includes participating hospitals with and without RAC activity

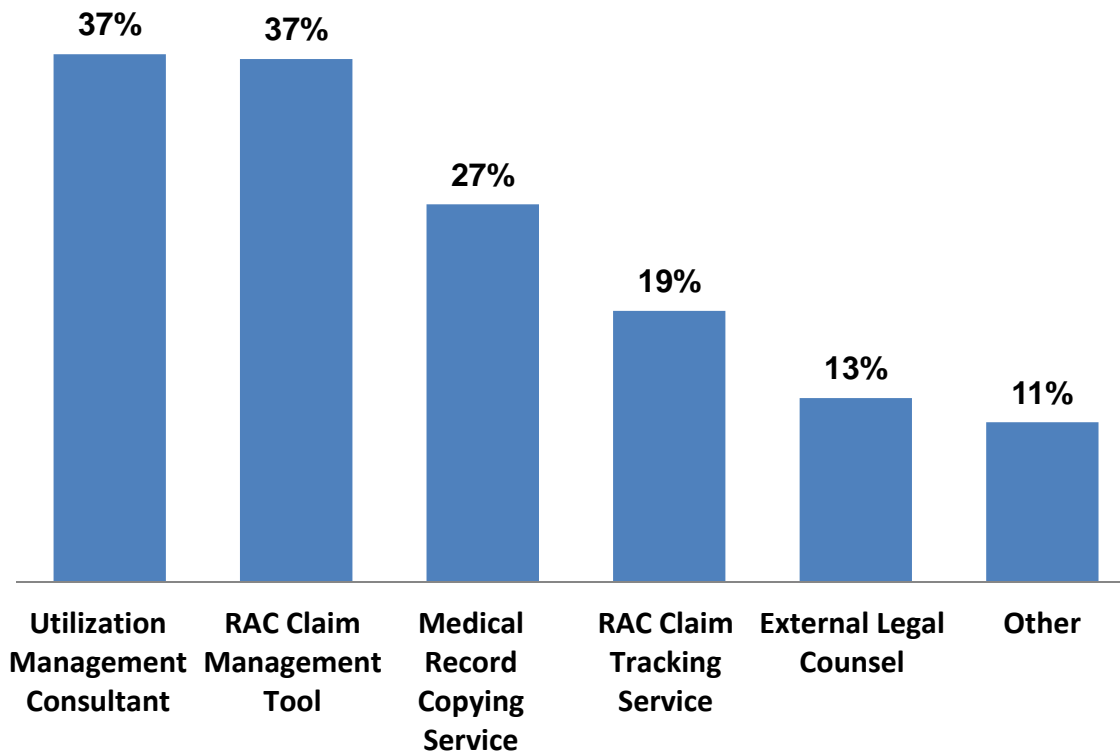
Source: AHA. (August 2012). RAC^{TRAC} Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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*, 2nd Quarter 2012



Administrative Burden	Average Dollar Amount This Quarter
Utilization Management Consultant	\$ 37,577
External Legal Counsel	\$ 24,064
RAC Claim Management Tool	\$ 8,407
RAC Claim Tracking Service	\$ 8,113
Medical Record Copying Service	\$ 3,529
Other	\$ 28,153

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



Source: AHA. (August 2012). RAC TRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

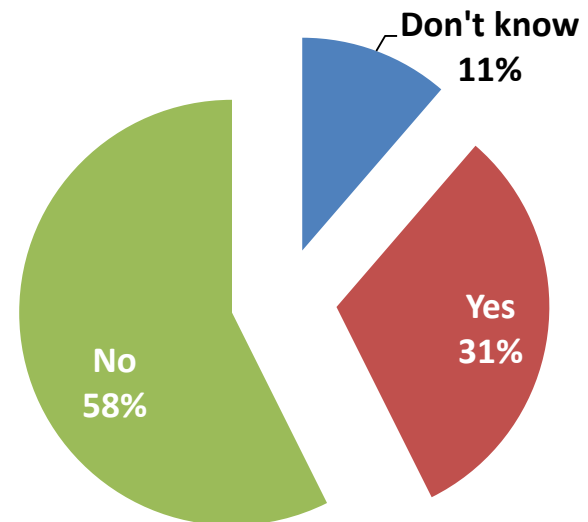
58% of respondents indicated they have yet to receive any education related to avoiding payment errors from CMS or its contractors.

Percent of Participating Hospitals Reporting they Received Education from CMS or its Contractors, National and by Region, through 2nd Quarter 2012

Reported Education by RAC Region

	Yes	No	Don't Know
Region A	31%	57%	12%
Region B	24%	64%	12%
Region C	38%	53%	9%
Region D	30%	56%	14%

National Reporting



* Includes participating hospitals with and without RAC activity



Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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.

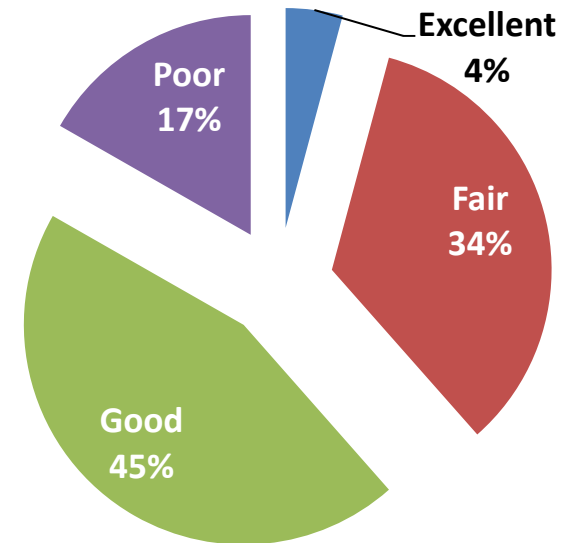
For those receiving education, the perceived quality varies by region with Region B performing the worst.

Percent of Participating Hospitals Reporting the Effectiveness of Received Education from CMS or its Contractors, National and by Region, through 2nd Quarter 2012

Reported Effectiveness of Education by RAC Region

	Excellent	Good	Fair	Poor
Region A	2%	66%	30%	4%
Region B	4%	27%	50%	19%
Region C	1%	40%	39%	20%
Region D	12%	35%	31%	22%

National Reporting



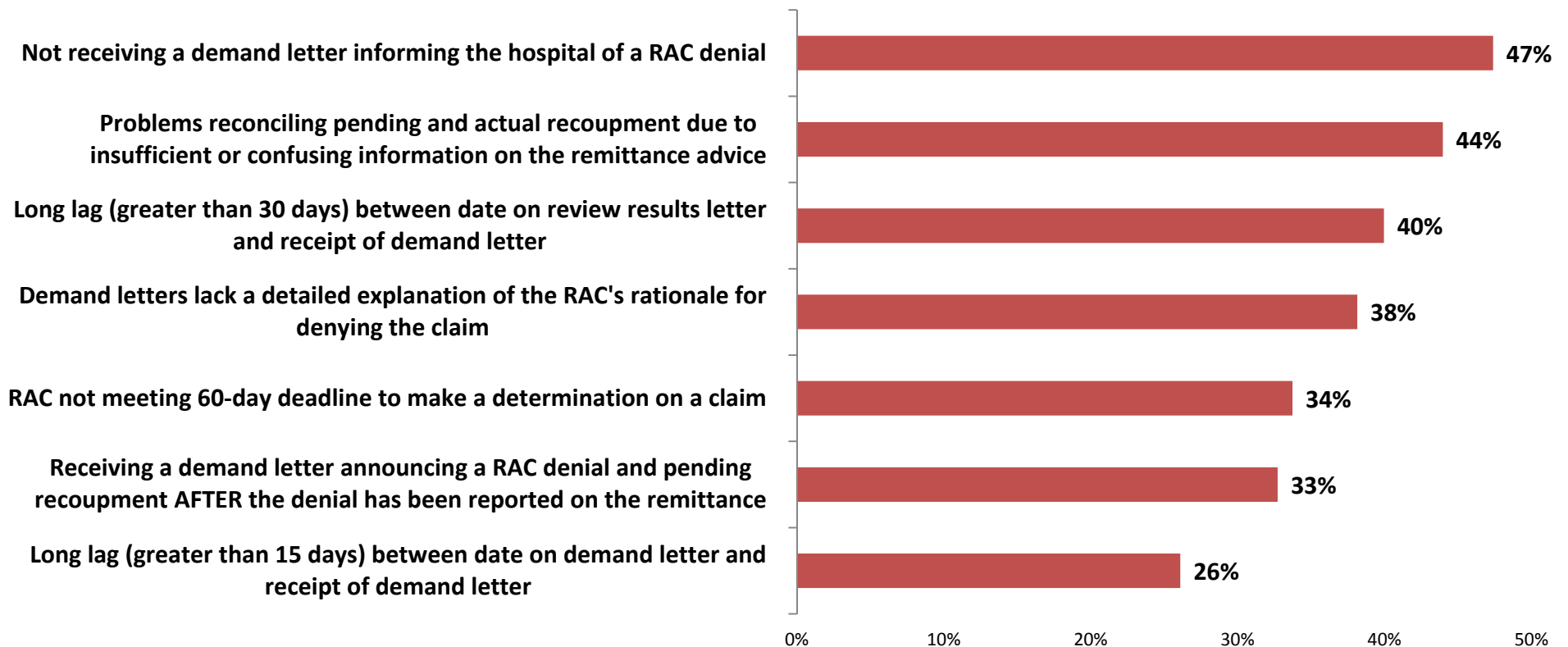
* Includes participating hospitals with and without RAC activity



Source: AHA. (August 2012). RACTRAC Survey
 AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 most frequently cited RAC process problem is 'not receiving a demand letter.'

Percent of Participating Hospitals Reporting RAC Process Issues, by Issue, 2nd Quarter 2012



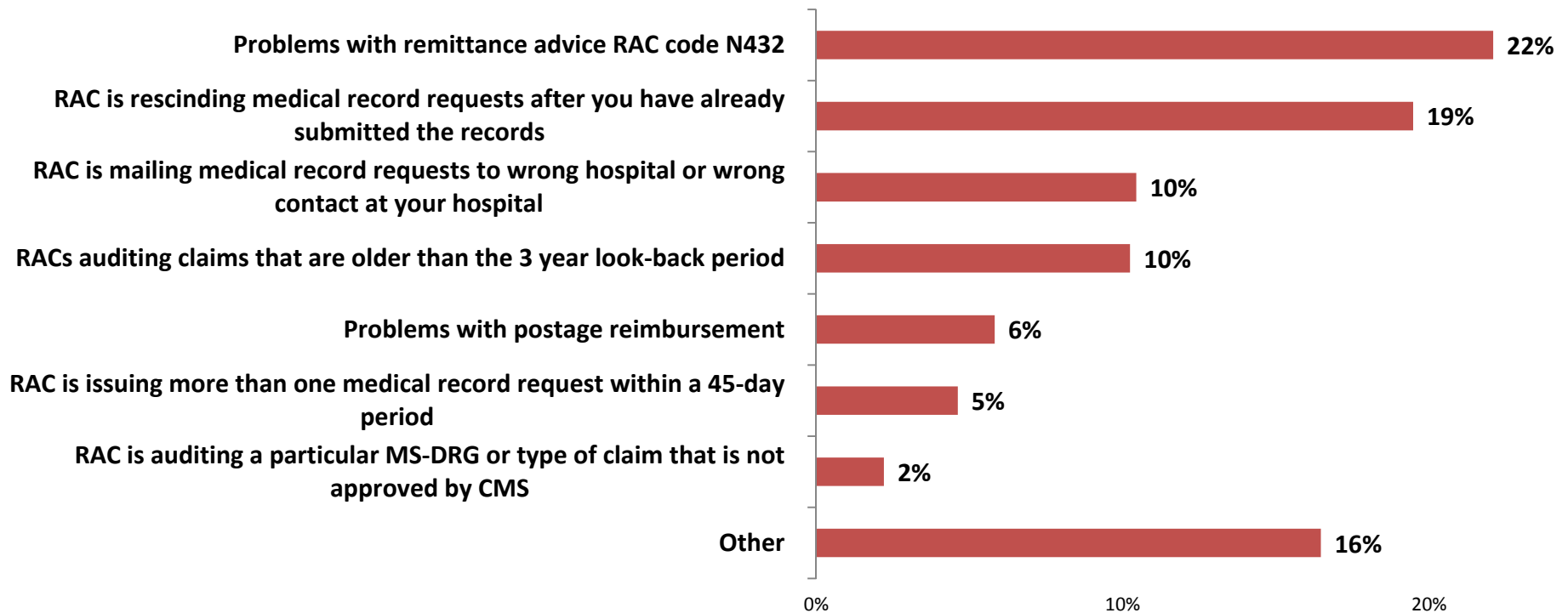
* Includes participating hospitals with and without RAC activity



Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 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 2012



* Includes participating hospitals with and without RAC activity

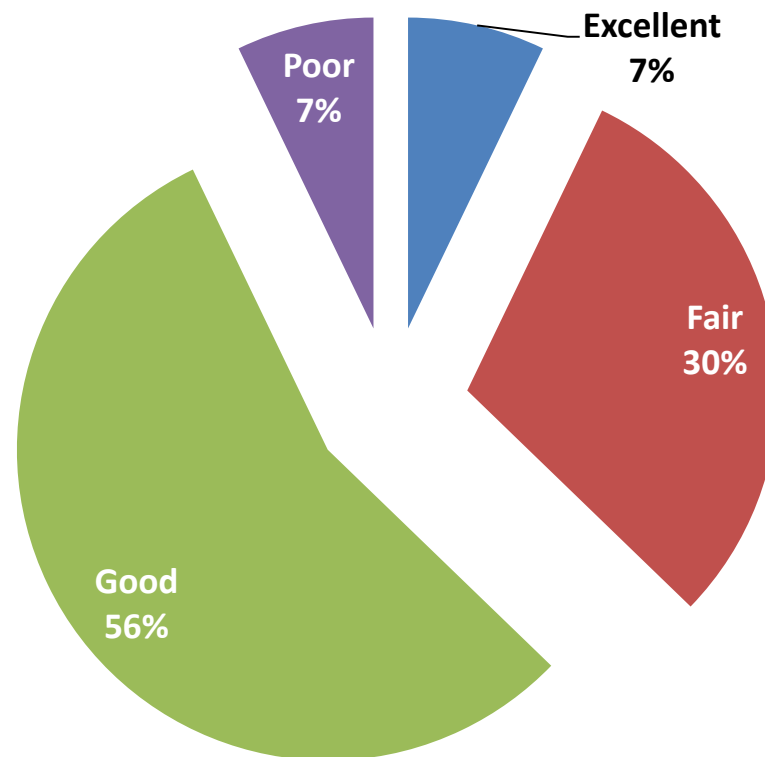
Source: AHA. (August 2012). RAC TRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 hospital respondents indicated RAC responsiveness and overall communication was “fair” or “good.”

Participating Hospitals Rating of RAC Responsiveness and Overall Communication, 2nd Quarter 2012



Source: AHA. (August 2012). RACTRAC Survey
AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 region B.

Participating Hospital Rating of RAC Responsiveness and Overall Communication, by Region, 2nd Quarter 2012

	Excellent	Good	Fair	Poor
Region A	14%	65%	17%	4%
Region B	4%	52%	33%	11%
Region C	5%	59%	30%	6%
Region D	8%	46%	39%	7%

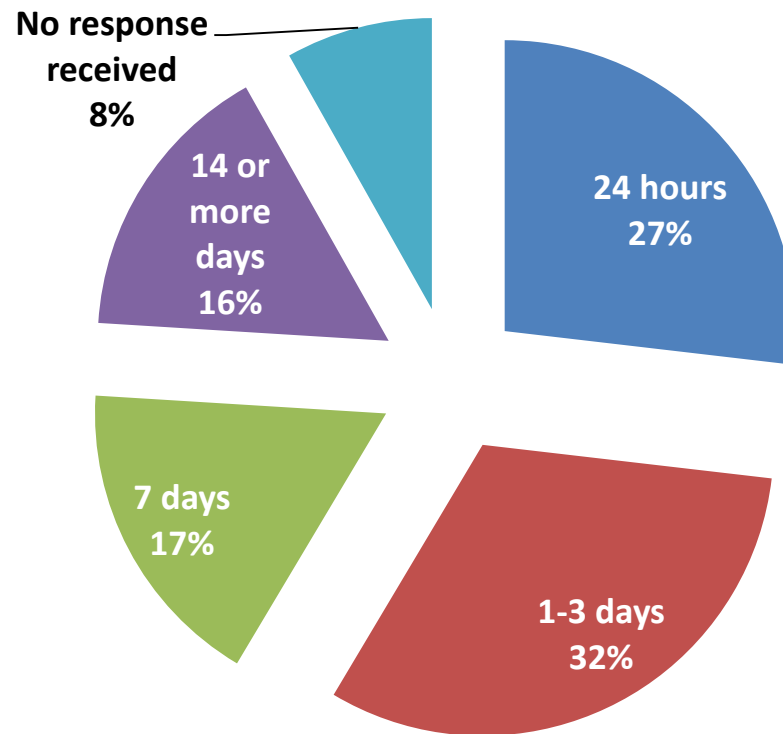


Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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 nearly a quarter of hospitals reporting they did not receive a response from their RAC for more than 2 weeks.

Average Number of Days it Took RACs to Respond to Hospital Inquiries for Participating Hospitals, 2nd Quarter 2012



Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. 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, 2nd Quarter 2012

	24 hours	1-3 days	7 days	14 or more days	No Response Received
Region A	44%	27%	15%	9%	5%
Region B	6%	29%	31%	25%	9%
Region C	36%	34%	10%	12%	8%
Region D	23%	35%	14%	17%	11%



Source: AHA. (August 2012). RACTRAC Survey

AHA analysis of survey data collected from 2,266 hospitals: 1,906 reporting activity, 360 reporting no activity through August 2012. Data were collected from general medical/surgical acute care hospitals (including critical access hospitals and cancer hospitals), long-term acute care hospitals, inpatient rehabilitation hospitals and inpatient psychiatric hospitals.



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

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