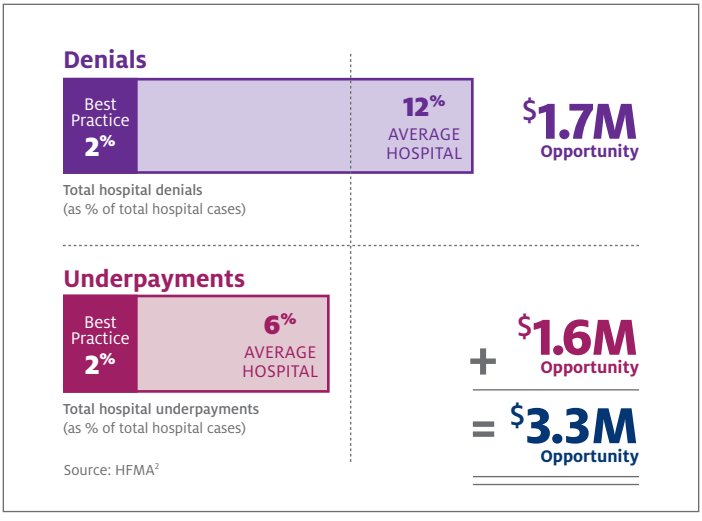
Guide to a Denials Improvement Process

No health care organization is immune to claim denials. For years, denials have been considered a necessary cost of doing business. Reduced reimbursement margins and increasing payer scrutiny means health care systems must be more diligent in preventing and managing denials.

An average 350-bed hospital with 40 percent managed care penetration, for example, could miss $3 million in incremental revenue by failing to address denials and underpayments.[1] Many health care organizations, however, lack the resources and/or expertise to tackle the challenges and pursue the opportunities on their own.

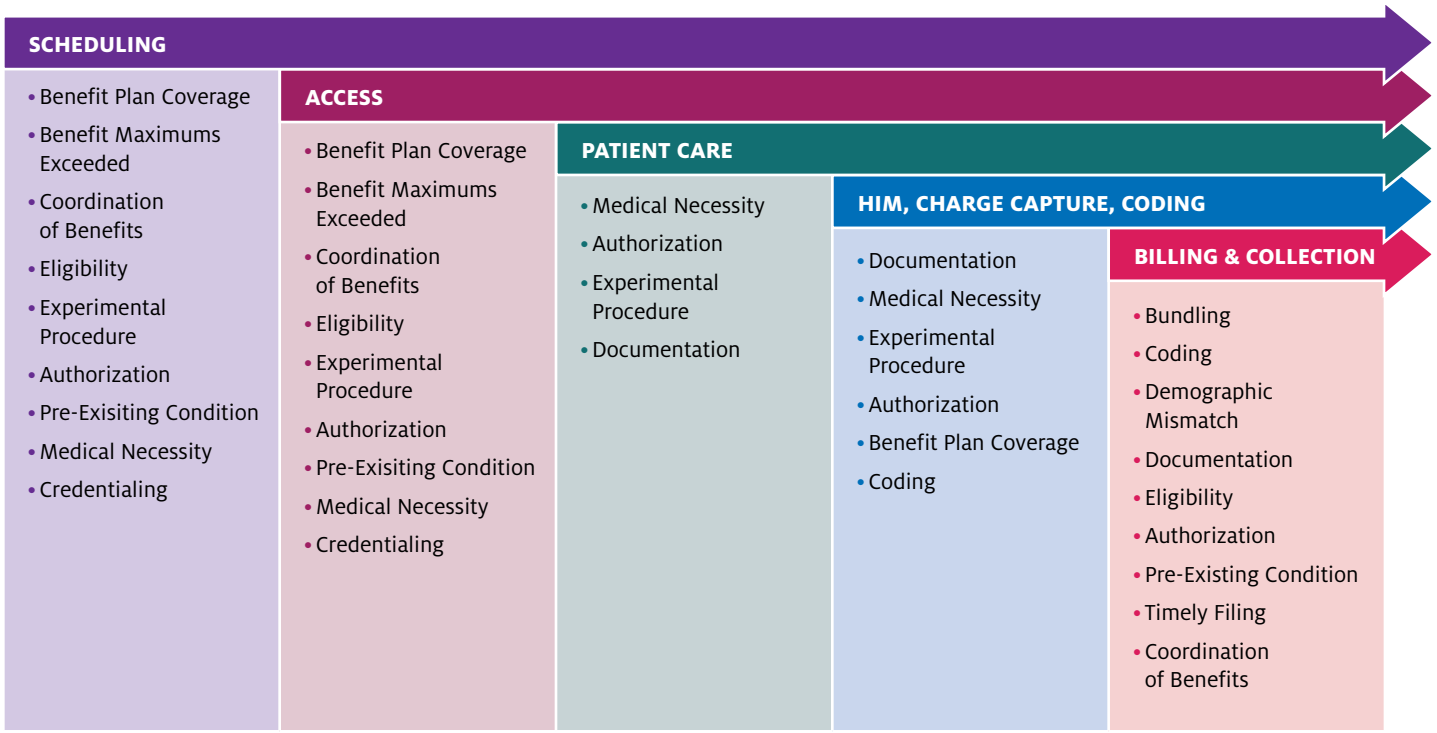
All health systems, regardless of size, are exposed to denials risk throughout the patient care lifecycle. There are countless touch points where a denial can be triggered, from scheduling and registration, to charge capture and coding, to treatment and billing.

Deficiencies at any one point can limit your health system's ability to normalize and manage denials to meet the industry best practice of 2 percent of net patient revenue. In fact, in the average hospital, 12 percent of claims are denied.[2] Not managed properly, this highly complex part of the revenue cycle can negatively affect your profit margins.



RESOURCE REALITIES AS DENIALS IMPACT THE ENTIRE REVENUE CYCLE

Health systems report a number of barriers to effectively managing denials. Many have inadequate or inconsistent clinical staff to handle clinical denials, and find it difficult to attract and retain these experts. Business office staff often lack the knowledge to file quality clinical and administrative appeals and use data to prevent denials upstream. Sheer volume is another



problem for business office teams who can't keep up with normal collections and denial follow-ups.

On the process side, denials improvement can be hindered by ineffective collaboration between departments and insufficient reporting tools to analyze and track denials. Compounding these problems are the absence of industry standards for identifying denials and the cumbersome nature of denials management.

A good first step is to make an assessment of your health system's performance related to denial prevention and management.

Critical questions to ask:

- What percent of accounts receivable (A/R) is tied up in denied accounts?
- How much cash is lost in denials write-offs?
- Which payers account for the most denials as a percentage of the patient service they steer? Which hospital departments as a percentage of their book of business? Which physicians as a percentage of patients they treat?
- How many/which payers limit the hospital to one appeal? Which payers count one medical record submission as an appeal?
- How quickly are denials resolved?
- What is the win/loss ratio by payer, service area, physician, denial reason?
- Are appeals submitted within the appropriate time frames?
- How many denials have already expired?

What's next? Because there are so many points in the revenue cycle at which denials present risk, your health system is best served by taking a comprehensive approach that integrates root cause analysis, denials management, appeals, recovery and collections.

SHIFT FROM DENIALS MANAGEMENT TO DENIALS PREVENTION

Turning the tide from denials management to denials prevention and recovery requires a shift in thinking and a comprehensive approach. This includes an appropriate mix of improved technology, skilled people resources, and corrective action plans with sustainable management systems.

Identify and correct issues at the source

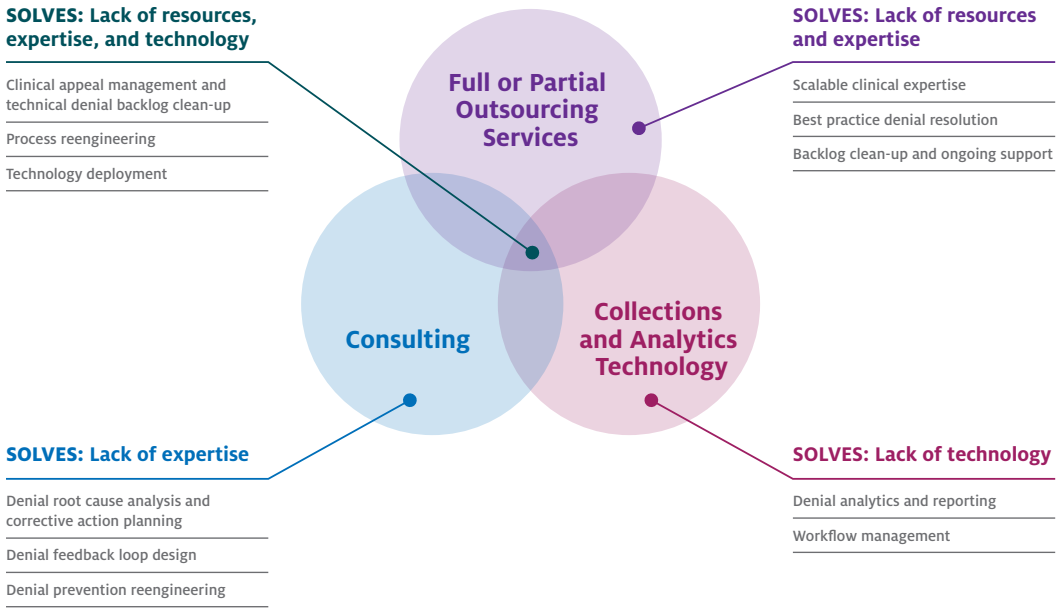
If your responses indicate denial risk, the next step is to conduct analysis to identify trends, uncover root causes and find "hot spots" for immediate action.

One way to accomplish these goals is to work with a consulting partner like nThrive whose in-depth solutions can pinpoint and correct root causes, smooth out inefficient workflow processes, and spot and engage payers with outlier denial rates.

nThrive's Denials Recovery Improvement Program helps your health system assess and map denials activity, then design cross-department processes to not only find denials causes, but prevent them in the future. This comprehensive approach features:

- Board-certified doctors and nurses, health care professionals and payer experts that normalize denials across payers

Address Denials at All Points of the Revenue Cycle



- A consultative approach for developing provider-owned sustainable processes for identifying and correcting root causes of denials, and implementing management systems to sustain them and deliver improved margins
- Technology tools for ongoing denials management and tracking that automate workflows to improve correction and re-filing that integrates with existing patient accounting systems.

ROBUST REPORTING

Timely reporting and analysis of remittance and denial data throughout the denials management process can improve cash flow and overall financial performance.

nThrive helps health systems use their denial data and EOB information to create ad-hoc and standard reports showing performance metrics such as:

- Active workload management
- Staff productivity
- Financial analysis of incoming denials
- Identified payer denials aging and status
- Claim and provider-level incremental net recovery
- Denial rates by physician, department and payer
- Denials by reason code
- Unidentified payer denials

Reports can be generated for measuring and managing staff and department performance on errors and upstream revenue opportunities.

Successfully appeal and recover earned reimbursement

Facing a rising tide of denials, health systems have little choice but to pursue aggressive appeal strategies. A shortage of good clinical appeal writers in health care organizations, however, has led many to turn to outsourced partners such as nThrive for resources and expertise.

nThrive's Denials Recovery Services helps your health system recover lost revenue by using board-certified physicians and nurses to appeal and conduct root cause analysis for clinical and technical denials. This outsourcing service appeals difficult administrative and no-authorization denials through a clinical evidence-based process with real-time workflow and tracking for improved denial performance. Advanced, detailed reporting gives complete visibility of denial activity by payer, category, physician, inpatient and outpatient to improve denial prevention.

nThrive can provide outsourced teams to help with denial recovery, backlog cleanup and business process integration. Once sustainable processes are established and normalized, nThrive's technology and field experts ease the transition to denials management ownership back to your health system.

These solutions have been proven highly effective for many health systems; nThrive appeals 88 percent of denials for their clients and wins 35 percent of the time.

Deliver higher rates of collections

Collections is another sore spot for hospitals attempting to recover denials revenue and underpayments. Account volume is overwhelming, with the average collector having more than 10,846 open accounts at a time, an increase from 5,177 in third quarter 2013. Collections are also very expensive. In many patient financial services (PFS) departments, the follow-up team is the largest, with an average of 34.02 collectors on staff. The average cost to collect each dollar rose from 1.99 cents at the end of 2013 to 2.03 cents in the first quarter of 2014.[3]

To improve revenue recovery and increase productivity, your health system may want to engage a partner to deliver technology solutions, create workflows and develop teams who can sustain positive momentum.

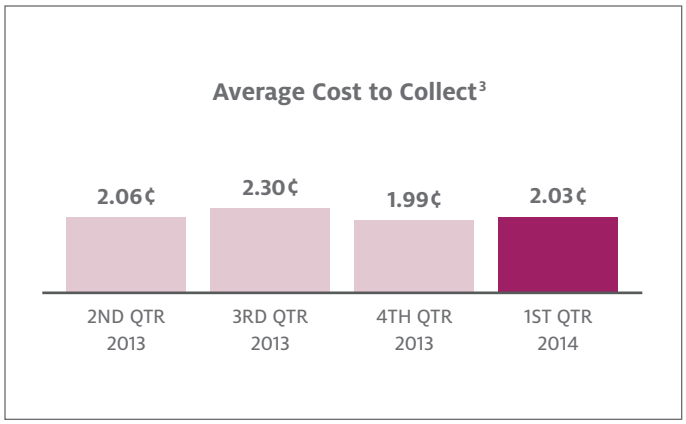
nThrive's Collections Management, for example, streamlines the collection process and increases in-house staff productivity while accelerating net revenue collections. Collections Management provides automated, customizable business rules to drive A/R processing, guiding collections staff to focus on the right accounts at the right time to return the highest revenue. This tool delivers quick access to vital information for staff and management to push performance to its fullest potential, create efficient workflows and collections, and reduce write-offs.

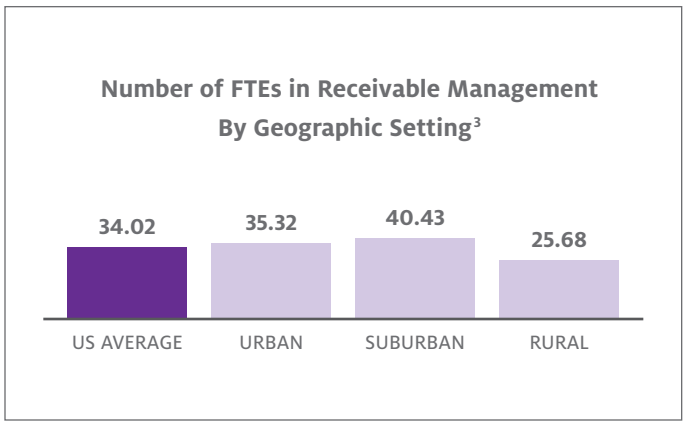
Collections Worklist, another nThrive solution, improves cash flow and reduces administrative costs and write-offs while providing reliable, actionable data and analysis. This standalone, Web-based tool features a powerful rules engine and capabilities to consolidate vital data for denials and underpayment insurance follow-up and reporting. Your staff can identify denials through payer-specific denial mapping and determine net cash exposure on full and secondary denials for accurate reporting and work prioritization. The tool helps eliminate delays and errors associated with inconsistencies and interpretation of manual explanation of benefits (EOB) analyses.

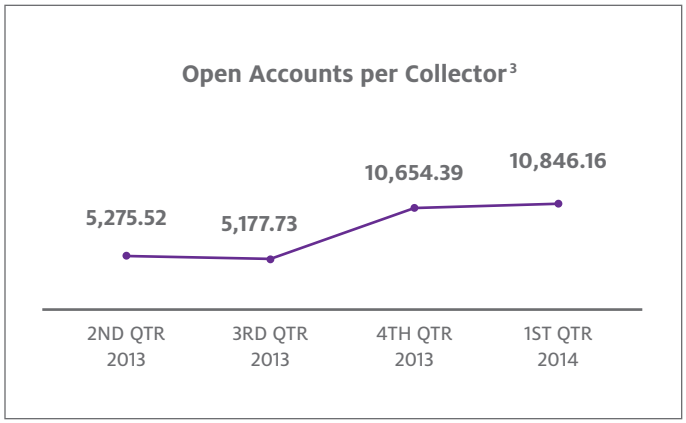
Picking the right partner

The involved nature of denials management presents challenges for even the most experienced health systems. A comprehensive approach that uses consulting, outsourced services and technology to close all potential gaps delivers the best results, enabling your health system to lower denials, achieve higher rates of recovery and focus on areas with greater return on investment.

Experienced partners like nThrive who offer technology solutions plus technology-enabled outsourcing services delivered by highly skilled experts can help your health system increase cash flow, reduce A/R days, sustain best practice performance and achieve overall operational improvement.







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Source

1. Estimate based on 350-bed hospital with $103 million annual revenue and 40 percent managed care penetration, per HFMA. Percentages refer to percentage of total hospital cases.
2. HFMA, hospital denials as percentage of total hospital cases.
3. HARA, The Benchmark In Hospital Receivables, First Quarter, 2014

***Disclaimer: References to nThrive in these instances refer specifically to experiences with the legacy MedAssets, Inc. organization, also previously known as MedAssets Net Revenue Systems, LLC and-Precyse Solutions LLC collectively, "MedAssets-Precyse."**