

Denial Prevention: Understanding Common Culprits and How to Avoid Them

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As the volume of coding denials steadily increases, providers need a proactive approach to manage and prevent denials rather than accepting them and writing them off. According to the Advisory Board, about two-thirds of denials are recoverable and 90 percent are preventable.¹

This article explores reasons for coding denials and offers practices to promote optimal reimbursement. Building a dedicated denials team is one effective strategy being implemented today.

Identify Root Causes

Understanding the root causes of coding denials is essential to effective management and creating a proactive approach to denial prevention.

Consider the following culprits:

- **Coding changes (new CPT or ICD codes):** If codes are not routinely updated, coders are more likely to use outdated codes. Electronic health record (EHR) systems and other software may not be updated with the new codes.
- **Varying payer guidelines:** Private payers and the Centers for Medicare and Medicaid Services can institute their own specific criteria for coding. Coding and revenue staff need to be aware of payer-specific guidelines. For example, a payer may say that a certain procedure can only be performed if specific criteria are met. Or, the payer determines that the diagnosis isn't warranted and coding is incorrect. More clinical criteria weight is shifting to the coders' shoulders. Further, the payer's software may not be updated according to new guidelines, which can cause rework, resubmission, and delay of payment.
- **EHR upgrades, conversions, and entire system transitions:** Transitioning to a new system causes interruptions that require more edits. This can be an overwhelming challenge with thousands of charts held up and not getting billed.
- **Revenue cycle outsourcing:** When the revenue cycle is totally outsourced, an organization typically sees more denials. A recent benchmarking report questions the value of fully outsourcing the hospital revenue cycle.² The report found that hospitals that outsource their revenue cycle exhibit higher denial rates and higher final denial write-offs. The data showed the following:
 - Approximately 9.09 percent of patient accounts had an initial denial for insourced revenue cycles compared with a 10 percent initial denial rate for outsourced revenue cycles.
 - Insourced revenue cycles had a 1.65 percent final denial rate compared with a 2.56 percent final denial rate for outsourced revenue cycles.

While some denials are inevitable, healthcare providers must take proactive measures to address improper coding issues on the front end and prevent denied claims.

Top Coding Denials Identified in the Past Year

Medical Necessity

- **Radiology:** MD may have ordered a test and failed to document the reason why the test was ordered—many occurrences in emergency department (ED) and same day surgery (SDS).

- SDS: Electrode removals for leads not working and the complication code not passing medical necessity.

Modifiers

- 25: Rejections on evaluation and management (E/M) levels. Most often, the E/M level is done in the ED or by another vendor, not by health information management professionals.
- 91: Rejections of duplicate lab modifiers on a daily basis. If caught on the front end, could eliminate many edits.
- 59: Rejections on a daily basis. Same thing with modifier 59. If caught on the front end, could eliminate many edits.
- CCI conflict with HCPCS codes of 58661 billed with 44970. CPT 59 would need to be added on 44970. The coder is not prompted by 3M to add 59 at the time of coding.

Hard code/soft codes

- Both coders and charge analysts may add the same code, causing rejection on the edit side. Sometimes, the coder will not see the hard code transfer back to 3M, which creates confusion.

Build a Dedicated Edits and Denials Team

An effective denial prevention strategy includes a combination of identifying root causes and building a dedicated edits and denials team to do research, write appeals, and resubmit claims. A best practice is to work with providers to create specific queues such as medical necessity and clinical validation to route edits back to specialists to work the denials. Specialists who become familiar with the edits know how to work and correct them efficiently versus sending them back to the coder. A denial specialist is more knowledgeable about specific payers and edits, which relieves the coder of extensive research. Specialization almost always leads to greater productivity.

A denials specialist team should take 100 percent ownership of correcting each case regardless of where the denial occurred or the root cause. This level of responsibility requires a high level of commitment and expertise. Selecting the right team members is essential. For example, CDI staff can be valuable for clinical validation and medical necessity denials to help support the coding for a denied inpatient case.

Provide Ongoing Training and Education

Proper training and education for coding professionals is critical. To avoid common mistakes that cause denials, coders must have resources on the latest coding updates. Coders today have access to numerous resources for accurate coding including software applications and online references. Knowledge of payer guidelines is important as well—understanding payer mix and knowing where to find payer operational terms.

Identify Top Denials and Work to Prevent Them

One of the best ways to manage denials is to avoid them in the first place. Best practice is to identify the top denials and work toward prevention. Look for patterns and trends such as targeted DRGs and implement a proactive plan. Consider having a second-level coding manager or auditor review the case before sending it to the payer. It is much easier to work these on the front end than on the back end.

As healthcare moves toward value-based reimbursement, providers must do everything possible to determine why coding errors occur and how to prevent them. Persistence in preventing denials pays off.

Notes

1. Advisory Board. “An ounce of prevention pays off: 90% of denials are preventable.” December 11, 2014.
www.advisory.com/research/Revenue-Cycle-Advancement-Center/at-the-margins/2014/12/denials-management.

2. Crowe. "Considering Revenue Cycle Outsourcing? Look (Here) Before You Leap." August 2018.

www.crowe.com/-/media/Crowe/LLP/folio-pdf-hidden/Benchmarking-Report-Q2-HC-19006-012A.ashx?la=en-US&hash=01900EF19DAD890CF6B3A0543EDC71FCA038EA60.

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