

# Revenue Cycle 101: How Denials & Deductions Originate and Impact Your Health System

Presenter: Ryan O'Hara

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## AHDAM

The Association for Healthcare Denial & Appeal Management



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## The Association for Healthcare Denial and Appeal Management

- The nation's only association dedicated to Healthcare Denial and Appeal Management.
- Our mission is to support and promote professionals working in the field of healthcare insurance denial and appeal management through education and collaboration.
- Our vision is to create an even playing field where patients and healthcare providers are successful in persuading medical insurers to make proper payment decisions.

[www.ahdam.org](http://www.ahdam.org)

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Presenter

## **Ryan O'Hara**

Managing Principal, Denial Research Group

Ryan O'Hara is an accomplished healthcare executive with a wealth of experience in revenue cycle operations. Throughout his 20+ year career, Ryan has demonstrated a deep understanding of the complexities of healthcare financial management and has worked to develop strategies and solutions to drive efficiency, reduce costs, and improve patient outcomes.

He has spent the majority of his time on the healthcare provider side, working as a revenue cycle operations leader across many hospitals and health systems. He also has spent several years working on the EMR and 3<sup>rd</sup> party business partner side. This has provided for a diverse and rounded background; but one that is always rooted in being a trusted and value-add contributor for healthcare providers.

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- To obtain CEUs, you must be an AHDAM member, attend the live webinar for at least 53 minutes\* and complete the survey that will pop up automatically for you at the end of the webinar.
- CEU certificates will be emailed to you generally within a week of the webinar.
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From the survey you will be prompted to select desired CEUs – as many as is applicable to you:

- AMEDCO: CME for physicians
- Association of Clinical Documentation Improvement Specialists (ACDIS): Certified Clinical Documentation Specialist (CCDS)
- National Association of Healthcare Revenue Integrity (NAHRI): Certification in Healthcare Revenue Integrity (CHRI)
- American Nurse Credentialing Center (ANCC): Continuing nursing education  
This nursing continuing professional development activity was approved by the Northeast Multistate Division Education Unit, an accredited approver by the American Nurses Credentialing Center's Commission on Accreditation.

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## Objectives - After Attending This Program You Should Be Able To

Self-report you can identify:

- one financial impact of denials on hospitals.
- the primary objective of revenue cycle operations.
- and the differences between gross revenue, net revenue, and cash revenue.

## Disclosure of Conflict of Interest

The following table of disclosure information is provided to learners and contains the relevant financial relationships that each individual in a position to control the content disclosed to Amedco. All of these relationships were treated as a conflict of interest, and have been resolved. (C7 SCS 6.1-6.2, 6.5)

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# AMEDCO Learner Notification

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<b>Name</b>	<b>Interest: Relationship</b>
Karla Hiravi	NA
Ryan O'Hara	Denial Research Group: Employee
Alice Pomplon	NA
Jo Shultz	NA

## How to Get Your Certificate

1. Go to [ahdam.cmecertificateonline.com](http://ahdam.cmecertificateonline.com)
2. Click on the **Revenue Cycle 101** link.
3. Evaluate the meeting.
4. Print, download, or save your certificate for your records.
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\* Tailored for new appeal writers as well as not so new writers who could use a refresher.

# Revenue Cycle Objectives

- **Primary**
  - Collect the **appropriate** reimbursement for services provided without delay.....**at the lowest possible cost.**
- **How do we do this?**
  - Get the right clinical outcome at the lowest possible cost
    - Appropriate resource consumption (Labor & Non-Labor)
    - Cost of Care Mgmt
    - Accurate patient status and continuum of care plan
  - Medical Record Integrity at the lowest possible cost
    - Documentation integrity and specificity
  - Turn A/R into cash at the lowest possible cost
    - Clean claims
    - Denials Management

# Denial Research Summary Report (HFMA, April 2023)

- 19% (avg. time) – Revenue Cycle Team working on denials
- 49% Back-end revenue cycle focused on working denials and submitting appeals
- 13% (avg.) first pass denial rate
- 31% of the organizations are focused on denial prevention

# Traditional Technical Denials

- Technical denials are typically not related to the necessity or appropriateness of the care, but are typically due to clerical errors, omissions, or non-adherence to specific payer requirements related to the field completion of the claim itself.
- Common technical issues include:
  - Incorrect patient identifiers,
  - Missing authorizations
  - Missing or incorrect modifiers
  - Submission past filing deadlines
  - Lack of, or incorrect authorization
- Traditional back-office resolution process prior to resubmission claim

# Technical/Administrative/Clinical Denials

- They are all now co-mingled by payers
  - Lack of coverage
  - Insufficient insurance verification
  - Failure to submit medical records
  - Invalid case rate, per diem, fee schedule
  - Utilization Management failed to send clinicals
- Most denials come through the Explanation of Benefits (remittance and action codes)
- Operationally, deductions aren't standardly used, but there should only be 5
  - Contractuals
  - Denials
    - Technical
    - Clinical
  - Financial Assistance/Charity
  - Bad Debt
  - Administrative



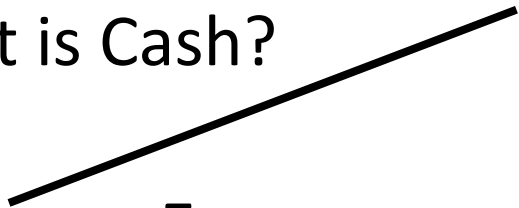
- What is Gross Revenue?



- What is Net Revenue?

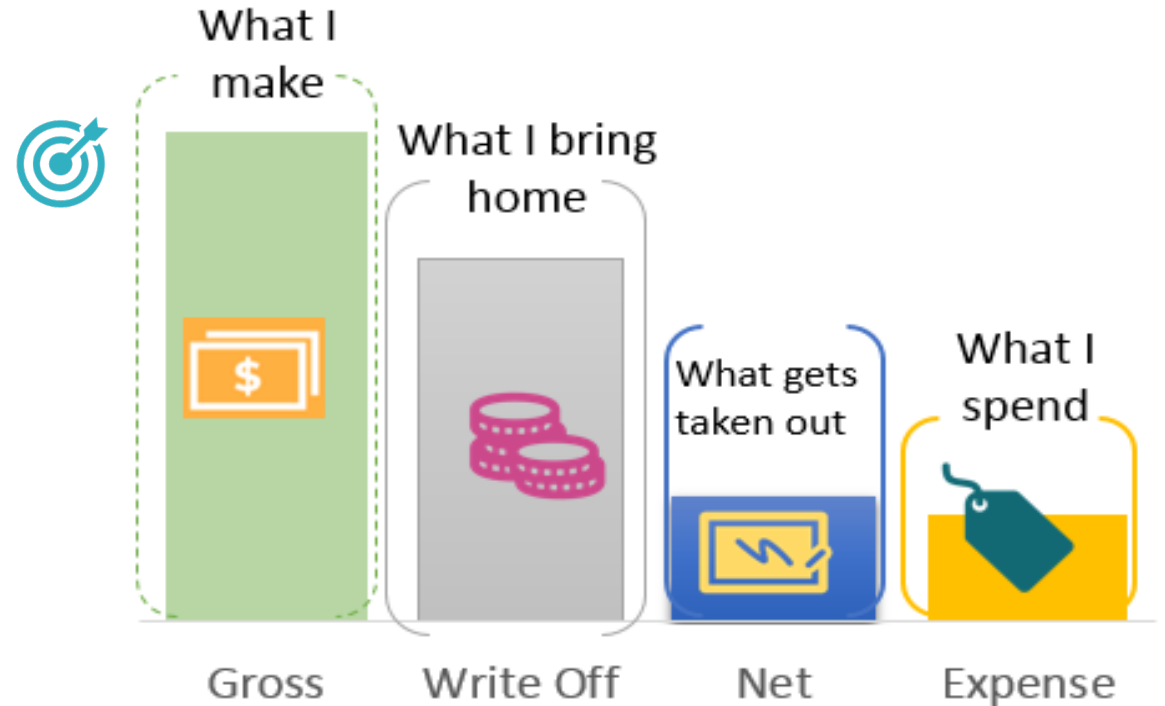


- What is Cash?



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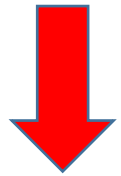
Operating Margin





# Gross Revenue

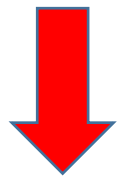
# \$1,000,000,000



**Contractuals**

# Net Revenue

# \$400,000,000

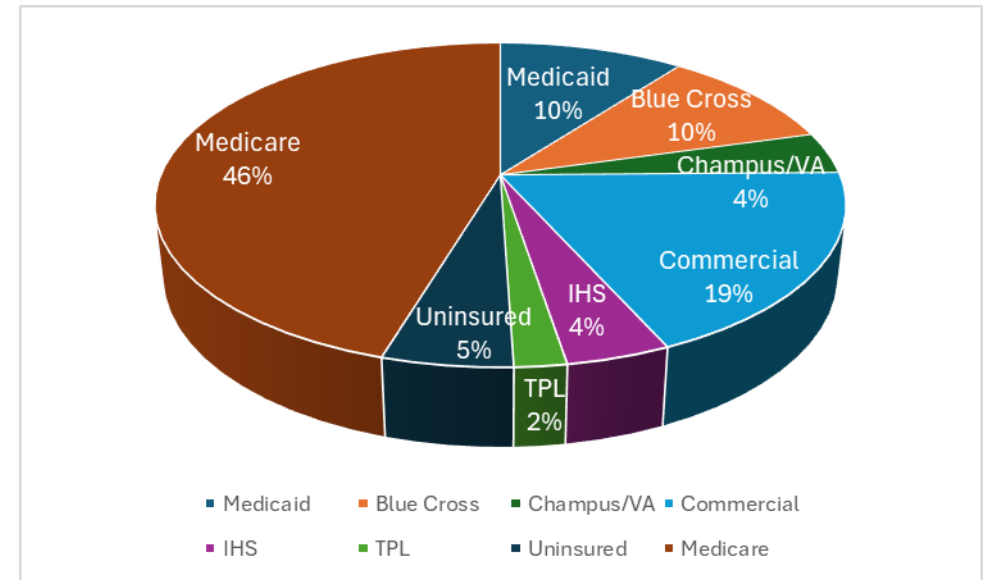
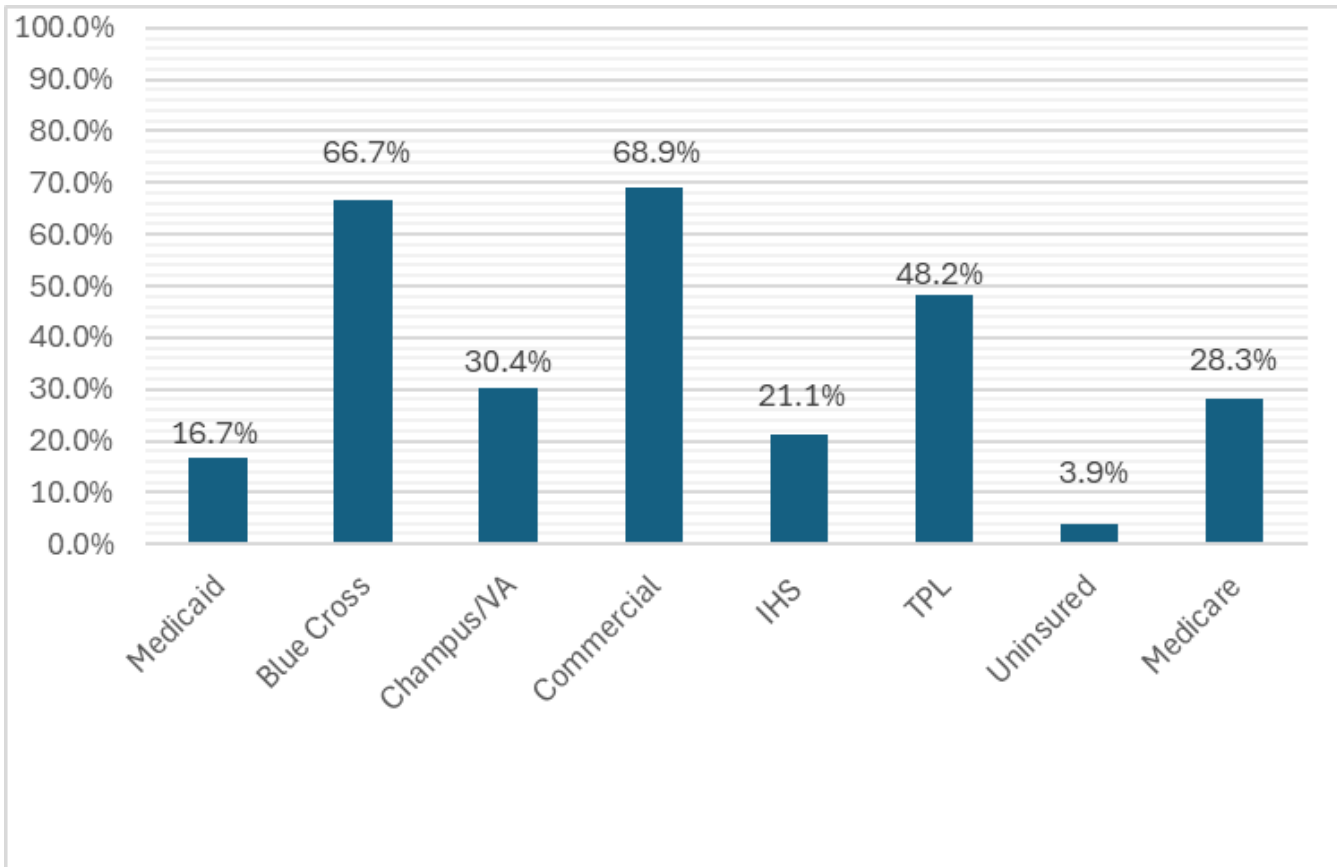


- Denials (Payor-based)
- Bad debt (Patient-based)
- Charity (Patient-based)
- Administrative Adjustments

# Cash

# ~\$380,000,000

# Payer Mix and why it matters.....



# A real - life case study based on Consolidated Financials



**Gross Revenue** has increased 11.5% cumulatively = \$201.2M in additional charges

*Key drivers* = volume and rate increases



**Net Patient Revenue** has increased 5.3% or **\$32M**

*Key drivers* = payor/case mix changes &  
rate increases do not = added net revenue for most payors

**Other Operating Revenue** has *decreased 24.5% or \$5.3M*

*Key drivers* = Retail Pharmacy (Note: Retail Rx is operating at an overall positive net income)



**Expenses** have increased 8.5% or **\$49.2M**

*Key drivers* = S & W \$21.3M, Benefits \$5.1M, Medical Supplies \$15M Pro Fees \$7.9M, depreciation \$1.5M

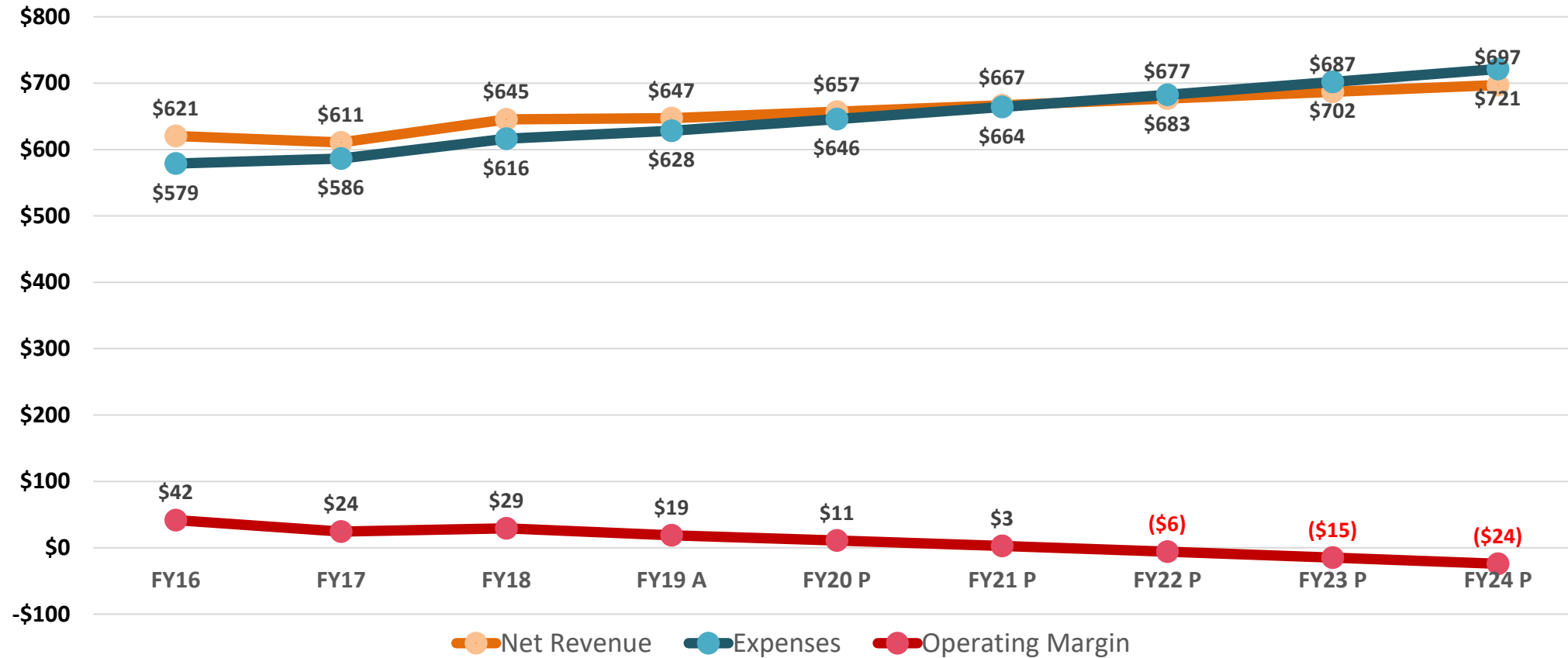


**Operating Margins** have *decreased 54.7% or (\$22.8M)*

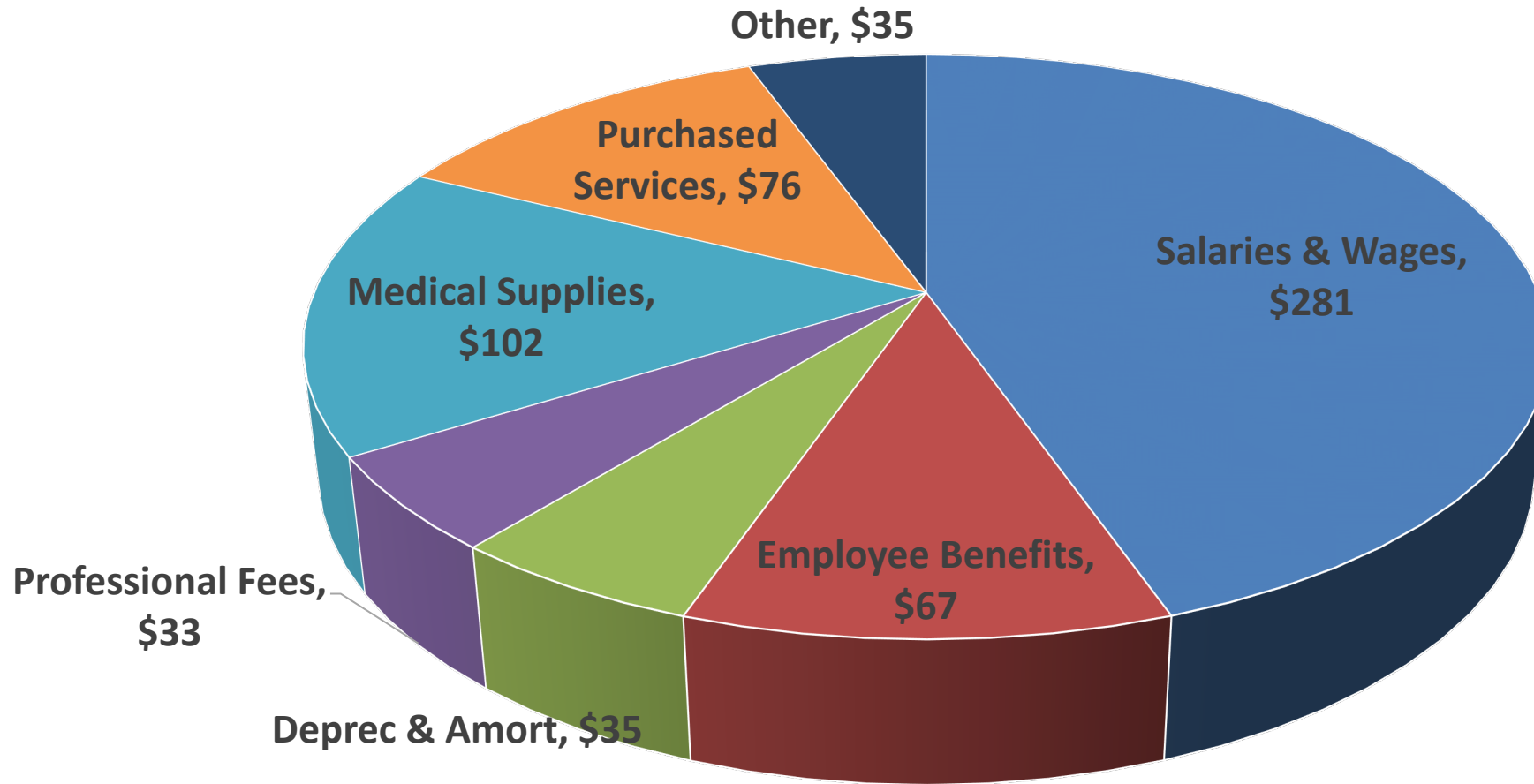
*Key driver* = Cost to deliver care is rapidly outpacing net revenue growth despite volume growth and rate increases

# Historic Trended Financial Data

\*Based on FY16 –FY18 Actuals and FY19 Projected



# Expenses defined



# Healthcare spending examined

The U.S. spent \$4,464.6 billion on health care in 2022 where did it go?

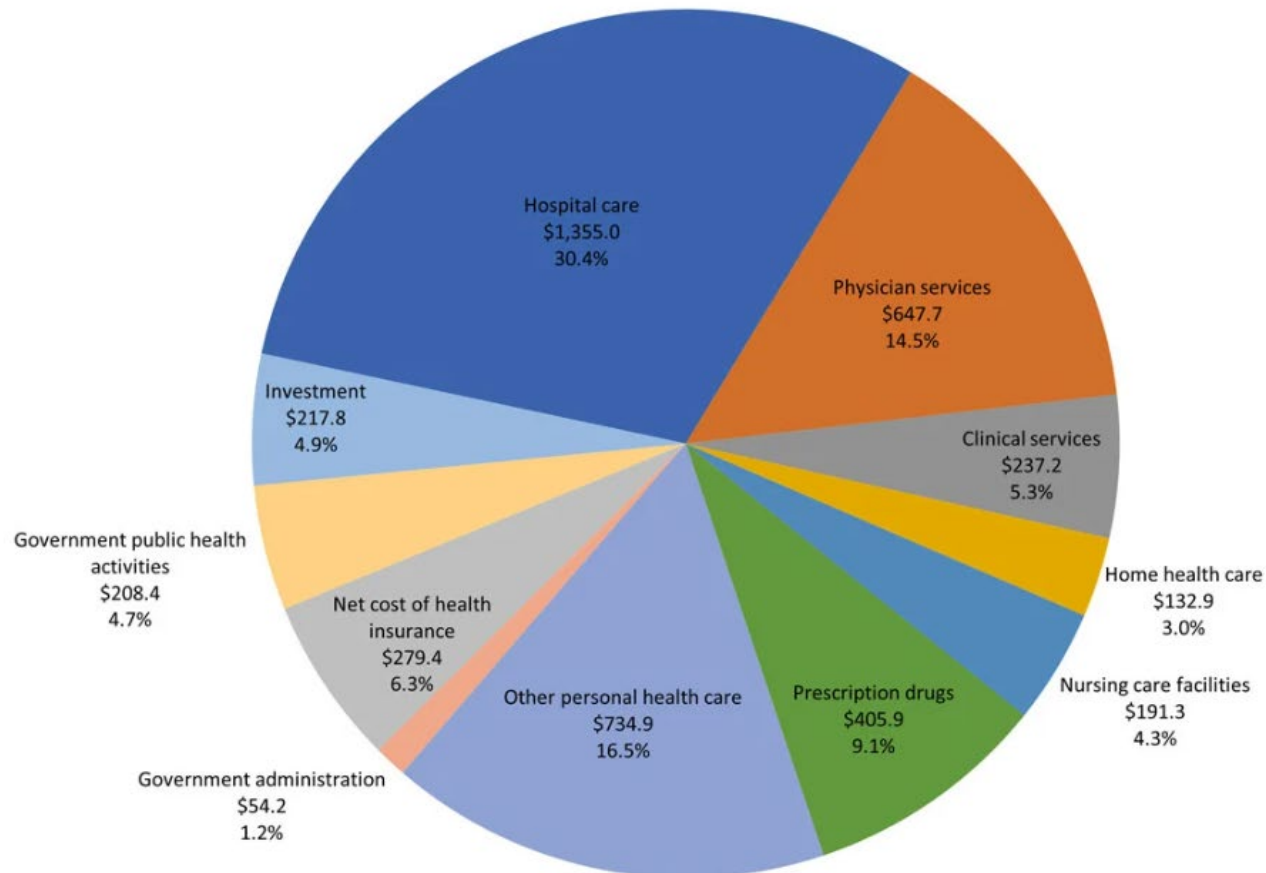
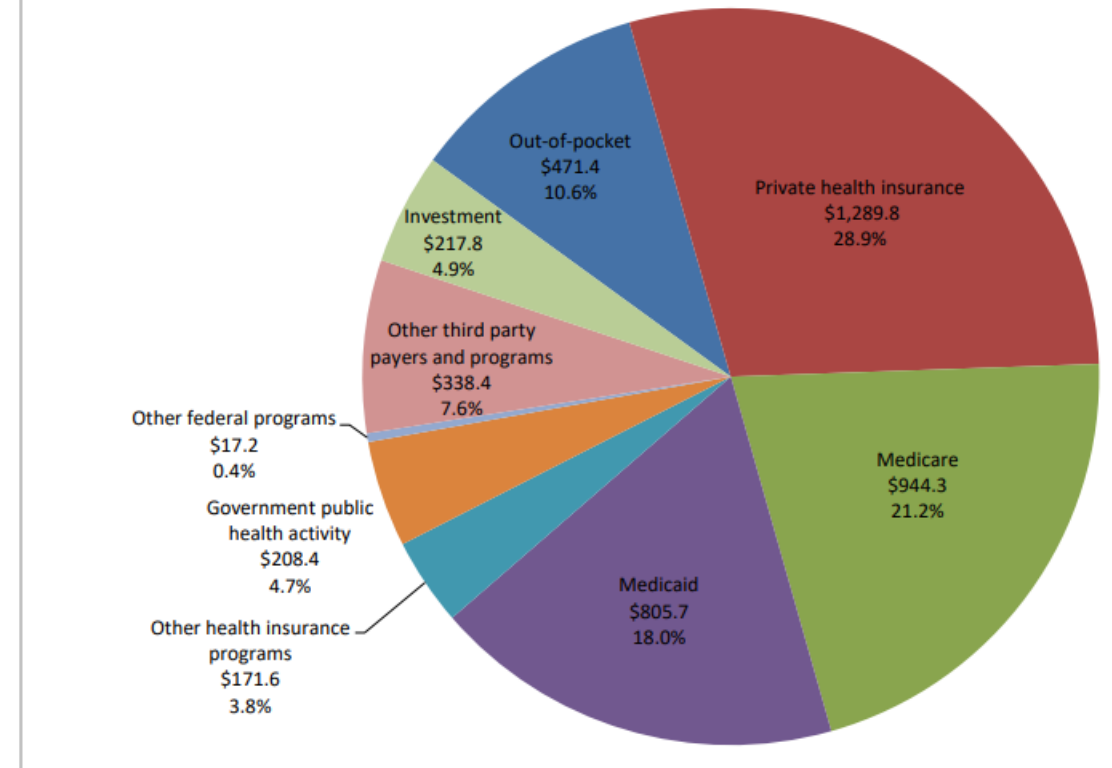


Exhibit 3. Who pays the bill? \$4,464.6 billion health care spending in 2022 decomposed by source of funds



# Denial Trends

- Overall initial denial rates from 10.15% in 2020; 11.2% in 2022; 12% in 2023; this does not include takebacks (audits) from denial
- 90-day plus AR percentage is running 19 to 36% for Medicare Advantage and 27 to 36% for commercial related to denied claims
- The AHA reported 55.7% increase in denials from MA plans and 20.2% increase in commercial payers from 2022 to 2023
- Payer denials prevent from collecting the patient share of the payment
- *According to an article published by the HFMA in March 2023, 85% of denials can be avoided by implementing processes from best practices*
- Claims Denials Today ..... Audits Tomorrow

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# Questions and Answers



# Thank you for attending today's event!

For more information, please contact:

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