

☐ In This Issue: The Pennsylvania Workers Compensation Law

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Three

Rivers

Reflections

Also:

**☐ Should Your Facility Outsource Denied Claims
or Work Internally**

☐ Pictures!!!

☐ And More...

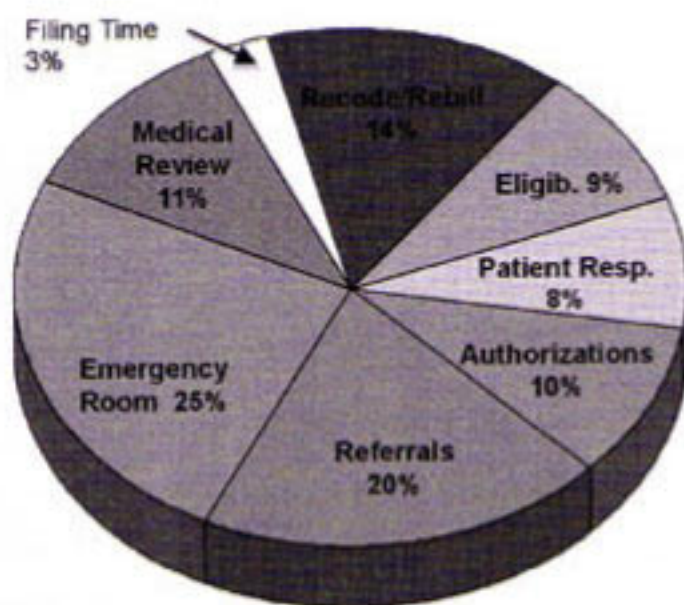


Should Your Facility Outsource Denied Claims or Work Internally?

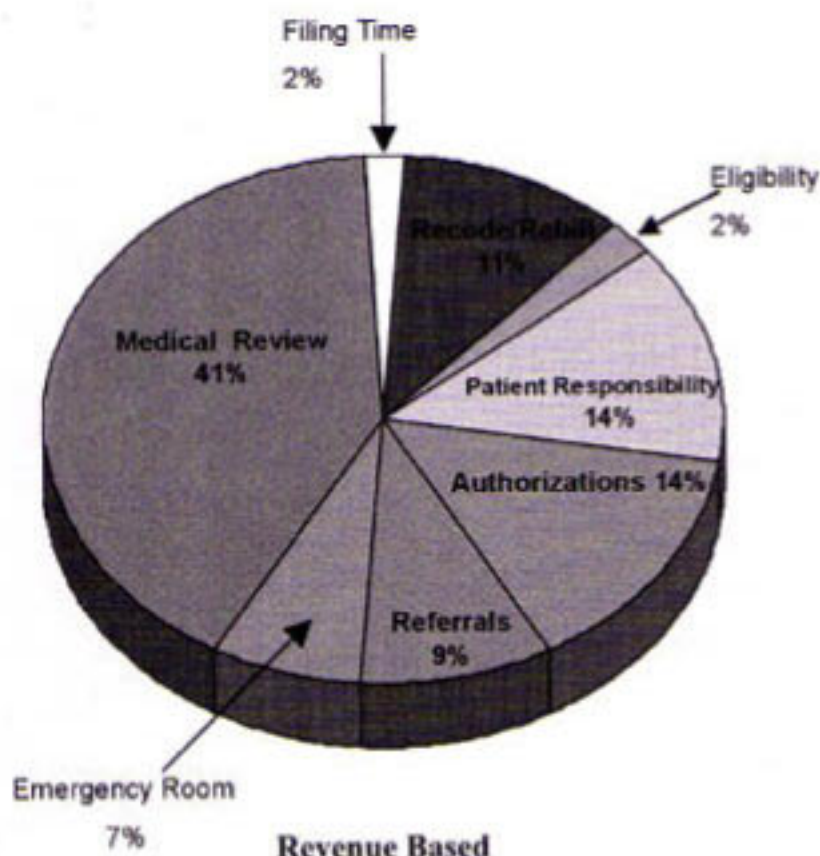
As the number of managed care denied claims rises every year it becomes increasingly difficult for hospitals to meet financial goals. Reimbursement is down; allowance adjustments and bad debt write-offs are on the upswing. Hospital staffing cuts have made the situation more problematic as resources are spread too thin to deal effectively with denials, slow-pay, and no-pay health insurers.

Although the denied claims picture differs somewhat by region, on average, hospitals see the following breakdown of denied claims:

WHY ARE CLAIMS DENIED?



Volume Based



Revenue Based

The internal problems that make denials a critical issue in hospitals are:

- Limited staffing dedicated to priority functions
- Limited time frame to appeal / re-bill
- Lack of system automation to effectively manage denials
- Lack of statistical reports to quantify / qualify insurance denial patterns

When hospitals decide to work denials internally, they must add staff and enhance system automation or challenge only selective, high-dollar cases and exclude high volume outpatient denials. Increasingly, however, hospitals are choosing to outsource denied claims because it is more cost effective and they are able to deal with the issue comprehensively. Outsource options include **Collection Agencies, Legal Firms, or Consulting Firms**, with varying degrees of success.

Although **Collection Agencies** are helpful with old or bad debt, working denied claims is more difficult due to the receivables' time frame. Additionally, Collection Agencies don't employ the clinical resources necessary to effectively work denials, so Utilization Review or medical necessity denials may go unchallenged.

Legal Firms are an excellent option for high dollar cases that are stalled within the system. However, Legal Firms don't typically deal with large numbers of denied claims since they don't have an appropriate process in place. Additionally, clinical experience is lacking, and fees can be prohibitive.

When outsourcing, hospitals most frequently use a **Consulting Firm** to work denials, again with varying degrees of success. If a consultant has the experience and proven track record, in-house clinical resources, effective automation, and collection staff, the outcome may be worthwhile. A successful and comprehensive approach will include:

- Timely identification of all inpatient and outpatient managed care claim denials
- Processing of each denial through an automated system
- Preparation and mailing of re-bill / appeal packages
- Collection and recovery of monies due
- Tracking of results and submission of detailed reports

Key to the success of this approach is an automation tool that tracks results monthly to provide information that can be used to resolve issues in the hospital's up-front process and re-negotiate managed care contracts. Appropriate use of this data will ultimately reduce the number of denials. Just as important as effective software is timely access to medical records, enabling clinical resources and managed care analysts to work together to prepare cases for re-bill / appeal. In-house collection staff is critical to keeping the pressure on the insurance carriers to remit monies due.

Hospitals must carefully evaluate internal and outsourcing options for working denials, and assess the associated cost vs. outcome for each option.

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