

September 24, 2015

LORI DONALDSON
Chief Financial Officer
UC San Diego Health System
8987

***Subject: Claim Denial Management
Project 2015-19***

Audit & Management Advisory Services (AMAS) has completed a Phase I review of UC San Diego Health System (UCSDHS) Claims Denial Management as part of the Fiscal Year 2014-15 internal audit plan.

As the review was initiated, we learned that UCSDHS had retained Huron Consulting Group (Huron) for a focused revenue cycle optimization project. Part of this engagement entailed design and implementation of a Denials Management function. In addition to activities focused on UCSDHS operations, Huron was also engaged on a system-wide effort to standardize various aspects of revenue cycle reporting across all UC medical facilities. Huron began work at UCSDHS in October 2014, and is scheduled to conclude in September 2015. Due to the restructuring of Denials Management activities during the review, AMAS determined that a Phase I review would entail evaluation of new processes related to Denials Management, with detailed testing and validation to occur in Phase II after processes have been established and transitioned to UCSDHS management. This report summarizes the results of our Phase I review.

Background

The revenue cycle starts with registering a patient, recording insurance (payer) data, providing the appropriate medical care, and then submitting a claim to the payer for services provided. The Denials Management process is initiated upon payers refusal to pay the claim, which is communicated back to the University via a Claim Adjustment Reason Code. Payers may deny claims for a variety of reasons as indicated by several hundred different reason codes. In addition, payers may have different interpretations of the same reason code, and some codes are informational, in that they only advise on the status of the claim. Consequently, the first step in the process is determining the true payment denials versus those that are informational.

An effective Denials Management function entails investigating the reason for the denial, working with the appropriate department (or source of the charge) to obtain additional information in order to satisfy the payer's inquiry or further support the claim, and resubmitting the claim for payment. In the process of investigating a denial and resubmitting a claim, root cause analysis should be performed, and effective steps taken to educate functional areas as appropriate to preclude similar denials in the future.

Claim Denial Management Project 2015-19

At UCSDHS, Denials Management responsibilities are shared and coordinated across the following departments:

- *Patient Financial Services (PFS)* is the department which facilitates the submission of claims and interfaces with payers. PFS receives notifications from payers regarding the status of the claims received. In addition to the ongoing processing of new claims, PFS coordinates a response to denied claims in order to pursue collection. Failure to provide a timely response may result in the ultimate write-off of a portion or the entirety of the associated claims.
- *Patient Access* registers patients, records payer information, and directs patients to the most appropriate inpatient or outpatient setting. The Financial Clearance Center (FCC) unit within Patient Access verifies insurance coverage and secures preauthorization for surgery, radiology and imaging services. Within the Epic environment, FCC staff work to secure authorizations from payers for a predefined work queue of patients scheduled for procedures for the next seven days. The accurate recording of patient, payer and authorization information is vital so that payers may validate patient coverage status.
- *Utilization Management/Review (UR)* is section within the Patient Care Coordination department which oversees overall case management duties for inpatients. Having access to medical records, case management files and a medical advisor, UR researches and answers specific aspects involving patient care as documented in the medical records. When payers request medical justification for services, UR provides the medical record, and explains the standard of care provided via various tools such as InterQual¹. For inpatients, UR reviews the patients' records for clinical justification of admission status prior to the hand-off for inpatient coding.
- *Health Information Systems (HIS)* coders complete inpatient claims by assigning the applicable International Classification of Diseases – Ninth Revision, Clinical Modification (ICD-9-CM)² or Diagnosis Related Group (DRG)³ codes based on clinical documentation within the medical record. Upon completion, the claims are returned to PFS for submission to payers.

UCSDHS implemented the Epic Resolute Hospital and Professional Fee financial systems in October 2013. Focused efforts on Denials Management had not been initiated in the new Epic environment since the system implementation.

¹ InterQual, part of McKesson's Decision Management solutions suite, is one of several standards of medical necessity. This tool provides a shared language to help payers, providers and other organizations determine the clinical appropriateness of settings of care, diagnostic and therapeutic interventions and surgical procedures.

²ICD system was developed by the World Health Organization (WHO) for internationally tracking morbidity and mortality statistics in a comparative way.

³ DRGs group related ICD codes based on diagnoses, procedures, ages, sex, discharge status, and presence of comorbidities. Some payers pay based on DRGs.

*Claim Denial Management
Project 2015-19*

Audit Objective, Scope and Procedures

The objective of our review was to evaluate the progress of the Denials Management efforts to determine whether new processes and workflows appeared on track to effectively manage denied claims, when fully implemented.

In order to achieve our objective, we performed the following procedures:

- Reviewed Healthcare Financial Management Associate's (HFMA's) Evidence-Based Revenue Cycle Improvement Education Program;
- Interviewed the following individuals:
 - Huron representatives leading denials management efforts;
 - the Interim Director of PFS;
 - the HIS Senior Administrative Analyst Supervisor;
 - the Director and Nurse Manager of Care Coordination/UR;
 - the Assistant Director of Patient Access;
 - the Senior Administrative Analyst and Certified Professional Coder (CPC), Health Science Planning;
 - the former PFS Manager of Revenue Performance Optimization;
- Reviewed the Revenue Cycle Leadership Meeting presentation prepared by Interim Revenue Cycle Administrator;
- Attended monthly Denied Claims Management workgroup meetings; and,
- Reviewed the Denials Dashboard developed by Huron.

Conclusion

Based on work performed to date, we concluded that current Denials Management efforts appear to be on track, and when fully implemented, should provide an effective process for managing denied claims in the UCSDHS environment. The Huron team was effectively communicating and working with UCSDHS departments to establish a structure and process for analyzing denied claims and performing root cause analysis. The number of Huron consultants engaged on this topic over the last several months has brought resources to support the initiative, as well as analytical tools such as the Denials Dashboard to focus the group's efforts. UCSDHS personnel closely involved in the effort expressed appreciation for the Huron expertise and support to provide a structure and framework that can be used moving forward.

Huron has initiated reporting tools such as the Denials Dashboard which provides the details of the denials received during the month, broken down by department owner, denial type, and payer. The Denials Dashboard report lists the denials that are impactable by department for the current month, alongside the figures for the two prior months. The departments meet with the Huron team biweekly to review the denials they may have been asked to investigate. On a monthly basis, the Denials Task Force meets to discuss results and share experiences. This process has essentially laid the groundwork for data evaluation and root cause analysis that will be essential for an effective Denials Management function as it is transitioned to UCSDHS management. At the time of this report, the Denials Dashboard was in the process of being fine-

*Claim Denial Management
Project 2015-19*

tuned, and the final report will eventually be migrated to the Epic environment for use by UCSDHS management.

There are several challenges that remain as the Denials Management function is established and transitioned to UCSDHS management, which include:

- **Recruitment of Key Leadership Positions:** A number of key management positions have recently been filled, including the UCSDHS Revenue Cycle Director, PFS Director, and Revenue Integrity Director. Recruitment for a new Patient Access Director has also recently been completed, and the Director of Continuous Improvement, which will oversee Denials Prevention, has been posted.
- **Staffing of the Denials Management Function:** Due to the leadership transition described above, staffing for the planned Denials Prevention function has not been fully established. Given the long timelines often associated with recruitment efforts, the function may not be adequately staffed at the end of the Huron engagement, effectively with no dedicated UCSDHS personnel to take over the effort. This may leave department administrators the task of researching denial cases and trends, in addition to their current roles in units such as Patient Access, UR, and HIS.
- **Clinical Denials Function:** PFS has recently hired two Full Time Employees (FTEs) with a clinical background, to serve as liaisons and speed response to denials where medical expertise is required.
- **Reporting Tools:** The Denials Dashboard tool is undergoing refinement and improvement, but remains to be integrated into Epic as a reporting tool.
- **Feedback to Departments:** Processes for feedback to functional departments was initiated toward the end of this review.

In Phase II, AMAS plans to continue to monitor progress as the Denials Management function is established and transitioned to UCSDHS management. Detailed testing will be performed which may include validation of the tools, processes and workflow for denied claims, and testing of a sample of denied claims to determine whether the new tools and processes are functioning as intended.

Audit & Management Advisory Services appreciates the cooperation and assistance provided during the review.

UC policy requires that all draft audit reports, both printed (copied on tan paper for ease of identification) and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them at this time.

*Claim Denial Management
Project 2015-19*

If you have any questions regarding this report, please call me at (858) 534-3617.

David Meier
Director
Audit & Management Advisory Services

cc: J. Bainbridge
D. Brenner
J. Bruner
P. Gartland
L. Handy-Oldham
M. Harrison
P. Maysent
S. Vacca