

HOW DEEP ARE YOU INTO DENIALS?

By Charles E. Garrity, Jr.

Getting a grip on denied claims and associated write-offs

Denial management presents both challenges and opportunities to improve each aspect of the revenue cycle. Aggregating denial data for a fuller understanding of the results of flawed business processes, such as eligibility and coding procedures, and effectively reporting on and managing denials can be the means to enhanced business processes and an improved bottom line. However, denials are too often thought of as an end in themselves, rather than an opportunity to measure and improve performance.

IMPROVING THE PROCESS

The first step in implementing a denials management strategy is to make sure that the total population of denials is captured in your billing system. Focus not only on denials you receive from payers via explanations of benefits and remittance, but also on the initial claim rejection edits whereby many payers "bump" claims back to providers before they enter the payer's adjudication system.

HIPAA regulations have attempted to standardize denials into general remark codes, but this process has not yet been adopted universally, and private payers still have their own proprietary denial codes. In addition, many providers complain that payer edits are not standardized and leave room for interpretation. Nonetheless, the definition of most codes should be relatively straightforward. Each payer edit and denial should be cross-mapped to a general category that can be identified across payers.

The second step is to implement a comprehensive reporting process to identify the impact of your denied claims in dollars and units. Focus on aggregate analysis initially and then drill down into detailed claim data only after you have completed the major cumulative analysis. Too

often providers "drown in the detail" of hundreds of lines of claim denial data. Concentrate on the overall denial rate, and the breakdown and major categories within, to find the root cause of the denial problems. Then focus on benchmarks, such as percentage of total claims/charges denied, average number days to respond to denial, percentage of denied claims resubmitted, and percentage of denials written off.

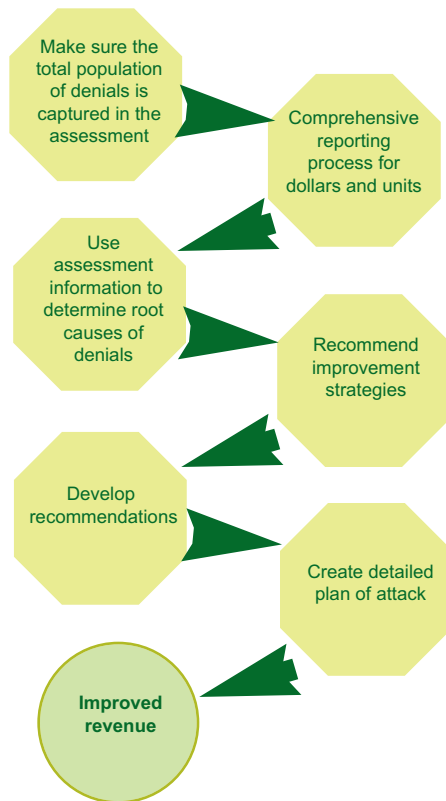
The use of a denials management database (internal or external to your billing system) will allow you to utilize robust technology to extract, manage and provide dynamic reports on denial trends. Denials management tools, preferably Web-based, can analyze current trends and denial data and identify causal factors for immediate resolution. The database can also serve as an excellent management tool for ongoing quality improvement efforts and workflow management. By taking this step, you'll be able to generate high-level management reports that summarize denials by rejection category, payer, business unit and operational function.

The third step is to use the information gathered in the denials assessment to determine the root cause of the problem and recommend strategies for improvement. Denial data should be freely shared across the business units that affect the process.

Form cross-functional teams, with key members from each business function to collaborate on root causes of the problems and to suggest realistic solutions to resolving denials at their sources.

A cross-functional team fosters communication and represents the complete revenue cycle. Your

team should generate a list of key recommendations for review by an oversight committee, which can put the recommendations into action.



DENIAL RESOLUTION

The final step is to develop a detailed "plan of attack" to resolve the denial issue. Start with an opportunity matrix and implement those recommendations that offer a high-dollar yet relatively low operational impact.

Best practices should be evaluated to see if similar organizations have resolved the issues you face. Set goals for a drastic decrease in the percentage of denials and focus on trouble areas.

Stay current with denial trends. Evaluate denial data closely (on a daily basis) to understand the impact of the recommended changes. Make sure the denial management process is integrated into your everyday workflow. Set up coordinated response teams to appeal denials and provide supporting documentation to payers.

You should also set response teams by payer. For example, it is advantageous to have an individual familiar with Medicare regulations to take the appropriate steps in appealing Medicare claims. Contact your major payers frequently to review denial issues and contract terms and to stay on top of current denial patterns.

By creating a proactive methodology in denials management, your organization will benefit from a more organized process and an improved bottom line.

Chuck Garrity is a Regional Manager for Beacon Partners. For more of insight on improving your revenue processes, please contact cgarrity@beaconpartners.com.

Beacon Partners is one of the fastest-growing privately-held healthcare management consulting firms, coaching organizations in the development of strategies that are centered on maximizing Enterprise Yield performance. To achieve top levels of performance, an organization must factor strategic direction, physician alignment, economic incentives and overall market impact. Our experience has proven that focus on these critical success factors will strengthen an organization's position in the market and, ultimately, improve the patient's experience with the provider.

Please visit <http://www.beaconpartners.com> and Beacon Partners' special healthcare informational portal, <http://www.spotlightonhealthcare.com>.

1.800.4BEACON | www.beaconpartners.com
BOSTON • SAN FRANCISCO • TORONTO