



The Change Healthcare 2022 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	<u>Executive Summary</u>
5	<u>Research Methodology</u>
7	<u>Denial Trends and Causes</u>
14	<u>Avoidable and Recoverable Denials</u>
21	<u>Recommendations</u>



Executive Summary

Executive Summary: Staggering Denial Rates, Many Preventable

The average denial rate is up to almost

12%

in the first half of 2022, compared to just **10% in 2020** and **9% in 2016**

The highest denial rates are in the Pacific, with a staggering

17%

denial rate, followed by the **southern Plains at 12.19%**

Even though front-end denials have **come down 5% since 2020**, they still account for more than

41%

in the first half of 2022, compared to just **10% in 2020** and **9% in 2016**

While Registration/Eligibility has seen **the biggest decrease in denials by category since 2020**, it is still the top cause at

22%

Around

82%

of denials are potentially avoidable, and **1 in 5 (22%)** of these are not recoverable

The Conclusion

Revenue loss is occurring that is **preventable**



Research Methodology

Denials Index Research Methodology: How We Gathered Our Data



The Change Healthcare 2022 Revenue Cycle Denials Index is based on an internal analysis of ~441 million hospital claim remits valued at \$500 billion in total charges across more than 1,500 U.S. 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 2021 through June 2022.

The 2021–2022 data was then compared and trended against data reported in the 2017 Change Healthcare Healthy Hospital Revenue Cycle Index and the 2020 Denials Index report.

The data used may or may not be representative of other healthcare segments and/or provider types.

**Percentages have been rounded*

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

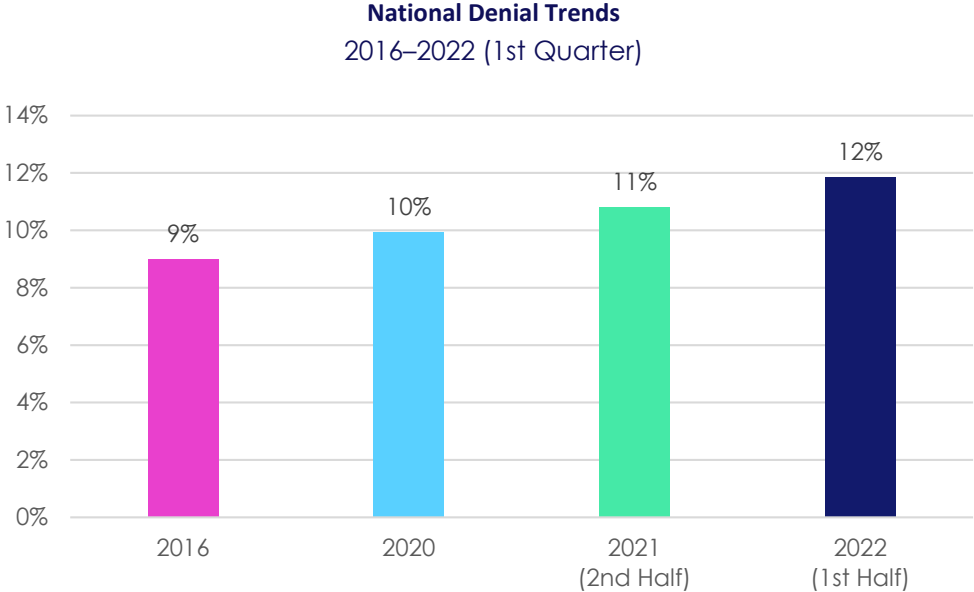
©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denial Trends and Causes



Denials Continue to Rise

The average denial rate is up 3% since 2016, hitting 12% of claims denied upon initial submission in 2022.



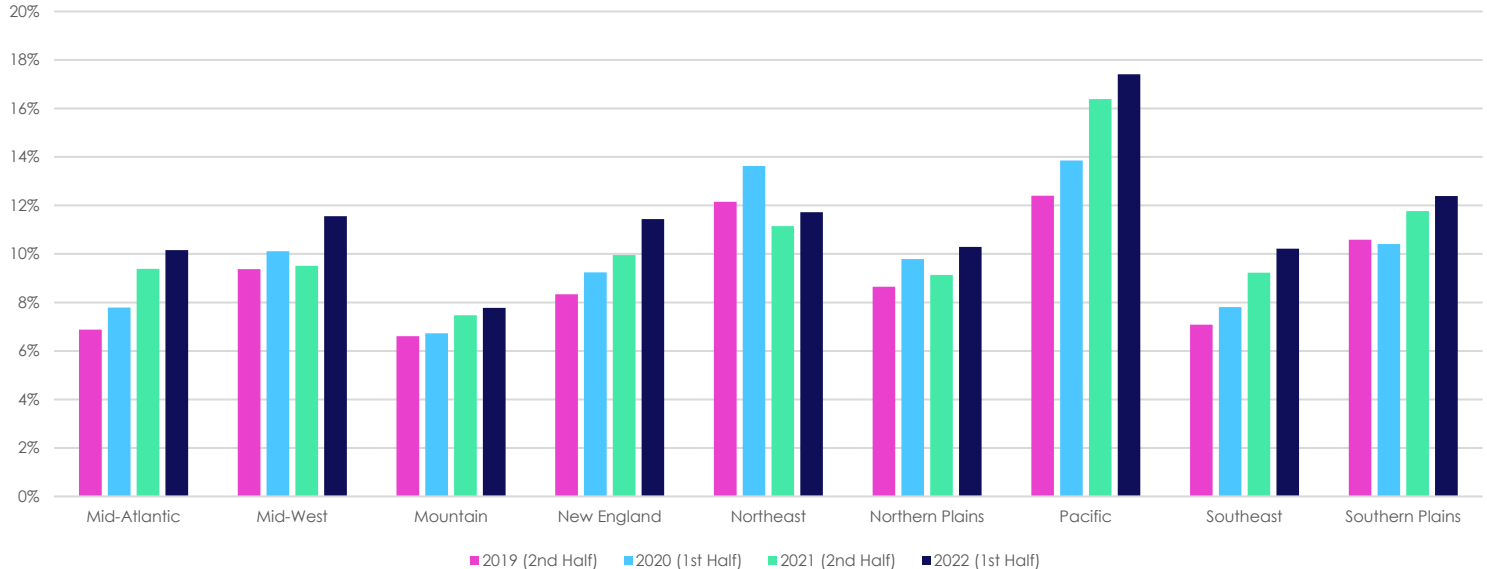
Change Healthcare internal data, 2016-2022
*Percentages have been rounded

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denial Rates Continue to Increase Across the Country

The Pacific region continues to see an increase in denials, whereas we're seeing a slight decrease in the Northeast; however, denials continue to rise across the country.



Change Healthcare internal data, 2016-2022

*Percentages have been rounded

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

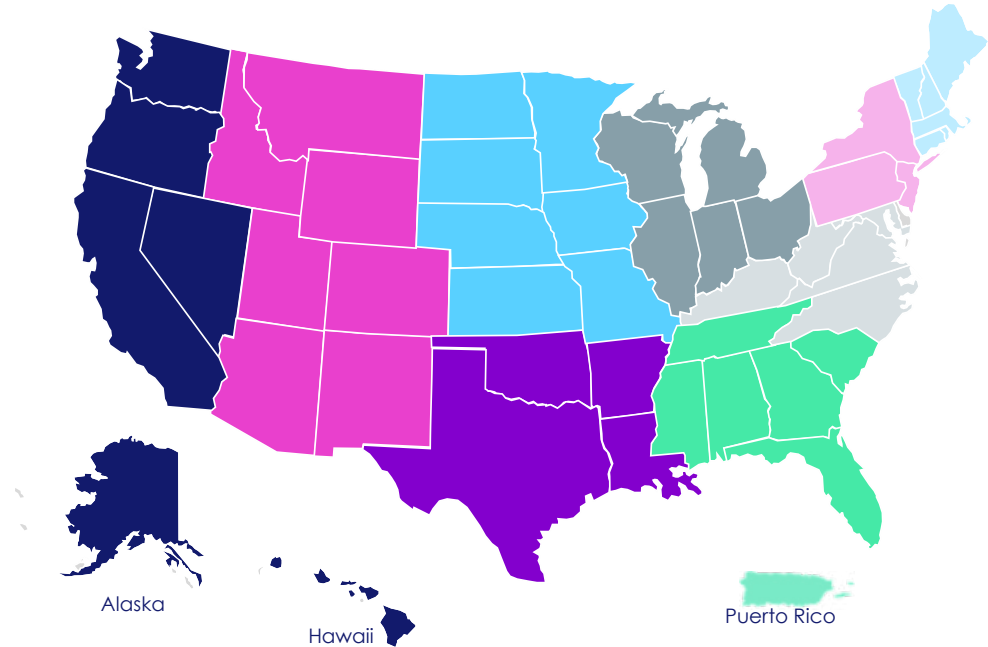
©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denial Rates Largely Vary by Region

The **highest denial rates** nationally are in the Pacific and the southern Plains.

Denials Average, 2021–2022

- Pacific **17%**
- Southern Plains **12%**
- Northeast **11%**
- New England **11%**
- Midwest **11%**
- Mid-Atlantic **10%**
- Southeast **10%**
- Northern Plains **10%**
- Mountain **8%**



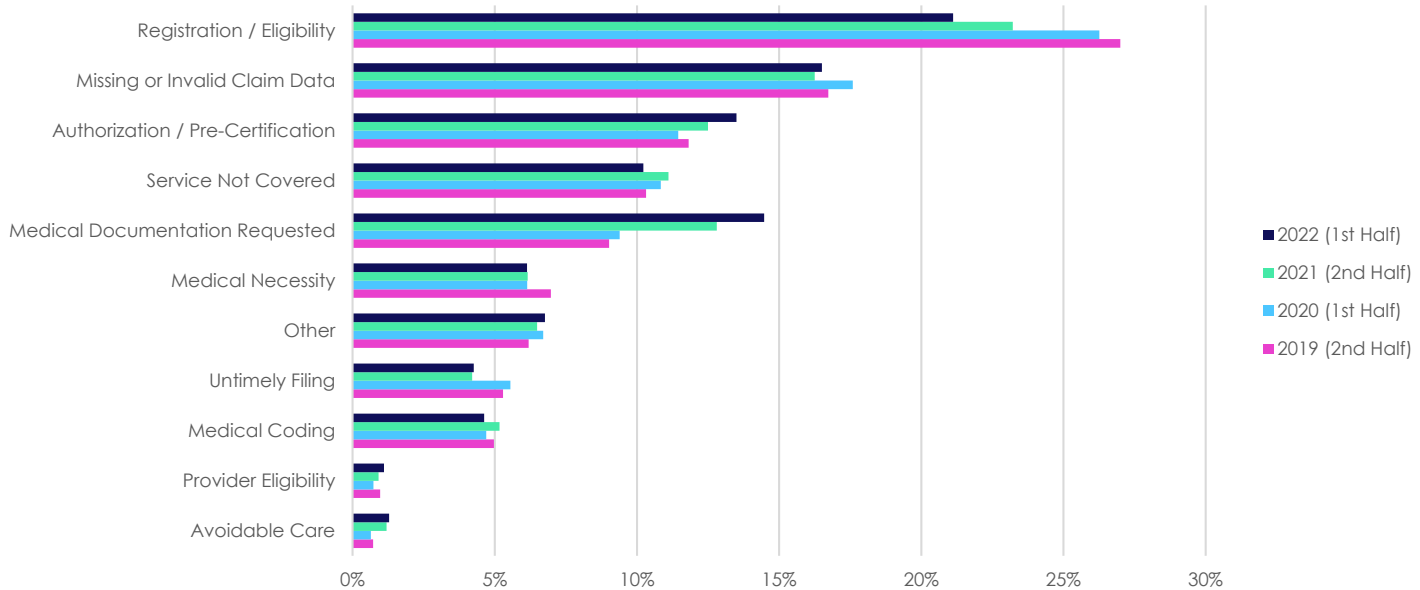
**Percentages have been rounded*

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Historically Registration/Eligibility Has Been the Top Cause of Denials

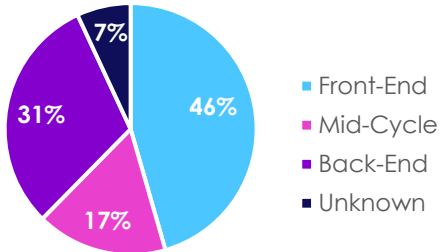
Registration/Eligibility remains the top reason for denials but has shown consistent improvement. Meanwhile denials related to clinical validation have increased as seen in Medical Documentation Requested and Avoidable Care denials.



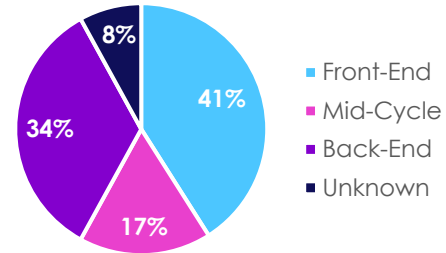
Front-End Denials—The Most Common Culprit

Aggregated Denials Share by Revenue Cycle Stage, 2019–2022

2019 Q3 – 2020 Q2



2021 Q3 – 2022 Q2



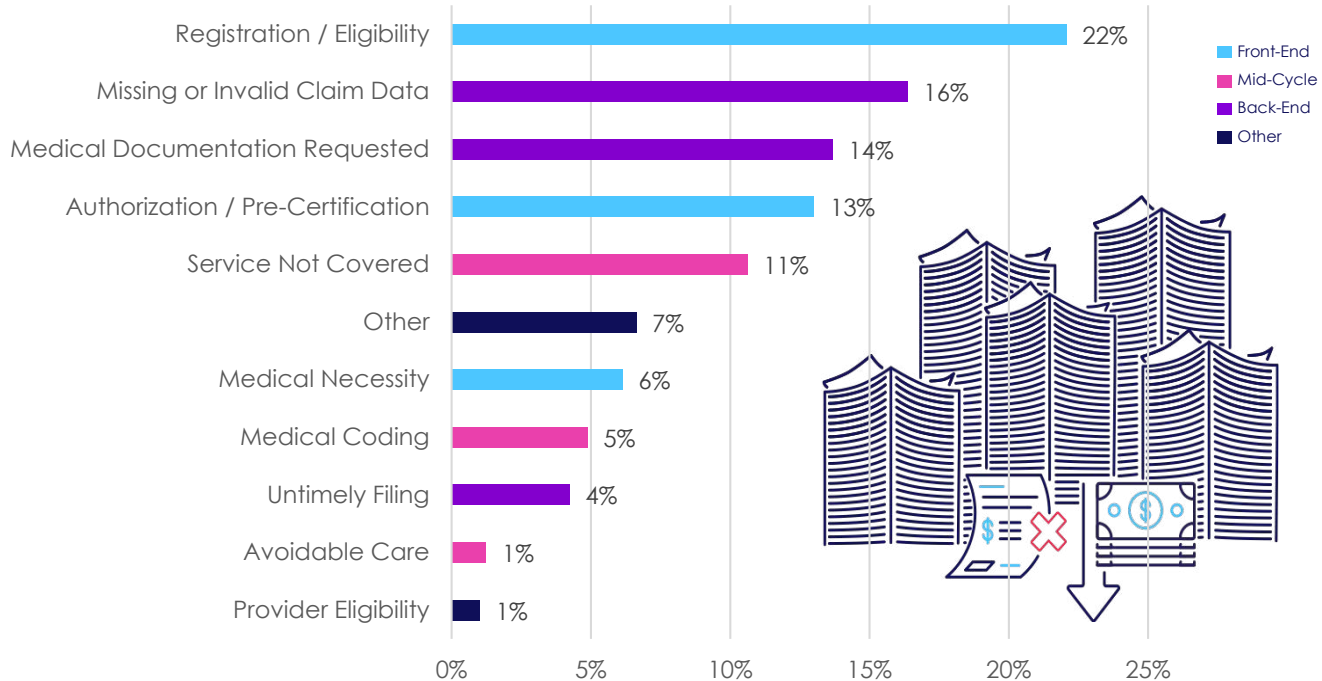
Nearly half of denials are caused by front-end revenue cycle issues.

**Percentages have been rounded*

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Denials Throughout the Revenue Cycle



*Percentages have been rounded

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

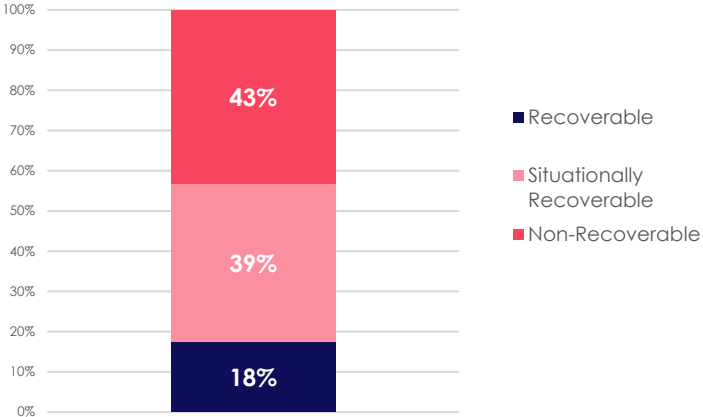
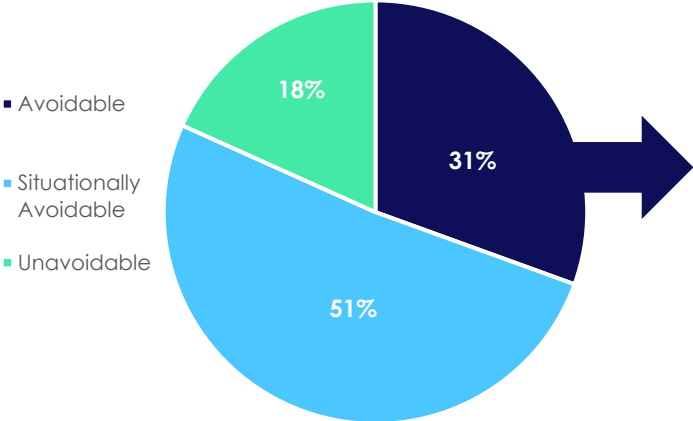
©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.



Avoidable and Recoverable Denials

Some Denials Are Preventable

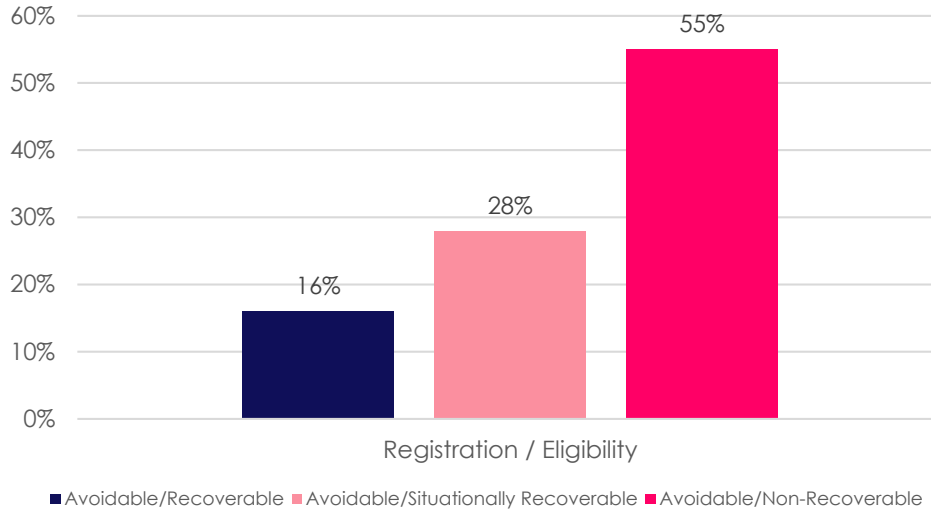
Of the almost 31% of denials that are unequivocally **avoidable**, 43% cannot be recovered. Prevention is the key to avert revenue loss.



*Percentages have been rounded

Registration/Eligibility Denials Are Avoidable

Registration/Eligibility denials make up the largest percentage of avoidable denials, which are frequently non-recoverable.



**Percentages have been rounded*

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Root Causes Are More Complicated, Requiring Specific Strategy



“ When you look at the root causes of registration and eligibility denials, most aren't straightforward denials. They're more nuanced, such as coordination of benefits and benefit maximum issues. Those types of denials are harder to quickly see if there's an issue, so it requires a bit more due diligence.”

– Bryce Bruner, senior director of Product Management and Analytics, Change Healthcare

Breakout: Top Denials Root Causes

Potentially Avoidable Denials, Top Root Causes, 2021 Q3 – 2022 Q2

Registration/Eligibility	22%	Authorization/Pre-Certification	13%
Coordination of Benefits	45%	Invalid Authorization	58%
Benefit Maximum	34%	Authorization Denied	30%
Plan Coverage	14%	Services Exceed Authorization	7%
Patient Eligibility	7%	No Prior Authorization	4%
Missing or Invalid Claim Data	16%	Service Not Covered	11%
Unspecified Billing Issue	71%	Service Not Covered	56%
Missing/Invalid EOB	16%	Unspecified Billing Issue	20%
Missing/Invalid Documentation	7%	Managed Care	11%
Invalid Provider Information	3%	Non-Covered Days	9%
Medical Documentation Requested	14%	Other	7%
Missing/Invalid Documentation	97%	Unspecified Billing Issue	99.8%
Medical Records Requested	3%	Primary Insurance Denied Claim	0.1%

*Percentages have been rounded

[The Change Healthcare 2022 Revenue Cycle Denials Index](#)

©2022 Change Healthcare LLC and/or one of its subsidiaries. All Rights Reserved.

Staffing, Volume, and Dated Technology Contribute to Increasing Denials

Staffing issues and inadequate training

- Tight labor market impacts hiring and retaining qualified staff.
- Complexity of denials requires robust training and education programs.
- Clinical staff required to manage growing number of clinical denials.
- Inadequate access to data for root cause analysis and expertise on interpreting it.

Growing denials backlog

- Peak seasons, staffing challenges expand denial backlogs due to timely filing deadlines.
- A focus on remedying individual denials versus analyzing root causes fails to reduce volume.
- Lack of denial 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.

The 'Great Recession' Has an Impact on Denial Volumes



“ Staff attrition and thinning in the labor market is impacting the ability for teams to handle this volume. It’s becoming much harder to attract new talent and to retain talent; and the volume is going up, increasing a need for denial prioritization strategies.”

– Nicholas Raup, vice president of Product Management,
Change Healthcare



Recommendations

Denials Reduction: A Three-Pronged Strategy

The collective success of high-performing revenue cycle teams leverages the interdependencies across people, process, and technology to drive continuous improvement—almost like a flywheel effect where, once they all start working together, you can accelerate the results they collectively deliver.



PEOPLE

Training your team to flag and understand root causes will decrease preventable denial rates. Implement proper training, including automated feedback loops providing personalized as well as aggregated insights, to help staff identify trends quickly and prevent unnecessary denials.



PROCESS

Data and insights are only helpful if action is taken. Ensure a proper feedback loop exists so teams take action to improve processes and workflows. Identify opportunities to improve how resources are working or employ technology to supplement or improve productivity of the team and automate workflows to address volume and prioritize work.



TECHNOLOGY

Providers are being squeezed with workforce challenges, higher denial rates, and historically low margins. Technology can reduce the strain and create efficiency in the revenue cycle. Deploy automation and analytics-driven workflow solutions so providers have an opportunity to prioritize and meet the increasing scale at which they need to operate.

Clearance Patient Access Suite can help you accelerate reimbursement, reduce denials, and optimize workflows from registration through point-of-service collections.

Assurance Reimbursement Management™ can help you automate workflows to prevent denials and facilitate fast reimbursement, relieving staff to focus on other tasks.

Acuity Revenue Cycle Analytics™ can help you make timely decisions impacting financial outcomes, identify root causes, and deliver data-driven insights around which processes, resources, or workflows need improvement.

Coverage Insight™ can help you automate identification of undisclosed patient coverage, reducing denials.

Analytics Provide the Answers



“ Analytics is 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.”

– Erica Zendel, product manager of Revenue Cycle Analytics, Change Healthcare

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.

[Explore Our Revenue
Cycle Solutions](#)



CHANGE

HEALTHCARE

Insight. Innovation. Transformation.

Change Healthcare (Nasdaq: CHNG) is a leading 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.