CHANGE HEALTHCARE HEALTHY HOSPITAL REVENUE CYCLE INDEX

National medical claim denial trends and the impact on providers

A Change Healthcare Report

06.26.2017

Inspiring a Better Healthcare System

HEALTHY HOSPITAL

CHANGE HEALTHCARE

Welcome to the Change Healthcare
Healthy Hospital Revenue Cycle Index

Denials. They erode providers' bottom lines, impede timely reimbursement, and sap time and money to appeal.

But how much provider revenue is put at risk by denials annually? How much does it cost to rework a claim? And how much are providers losing to administrative expenses for appeals?

Change Healthcare analytics experts worked to answer those questions. As one of the largest independent healthcare technology companies in the United States, Change Healthcare processes billions of provider transactions worth trillions annually.

Using our revenue cycle analytics tools—the same tools we provide to customers—our data scientists revealed the state of denials nationally.

In addition to providing the first birds-eye view of national denials data trends, providers can access this data online to benchmark their organizations against peers.

Find out how your organization's denials management program compares at MyHealthyHospital.com.

Methodology

The Change Healthcare Healthy Hospital Revenue Cycle Index data was culled from a sample of more than 3.3 billion hospital transactions valued at $1.8 trillion.

Change Healthcare analysts used primary institutional inpatient and outpatient claims processed by Change Healthcare in 2016, and the average charged amount and first denied amount for the 724 hospitals included in the claims sample.

The total claimed charges and denied amounts for the nation's 5,683 hospitals was then extrapolated from this sample data. An appeal success rate of 63%[1] and average reimbursement rate of 29%[2] were used to calculate the amount denied. The $118[1] per claim average appeal cost is based on Change Healthcare statistical averages for hospital customers.

The data used for the analysis is based on internal Change Healthcare data, and may or may not be representative.

[1] Based on Change Healthcare statistical averages for hospital customers.
[2] Based on Change Healthcare RelayAnalytics Pulse national average reimbursement rate.

CHANGE HEALTHCARE

TRY IT:

Benchmark Your Hospital's Revenue Cycle Health

SEE WHAT YOU'RE MISSING

Hospitals can speed cash flow and cut administrative costs by using analytics to measure and improve revenue cycle processes and performance.

But you can't fix what you don't understand. See what you're missing with our free revenue cycle self-assessment tool, now available online.
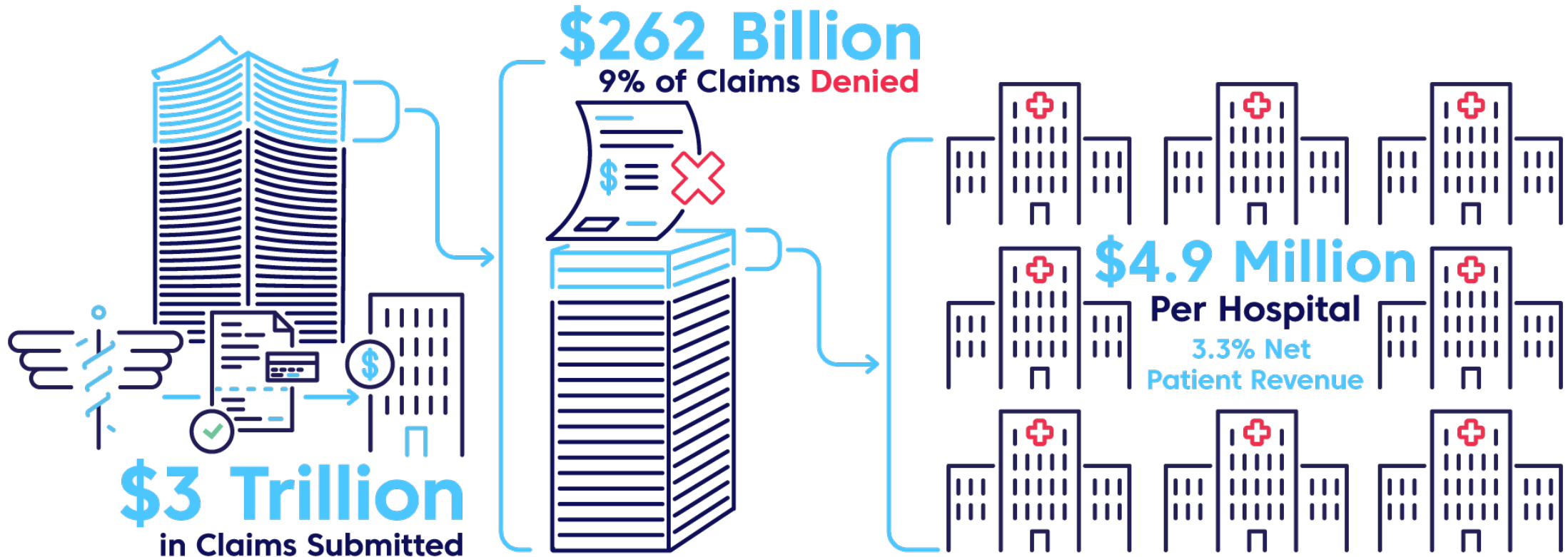
With a few clicks, you can benchmark your hospital's fiscal fitness against peers nationwide, using the same Change Healthcare national claims database that was used to produce this report.

Visit MyHealthyHospital.com to get your free revenue cycle health report today.
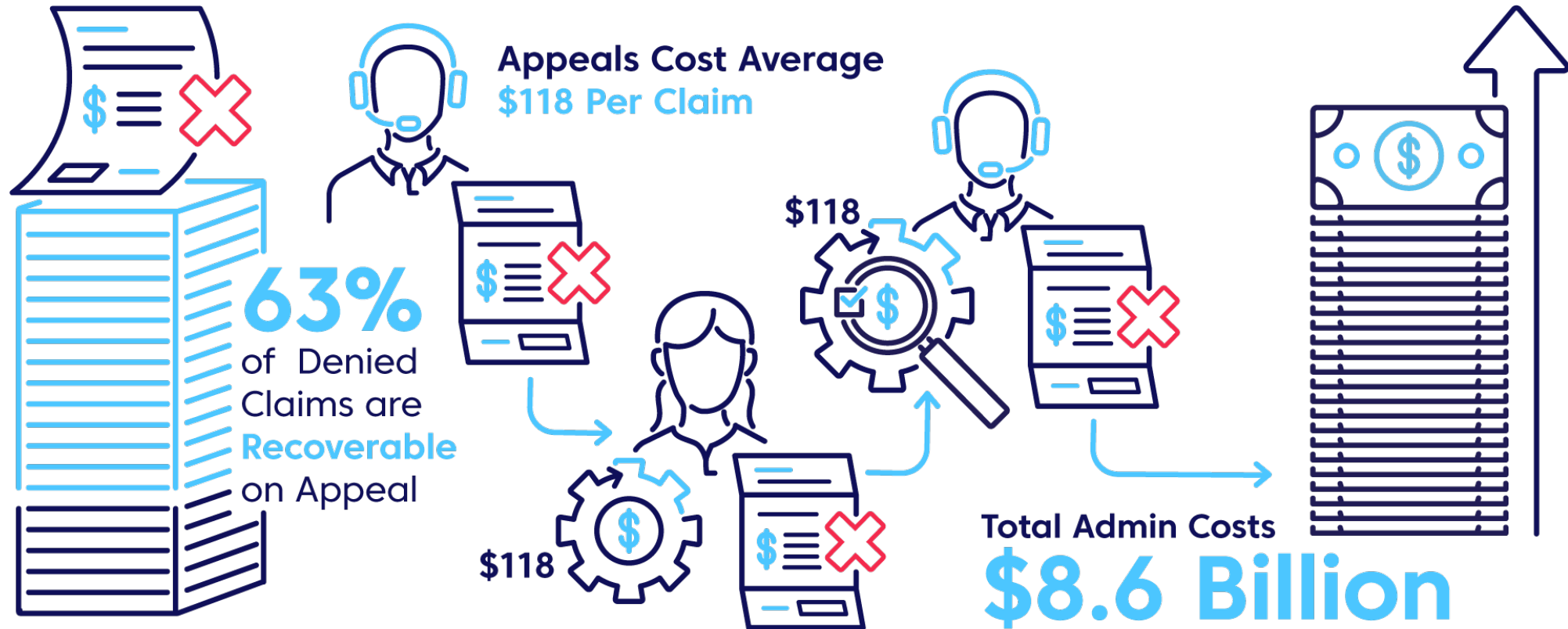
HEALTHY HOSPITAL

National Denial Rate

Of an estimated $3 trillion in claims submitted by hospitals in 2016, an estimated 9% of charges ($262 billion) were initially denied. For the typical health system, as much as 3.3% of Net Patient Revenue, an average of $4.9 million per hospital, was put at risk due to denials.

$262 Billion
9% of Claims Denied

$3 Trillion
in Claims Submitted

$4.9 Million
Per Hospital
3.3% Net Patient Revenue

All numbers are based on extrapolation methodology detailed on slide 3

CHANGE HEALTHCARE
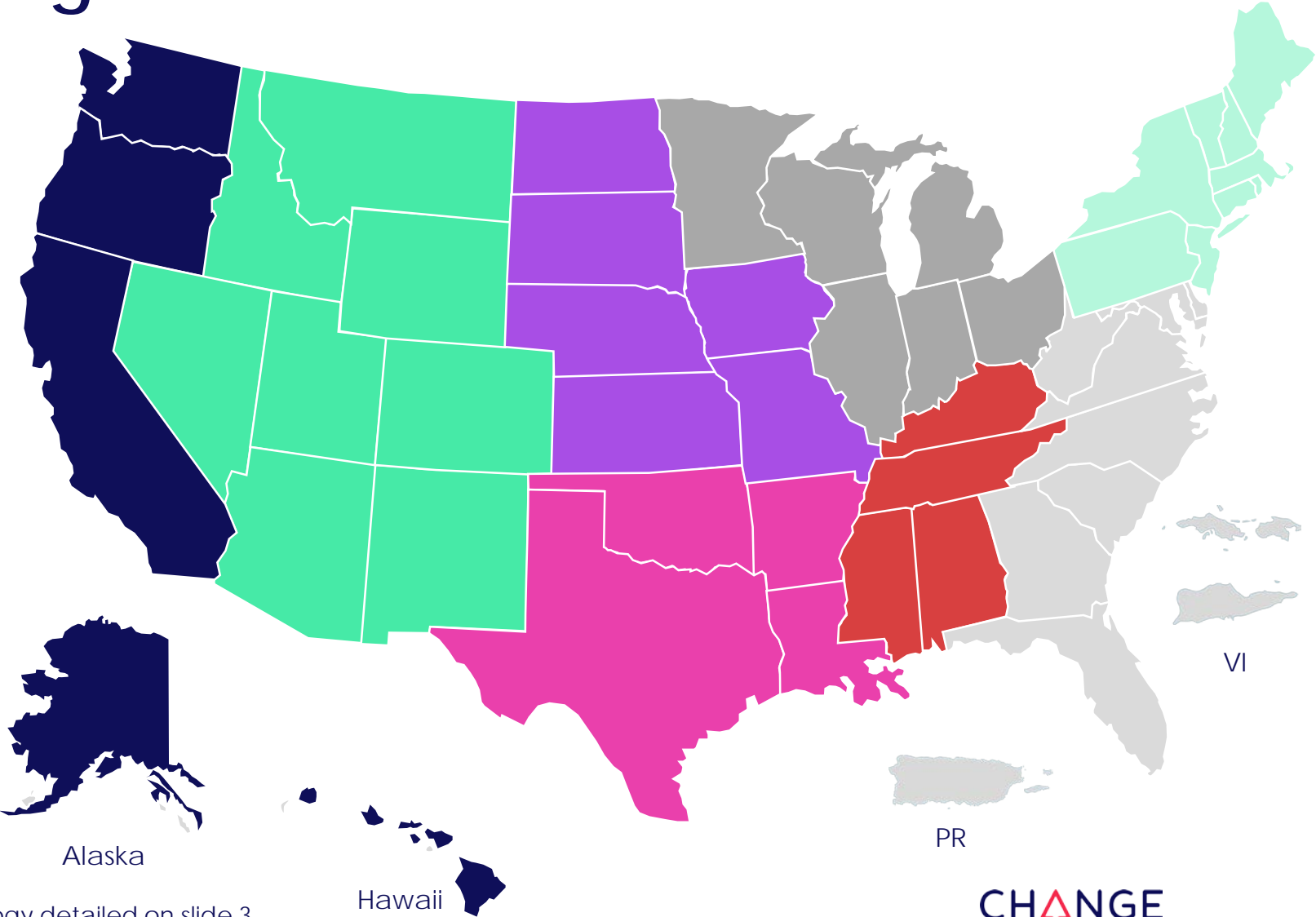
Appeals Are Costly

While 63%[1] of denied claims are recoverable on average, appeals cost providers roughly $118[2] per claim, or as much as $8.6 billion in administrative costs nationally.

Appeals Cost Average $118 Per Claim

63% of Denied Claims are **Recoverable** on Appeal

$118

$118

Total Admin Costs $8.6 Billion

Denial Rates by Region

- ● **Pacific 10.89%**
- ● **South Central 10.5%**
- ● **Mid-West 10.32%**
- ● **Southeast 9.33%**
- ● **Southern Plains 8.6%**
- ● **Northeast 8.3%**
- ● **Mountain 6.99%**
- ● **Northern Plains 6.64%**
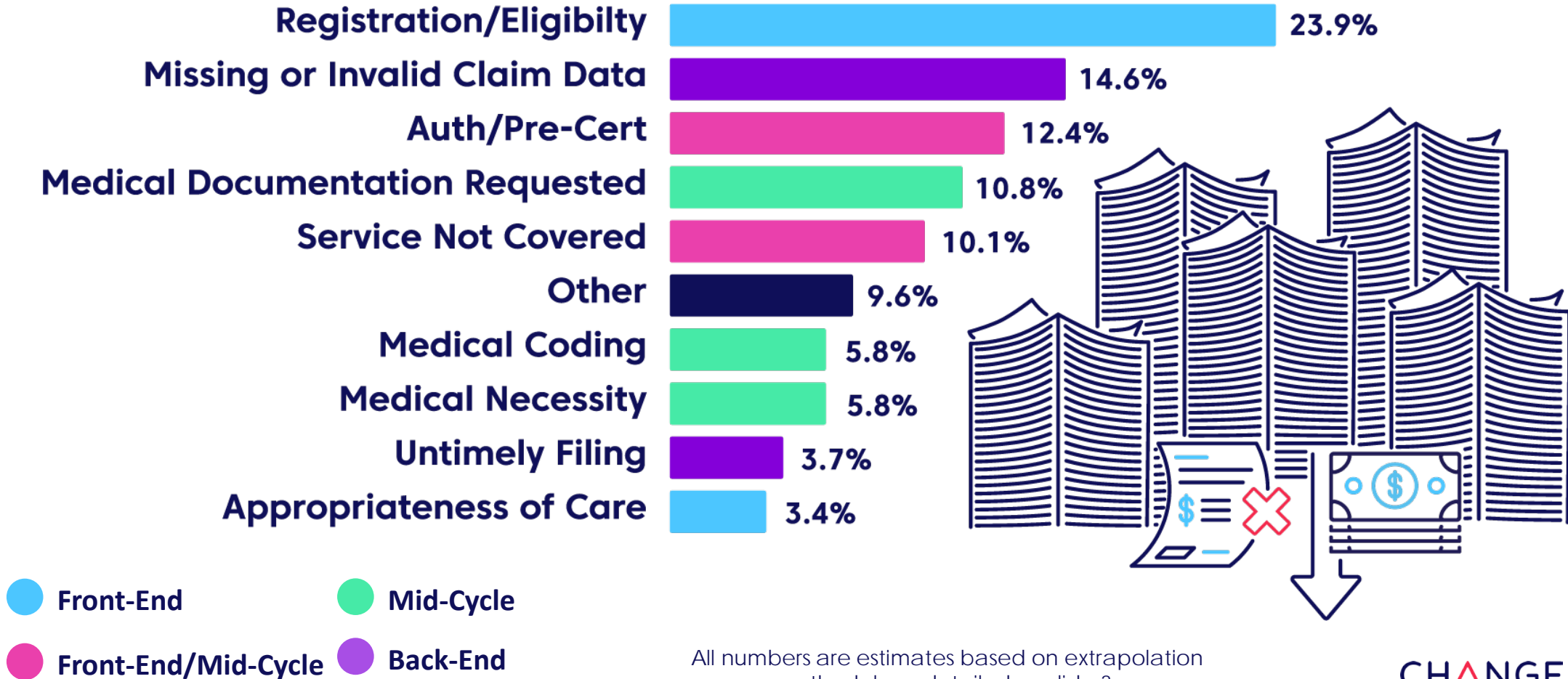
Alaska

Hawaii

VI

PR

All numbers are based on extrapolation methodology detailed on slide 3

CHANGE
HEALTHCARE

Denial Causes

Denial causes span the entire revenue cycle, although the largest percentage are associated with front-end processes.

Cause	Percentage
Registration/Eligibilty	23.9%
Missing or Invalid Claim Data	14.6%
Auth/Pre-Cert	12.4%
Medical Documentation Requested	10.8%
Service Not Covered	10.1%
Other	9.6%
Medical Coding	5.8%
Medical Necessity	5.8%
Untimely Filing	3.7%
Appropriateness of Care	3.4%

Front-End   **Mid-Cycle**

Front-End/Mid-Cycle   **Back-End**

All numbers are estimates based on extrapolation methodology detailed on slide 3.

CHANGE HEALTHCARE

One More Thing …

Ask yourself if your denial management program is performing as well as it could.

Is your hospital leading the way, hanging with the pack, or falling behind?

Visit **MyHealthyHospital.com** to run a fast revenue cycle health check. Benchmark your organization's KPIs against peers nationwide and know where you stand.

HEALTHY HOSPITAL

CHANGE
HEALTHCARE

For more information on patient access automation, denials management, claims management, and revenue cycle analytics, visit www.ChangeHealthcare.com.

Inspiring a Better Healthcare System