

# Denial Management Improvement Effort Produces \$14.99M Reduction in Denials



## EXECUTIVE SUMMARY

At MultiCare Health System, the processes for denial management were not as effective as they could be, negatively impacting net patient revenue and financial performance through millions of dollars in adjustments. While only two-thirds of denials are recoverable, nearly 90 percent are preventable. MultiCare looked at improving denial management as an opportunity to improve appropriate revenue capture for services provided. Through targeted improvement efforts that included standardized workflows and increased data visibility, the health system is improving the root cause of denials.

## HEALTHCARE ORGANIZATION

Integrated Delivery System

## PRODUCTS

- Health Catalyst® Analytics Platform, including the Late-Binding™ Data Warehouse and broad suite of analytics applications
- Revenue Cycle Explorer™

## SERVICES

- Professional Services
- Installation Services

## RESULTS

- \$14.99M reduction in denials and avoidable write-offs.

## Denial Management: A Critical Component of the Revenue Cycle

MultiCare Health System, an integrated healthcare delivery system, is comprised of five hospitals and numerous primary care, urgent care, and specialty care service organizations that employ an extensive network of providers. Throughout its health system, MultiCare experienced variability in the performance of key activities required to ensure appropriate reimbursement and maximize revenue. The health system looked to its lack of uniformity in the denials management process as an opportunity to improve overall revenue.

Denial management, the process of following up on and reducing denials and rejected claims from payers, is a critical component of an effective revenue cycle management program.<sup>1</sup> Only two-thirds of denials are recoverable, but nearly 90 percent of claim denials are preventable.<sup>2</sup> Despite the importance, it can be difficult for revenue cycle teams to manage denials while also managing other high-priority projects.



The biggest value of the analytics is the long-term impact. We've now armed all our leaders with the ability to track their department's performance real time. This will allow us to sustain our gains long term.

Anna Loomis  
Chief Financial Officer

## Poor Data Visibility Limits Improvement Efforts

MultiCare has a comprehensive revenue cycle management plan that helps ensure provided care is appropriately billed and appropriately reimbursed. Unfortunately, the processes for denial management were not as effective as they could be, resulting in millions of dollars in adjustments, which negatively impacted MultiCare's net patient revenue and overall financial performance.

MultiCare lacked visibility into denials management. While reports could be manually developed using data in the EHR, the reports were largely retrospective and provided information at a summarized level, lacking the level of detail needed to assess potential opportunities for improvement. Additionally, performance of advanced beneficiary notifications, data on screenings conducted for medical necessity, and payer notifications varied across the organization. Clinicians were largely unaware of the impact of their documentation on denials, compounding the problem.

MultiCare needed to ensure it was appropriately reimbursed for services, and it needed to reduce the millions of dollars lost to denials and write-offs. MultiCare needed a solution that would ensure ready access to specific, timely, and actionable denial data, in addition to ensuring workflow impacting denials was consistent across all care settings.

## Standard Workflows and Improved Visibility Strengthens Denial Management

MultiCare organized a denials management workgroup. Lead by the Patient Financial Services (PFS) Director, this interdisciplinary team includes representatives from utilization review, patient financial services, IT, patient access, business office, coding, charge master team, and customer service.

In its efforts to reduce denials and avoidable write-offs, MultiCare expanded its organizational focus beyond recovery of denials, focusing improvement efforts on fixing root causes, thus preventing denials in the future. MultiCare improved staff access to denials data, the quality and timeliness of that data, and invested in process improvement, engaging the interdisciplinary team in developing standard processes for workflows that impact hospital billing and denials.

The workgroup developed and implemented standard workflows for screening for medical necessity, issuing of advanced beneficiary notices, securing appropriate payer notification/authorization, and

“The data helped to make it real. It helped to empower people and engaged them in the improvement work.”

Anna Loomis  
Chief Financial Officer

screening of patients for the appropriate level of care. The denials management team also evaluated workflows and developed best practices for PFS, utilization review, and screening patients for the appropriate level of care. To support this, a denials management playbook—a written guide that provides guidance and standard processes for each type of denial—was developed and distributed throughout the revenue cycle. The EHR at MultiCare was also modified to ensure the accurate posting of denials, regardless of type.

Additionally, when assessing the MultiCare’s utilization review processes, the workgroup identified that the utilization review team was under-resourced, contributing to increased denials. The utilization review team was subsequently resourced more appropriately, ensuring members had adequate resources to perform the needed work.

To further support effective denials management and improve visibility, MultiCare turned to the Health Catalyst® Analytics Platform, including the Late-Binding™ Data Warehouse and broad suite of analytics applications. Using the Revenue Cycle Explorer Hospital application, MultiCare’s revenue cycle analysts could quickly and easily identify trends and variances, pull ad hoc reports, and address root causes of performance issues. The application also supports effective denials management and enables users to review data by variance, denial code, location, payer, provider, and CPT code (used for professional billing)—all of which supports root cause identification and interventions to prevent future reoccurrences (see Figure 1).

### SAMPLE REVENUE CYCLE EXPLORER DENIALS MANAGEMENT DASHBOARD

- 1 Trended denials (dollars)
- 2 Trended denial rates
- 3 Denial details (i.e. denial rate by category, remit code, payer, location, provider, and CPT code)



Figure 1. Sample Data Revenue Cycle Explorer Hospital denial management



“Our leaders are excited to have access to the data they need for improvement. They now see opportunities that they couldn't see before.”

Kristy Baker  
Financial Analyst

To improve application utilization and efficiency, MultiCare expanded access to the analytics application, providing access to leaders and clinicians. Guided by recommendations from the denials management workgroup, the health system employed closed loop analytics, building access to the application into the EHR.

As access to the analytics application improved, MultiCare supported operational leaders and clinicians in use of the application and data to improve denials by providing training. The training includes instructions on how to use the analytics application and EHR to investigate denials, including types and typical causes, and gather information regarding the impact denials have on the financial performance of the organization. For the first time, leaders have visibility into how their department's performance affects MultiCare's bottom line, and clinicians have visibility into how their individual departmental performance impacts revenue.

## RESULTS

Aided by analytics, improved access and the focused improvement efforts at MultiCare have decreased the frequency of denials, improving revenue capture for services provided. MultiCare is improving the root causes of claims denials, leading to a reduction in the total number of denials:

- \$14.99M reduction in denials and avoidable write-offs.

MultiCare has more than doubled the number of people using the analytics application. By providing increased access, education, and ongoing support, the health system has enabled its leaders to proactively prevent denials in hopes of sustaining the gains well into the future.

## WHAT'S NEXT

Having improved the processes for hospital billing, MultiCare plans to explore opportunities to improve professional billing through focused workflow improvements, which will be crafted with the help of data analytics. 🚀

## REFERENCES

1. Examining the Basics of the Healthcare Revenue Cycle. (2014). *RevCycle Intelligence*. Retrieved from <http://revcycleintelligence.com/news/examining-the-basics-of-the-health-care-revenue-cycle>
2. Haines, M. (2014). An ounce of prevention pays off: 90% of denials are preventable. *Advisory Board*. Retrieved from <https://www.advisory.com/research/financial-leadership-council/at-the-margins/2014/12/denials-management>

## ABOUT HEALTH CATALYST

Health Catalyst is a next-generation data, analytics, and decision support company committed to being a catalyst for massive, sustained improvements in healthcare outcomes. We are the leaders in a new era of advanced predictive analytics for [population health](#) and [value-based care](#). with a suite of machine learning-driven solutions, decades of outcomes-improvement expertise, and an unparalleled ability to integrate data from across the healthcare ecosystem. Our proven data warehousing and analytics platform helps improve quality, add efficiency and lower costs in support of more than 85 million patients and growing, ranging from the largest US health system to forward-thinking physician practices. Our technology and professional services can help you keep patients engaged and healthy in their homes and workplaces, and we can help you optimize care delivery to those patients when it becomes necessary. We are grateful to be recognized by Fortune, Gallup, Glassdoor, Modern Healthcare and a host of others as a Best Place to Work in technology and healthcare.

Visit [www.healthcatalyst.com](http://www.healthcatalyst.com), and follow us on [Twitter](#), [LinkedIn](#), and [Facebook](#).