Denial Management: Best Practices and Evaluation

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Internal Audit Webinar Series

Webinar Agenda

- Project Overview
- Background
- Audit Objectives
- Risk Assessment
- Audit Procedures
- Leading Practices in Place at UCSF
- Observations
- Lessons Learned
- Conclusion
- Q&A
- Resources

Project Overview

- **Title and timing**: Denial Management, August 2014
- **Project type**: Revenue Cycle Audit
- **Purpose**: Assess the effectiveness and efficiency of the denial management process
- **Scope**: Inpatient denials from October 2013 through April 2014
- **Resources**:
  - **Staffing:** Principal Auditor
 - **Budget:** 185 hours total

Importance of Denial Management

- Cost:
  - Write-offs are around 3% of net revenue
- Increased risk:
  - Gross charges denied as a percentage of billing value is growing
  - Increased complexity in billing requirements
- Benefit:
  - Most denials are appealable…
  - But prevention is better

Executive Summary

Overall: Patient Financial Services (PFS) has put in place a variety of processes, procedures, and technical tools to identify and manage denied claims and PFS is generally following industry practices for denial management.
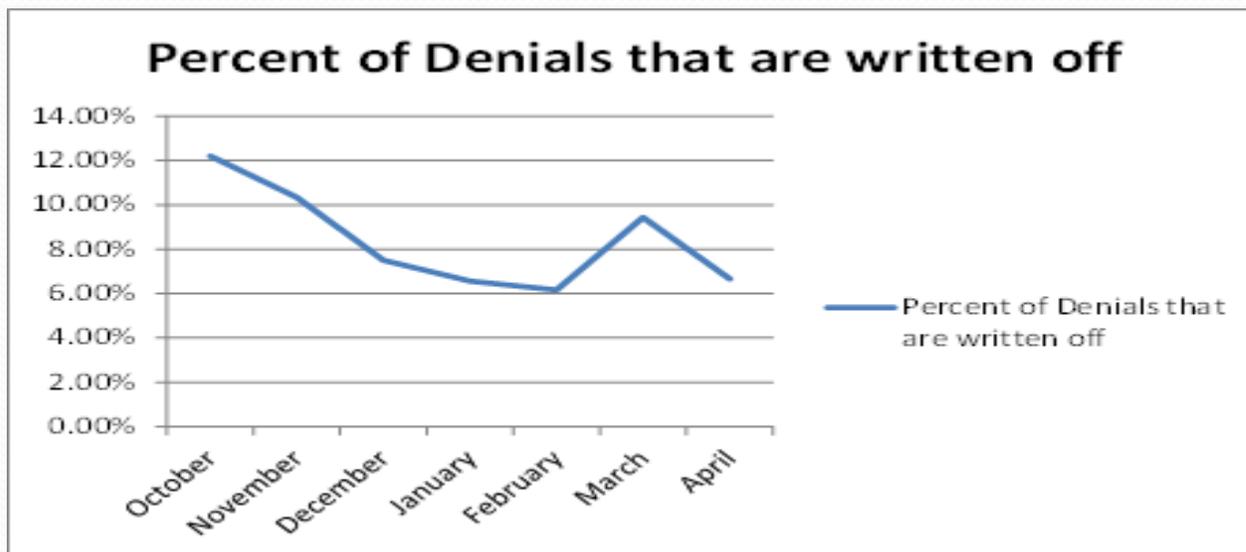
Risks identified for this area include lack of processes to track denials, identify root causes, and deploy denial prevention strategies. Additionally, communication between denial processers and clinical departments can be a barrier to successful denials management.

Percent of Denials that are written off

Background

- Denial Process
  - Occur when payor perceives errors in a claim
    - Technical, process, medical necessity
  - Payor notifies claim submitter of non-payment, along with reason
    - Authorization
    - Coding
    - Documentation
    - Eligibility
    - Late Filing
    - Routing
  - Denial is reviewed and action taken
    - Appeal, resubmit with additional information, transfer, write-off

Background (cont'd)

Patient Financial Services (PFS)

- **Organizational Setting:**
  - Patient Financial Services (PFS) has responsibility for billing, managing, and collecting Medical Center revenue for inpatient and outpatient services provided throughout the UCSF provider network
  - Denials are processed by follow-up staff who also are responsible for billing submissions, collections, requests for information, and write-offs. They are split into two sections: one section deals with government payors, the other with commercial payors

PFS

Government Payors

Commercial Payors

Staff

Staff
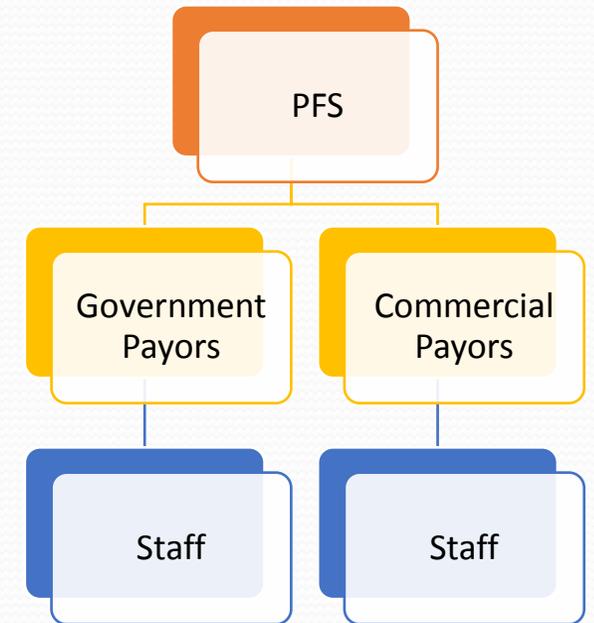
Background (cont'd)

- Prior work done:
  - Audit Services (2009)
    - Similar review on previous system
  - Huron (2012)
    - Denials Management structure
    - Use of APeX
  - Multi-Care (2013)
    - Entire revenue cycle process
    - Enhanced reporting

Audit Objectives

- Assess the adequacy of the internal controls in place for effective and efficient management of denials

- Determine the effectiveness of the processes for denials prevention

- Evaluate the processes for denial resolution for effectiveness

Risk Assessment

- Risk assessment sources:
  - Prior reviews
  - Industry white papers
  - Consultant reports
- Main areas of risk:
  - New processes
  - Turnover in PFS
  - Insufficient information gathered at time of service
  - Insufficient information from payor
  - Barriers to communication

Audit Procedures

- Interviewed staff involved in denial management in order to determine whether denials were being defined and tracked

- Assessed the denial process to determine if management was following industry practices, and whether there were potential improvements that could be implemented

- Reviewed the Billing Department Code, Reason Code Trends, and Average Write Off reports containing information on denials and write-offs to assess the oversight and monitoring of denials

Areas excluded:
- Case management processes
- Actions taken by department management
- Patient Access processes
- Outsourced denials

Audit Procedures (cont'd)

- Conducted further analysis by trending and analyzing the data contained in these reports in order to conclude on the effectiveness of the denial management process
- Determined if root cause analysis was being conducted on denials and if this analysis was being documented in the issues log
- Analyzed the issues log and reviewed trends in denials that had been identified in order to determine actions being taken were effective in reducing future similar denials
- Analyzed write-offs due to untimely appeal and follow-up to determine if the denial resolution process was working efficiently

Leading Practices in Place at UCSF

- Integrating multiple groups into the revenue and denial management functions to enable better identification of trends and assignment of resolution
  - Subcommittees included representatives from ADT/Registration, Case Management, HIMS, PFS, and Billing Office
- Clearly defining roles, responsibilities and organizational structure for denial management for enhanced accountability
  - PFS provides timely information to designated representatives for functional areas
  - Bi-monthly meetings held by Denials Task Force
  - Responsibilities assigned for trend and root cause analysis

Leading Practices in Place (cont'd)

- Monitoring, measuring and reporting of denials for improved identification of trends
  - Denial Reason Code (DRC) report
  - Billing Department Code (BDC) report
- Tracking and trending rejections to identify on-going issues
  - Issues Log
- Monitoring write-offs and maintaining appropriate authorization levels for write-offs to improve revenue collection
  - Avoidable Write-Off (AWO) report
  - Approval authority in APeX

Leading Practices in Place (cont'd)

- Communication to appropriate clinical and front-end departments to facilitate more timely resolution of denials
  - Use of referral processes in APeX
- Implementing appeals process across departments for improved timeliness and effectiveness
  - Integrating technology between clinical and revenue cycle process areas for enhanced communication
  - Use of APeX capabilities and analysis results

Leading Practices in Place (cont'd)

- Integrating denial recovery activities to improve efficiency and effectiveness of denial resolution
  - Classification for appropriate assignment and actions
  - Workflow enhancements
- Providing feedback on denials to appropriate back-end departments (Finance, Information System) for improved information and data reporting
  - Enhanced classification structure and timely data
  - Additional review for accuracy

Leading Practices in Place (cont'd)

- Improving communication/negotiation with payer to reduce non-preventable denials
  - Identification of issues
  - Communication with contracting

Observations

- Classifying all denials to ensure that complete data on preventability and owning areas for denials are captured
  - Not a hard stop, may not have complete information
- Providing feedback to the follow-up staff responsible for selecting owning areas, root causes, and preventability for denials when poor or missing selections are identified
  - Secondary review improves accuracy, but tracking of individual accuracy not done
- Setting performance goals and targets for denial management
  - Tracking done for issue identification, not performance

Summary - Lessons Learned

- What went well
  - Clear benefit to review
  - Structure allowed for concurrent improvements
- What obstacles occurred
  - New process
  - Staff in flux
- How can denials information be used
  - Future revenue cycle reviews

Conclusion

- Key takeaways for denial management
  - Increased capture and analysis of data
    - Different data points and trends
      - Denied Days per Admission
      - Denials by Service Area
  - Consistent communication
  - Adaptability
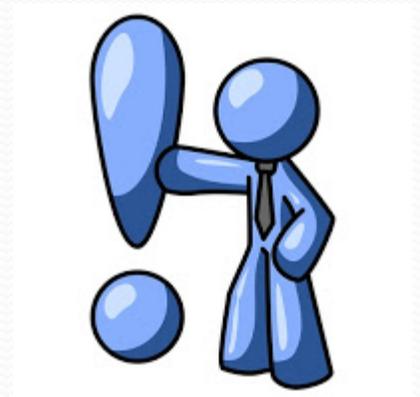
Q&A

Additional Resources

- HFMA
  - hfm magazine
    - February 2015 - Reducing Lost Revenue from Inpatient Medical-Necessity Denials
  - Webinars
    - November 2013 – Denials Management: Throwing ICD-10 in the Mix
- AHIA
  - New Perspectives
    - June 2010 - Aim High: High-Value Revenue Cycle Audits Protect and Improve the Bottom Line
    - June 2009 - Focusing on Preventing Denials: How to Assist

Audit Program

Audit Objectives	Test Steps
Assess the adequacy of the internal controls in place for effective and efficient management of denials	1. Review denials policies and processes for clarity and thoroughness. 2. Validate that denials are defined and tracked. 3. Review oversight and monitoring of denials processing such as the analyses done on denials for best practices of data reviewed. 4. Trace a sample of denials through the process to validate that the owning area for the denial is assigned appropriately, a root cause has been selected and is appropriate, and the denial is labeled as avoidable or unavoidable.

Audit Program (cont'd)

Audit Objectives	Test Steps
Determine the effectiveness of the processes for denials prevention	1. Validate that root cause analysis is being performed on denials 2. Assess the tools and strategies for denial prevention that are being used for effectiveness. 3. Identify best practices in denial prevention and determine if UCSF is following them. 4. Review APeX functionality to determine if additional use can be made of features in APeX that would add to the efficiency and effectiveness of the denial management process.

Audit Program (cont'd)

Audit Objectives	Test Steps
Evaluate the processes for denial resolution for effectiveness	1. Analyze denials coming from appeals or resubmissions due to timeliness of appeal or resubmission. 2. Trace a sample of denials through the process to validate the process is working as intended and denials are appealed or resubmitted appropriately or other follow-up is conducted as needed.