



# Standardizing Denial Metrics to Improve Revenue Cycle Performance

## Presenters

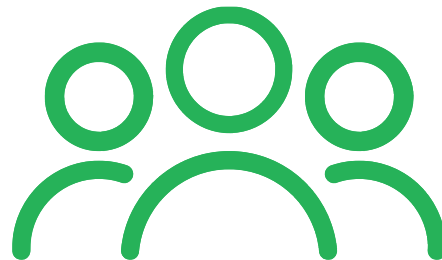
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## Learning Objectives

1

Identify HFMA's  
MAP Key Performance  
Indicators for denial  
management metrics

2

Learn how the MAP KPI's  
affect the revenue cycle  
and why you should be  
tracking them

3

How to implement  
your own claims  
integrity team within  
your organization

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## Did You Know...

**\$262  
BILLION**

Insurance denials cost  
hospitals \$262 Billion  
annually

**\$5  
MILLION**

Translates to an average of  
\$5 Million per provider

**65%**

of denied claims are  
never resubmitted

**90%**

of all denials are  
preventable

LaPointe, J., "262B of Total Hospital Charges in 2016 Initially Claim Denials," RevCycle Intelligence, June 26, 2017.  
Callahan, M., "Strategic Denial Management: The Key to an Efficient Revenue Cycle," RevSpring, blog, June 13, 2018.  
Gooch, K., "4 Ways Healthcare Organizations Can Reduce Claim Denials," Becker's Hospital Review, July 26, 2016;  
Haines, M., "An Ounce of Prevention Pays Off: 90% of Denials are Preventable," Advisory Board, Dec. 11, 2014.

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## HFMA Claims Integrity Task Force



- **Creating tools** to help delineate the scope of denials
- **Building awareness** of the issue and associated costs to the industry
- **Promote collaboration** among providers, clinicians and health plans
- **Help reduce the infrastructure** required to manage denials
- **Use this work to assist** in the evolving regulations

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## KPI Denial Metrics



- Initial Denial Rate (*MAP Key AR-5*)
- Denial Write-Offs as a Percentage of Net Patient Revenue (*MAP Key AR-6*)
- Primary Denial Rate
- Time from Initial Denial to Appeal
- Time from Initial Denial to Claim Resolution
- Percentage of Initial Denials Overturned

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[Claim Integrity Task Force \(hfma.org\)](https://hfma.org)



## Initial Denial Rates

- Monthly Initial Denial Population
- Rolling 90-day Average of Submitted Claims
- Set Goals and Proactively Reduce Initial Denials

Hospital A		Apr-22	
Denial Metrics		Volume	Dollars
Submitted Claim Average		10,015	\$ 54,547,653
Total Received Denials		1,434	\$ 6,528,498
Initial Denial Rate	14%		12%

Hospital B		Apr-22	
Denial Metrics		Volume	Dollars
Submitted Claim Average		10,565	\$ 73,120,275
Total Received Denials		1,675	\$ 10,330,283
Initial Denial Rate	16%		14%

Hospital C		Apr-22	
Denial Metrics		Volume	Dollars
Submitted Claim Average		11,829	\$ 15,406,275
Total Received Denials		1,272	\$ 1,811,681
Initial Denial Rate	11%		12%

FORMULAS

INITIAL DENIAL  
RATE AS A  
PERCENTAGE  
OF CLAIM  
VOLUME

Total initial denial claims  
Total claims submitted\*

INITIAL DENIAL  
RATE AS A  
PERCENTAGE  
OF CLAIM  
DOLLARS

Total initial denial claims  
gross charges  
Total claims submitted  
gross charges\*

\*Average of the 3-month period prior to  
the start of the reporting month

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## Final Denial Rates

- Lost Expected Reimbursement
- Adjustments After Appeal Efforts are Exhausted
- Denial Write-offs as a Percentage of Net Patient Revenue

Hospital A		Apr-22
Denial Metrics		Dollars
Net Revenue	\$	5,543,799
Final Denial Write-off	\$	(74,055)
Final Denial Adj %		1.34%

Hospital B		Apr-22
Denial Metrics		Dollars
Net Revenue	\$	9,079,119
Final Denial Write-off	\$	(92,364)
Final Denial Adj %		1.02%

Hospital C		Apr-22
Denial Metrics		Dollars
Net Revenue	\$	6,019,225
Final Denial Write-off	\$	(74,650)
Final Denial Adj %		1.24%

FORMULA

Net dollars  
written off as denials

Average monthly net  
patient service revenue

• Patient financial  
system income  
statement

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## Analysis by Category

- Assign CARC and RARC Codes to Appropriate Categories
- Assign Unique Adjustment Codes
- Root Cause Analysis

Apr-22			
Initial Denials by Category	#/Claims	\$\$/Denied	
Noncovered Services	559	\$	981,459
Info Needed	362	\$	482,659
Duplicate Claim	134	\$	345,257
Technical Billing	83	\$	269,321
Eligibility/COB/Registration	102	\$	212,217
Coding	124	\$	234,551
Prior Authorization	10	\$	311,130
Medical Necessity	27	\$	138,791
Provider	11	\$	121,764
Charging/Chargemaster	15	\$	11,270
Other	2	\$	16,382
Timely Filing	10	\$	78,469
NCCO/MUE	6	\$	1,328
<b>Grand Total</b>	<b>1,445</b>	<b>\$</b>	<b>3,204,597</b>

Apr-22			
Final Denial Write-offs by Item	#/claims	\$\$/Denied	
99013 - Non-Covered Adj	39	\$	(10,913)
99021 - MSE Adj	2	\$	(2,441)
99026 - Timely Filing PFS	33	\$	(9,971)
99028 - Provider not Enrolled	0	\$	-
99030 - Primary Paid Total Alw	6	\$	(797)
99033 - No Precert on File Adj	1	\$	(202)
99035 - Timely Filing Reg	22	\$	(6,765)
99036 - Timely Filing Clinical	1	\$	(124)
99037 - Untimely Appeal	2	\$	(2,751)
99038 - Untimely Rev Capture	2	\$	(689)
99039 - Lack of Provider Doc	12	\$	(18,803)
99075 - IP to OBS Downgrade (R&B)	1	\$	(8,064)
<b>Grand Total</b>	<b>121</b>	<b>\$</b>	<b>(61,520)</b>

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## Primary Denials

- Percentage of Zero Pay Remits Received Monthly
- Analyze by Payer Group for Anomalies
- Remit Level Zero's VS. Claim Level Zero's

May 2022 - Remit Level Zero's			
Payer Group	Zero Remits	Grand Total	% Of Zero Remits
AETNA	45	84	54%
APIPA	8	52	15%
BCBS	27	95	28%
<b>Cigna Commercial</b>	<b>104</b>	<b>142</b>	<b>73%</b>
Commercial	132	408	32%
Employee Health	3	3	100%
Humana	7	50	14%
Medicaid	6	16	38%
Medicaid MCO	9	50	18%
Medicaid MCO	7	44	16%
Medicare A	2	21	10%
Medicare HMO	7	78	9%
Military	75	179	42%
United Healthcare	85	215	40%
Work Comp	8	18	44%
<b>Grand Total</b>	<b>525</b>	<b>1455</b>	<b>36%</b>

FORMULA

Total number of zero remits posted in past 4 weeks

Total number of remits\* for primary payers only\*\* in past 4 weeks.

\*Payments and zero paid    \*\*Excluding duplicates

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## Primary Denials

- Claim Level Zero's
- Total Denied Charges Equals 100% of Gross Charges
- Primary Claims Only, Exclude Duplicate Denials

May 2022 Claim Level Zero's			
Payer Group	Zero-Pay	Total Denials	% of Zero-Pay
AETNA	43	398	11%
APIPA	20	1664	1%
BCBS	42	283	15%
Cigna	10	377	3%
Commercial	42	304	14%
Humana	4	96	4%
<b>Medicaid</b>	<b>249</b>	<b>492</b>	<b>51%</b>
Medicaid MCO	119	3719	3%
Medicare A	17	407	4%
Medicare HMO	29	932	3%
Military	37	263	14%
United Healthcare	41	574	7%
Work Comp	9	77	12%
<b>Total Denials</b>	<b>662</b>	<b>9586</b>	<b>7%</b>

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## Average Number of Days

- Allow Time for Departmental Collaboration
- Allow Time for Payer Processing

Average Time	
Initial Denial to Appeal	20 Days
Initial Denial to Claim Resolution	50 Days

FORMULA

Count the number of days from date of initial denial remittance until appeal submission date.

FORMULA

Count the number of days from date of initial denial remittance until claim resolution\*.

\*Zero balance with or without payment

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## Initial Denials Overturned

- Measure Appeal and Rebill Efficiency
- Recommend 6-Month "Look Back" Period

Jan-22 Hospital A		
	Volume	Dollars
Appeal / Rebill	1086	\$ 3,609,194
Appeal Decision Overturned	652	\$ 1,985,057
Total Initial Denied	1552	\$ 6,444,990
<b>Overturned Rate</b>	<b>42%</b>	<b>31%</b>

FORMULAS	GROSS CHARGES	Initial denials overturned and paid (gross charges for overturned and paid claims)
		_____
		Total initial denial dollars paid and adjusted (gross charges)
		_____
	CLAIM VOLUME	Initial denials overturned and paid (claim volume)
		_____
		Total initial denials paid and adjusted (claim volume)
		_____

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## Initial Denials Overturned

- IP Medical Necessity and Authorization Denials
- Paid After Converting to OBS
- Recommend 6-Month "Look Back" Period

Jan-22 Converted to OBS		
IP Downgrade to OBS	5	\$ 236,251
Total IP Denials	12	\$ 592,263
<b>Converted OBS Rate</b>	<b>42%</b>	<b>40%</b>

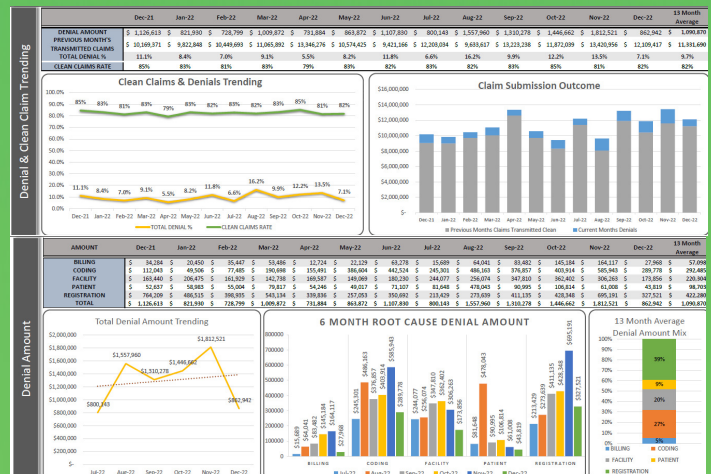
FORMULAS	CONVERTED TO OBSERVATION	Total inpatient denials overturned and paid converted to observation
		_____
		Total inpatient denials overturned, paid and adjusted
		_____

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## Analyze the Data

- Compile the Data and Build the Report
- Set Averages and Target Goals
- Monthly Tracking and Trending
- Compare Performance to Peer Facilities

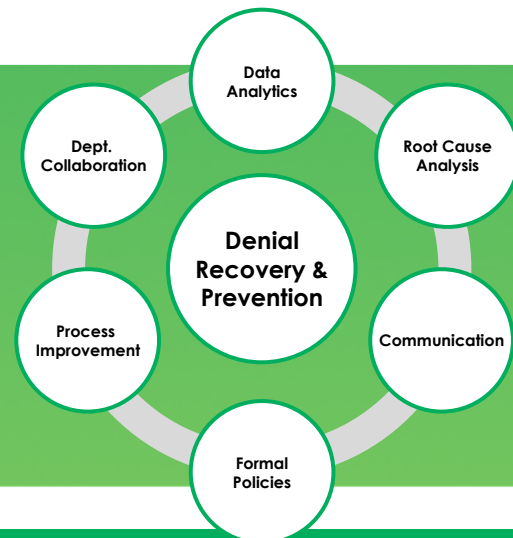


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## Take Action

- Build Tiger Team
- Ask 5 Why's and Listen
- Create "Best Practice" Policies
- Streamline Inefficiencies
- Case Studies



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## Future Innovation

## Machine Learning Through AI

## Predictive Denials

## Better Collaboration with Payers

“ A recent report by Accenture concurs, projecting AI will increase workflow efficiencies and improve productivity across all industries by up to 40% by 2035 ”

Deady, J., "Four technology trends to support revenue cycle management," Health Data Management, January 29, 2018.

# Questions?

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