CHANGE HEALTHCARE

Insight. Innovation. Transformation.



The Change Healthcare 2020 Revenue Cycle Denials Index

A review of national medical claim denial trends, with strategies to help providers decrease their denial rate

Table of Contents

3 Executive Summary

5 Research Methodology

10 Denials Trends and Causes

15 Avoidable and Recoverable Denials

23 Recommendations

27 Frequently Asked Questions

29 Additional Resources

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Executive Summary

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Executive Summary

The Change Healthcare 2020 Denials Index is an analysis of 102 million hospital transactions valued at $407 billion in total charges across more than 1,500 U.S. hospitals.

The research insights were drawn from Change Healthcare's data network, one of the largest in U.S. healthcare with more than 1 million physicians, 6,000 hospitals, and 2,400 payer connections; touching 1 in 3 U.S. patient records; and processing 15 billion healthcare transactions worth $1.5 trillion annually.

Key insights of this year's report include:

- The average denials rate is up 23% since 2016, topping 11.1% of claims denied upon initial submission through the third quarter of 2020.
- Since the onset of COVID-19, denials have risen 11% nationally.
- The highest denial rates are in regions with the highest first-wave of COVID-19 outbreaks: the Pacific Coast and the Northeast, both topping 13% of claims denied on initial submission in 2020.
- Half of denials are caused by front-end revenue cycle issues (Registration/Eligibility, Authorization, Service Not Covered).
- The top denials cause remained constant since 2016: Registration/Eligibility, approaching 27% of denials.
- 86% of denials are potentially avoidable; nearly a quarter (24%) of these are not recoverable. The conclusion: Revenue loss is occurring that is preventable.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Research Methodology

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Index Research Methodology



The Change Healthcare 2020 Revenue Cycle Denials Index is based on an internal analysis of ~102 million hospital claim remits valued at $407 billion in total charges across more than 1,500 hospitals.

Change Healthcare revenue cycle analysts used primary institutional inpatient and outpatient claims submitted by a range of small, medium, and large facilities. These claims were processed by Change Healthcare from July 2019 through June 2020.

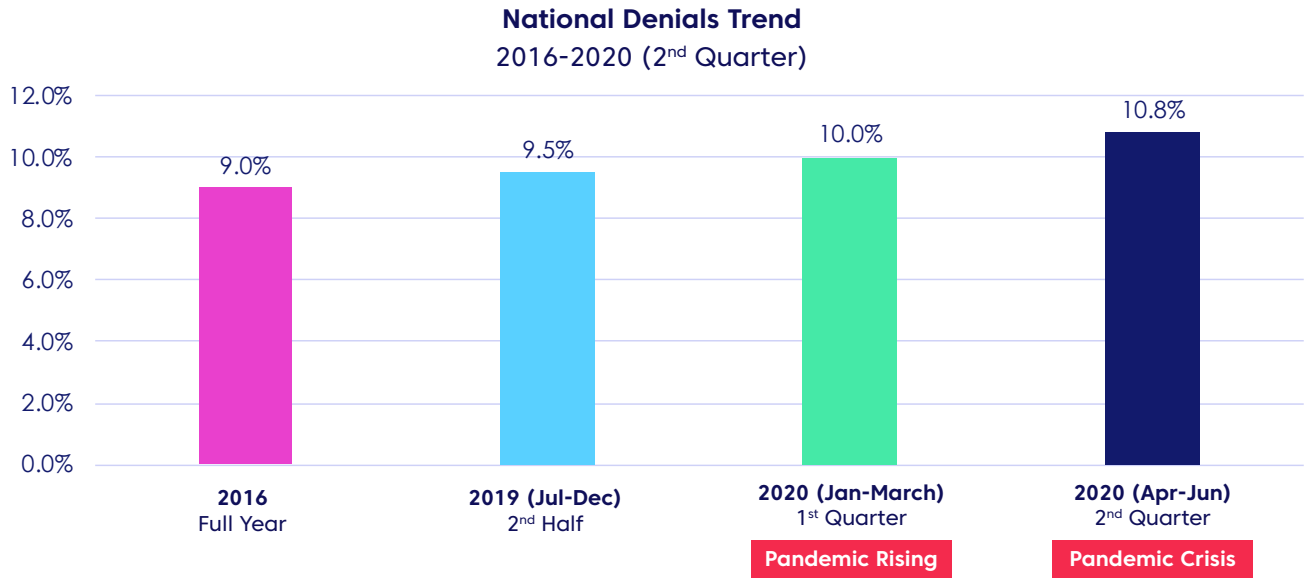
The 2019-2020 data was then compared and trended against 2016 data reported in the Change Healthcare 2017 Denials Index report, published in June 2017 at the HFMA Annual Conference.

The data used for the 2020 Denials Index report is based on internal Change Healthcare data and might or might not be representative.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Steadily Rising

Through 2Q 2020, the average denials rate is up 20% since 2016, hitting 10.8% of claims denied upon initial submission in 2020.

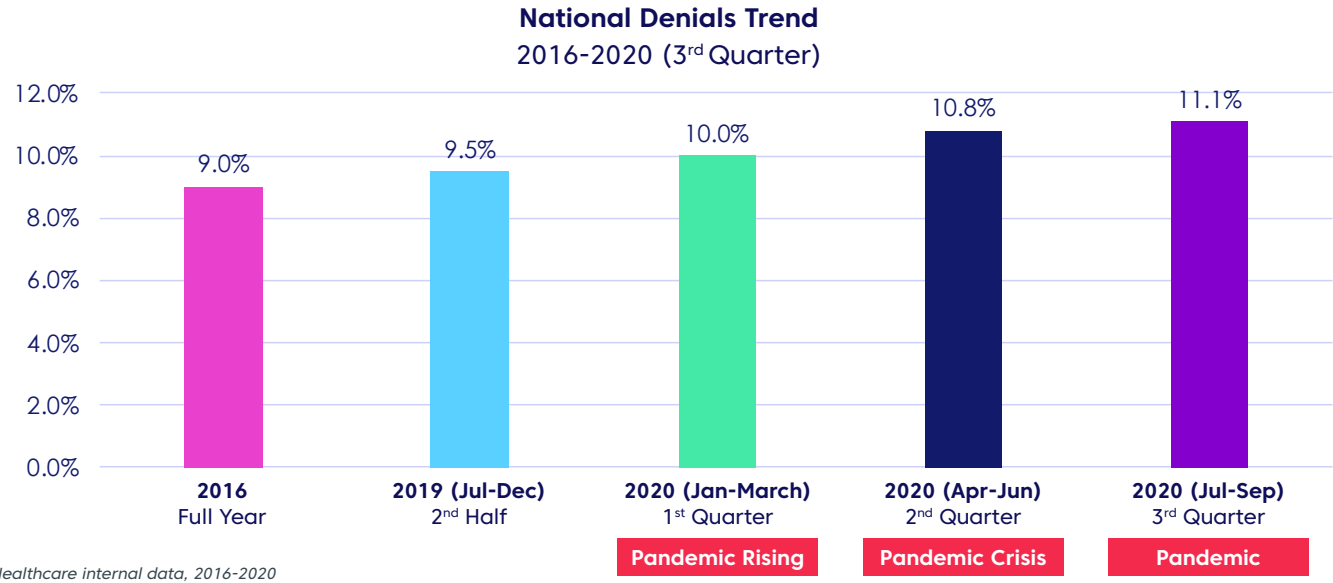


Change Healthcare internal data, 2016-2020

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Rising Unabated

The national denials rate topped 11% of claims denied upon initial submission in Q3 2020—bringing the total increase to 23% since 2016. The questions remain: How long will the trend last, how high will the denials rate go, and what can providers do to stem the trend?



Change Healthcare internal data, 2016-2020

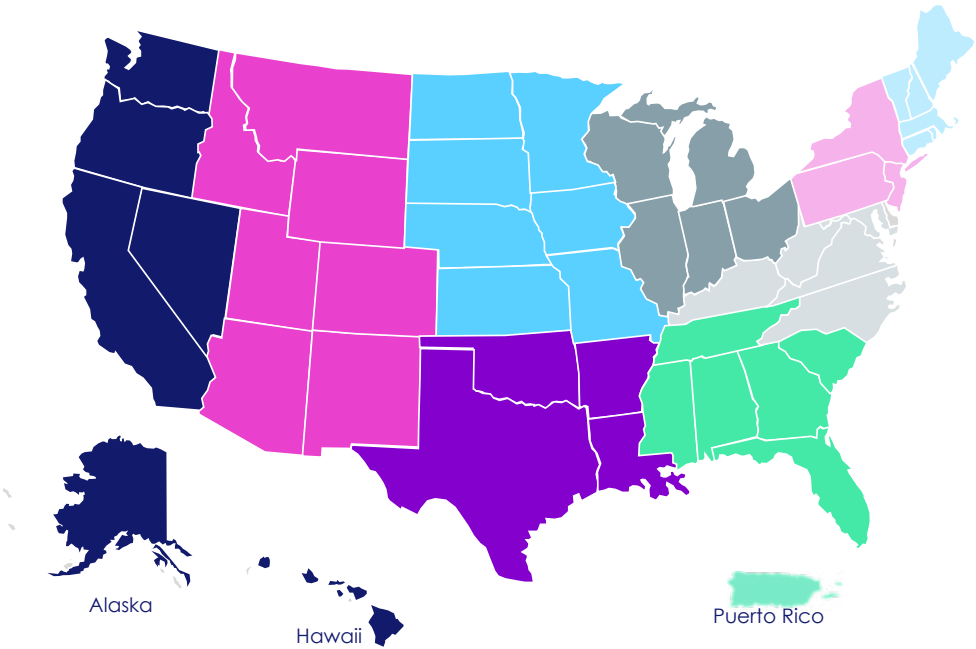
©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials by Region

The **highest denial rates** nationally are in regions with the **highest first-wave of COVID outbreaks:** the Pacific Coast and the Northeast.

Denials Average, 2019-2020

- Pacific **13.1%**
- Northeast **12.9%**
- Southern Plains **10.5%**
- Midwest **9.7%**
- Northern Plains **9.2%**
- New England **8.8%**
- Southeast **7.4%**
- Mid-Atlantic **7.3%**
- Mountain **6.7%**



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

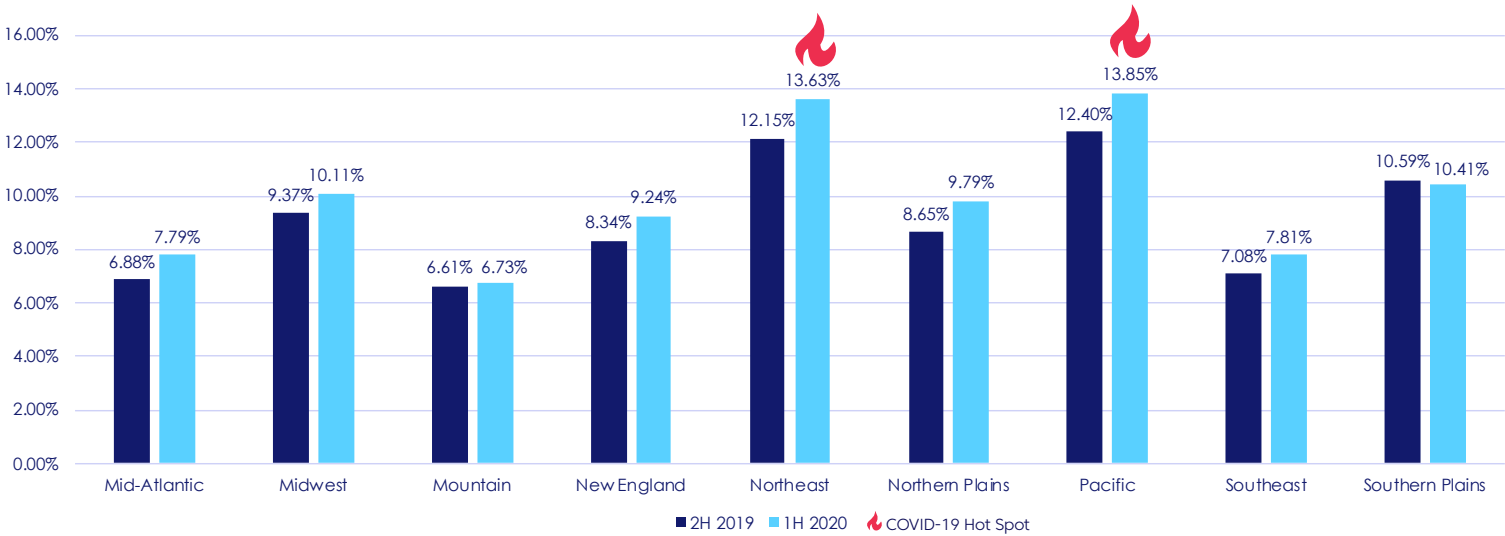


Denials Trends and Causes

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Trends

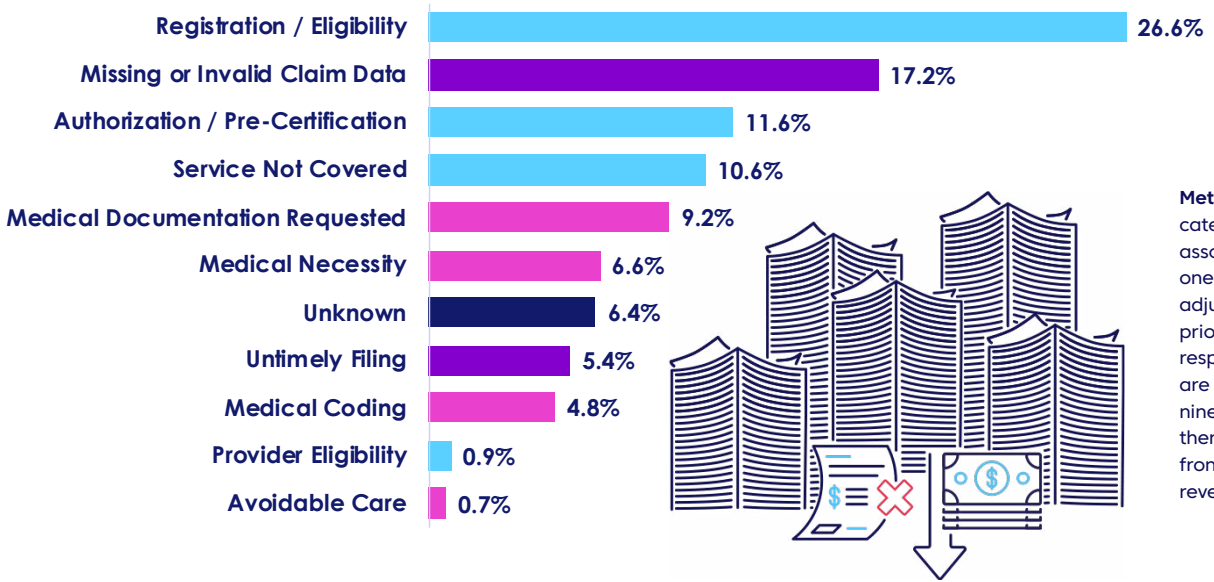
Both the Pacific and Northeast regions were nearing a 14% denial rate the first six months of 2020, an increase of 11.7% and 12.2%, respectively, compared to 2019. Overall, denials are up across the country, with only the Southern Plains region spared.



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Start Here

The top cause of denials has remained constant since 2016: Registration/Eligibility, approaching 27% of denials.

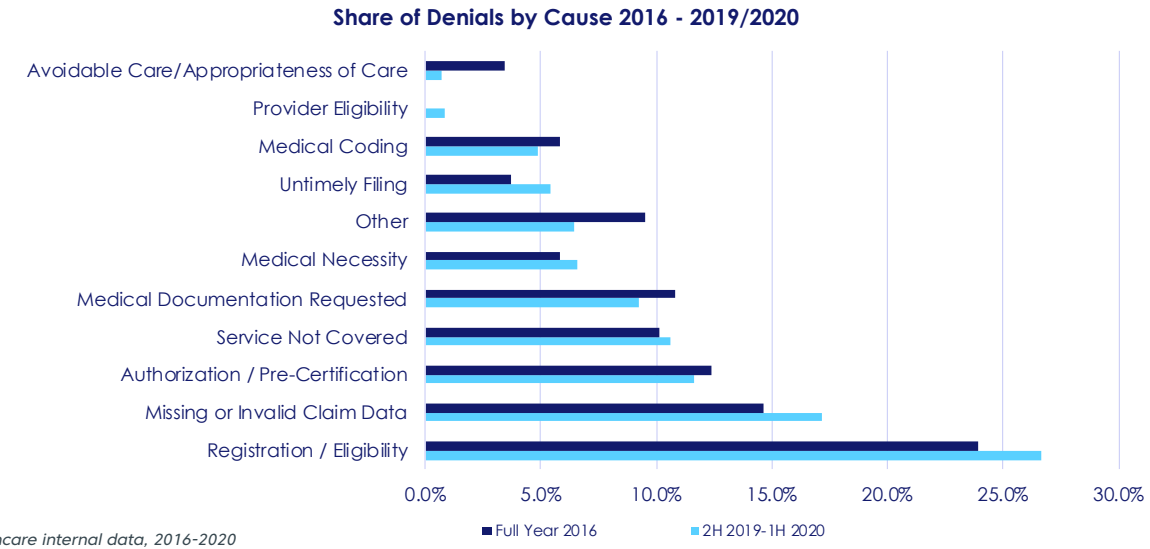


Methodology: Remit processing categorizes adjustment codes and associated dollars on remits into one of five categories: contract adjustment, bundled charges, prior payment adjustment, patient responsibility, and denials. Denials are then broken down into one of nine causes presented here. We then associate denials causes with front-end, mid-cycle, or back-end revenue cycle stages.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Over Time

The top reason for denials–Registration/Eligibility–has remained constant over time. This, plus missing or invalid claim data, have become greater drivers of denials since 2016. The good news: Denials due to Avoidable Care/ Appropriateness of Care have decreased 80%, and are nearly eradicated. Other denials causes have remained relatively stable over time.

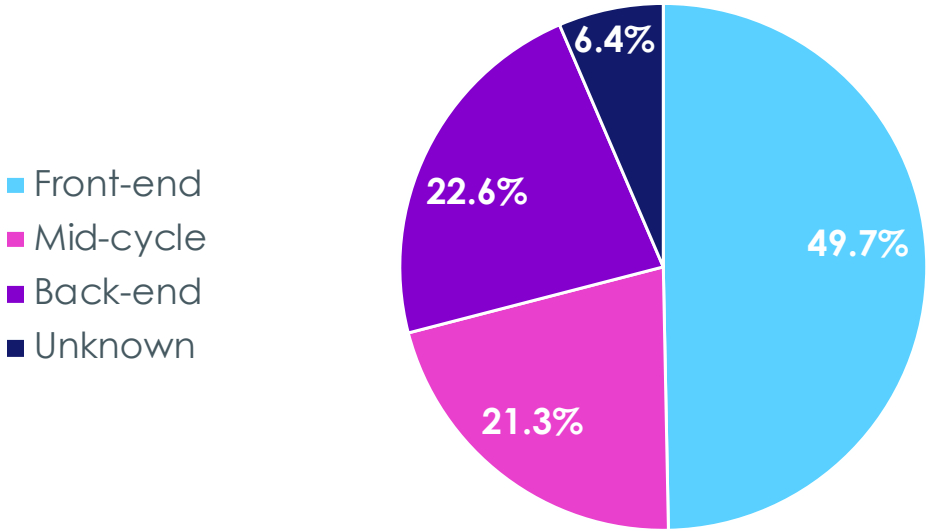


Change Healthcare internal data, 2016-2020

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

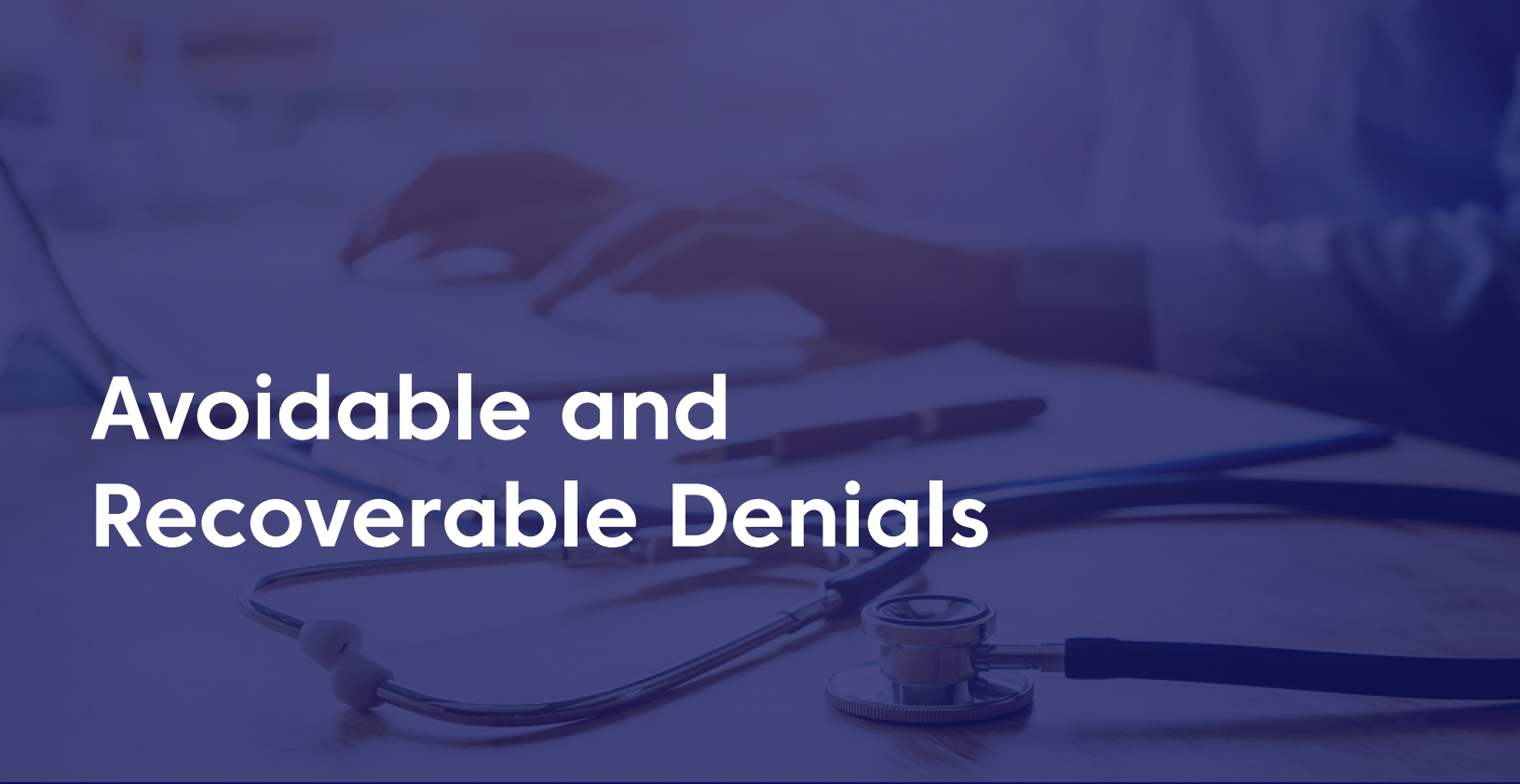
Denials Cluster Here

Aggregated Denials Share by Revenue Cycle Stage, 2019-2020



Half of denials are caused by front-end revenue cycle issues.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Avoidable and Recoverable Denials

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Focus on the Top Driver

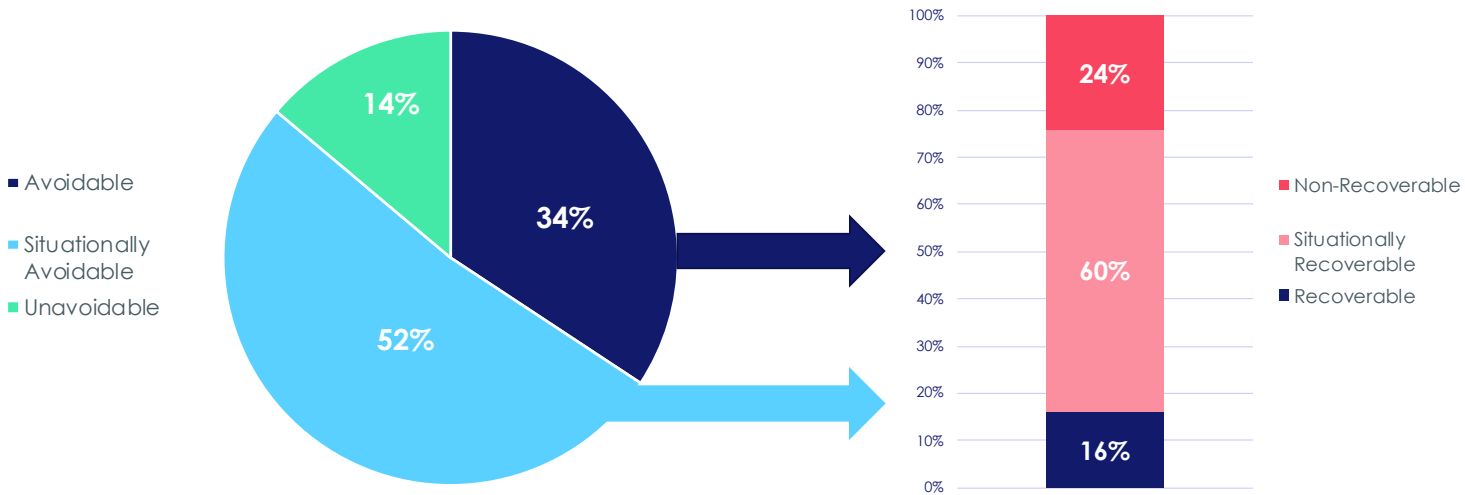


> “One in four denials originates in Registration and Eligibility. It’s time to take a hard look at the dollars and time these denials represent and focus on denial prevention in this area.”
>
> – Nicholas Raup, Associate Vice President, Product Management, Revenue Cycle, Change Healthcare

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Are Preventable

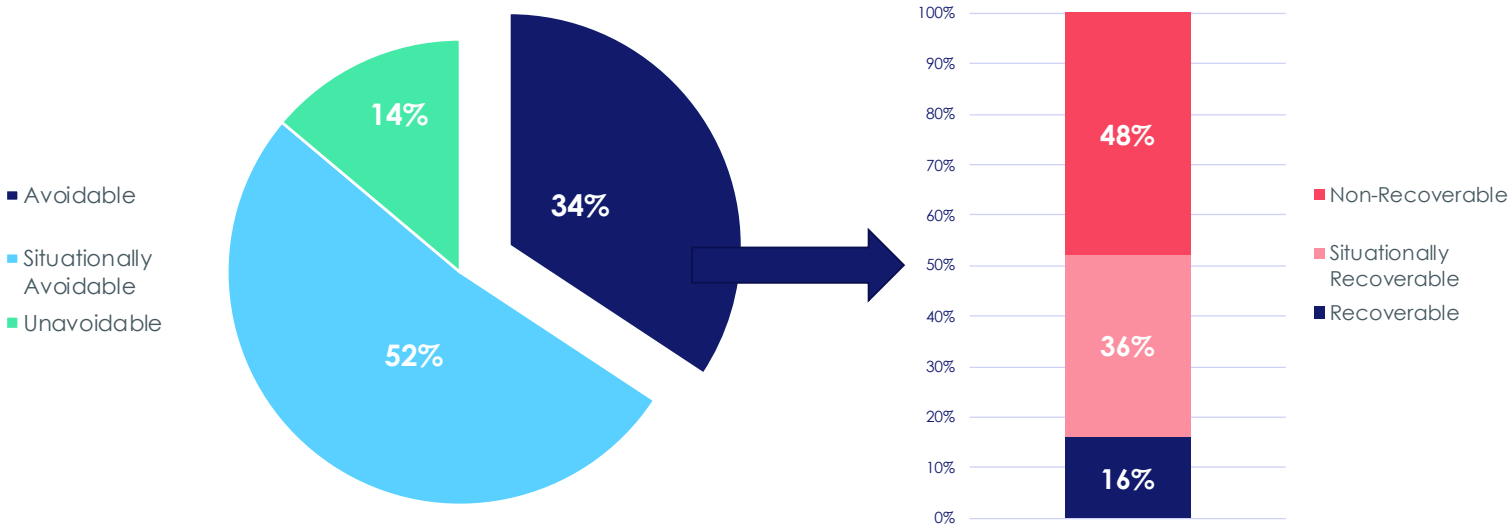
86% of denials are potentially avoidable; only 14% are unavoidable. Nearly one in four potentially avoidable denials (24%) cannot be recovered.



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Are Preventable

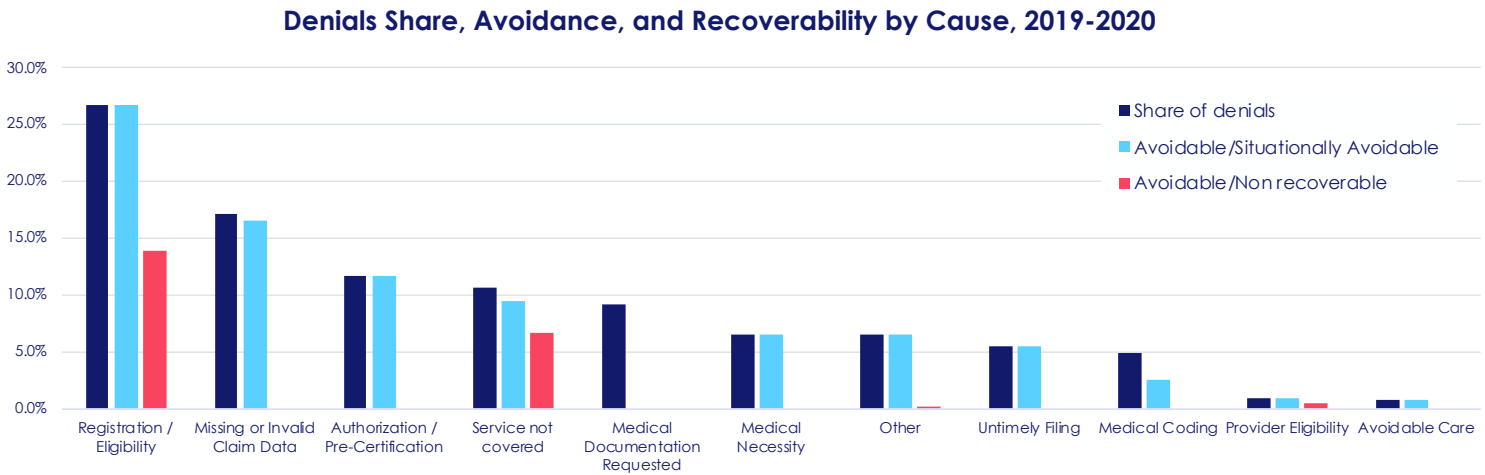
Of the 34% of denials that are unequivocally **avoidable**, nearly one in two (48%) cannot be recovered. Prevention is the key to avert revenue loss.



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Are Preventable

For every denials cause except Medical Documentation Requested, **the percentage of potentially avoidable denials nearly matches the percentage of all denials for that category**. This indicates, again, that nearly all denials are potentially avoidable.



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Breakout: Top Denials Root Causes

Potentially Avoidable Denials, Top Root Causes, 2019-2020

Registration/Eligibility (26.6%)	
Coordination of Benefits	41.5%
Benefit Maximum	28.4%
Plan Coverage	23.3%
Other	6.8%

Authorization/Pre-Certification (11.6%)	
Invalid Authorization	61.2%
Authorization Denied	25.9%
Services Exceed Authorization	7.5%
Other	5.4%

Missing or Invalid Claim Data (17.2%)	
Unspecified Billing Issue	73.2%
Missing/Invalid EOB	17.5%
Other	9.3%

Medical Necessity (6.6%)	
Medical Necessity	71.5%
Level of Care	22.1%
Other	6.4%

Service Not Covered (10.6%)	
Service Not Covered	57.7%
Unspecified Billing Issue	22.3%
Managed Care	10.6%
Non-Covered Days	5.2%
Other	4.2%

Medical Coding (4.8%)	
Overlapping Services	52.7%
Procedure/ Dx Code Inconsistent with Another Code	18.8%
Level of Care	7.2%
Other	21.3%

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Prevention is Key



> “We know that 95-100% of non-recoverable denials can likely be avoided. Providers need to implement a denials-prevention strategy for front-end processes that includes staff education and training and the use of advanced technology. This approach can help cut denials dramatically, and in turn, the time and expense associated with appeals, and the risk of lost revenue.”
>
> – Nicholas Raup, Associate Vice President, Product Management, Revenue Cycle, Change Healthcare

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Why Denials Are Rising

Lack of Denials Resources

- Lack of experienced resources to help prevent denials, especially in complex clinical cases
- Lack of expertise to support appeals
- Lack of data for root cause analysis

Staff Attrition and Training

- Tight labor market impacts hiring and retaining of qualified staff
- Complexity of denials requires robust training and education programs
- Clinical staff required to manage growing number of clinical denials

Growing Denials Backlog

- Peak seasons, staffing challenges expand denial backlogs due to timely filing deadlines
- A focus on remedying individual denials vs. analyzing root causes fails to reduce volume
- Lack of denials prevention strategies on the front-end and mid-cycle

Legacy Technology

- Ongoing regulatory changes and constant need for updating of RCM/HIS systems
- Workflows not automated for clinical attachments or to manage highest priority denials
- No or limited investment in modern analytics/ AI that can flag denials pre-submission relative to payers

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Recommendations

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

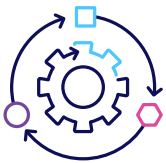
Denials Reduction: Five Tips



1. Determine where denials are originating and their root causes.
Are most denials originating in your patient access and registration departments? Are denials occurring because of insufficient documentation, or due to billing or coding errors?



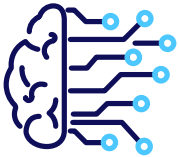
2. Prioritize remediation based on where and what actions will have the greatest impact.
For example, do you need to focus on the front-end, mid-cycle, back-end, or all three? Within those realms, do you need to work with a certain physician or a specific payer? Prioritization is crucial to ensuring your efforts generate the greatest return.



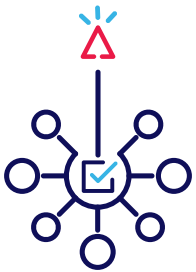
3. Consolidate revenue cycle technology with a single "end to end" vendor.
Difficulty in reducing denials or rising denials rates can be a warning sign that legacy or inadequate technology and services, or a mashup of point solutions, are being used to manage the revenue cycle. There is a growing industry effort to consolidate end-to-end technology solutions with a single vendor to optimize financial performance, improve operational effectiveness, and ease maintenance and upgrades.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Reduction: Five Tips



4. Benefit from advanced analytics and AI.
Many providers have limited or no access to analytics and AI, while payers continue to invest in these technologies. This can place providers at a disadvantage, as payers' ability to accurately detect claim issues increases, while providers' ability to prevent and address denials is stagnant or wanes. To level the playing field, providers must invest in these technologies to identify where denials are originating so root problems can be addressed; to prioritize appeals; and to drive efficiencies.



5. Choose the right partner.
Change Healthcare offers end-to-end advanced revenue cycle management solutions for providers of all sizes. Advanced analytics solutions such as Change Healthcare's Acuity Revenue Cycle Analytics™ and Pulse Revenue Cycle Benchmarking™ can help providers understand their denials problem and begin to prevent denials more strategically. And Change Healthcare's Assurance Reimbursement Management™, Clearance Patient Access Suite, InterQual® Suite, and technology-enabled services such as our Denials and Appeals Management, help providers address their toughest revenue cycle challenges so their organization can remain focused on what matters most: providing excellent patient care.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Analytics Provide the Answers



> “Analytics are the key to understanding your denials problem and to implementing a denials-prevention strategy. Focus your efforts where denials are avoidable. And when denials do occur, an automated appeals-management solution, along with employing clinical experts, is crucial. Lastly, make sure you identify those denials that are non-recoverable early, so your teams don’t waste time working them.”
>
> – Nicholas Raup, Associate Vice President, Product Management, Revenue Cycle, Change Healthcare

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Frequently Asked Questions

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Frequently Asked Questions

Q. Why was there was a spike in denials during the peak months of COVID-19 earlier in the year [2020]?

A. We found two potential reasons. One was the more technical type of denial impacted by interruption of staff productivity–such as registration and eligibility, missing claim data, and untimely filing, in particular. Organizations were struggling to transition from the office to working from home, and we think that interruption in productivity can be seen in the denial rates. Second, medical documentation requests also had a higher rate of denials during that period. The reduction in elective surgeries left a larger percentage of more complex cases. These non-elective, often complex surgeries typically receive documentation requests. The increase of these types of claims coming through might have resulted in more medical documentation requests to process, and thus a correspondingly higher rate of denials.

Q. We have denial challenges related to medical documentation requests. What steps should we take to assist with that?

A. Medical documentation requests are a challenge across the industry. Look for a vendor that automatically sends your attachments via the most expeditious channel each payer accepts: electronically, fax, or mail. Electronic attachments reduce the risk your documentation will be lost in the mail, or that the payer will not be able to match the paper attachment to the electronic claim, thereby reducing your risk of denial. An electronic solution can also let you know automatically when a payer requires additional documentation, and let you track the attachment all the way through the process...showing when it's created, sent, acknowledged, pending, or errored.

Q. How do you go about focusing on the area of the revenue cycle where you can have the greatest impact on reducing denials?

A. The first step is to conduct an analysis to determine where the majority of your denials are originating. Analytics will also enable you to drill down to identify root causes. Next, prioritize your interventions; determine where to focus your energy and actions based on where you can have the greatest impact. Then, assess your internal resources, processes, and tools to see what is needed, then evaluate external resources to supplement where needed.

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Additional Resources

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Enabling Connected Healthcare

Giving our customers actionable **insights** gained from one of the largest networks in healthcare today

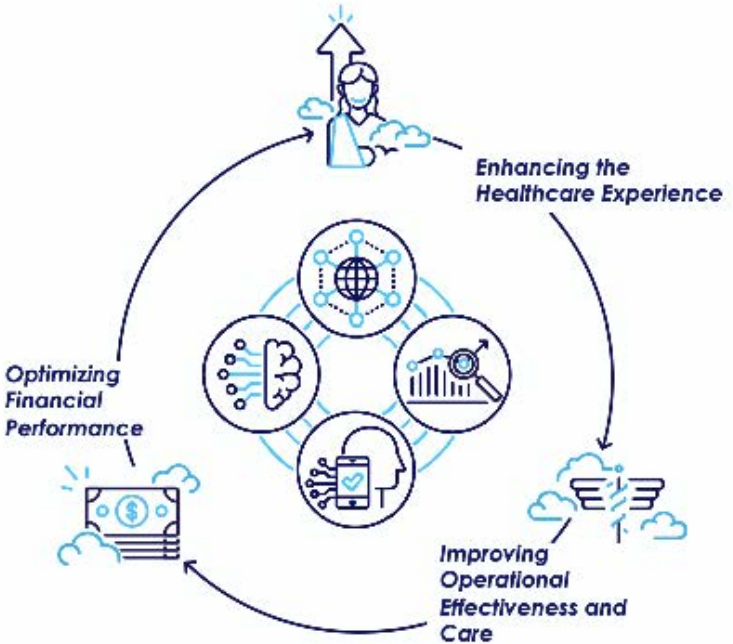
1 Million Physicians

39,000 Pharmacies

125,000 Dentists

700 Laboratories

6,000 Hospitals



3,300+ Facilities using Imaging Solutions

$1.5 Trillion Healthcare Claims

15 Billion Healthcare Transactions

1 in 3 U.S. Patient Records

2,400 Payer Connections

Change Healthcare internal data

©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

How Change Healthcare Can Help

RCM Complete™ is an end-to-end revenue cycle management solution that uses innovative technology and expert services to create exception-based workflows that help prevent denials and accelerate reimbursement.

The same advanced analytics and talent that revealed this report's insights can help you improve your organization's performance. Join thousands of other hospitals, health systems, and physician practices who rely on the power of the Change Healthcare platform.

Visit our Revenue Cycle Solutions Portal



©2020 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Insight. Innovation. Transformation.

Change Healthcare (Nasdaq: CHNG) is a leading independent healthcare technology company, focused on insights, innovation and accelerating the transformation of the U.S. healthcare system through the power of the Change Healthcare Platform. We provide data and analytics-driven solutions to improve clinical, financial, administrative, and patient engagement outcomes in the U.S. healthcare system.

@ 2020 Change Healthcare LLC and/or one of its subsidaries. All Rights Reserved.