

Avoiding the Avoidable

Critical claim denial trends and how to create a corrective action plan

By Christopher L. Fowler, President of TruBridge, January 2019

While it's estimated that hospitals lose \$262 billion a year from insurance denials — which is about nine percent of all healthcare transactions¹ — it's possible to eliminate the majority of preventable and avoidable denials and **increase revenue** by implementing a comprehensive denial management strategy.

Ultimately, a denial management strategy allows organizations to work a small number of denials more efficiently and intelligently, ensuring the best opportunity for payment. A typical hospital puts about 10 percent of its revenue at risk due to denied claims, and 65 percent of denials are never worked,³ resulting in significant loss of revenue. But there is good news: the vast majority of denials can be avoided.

IDENTIFYING THE PROBLEM

Claim denials are a growing challenge for healthcare organizations. In fact, the cost of remediating denials through appeal averages \$118 per claim, or \$8.6 billion for U.S. hospitals overall.² There are many contributing factors, including:

- Registration inaccuracies
- Missing information
- Insurance ineligibility
- Invalid medical codes
- Lack of medical necessity
- Untimely filing

Hospitals find there is a significant return on investing in a comprehensive denial management program.

With proper analysis, 70 percent of denials can be recovered and 90 percent can be prevented.

UNDERSTANDING THE PROBLEM

Before a hospital can implement a corrective program, they need to clearly understand the various types and volumes of the denials. They can do this by tracking and analyzing claims data either manually or electronically.

Manual processes involve collecting the following: information on the payer that denied the claim, the reason for denial, appeal ability, date of denial, billing amount, amount denied, and the denial overturn percentage. A manual process takes 60 to 90 days and is ripe for errors.

A more efficient way is to analyze 835 remittance data electronically and uncover the root cause of the claim denials. A claims denial partner such as TruBridge can perform this analysis with virtually no effort from the hospital, looking both retrospectively and concurrently to uncover root causes. **A claims denial partner should provide an analysis that categorizes and prioritizes the denials into key areas that include the number of claims and the corresponding revenue opportunity.**

ADDRESSING THE PROBLEM

So how can hospitals permanently reduce denials in the future? First and foremost, hospital executives should have zero tolerance for preventable and avoidable claim denials. Without a zero-tolerance attitude, it's difficult to implement and stick to a correction plan.

Focus first on the areas that are causing the highest percentage of the denials and assign specific responsibility to implement corrective actions. These could be registration errors, poor utilization management processes, insufficient claim editing and tool problems, as well as faulty processes for following up on submitted claims.

The best denial management programs modify workflows across all departments, including financial and clinical areas, and according to industry best practices.

Furthermore, in some cases, hospitals find they need better medical necessity and insurance eligibility tools, more comprehensive claim scrubbing and editing tools, and a simple but efficient way to automatically manage any remaining denials.

If there's one message to hold onto, it's this: Hospitals that implement a comprehensive denial management strategy can eliminate the majority of preventable and avoidable denials and increase their revenue.

Are you tracking with these best practices?

In general, hospitals should track three metrics:

- **The overall denial rate** — an ideal rate would be 4% or less. Once they permanently reduce the overall denial rate, it will become more manageable due to better processes and tools.
- **Denial write-offs** — they should be 3% or less and calculated based on the percent of monthly net revenue.
- **Clean claim submission rate** — hospitals should aim for a rate of 95% or greater.

TruBridge, a provider of revenue cycle management solutions to more than 1,000 healthcare organizations, offers a proven and effective Denials Management Program, a three-step process designed to assist organizations with taking control of their denied claims. TruBridge utilizes data analytics, best-practice tools and consulting, and on-going performance management to maximize the payments received for the care provided. This program evaluates the entire claims process from start to finish, allowing TruBridge to uncover the root cause of denials.

Sources

¹ Philip Betze, "Claims Appeals Cost Hospitals Up to \$8.6B Annually," HealthLeaders, June 26, 2017

² Ibid

³ Chris Wyatt, "Optimizing the Revenue Cycle Requires a Financially Integrated Network," HFMA, July 7, 2015



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