



**The Financial and Logistical Benefits
of Combining a Denials Management Unit and
Authorization Tracking Technology:**
A case study from a Large, Primary Care Facility in the Southwestern United States

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Research Summary

Note: Because of the proprietary nature and intimate financial depth of the data presented in this report, the subject of this study has asked that its anonymity be preserved.

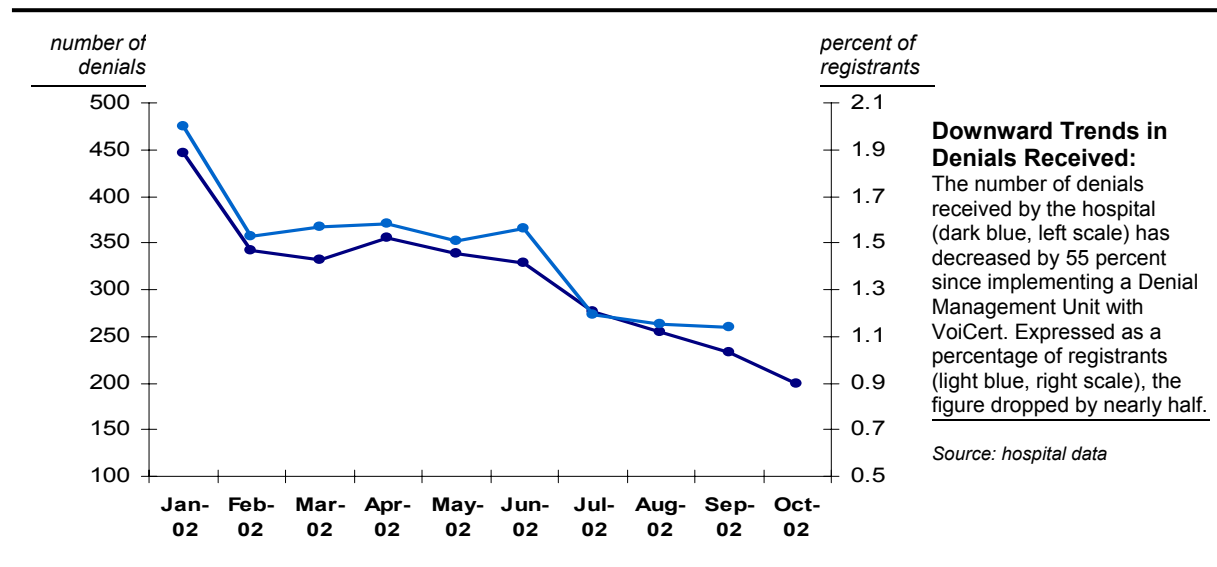
In 2001, the subject of this study, a large primary-care hospital located in a major Southwestern city, launched a formal Denials Management Unit (DMU) with the task of identifying the sources of denied claims and recovering legitimate claims for the hospital. By 2002, the unit had achieved measurable success. Data collected by the unit show a reduction in the number of denials received from 450 in January of that year to 200 in October. Furthermore, the unit showed that payments from overturned denials increased by 255 percent from January through October of last year.

The DMU at the hospital uses a variety of tools to drive this increased financial performance. Keys to success have included:

1. The DMU is supported by senior management and is represented by the major players in the hospital's revenue cycle management process.
2. The DMU instituted the use of VoiCert, an information technology tool that captures voice-based authorization transactions with the payer for recall during the denial investigation process.
3. The DMU developed a database to track denial information, case information and claim payment status. The VoiCert tracking number is documented in the hospital's patient accounting system.

This report examines the success at this hospital, with particular emphasis on the role VoiCert plays in enabling the denial reduction process.

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Background

The hospital researched for this study is an acute-care facility with 650+ staffed beds. The hospital has an average managed care penetration of more than 40 percent. Major payers include Aetna, Blue Cross/Blue Shield, Cigna and United Healthcare. The hospital's DMU is led by its director of contract compliance and includes representatives from the following departments:

- Contract Compliance
- Center for Integrated Care (UM or Case Management)
- Patient Financial Services (PFS)
- Patient Access Services (PAS)
- Medical Records/Information Services
- Cash Posting

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The Hospital's Denials Management Process

VoiCert is one part of a larger denials management process at the hospital. Led by the DMU, the denials management process integrates the departments and information within the hospital necessary to track denials and successfully appeal those with merit.

The DMU meets twice each month, during which time they review reports analyzing the number and dollar volume of denials, reasons for denials, active appeals and the disposition of those appeals. The DMU's goals are threefold:

1. to reduce the quantity of denials received,
2. to reduce the dollar volume of those denials, and
3. to increase the proportion of denials that are successfully overturned.

When a denied claim is received at the hospital, the following process is implemented:

1. Details of the denial are immediately entered into a tracking database developed by the hospital's in-house information technology group. Based on Microsoft Access, the database tracks group name, plan, account number, patient information, denial amount information, type of denial and other information critical to determining whether or not the claim should legitimately be paid.
2. Records in the database are then routed to Patient Access Services, Patient Financial Services and the Center for Integrated Care, depending on the type of denial. Individuals in these departments add key pieces of information to help build the case for reimbursement.
3. Negotiations with payers are undertaken to resolve the denial. The hospital also engages in ongoing relationship-building activities with payers that help to reduce denials long-term. These include regular meetings with payers to discuss issues and specific claims, review of how the hospital's contract is loaded into the payer's claim system, simplification of the hospital's contract and ongoing use of technology to streamline the process.

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The Role of VoiCert in Denials Management at the Hospital

The hospital's VoiCert system was deployed in November of 2001 with the goal of giving the DMU a new tool to capture authorization information that could help it more quickly find and retrieve critical claims information and thus more rapidly overturn legitimate claims that had been denied.

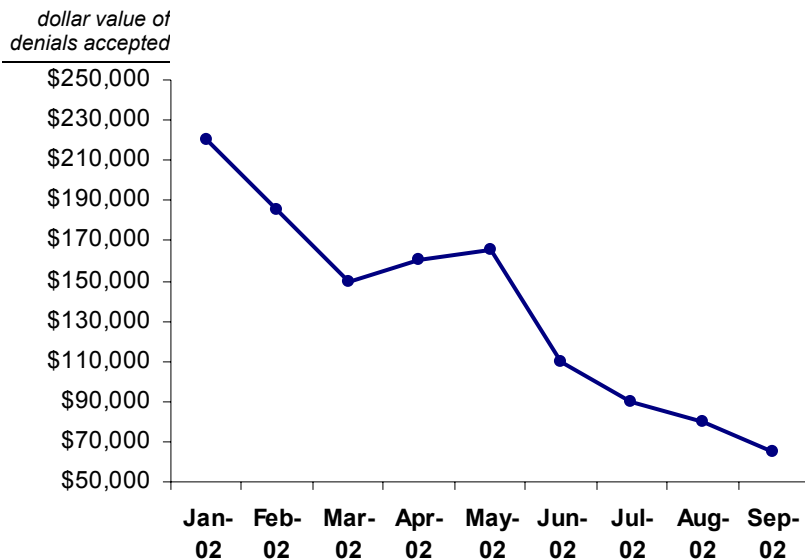
VoiCert is a voice-based technology that captures authorization transactions between the hospital and the payer and has two major advantages for the facility. First, VoiCert permanently records and archives the voice conversation in which the payer representative speaks the authorization number. Second, VoiCert eliminates time spent on hold by PAS staff and case managers, dramatically increasing the number of authorization transactions these personnel can complete in a given period of time.

When an authorization transaction is required, the PAS staff member or case manager calls VoiCert instead of the payer. The automated VoiCert system answers the phone, and the hospital representative is prompted to speak patient information, clinicals and other data required by the payer. Once the information is spoken into the VoiCert system, the hospital representative hangs up the phone and returns to other duties or moves on to the next authorization transaction.

The VoiCert system then calls the designated payer call center and waits in the hold queue until a representative answers the call. Because payer representatives are trained on how to accept a VoiCert call, they gather the information they need and speak the authorization number, which VoiCert records. At this point, VoiCert calls the hospital representative back and plays the authorization number for entry into the hospital's claims processing system.

Each VoiCert transaction is archived for later recall should the DMU require the voice files in a denial investigation. Ability to recall the authorization number or the particular details of a conditional authorization given during admission or concurrent review are often key details in helping the DMU give PFS the information they need to successfully overturn a denied claim. When a denied claim is presented to the DMU, team members research the claim's initial authorization file from VoiCert using a unique tracking number which VoiCert assigns to each transaction. Key data from the VoiCert file are entered into the denial tracking database as the case is forwarded through the appeals process.

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Downward Trends in Denials Accepted:

The dollar value of denials received that subsequently were not overturned has decreased by approximately 70 percent in the nine-month period from January through September 2002.

Source: hospital data

According to members of the DMU, access to the VoiCert voice files offers four specific advantages during appeal of a denial:

1. VoiCert's authorization tracking features are valuable in recalling authorization information.
2. Research required to overturn denials is simplified by using VoiCert, reducing time required to gather information needed by PFS to effectively appeal a denial.
3. The appeals process is, in general, accelerated at the hospital by using VoiCert through a reduced research burden and more rapid collection of needed case information.
4. VoiCert's recorded authorization information strengthens the hospital's case in overturning denials, improving the chances of a quicker, more favorable disposition.

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Since late 2001, the DMU has tracked the hospital's performance in achieving its three primary goals, which are:

1. to reduce the quantity of denials received,
2. to reduce the dollar volume of those denials, and
3. to increase the proportion of denials that are successfully overturned.

For Table 1 on page 8, data were compiled from hospital records showing each denied claim during 2002 that resulted in either 1) a paid claim or 2) a pending status where current evidence indicates that payment is likely. All of the accounts in this table were authorized using VoiCert, which made the appeal process faster and more effective. Claims in the table are sorted by admission date.

Columns in the table are defined as follows:

1. Case ID: a unique identifier assigned to each denial
2. Admit and Discharge Dates: dates of record for each denial
3. Denial Amount
4. Payer ID: unique number assigned to each payer; two numbers denote two payers involved in the claim

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**Table 1:
Denials Resulting In Payment or Favorable Pending Status — 2002¹**

Examples where VoiCert tracking information was instrumental in overturning the denial.

Case ID	Admit Date	Discharge Date	Denial Amount	Payer ID
60 ²	13-Dec-01	14-Dec-01	\$1,086.00	4
58	19-Dec-01	20-Dec-01	\$1,877.75	6
18	22-Dec-01	23-Dec-01	\$1,325.00	1, 2
417	10-Jan-02	16-Jan-02	\$5,886.00	7
134	19-Jan-02	28-Jan-02	\$13,963.00	7
759	24-Jan-02	25-Jan-02	\$981.00	7
457	31-Jan-02	1-Feb-02	\$1,040.00	7
46	11-Feb-02	11-Feb-02	\$4,822.25	8
797	14-Feb-02	17-Feb-02	\$2,943.00	7
107	21-Feb-02	22-Feb-02	\$1,000.00	4
472	28-Feb-02	27-Feb-02	\$881.60	4
66	11-Mar-02	16-Mar-02	\$6,085.80	4
201	15-Mar-02	16-Mar-02	\$981.00	7
749	18-Mar-02	30-Mar-02	\$17,080.13	4
31	7-Apr-02	10-Apr-02	\$3,306.00	4
104	21-Apr-02	5-May-02	\$16,530.00	4
808	22-Apr-02	23-Apr-02	\$4,340.92	7
381	1-May-02	1-May-02	\$552.00	7
733	3-May-02	7-May-02	\$3,600.00	1, 2
21	29-May-02	29-May-02	\$2,451.00	3
746	8-Jun-02	11-Jun-02	\$4,150.00	6
313	24-Jun-02	25-Jun-02	\$4,360.00	7
188	29-Jun-02	29-Jun-02	\$900.00	1,2
659	5-Jul-02	7-Jul-02	\$1,962.00	7
877	16-Jul-02	17-Jul-02	\$1,053.00	4
764	18-Jul-02	22-Jul-02	\$3,924.00	7
791	26-Jul-02	20-Jul-02	\$3,300.00	1, 5
23	21-Aug-02	29-Aug-02	\$7,683.90	4
48	21-Aug-02	1-Sep-02	\$13,963.00	7
329	28-Aug-02	2-Sep-02	\$4,100.00	1, 5
94	13-Sep-02	21-Sep-02	\$20,827.00	4
901	18-Sep-02	19-Sep-02	\$900.00	1, 2
17	19-Sep-02	19-Sep	\$1,915.38	1, 5
177	20-Sep-02	27-Sep-02	\$8,150.00	1, 5
712	8-Oct-02	11-Oct-02	\$1,962.00	7
500	22-Oct-02	25-Oct-02	\$1,526.00	7
Total Denials Overturned:			\$171,408.73	

¹ Source: Table data drawn from hospital's denial management database.

² Admit and/or discharge dates in December 2001 included due to the fact that the denials for these cases were issued and resolved in 2002.

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Financial Impact of Denial Management Unit and VoiCert

The hospital's director of contract compliance states that, while large denials would have been researched and appealed without VoiCert, the tool's value is derived from its ability to help the DMU manage, access and track information critical to successfully challenge denials. In 2002, the DMU's database shows that VoiCert played a central role in assisting with the recovery of, or the pending recovery of, \$171,408.73 in denied claims for the hospital. (See Table 1, pg. 8.)

In addition to its role in overturning denied claims, VoiCert offered additional quantifiable benefits. Because VoiCert eliminates lost productivity incurred when PAS staff and case managers wait in the hold queue at payer call centers, the volume of precertifications that one person can do is dramatically increased. Data from the hospital³ show that approximately one full-time equivalent (FTE) nurse is gained in additional productivity that would have been spent on hold without using VoiCert. The value of this FTE represents a cost savings to the hospital estimated to be \$46,837 per year⁴. This additional productivity provides a further, non-quantifiable benefit, according to the hospital: When personnel know that securing an authorization will take one or two minutes with VoiCert when compared to 30 minutes or more without it, the discipline of securing authorizations is improved, increasing the proportion of claims for which an authorization is present, and a VoiCert tracking record is available. This can aid in any subsequent denials management process.

We estimate that the VoiCert system at this facility achieved payback approximately seven months after installation and training were complete. Costs incurred include system acquisition, installation and training.⁵ Cost savings include denials overturned as shown in Table 1 and estimated nursing/case management labor savings.⁶

³ Source: Analysis of VoiCert system records of time the system spent in the hold queue awaiting connection to payer call center representatives. Time spent by the system on hold replaces time that would have been spent on hold by a PAS staff member or case manager in a non-automated process without VoiCert. This represents time saved that can either be directed to other duties or accounted for as a labor reduction.

⁴ Source: Monster.com base salary average for current (February and March, 2003) posted registered nursing positions within acute care facilities in the subject's region.

⁵ Based on system acquisition, installation, training and support costs from initial contract through October, 2002. Installation and training on the VoiCert system occupied much of the fourth quarter of 2001, therefore denial data for that period were not included in the analysis.

⁶ Source: Data supplied by the hospital, inclusive of January through October, 2002.

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Furthermore, VoiCert helped the DMU identify and resolve cases in which denied claims could not be recovered, for reasons that included lack of precertification, medical necessity, or timely filing. In these cases, the hospital gained insights into the causes of denials, helping the hospital consider procedural changes to reduce the number of denials received.

Conclusion

Automating the process of securing and tracking authorization data, coupled with a formal denials management unit, can generate substantial financial benefits for large hospitals with a significant managed care penetration.

Experience at this hospital indicates that both technology and a formal denials management process are needed to reduce denials. The data demonstrate that large hospitals could achieve payback periods of less than one year on the investment in technology to track authorization data, driven both by denials overturned and labor savings. For CFOs who are considering a structured program to reduce denials, it is important that solutions such as VoiCert be combined with a DMU to institutionalize use and to apply learnings across the revenue cycle management chain.