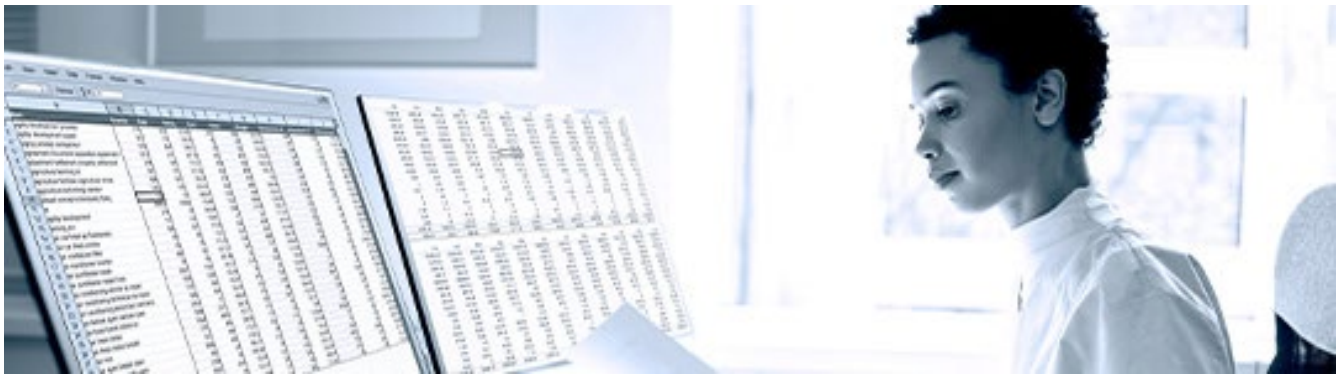

Current Trends in Denials for Laboratories and Pathology Practices

In today's environment of rapidly changing directives and expectations from payors, patients, and health systems, creating opportunities to provide better service, adopting state-of-the-art technologies, and building robust processes and partnerships can make or break the long-term success of a laboratory or pathology practice.

Understanding denial and appeals trends, across market segments – such as clinical laboratory, molecular, and anatomic pathology – is important to developing strategies and practices to maximize both operational and financial results. The team at XiFin, Inc. recently completed an analysis of more than 25 million of its customers' claims to understand these important trends.

The Importance of Understanding Denial Trends

Not only do denials extend time in accounts receivable, which contributes to bad debt on services already rendered, but they also often require the most attention from staff – increasing the cost of billing. Claims that have received a hard denial, such as those with a Medical Necessity reason code, present the most challenging revenue to collect and comprise about 5-10% of total denials received.

While denials create delays and revenue loss, they do illustrate how payors administer their policies – even when those policies are unpublished. They signal adjudication trends, such as when denials are managed with a Patient Responsibility (PR) code or Contractual Obligation (CO) code. Therefore, monitoring these trends is critical to understanding how once collectible revenue (PR denials) may no longer be collectible (CO denials), or vice versa.

Fundamentally, an effective revenue cycle management process centers on the ability to file clean claims—to the degree that is possible. Improving revenue outcomes

requires focus on the exceptions: the dirty and denied claims. Front-end configurations and workflows can catch items that would be denied before they are even submitted to the payor. As denial trends are monitored, more robust front-end workflows can be designed and automation can be added to reduce the associated burden on billing teams.

Denial patterns vary over time, depending on payor policy updates, a provider attaining in-network status, and changes in payor and test mix. The percentage of claims denied also differs by segment, largely due to the type of testing performed. The rates discussed below reflect the denial and appeals trends across XiFin customers. Outcomes may vary based on customer testing and individual customer mix. They reflect the value of strong front-end edits, which allow users to correct problematic adjudications before submitting to payors.

Of the claims XiFin processes annually (approximately $50 billion in charges), 22.5%, on average, are denied. Molecular testing has a higher propensity for denial, on average (27.5% of claims billed), driven by non-covered, medical necessity, and prior authorization requirement challenges. Routine pathology has closer to a 20% denial rate overall.

Medicare denial rates as well as some in-network commercial carriers are exceptionally low because published payor policies and front-end edits relieve much of the burden. Non-contracted payors, however, are high. Contracted payors averaged a 21.2% denial rate in 2021, whereas non-contracted payors averaged 32.7%.

Clinical Denial Trends

Clinical laboratory denial rates averaged 13.62% in 2021. Clinical laboratories experienced a significant decline in experimental/investigational denials between 2018 and 2021. As a percentage of total denials received, experimental and investigational denials dropped in contribution from 15.0% to 2.9%. There was an increase in prior authorization (+27.5%) and duplicate denials (+8.0%).

As seen in the chart below, duplicate denials, such as OA18, are the top denial in the clinical laboratory segment. These denial types can indicate one of several issues. The claim may conflict with the National Correct Coding Initiative (NCCI) edits and needs additional review. The patient may have a different accession on the same date of service with the same procedure codes billed. The updated claim may have been erroneously refiled instead of submitted as a corrected claim.

Denial Type	Molecular % of Total Denied 2018	Clinical % of Total Denied 2021	Variance (% change 2021 vs. 2018)
Benefit Maximum Reached	39.3%	29.7%	-24.4%
Claim Specific Negotiated Discount	17.6%	18.1%	2.8%
Coordination of Benefits	4.1%	16.3%	298%
Coverage Terminated	6.6%	13.4%	103%
Diagnosis Not Covered	11.3%	6.4%	-43.4%
Duplicate Denial	8.3%	3.4%	-57.8%
Experimental Investigational	0.1%	2.7%	2600%
HSA	2.1%	2.4%	14.3%

Top Clinical Laboratory Denials 2021, as compared to 2018.

Molecular Denial Trends

Molecular claims continue to have the highest denial rates of any laboratory segment. With an average rate of denial of 27%, molecular continues to be a revenue recovery workflow heavy at the back end. As a percentage of the total denial population, between 2018 and 2021 XiFin customers experienced increases in patient-coverage denials, such as coordination of benefits (298%), coverage terminated (103%), and experimental/investigational (2600%). As seen in the chart below, decreases in diagnosis not covered denials (-43.4%) and duplicate denials (-57.8%) were also seen. Prior authorization denials were unchanged from 2018 to 2021.

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Top Molecular Denials 2021, as compared to 2018.

Anatomic Pathology Denial Trends

Pathology denials have increased by approximately 5% from 2018 to 2021. As a percentage of the total denial population, prior authorization is the highest contributor to this increase, having grown 24.6%. There was an increase in procedure code inconsistent with modifier denials (120% increase) and a decrease in non-covered denials (-27.7%).

Denial Type	Pathology % of Total Denied 2018	Pathology % of Total Denied 2021	Variance (% change 2021 vs. 2018)
Prior Authorization	28.9%	36.1%	24.6%
Duplicate Denial	21.5%	21.2%	-1.9%
Non-Covered	14.1%	10.1%	-27.7%
Services Not Prov. By Network/Primary Care Provider	8.8%	8.5%	-3.4%
Procedure Not Paid Separately	4.4%	5.1%	15.9%
Services Not Authorized by Network/Primary Care Provider	3.6%	3.8%	5.6%
Procedure Code Inconsistent with the Modifier Used or a Required Modifier is Missing	1.5%	3.3%	120%
Coverage Terminated	2.2%	2.6%	18.2%
Coordination of Benefits	3.8%	2.4%	-34.2%
Patient Cannot Be Identified	3.1%	2.3%	-25.8%

Top Anatomic Pathology Denials 2021, as compared to 2018.

Access the Complete Analysis

XiFin has made the **full analysis and report** available. Data presented throughout the full report highlights the need to understand top denial reasons, engineer processes to provide for a maximum volume of clean claims up front, and automate the appeals process – while leaving space for customization. The results are reduced costs, accelerated reimbursement, and increased collections.

Proactively preventing denials and avoiding the time and energy spent submitting corrected claims or filing appeals profoundly impact profitability. Denials must be addressed properly; manual workflows should be eliminated at every opportunity. Understanding and actively adapting to the latest trends in denials and appeals management is crucial to every laboratory's battle to overcome persistent revenue compression.

Taking a strategic approach to revenue cycle management and having a flexible and agile process that is supported by the right technology, has never been more valuable.

Read the in-depth report to learn:

- ✓ How to enhance productivity and optimize the efficiency of your appeals process through automation, improving both the speed and propensity of reimbursement
- ✓ How to respond to top denial reasons by payor group to maximize appeal success
- ✓ How your organization's appeal success rates compare against industry benchmarks
- ✓ Tricky payor policies to watch out for to minimize denials and improve appeals success
- ✓ Strategies to measure the ROI of your appeals process

This report also offers XiFin-recommended practices for an appeal process designed to help you automate key tasks that save time and improve appeal success. **Download** the full report.

DOWNLOAD REPORT

For more information, visit www.XiFin.com

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