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## The Pitfalls To Implementing A Denial Management Solution

by Maribeth Word



Maribeth Word

Generally speaking, healthcare providers are troubled with third-party claim denials. Some of the quotes out of leading research organizations regarding the impact of claim denials are quite alarming. Although not a cure for 100 percent of the current financial problems affecting the industry, implementing a good denial management solution utilizing sound implementation methodologies is a step in the right direction.

With this in mind, this article will explore some of the “gotchas” that affect the implementation of an effective denial management and control solution. This is not an all-inclusive list; however, some combinations of these usually creep into projects of this nature. The following are in no particular order of importance.

**“Evidence shows that 90% of denials are preventable and 67% are recoverable.”**

— Zimmerman Best Practice Report

### Gotcha #1: Treating the Solution as “Just Technology”

Several organizations have spent a considerable amount of effort and time trying to identify the best software application, but fail to anticipate the required process and workflow changes that need to be implemented to maximize the application’s effectiveness. These forgotten elements usually include denial correction workflow, cash application procedures and medical records fulfillment, to name just a few. People, process and technology must be considered holistically if the right solution is to be implemented.

### Gotcha #2: Failure to Establish ROI and Base Lines

This one is a little tricky because a lot of organizations develop a high-level ROI to evaluate denial management solutions, but they do not drill down into the specific areas to be improved. The analysis should break down their areas for improvement into at least a few subcategories based on denial summary reasons. Once these subcategories are determined, then improvements can be tracked at a more sophisticated level, and an easier understanding of areas of modification can be developed. The main reason for implementing a denial management solution should be to improve net revenue and, in order to do this, an organization should be able to compare the future to some point in the past in a relatively detailed manner.

**“Payments to U.S. healthcare providers are reduced by \$45 to \$90 billion (3% to 6% denial rate) each year through administrative and clinical denials.”**

— The Advisory Board

### Gotcha #3: Sacrificing Effectiveness for Efficiency/Technology

As stated in Gotcha #2, the main reason to take on a project of this nature is to improve net revenue. In operational terms, this means that the focus should always remain primarily on the effectiveness of eliminating or recovering denied claims. There is a tendency, usually when a vendor or consultant is involved, to lose sight of this fact and to focus more on the best way to set up the software rather than implementing the most effective process. When this occurs, maximum potential net revenue improvement levels are not achieved.

### Gotcha #4: Failure to Develop a Realistic and Detailed Work Plan

The phrase, “Those who fail to plan, plan to fail,” is catchy for a reason. It is usually true. In order for your planning to be

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successful, you will need to incorporate some basic project management concepts, such as:

- Gain as much buy-in as possible from all impacted areas — but don't wait for 100 percent, because it may never happen.
- Include representatives from all impacted areas, especially for process redesign efforts.
- Document all required work steps. Start with the end in mind.
- Assign an estimated timeline for each task. These may not be 100-percent accurate at first, but deadlines are important to establish.
- Think “worst case” when developing timelines, as something always goes wrong.
- Assign individual responsibility to each task and hold them to it.
- Communicate the plan and status regularly. Include staff members, not just management.

### Gotcha #5: Failure to Stick to a Timeline

Staying on plan is vital to a successful implementation. If major timeline erosion occurs, there is almost always a significant cost involved. Think back to your ROI. How much money is this solution supposed to generate monthly in net revenue improvements? What does it cost the organization in lost opportunity alone? Major delays tend to have a negative impact on staff morale. In any project, delays are a concern. Try to minimize them as much as possible.

**“Of over 15 billion claims, 25% to 40% are either rejected or denied ... only 50% of these rejected or denied claims are followed up and resubmitted.”**

— Laurel Financial Resources

### Gotcha #6: Inadequate Training

Training is critical for strong denial recovery results. This includes initial training and ongoing training. Training should be comprehensive and should include system training in addition to procedure training. Staff should be trained on performance expectations. If they cannot achieve their performance targets, they were hopefully trained well enough to offer insight as to why, and process and/or technology changes can be made to improve the effectiveness of their work. When staff members are well-trained, job satisfaction improves, and errors decrease.

### Gotcha #7: Inadequate Performance Monitoring

Performance monitoring is a key component of any denial management solution because managers cannot manage what they cannot measure. Realistic organizational and individual performance targets must be set, but be prepared to adjust them as

needed. Develop and communicate procedures for addressing and improving poor performance. As much as possible, this should be a fundamental byproduct of the chosen technology component. Be sure sophisticated performance monitoring capabilities are available in the solution you choose.

### Gotcha #8: Failure to Connect with the Managed Care Contract Negotiation Process

Managed care contract negotiations can be more successful if historical denial and underpayment information is used during the process. Annual denial rates and reasons by payer captured by the denial management system should be used to negotiate more favorable contract terms and change payer processing of claims, if necessary. Another important piece of information during negotiations is the rate of untimely payments. All this information can allow a provider organization to increase its leverage during negotiations.

### Gotcha #9: Setting the Wrong Goals

The ultimate goal of the denial management system should be to eliminate denials, not simply to report and appeal them. However, complete elimination is unlikely, so achievable and realistic goals must be set in both values and timing. Set tiered goals, and celebrate when they are achieved. Always remember that when one goal is achieved, it is an opportunity to set a new, more aggressive goal.

### Gotcha #10: Failure to Focus on the Details

The details are where great denial management solutions lie. The details can seem overwhelming during implementation, but careful attention to details will greatly increase your success. The details include the master tables of existing systems and the utility files of the denial system. Finally, three words: Test, test, test. And three more words: Train, train, train.

In summary, make sure the solution has a strong ROI, pay attention the details, develop a well-thought-out project plan and always keep the primary goal of improving net revenue in mind. If an organization does these things, with a little luck, the implementation should have the desired results.

*About the author: Maribeth Word is a Principal with The Crito Group and has more than 15 years of healthcare experience in the areas of patient accounting, coding compliance, revenue optimization, patient access and physician practice management.*