



Attacking Denials from Both Ends

Practical Strategies for Denials Management

Denials present a top revenue cycle management (RCM) challenge for most hospitals and health systems. They burden workloads, increase time to process accounts, and delay reimbursement—all which significantly impact a provider's revenue cycle and overall financial health.

As slimmer budgets, growing patient responsibility, consolidation of providers and insurers, and the ICD-10 rollout continue to reshape healthcare's landscape, providers' internal resources are often stretched to keep up with the sheer volume of denials. Nearly 70 percent of hospitals experience issues internally¹ trying to determine whether information management, patient accounting or clinical areas should be responsible for recoding these accounts.

With a 30 percent shortage of US medical coders,² bill scrubbing and recoding is often pushed to higher paid clinical staff or conversely to under-qualified billers who are much less effective at overturning denials—both of which can be costly. Many organizations opt to write off low yield, high volume accounts, contributing to the national average of 3 percent for write offs³ and resulting in millions of dollars being left on the table.

Although improving forensic billing and denials management on the backend are important, a staggering 90 percent of denials are actually preventable.⁴ Thus, healthcare providers also need to enhance denials prevention at the front end so claims move through the system cleanly—avoiding the denial cycle altogether.

Strategies to Better Manage and Prevent Denials

By embracing proven steps and strategies such as those outlined below, healthcare providers will be able to manage and prevent denials more effectively, saving valuable time and resources while protecting their bottom lines.

Change your approach. For many healthcare organizations, traditional billing follows a linear workflow model that looks something like this: Submit claims → wait for denials → address them. But in today's evolving landscape, forensic billing alone isn't enough. Hospitals and health systems need to move beyond this model and rethink denials management to preserve their financial health. Instead, they must be proactive to protect their revenue and prevent costly errors from occurring and recurring.

Five years ago, the University of Pennsylvania Health System (UPHS) managed denials and appeals internally and followed a linear workflow model. As denials increased, they found they were unable to manage the volume and turned to an outside vendor to help either automate processes using software

solutions or address specific types of claims or denials. Last year, UPHS was able to recover \$10 million in cash by engaging ARMCO Partners to proactively clean edits, resubmit denials on technical errors and locate missing charges.

Refocus your expensive coding staff. Preventing and recovering denials is vital to an organization's revenue cycle. It demands time and effort, which can be costly. Yet, providers are in the business of improving patients' health and saving lives. Their core competencies generally do not include recovering claims or overturning denials, especially not the low yield, high volume accounts that tend to drain already limited resources.

Instead, providers should focus the expertise of their valuable coding staff on recovering high dollar accounts. For instance, a large hospital might focus its internal resources on accounts over \$10,000. They can then outsource low yield, high volume accounts, enabling them to maximize revenue and cash flow without consuming their valuable resources.

Manage your ever-changing workload. Like most cyclical processes, the revenue cycle has its own ebb and flow. At the start of the year, renewed deductibles and out-of-pocket limits put more financial responsibility on patients, requiring a shift to patient outreach and collections. Other events such as denial bumps or end of year clean up also make the revenue cycle more dynamic. During these times, organizations often overtax staff. Not only does this contribute to staff burnout, it is an inefficient use of resources and may drive up expenses.

According to the Healthcare Revenue Cycle Denials Management Survey reports, 63 percent of respondents needed immediate help, and 86 percent required additional staff or information to resolve denials.¹ In light of the magnitude of the need, hospitals and health systems can better accommodate RCM dynamics by outsourcing to a partner that offers the scalability, expertise, and personnel to mitigate and prevent backlogs.

Leverage data. Advances in electronic health records are helping clinicians provide more effective care to their patients thanks to the data they collect and manage. Similarly, data can be leveraged in the revenue cycle to help mitigate and prevent denials. Organizations can measure and then use this data to gain a clear view of revenue cycle performance, allowing them to track denial codes and other key performance indicators.

Identify trends and their root causes. Leveraging data, hospitals and health systems can also identify workflow trends and their root causes. This takes the guesswork out of making business decisions, enabling them to fix problems and prevent similar denials from recurring.

Be proactive. Eligibility is a leading cause of denials. Hospitals and health systems should implement processes—as early as at pre-registration—to more accurately determine eligibility and prevent related denials downstream.

Stop the pattern. RCM has a lot of moving parts. In order to stop denials from recurring, leadership and staff need to stay at the forefront of changes by being educated and trained on any new processes, regulations, technology solutions and tools. They should also be reviewing outcomes together monthly so adjustments can be made in a timely manner and successes can be celebrated to promote adoption and buy-in.

Conclusion

With alternative reimbursement models, such as value-based care, added to the patients' growing financial responsibility, hospitals and health systems need to account for and recover every penny in order to preserve their bottom lines.

Outsourcing denials management, Healthcare providers not only can manage denials but prevent them from occurring by successfully allocating internal resources to higher-dollar claims while vendor partners mitigate denials in a more timely, cost-effective manner—ultimately, optimizing resources and the revenue cycle.