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**DATA TRENDS**

## identifying the best revenue-recovery opportunities

**This analysis was performed by Concuity, Inc., Hayward, Calif. Questions or comments may be directed to info@concuity.com.**

Despite the intense focus of hospitals on eliminating underpayments and payment denials over the past few years, such revenue leaks continue to be a significant financial drain for these organizations. Data show that the nation's hospitals still lose 4 percent, on average, in revenue to such payment shortfalls. And no area of the country, type of facility, or geographic setting is immune.

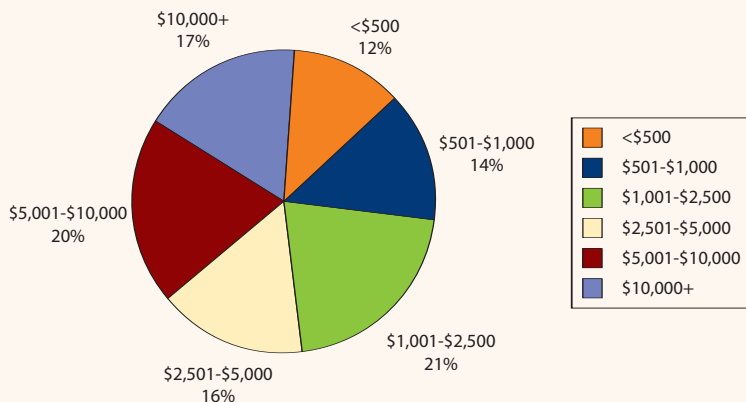
Many hospitals have made investments to improve the situation—two-thirds of hospitals have a dedicated revenue recovery team, a dramatic increase over the past three years. In addition, more than half of all hospitals own contract management software. These revenue recovery units and software investments, combined with the increased awareness and sophistication of hospital revenue-cycle leaders, have shifted the predominant types of denials and underpayments and the strategies and tools used to manage them.

The attributes of the claims that are denied or underpaid affect whether the revenue can be recovered. Organizations and consultants give priority to claims that have the largest dollar opportunities, which has resulted in a reduction in the large balance variances. Variances of less than \$1,000, however, have received less attention, and as a result, these types of variances have been increasing. As the chart shows, on average, more than 26 percent of recoverable denied and underpaid revenue is in variances of less than \$1,000.

The likelihood that lost revenue will be recovered is improved when a hospital's underpayment and denial teams focus on timing appeals and identifying patterns of similar issues and the reasons for variances. Giving priority to such activities, with less concern about the size of the underpayment or denial, leads to revenue recoveries for all sizes of claims because these activities get to the root of problems that cut across all bed-size categories.

Source: "A Paradigm Shift in Contract Revenue Cycles" presented by Concuity at 2003 HFMA ANI.

**AVERAGE PERCENTAGES OF TOTAL UNDERPAYMENTS BY SIZE**



It is also important for the denials management team to understand that the ways denials and underpayments are identified have evolved. For example, denials used to be most easily identifiable by a zero payment on a claim. Now, a payer might remit partial payment on a claim, denying or downgrading most days. Or a payer might pay an observation rate instead of a much higher DRG case rate. Such payment approaches require hospitals to be constantly alert to evolving variance definitions and to regularly update their analytical methods of identifying the variances. ●