

# How Well Is Your Staff Positioned for Denials Management?

**A**cross the country, hospital executives are boosting their bottom lines by focusing new energy on an old problem: claims denials. Key areas of focus include technology that allows denials to be tracked and addressed more efficiently and processes designed to improve documentation, particularly in relation to patient access staff. To make best use of these opportunities, however, organizations need to examine the adequacy of their staffing functions. In addition to having the right number of people in place, hospitals need to ensure they possess the right skill set and provide them with the proper level of training. In the following roundtable, HFMA, with sponsorship from Siemens Corporation, asks several senior healthcare financial executives about prioritizing denials management activities, best ways to dedicate staff to denials management, and what they see as most significant training needs.

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**Addressing claims denials is an ever-present challenge for healthcare providers. When developing a denials management strategy, what is the best “big picture” advice you have for providers looking to improve processes?**

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**Michael Smith:** You need to think of both *prevention* and recovery of denials. Recovery is a quick fix, but the need for recoveries will continue to occur if you're not working to prevent them. Prevention of denials sometimes can be time consuming since it often takes operational enhancements and technical enhancements, but I think in the long run it is worth more than recovery efforts.

**Kara Carpenter:** I would definitely recommend implementing a denials management system because it helps in monitoring your inflows and outflows of the work along with appropriate allocation of resources. It also helps in denial reporting and working toward your goals of both denial prevention and recovery of lost dollars. Also, think about categorizing your denials into opportunity areas and move forward with denial reporting, at least on a monthly basis.

Establishing processes for information exchange among staff is important as well. You might want to

implement a denials task force and ensure that you have the major departments at the table to work through the issues. Communicate the denial data and findings to your key stakeholders, as well as all levels of the organization that have an impact on denials, so they understand what the goal is and the position you are in today. You need to make sure the front end can review the denials so those staff members can see where the opportunity areas lie. And if you're a larger system, I would highly recommend hiring a denials analyst for review due to the complexity of denials.

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**Determining which individuals to involve in denials management efforts is an important issue. What are your thoughts on effective ways to organize staff?**

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**Michael Smith:** We are seeing a turnaround in the way that hospitals throughout the country are dealing with denials management. Top performers are now taking denials follow-up functions away from the normal business office group. Instead, they are recommending that hospitals set up denial units or, depending upon the size of the hospital, a mini-group of individuals who are responsible solely for the capture, tracking, trending, and prevention of denials.

**Frank Gless:** We've separated our denials management staff. These days, they actually report to the reimbursement leadership at Spectrum Health. Before, when we had them under PFS, it was kind of like the fox guarding the henhouse. If you keep denials management within PFS, you will be likely to overlook some of the problems that are really created by errors in financial services. For instance, if you have denials because you're too late in billing the payer, a PFS director might not feel comfortable letting his boss know how many of those he has.

**Michael Kan:** Because process breakdowns can occur anywhere in the revenue cycle, it is important to get key stakeholders to the table so they are invested in denials reduction efforts. One of the best ways to get people focused is to develop a denial reporting system that provides timely feedback on progress. Over the years, we have had great success in reducing and overturning denials by creating an inpatient denials committee that meets bi-weekly to review processes and includes, among others, representatives from admitting, patient accounting, medical records, and case management. On the outpatient side, we tend to create ad-hoc teams based on the payer and services involved and focus on a couple of high impact areas at a time.

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#### **How do you determine how many staff members to dedicate to denials management?**

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**Michael Smith:** Scope of the project will have a significant effect on the staff resources needed, so the first thing you want to do is identify what payers you want to target. Perhaps start with one of your HMO payers, possibly looking at inpatient only and then branching out to outpatient. We've got a 950-bed hospital in Florida that's focusing chiefly on inpatient managed care and HMO denials and they've got three folks. Then I've got a denial unit in New York City that's looking at everything, and that hospital has seven.

#### **PARTICIPANTS**

**Kara Carpenter,** revenue cycle manager, Allina Hospitals & Clinics, an 11-hospital, 1,782-bed, not-for-profit healthcare system based in Minneapolis, Minn.

**Frank Gless,** director of patient financial services, Spectrum Health, a seven-hospital, 1,084-bed, not-for-profit healthcare system based in Grand Rapids, Mich.

**Michael Kan,** corporate director for revenue operations and administration, Partners Healthcare System, a Boston, Mass.-based not-for-profit healthcare system with eight acute-care hospitals and 2,400 beds

**Michael Smith,** principal consultant at Siemens Medical Solutions

**Frank Gless:** For management of denials, we have a fairly small staff—seven total. We have a manager and a couple of senior staff, and the other four are techs. They are high-level PFS-trained people.

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#### **Denials management requires an ongoing commitment from staff. What incentives do you use to keep staff motivated?**

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**Kara Carpenter:** Within the business office, we have a results-sharing program that is focused on yearly goals, such as A/R days and customer contact center average speed of answer. The business office staff members receive the results-sharing incentive if the goals are met.

**Michael Kan:** We have an incentive compensation program that rewards staff for cash collections over and above the target. In many parts of the healthcare business, it's hard to measure success. But in the patient accounting world, you really can measure cash, and that's a very defined metric that the world is willing to reward if the targets are exceeded.

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#### **Technology is another key piece of effective denials management. How does your staff use technology to tackle denials?**

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**Michael Kan:** At the end of the day, the key to successful denial management is having the right reporting tools to point you to the root cause for the denial. For the person who has to work the denial, technology that can segregate the claims is essential. It's also important to use technology that provides staff with the necessary information at their finger tips to determine whether a claim is able to be appealed. Also, we provide them with data elements and canned appeal letters to make their jobs easier. That's the key to getting through the volume.

**Frank Gless:** Technology has a role throughout the entire revenue cycle with respect to denials management. That starts on the front end with scheduling and registration, insurance verification, and those areas. At the back end, my organization is involved in installing a computer system that's a bolt-on to our billing system. It will allow us to receive electronic remittance information from the insurance company, and we will be able to prepare reports based on those electronic data that show what claims were denied and the reasons they were denied. Currently, we are using a Microsoft Access database, so this is going to make us a whole lot more effective.

**Kara Carpenter:** Technology has been a significant factor in our success with both a 'bolt on' denials management system as well as our current transition to an electronic medical record system that includes denials management. In addition to tracking the inflow of denials, our denials management system allows us to do significant denial reporting to better understand payer issues, system issues, and process issues. The system lets us sort by a number of different fields, such as timely filing indicator, date of service, dollar, and payer. The system gives us the ability to filter or sort the work queue in a number of different ways to make the processes much more efficient in the business office as well as medical records and other departments at each facility.

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**What tips do you have about staffing and management strategies to reduce denials?**

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**Michael Smith:** I've found it's particularly helpful if people who work in a denials management unit have a combination of financial and clinical backgrounds. At one of our client hospitals, the denial unit is headed by an RN with a financial background. And we've got people in that unit from the business office and case management. Having individuals on hand with such varied backgrounds aids communications with payers regarding inpatient clinical denials—which tend to have significant revenue impact—since they have a solid understanding of relevant clinical-related language and process.

Having the right level of experience is also key. Pretty often, you'll see that the people working denials have a little bit more tenure, have a little bit more knowledge of how the payers work, a little more knowledge of the actual contracts that the payer and the provider have agreed upon. It's not your basic first year follow-up person.

**Kara Carpenter:** I think another important issue in regard to managing staff is having a process in place to support effective collaboration. We have a denials task force that includes the business office director responsible for denials and follow-up, billing manager, follow-up/denials manager, admitting manager—who represents all 11 sites, the payer relations contract manager, our denials analyst, the revenue cycle managers for patient access and for coding, the chargemaster director, and myself. The task force oversees action plans for specific types of denials. The plans identify the root cause for a group of denials and action steps to address the problem.

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**How do you keep patient access staff informed about the changes payers implement?**

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**Kara Carpenter:** We have a number of initiatives in place. It's not just about informing the business office staff; admitting/registration areas need to understand what kind of changes and payer requirements are happening, as well as other areas. We have a payer plan code committee, and any new payer plan code requested is approved by the committee. And then, those changes are communicated out to make sure everyone is aware of the new plan code and the requirements.

We also meet with payer relations consistently to keep apprised of the changes, which has been helpful. Payer newsletters discussing changes that are coming from the payers are distributed to all the staff. Usually, we receive a monthly or quarterly newsletter from payer relations or the payers themselves via email. The contracts also are available on our network for some staff to view them. We also have a representative from payer relations on the denials task force who also attends monthly or quarterly revenue review meetings with the sites. And at staff meetings, managers and supervisors share payer requirements and updates.

**Michael Kan:** We actually have a dedicated payer operations unit, a professional group whose job it is to keep up with what the payers are doing. We have monthly work group meetings with our large payers, so we are in a position to get some early warning on some changes. Our payer operations staff members monitor the payer websites and they communicate that information out to all the key stakeholders.



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**Frank Gless:** We're on several listservs with our payers, and as updates come out, we have a group that prepares documents and sends them out to let everybody know what the changes are. Those staff members interpret the new information and figure out how it's going to affect us, and then send out an e-mail to all the people who need to know.

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**With patients taking on a greater portion of payment responsibility these days, the need for front-line staff to verify benefit structure and provide appropriate financial counseling upfront is increasing. In what ways are your hiring and training efforts taking into account this trend?**

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**Kara Carpenter:** Keeping pace has definitely been a challenge to us as the self-pay population increases. Right now, we are rolling out a patient access accountability model that allocates more staff to address those issues. It also combines insurance verification and preregistration to implement a more streamlined process for the patient.

Allina faces the challenge that many hospitals have regarding the job grade for those positions. The job description has been rewritten to better outline the responsibilities.

**Frank Gless:** It hasn't been as dramatic a change as we thought, but the number of patients who have high deductibles is growing. We try to catch them at the front end, so our financial counselors are receiving a greater volume of cases in which they have to ask the patient for money.

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**How do you measure the success of your denials management initiatives?**

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**Michael Smith:** I think it's important to decide what benchmarks you want to meet. For example, you might set the goal of reducing the overall denial rate—not by insurance plan, but the overall denial rate as a percent of gross revenue—to less than or equal to 4 percent. You might work for clinical denials less than or equal to 5 percent and

technical denials as a percent of gross revenue less than or equal to 3 percent. Those are very aggressive numbers—and depending upon your payer mix, sometimes it's hard to get there.

**Frank Gless:** We couldn't compare performance with benchmark numbers before we started our current process because we weren't formally reporting the denials in the same fashion we are now. But we are confident that there have been major improvements—20 percent to 30 percent improvement in the denials—and we have a game plan for fixing a whole lot more.

**Kara Carpenter:** About five years ago, we started a revenue cycle improvement project—a process redesign project with technology implementation around the denials management piece—to get a better handle on our cash flows and reduce accounts receivable days. At that time, we were at about 25 percent denials of claims submitted and 90 days of gross accounts receivable. The redesign project resulted in significant improvements. We're now at approximately 44 gross accounts receivable days, and on our denials, we're at approximately 9 percent to 10 percent. The benchmark is 4 percent to 5 percent, and that is our goal.

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**Is denials management an activity that can be "fixed" once and for all? Or is it a moving target?**

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**Michael Kan:** It's a constantly evolving process. For example, we were making a lot of progress on preauthorization denials and that was a tremendous administrative saving on both sides. But now, we run into the whole radiology preauthorization issue, and it's just ripe for the opportunity for claims to fall through the cracks and be denied. So we need to build new processes around those.

It's a constant give-and-take if the payers try to do their job and manage utilization in an intelligent way. But since there is no simple way to do this, it just creates operational complexity and that keeps us busy.

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