

**UNIVERSITY OF CALIFORNIA, DAVIS  
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**UC Davis  
Unauthorized Services  
Audit & Management Advisory Services Project #23-18**

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**Unauthorized Services  
AMAS Project #23-18**

**MANAGEMENT SUMMARY**

**Background**

As part of the fiscal year (FY) 2023 audit plan, Audit and Management Advisory Services (AMAS) conducted a planned audit to review processes surrounding patient authorizations and denials due to unauthorized services.

Prior authorization is frequently required by payors for certain procedures, tests, or medications so the payor can assess medical necessity and overall costs before services are rendered. It has been widely reported that the volume of services requiring prior authorization has increased in the past few years. With that increase, the need for efficient and reliable processes to identify the types of services requiring prior authorization and methods to obtain those authorizations has become more critical to the organization.

The responsibility for obtaining prior authorization at UC Davis Health (UCDH) is shared by the Patient Contact Center (PCC), Financial Clearance Unit (FCU) and some individual departments<sup>1</sup>. Staff within these areas utilize internal resources and information from payor websites to identify when prior authorization is needed, then use phone, fax, or payor portals to request, obtain, and document the authorization in the electronic medical record (EMR).

However, with the increase in services requiring prior authorization, UCDH has also seen an increase in the total dollars and count of denials for services designated by the payor as unauthorized. Most of these denials were not due to the lack of any prior authorization, but either because the services billed differed from the specific services previously authorized, or because the payor initially indicated that no authorization was required, but later denied reimbursement due to no prior authorization.

**Purpose and Scope**

The purpose of our review was to assess processes and controls in place to obtain prior authorizations from payors; we also assessed denials due to lack of authorization and how those denials are monitored.

To conduct our review, we interviewed staff and leadership from the PCC, FCU, Revenue Integrity and Professional Fee Billing. We obtained data for denials, write off and no charge entries for evaluation by common factors. We also reviewed revenue cycle dashboards related to work queue volumes, denial trends, and the volume of authorization denials due to a mismatch in services authorized versus the services billed.

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<sup>1</sup> Not all departments have transitioned to the PCC, so they are still responsible for obtaining the required authorizations.

The data collected for denials, write offs and no charge activity were from the dates of services between April 2022, and June 2022. The dashboard data reviewed included activity from May 2022 to April 2023.

### **Conclusion**

During the time of our review the PCC, FCU and Revenue Integrity developed additional documentation and oversight of the increasing denials due to authorizations. A matrix was developed that identified the specific units responsible for obtaining authorizations and a task force was created to research authorization denials for root causes and other reoccurring contributors.

However, our review was unable to confirm that a standardized authorization workflow was implemented in all areas. Initiating such a process from the referral to documentation of the authorization could reduce errors causing rework, secure revenue, and provide additional information for the evaluation of authorization denials. Also, UCDH could consider implementing additional advanced technology solutions to automate the prior authorization process. This could help reduce the errors contributing to authorization denials, shorten the time to obtain authorization and provide more timely care to patients.

Finally, though UCDH performs some trending of authorization denials they could benefit from developing additional tools to monitor unauthorized services denials. This could include monitoring by common factors such as the responsible unit and provider. Additionally, developing a method to communicate trends with the units responsible and an expectation to provide resolution strategies could assist in reducing overall authorization errors and denials.

Addition details of these observations are included in the body of this report.

## **Observations, Recommendations, and Management Corrective Actions**

### **A. UCDH could benefit from implementing additional processes to prevent authorization denials.**

#### **1. There is not a standardized workflow for obtaining prior authorizations.**

The PCC, FCU and individual departments all have a role in identifying, obtaining, and documenting prior authorizations. We were unable to confirm that a standardized authorization workflow has been implemented in all areas. Initiating a standardized workflow from the point of referral/order entry through to how authorizations are documented could improve authorization denial rates and provide additional information for identifying root causes in the evaluation of authorization denials.

Considerations for processes to be included in the workflow are:

- We observed instances of a payor indicating that no authorization was required for services, yet denying reimbursement due to lack of an authorization.  
Documenting representatives' names and other information would help in the future review process;
- We observed denials because a change was made to a service after authorization was obtained.  
A process for re-routing referrals to appropriate units after changes are made would help avoid denials for changes to service;
- We observed claims submitted to payors for services that were different than the services previously authorized.  
Confirmation that services billed are consistent with services authorized prior to submitting bill to the payer could help avoid denials for unauthorized services.

#### **Recommendation**

UCDH should develop a workgroup to standardize an authorizations workflow that includes all areas responsible for obtaining prior authorizations to reduce rework and secure revenue.

#### **Management Corrective Action**

- a. In an effort to reduce rework and secure revenue, UCDH will establish a workgroup by November 30, 2023, that will be led by representation from PCC, FCU, and include other executive leadership as deemed appropriate.
- b. By April 30, 2024, the workgroup will evaluate current authorization workflows to establish standardized guidelines that can be implemented in all locations responsible for obtaining prior authorizations.

**2. Technological solutions that could assist with the prior authorization process may not be maximized.**

UCDH relies on a manual process to review historical data and information from payors' websites to determine when prior authorization is needed. This process can be tedious and delay patient care. Payors frequently modify their lists of services requiring prior authorization.

There are advanced automated options from third party vendors who utilize artificial intelligence capabilities to automate the complete prior authorization process. Implementing such a process could reduce the number of errors that contribute to authorization denials, shorten the time to obtain prior authorization and provide more timely care to patients.

**Recommendation**

UCDH should evaluate existing technology and consider additional options to assist in the automation of the prior authorization process.

**Management Corrective Action**

The workgroup established in A.1 above will by April 30, 2024, evaluate current technology and determine if UCDH would benefit from pursuing additional technology to assist in automating the prior authorization process.

**B. Additional monitoring of unauthorized services**

**1. Monitoring of authorization denials and feedback to units responsible is minimal.**

Monitoring is in place for the most common reasons of unauthorized services denials:

- services billed differ from services authorized; and
- a payor indicated that no prior authorization was necessary but denied reimbursement because no prior authorization was obtained.

Currently there is no reliable monitoring of authorization denials by common factors such as the area responsible for obtaining the authorization, by provider, or location. Nor are there processes to communicate outcomes and seek improvement strategies from the responsible units. Performing this additional analysis could help identify opportunities for additional education and result in fewer authorization denials and errors.

**Recommendation**

Revenue Integrity should develop additional monitoring tools to trend authorization denials and establish expectations for areas responsible to communicate resolution strategies.

**Management Corrective Action**

By April 30, 2024, Revenue Integrity will develop additional monitoring tools to trend authorization denials along with processes to monitor the effectiveness of the areas responsible for obtaining the prior authorization. Additionally, Revenue Integrity will collaborate with leadership<sup>2</sup> on review of the updated monitoring tools.

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<sup>2</sup> Depending on the monitoring criteria this could be PCC, FCU, or department leadership.