

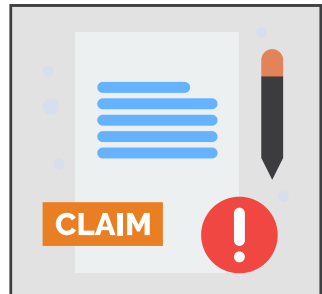


## THE IMPACT OF COMPLEX CLAIMS

on your Revenue Cycle's bottom line

### BACKGROUND

Payer reimbursements have decreased compared to previous years, and healthcare providers face challenges in effectively pursuing all the reimbursements owed to them, particularly in the case of Complex Claims.



The typical billing teams lack the in-house expertise, staffing, and time commitment required to effectively manage these types of claims. Consequently, hospitals and health systems across the nation are experiencing a financial squeeze, necessitating external assistance, often involving legal intervention.

**Contact Taylor Foster for more information:**



816-609-9344



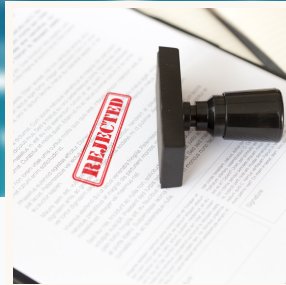
[www.wakeassoc.com](http://www.wakeassoc.com)

# STEEP, STEADY DECLINE IN MARGINS

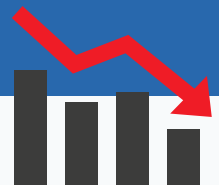
Industry articles abound with how healthcare providers are squeezed with lower payments and increasing denials and underpayments or delays. A recent HFMA article that stated that “the year 2022 was characterized by some economists as being the worst financial year for U.S. hospitals in decades as expense growth has outpaced revenue increases.” [1]

**21.3%**

DECLINE IN  
HOSPITAL  
OPERATING  
MARGINS [2].



“Prestigious facilities like the MD Anderson Cancer Center had reported operating losses of hundreds of millions of dollars, largely due to shrinking patient admissions and inadequate workforce management. One 2019 report found that hospitals across the country were experiencing a 21.3% decline in operating margins. A large percentage of hospitals are operating in the red. In fact, the American Hospital Association estimated that more than one-third of hospitals would end 2021 with negative margins. Rural hospitals have been hit even harder with financial pressures. More than 100 rural hospitals have closed since 2013, with closures hitting a record high in 2020. [3]



# TOP REASONS FOR CLAIM DENIALS



- Complex Payer Policies
- Inadequate Communication
- Administrative Burden
- Appeal Processes
- Underpayment Issues
- Inconsistent Documentation Requirements
- Medical Necessity Denials and Authorization Issues
- Timely Filing Deadlines
- Provider or Facility Credentialing Issues
- Lack of Transparency
- Patient registration or benefits errors
- Coding errors

## STAGGERING STATS FROM MEDICAL GROUP MANAGEMENT ASSOCIATION

**48M**

In 2021, there were over 48 million claim denials.

**80%**

Denial rates are as high as 80% for some payers

**20%**

Nearly 20% of all claims are denied and as many as 60% of denied claims are never resubmitted.

**40%**

On average, 40% of denials can be overturned if properly appealed



# Everything you should know about **Complex Claims**

## WHAT ARE COMPLEX CLAIMS?

Complex Claims in the revenue cycle industry include healthcare claims with non-traditional payers that can require a more specialized expertise to resolve, such as Workers' Compensation, Motor Vehicle Accident (MVA), Third-Party Liability, Veterans Affairs and Out of State Medicaid claims. The focus here will be primarily on Workers' Compensation and Motor Vehicle Accident, and Third-Party Liability claims.

Complex Claims are challenging for hospitals and healthcare systems of any size because they do not typically have the expertise in-house or the time commitment needed to effectively work Complex Claims. These claim types require more resources to work, that often includes legal intervention and very specialized expertise.



## TYPES OF CLAIMS

- Workers' Compensation
- Motor-Vehicle Accident
- Third-Party Liability
- Veterans Affairs
- Out-of-State Medicaid claims





# How Complex Are These Claims?

Complex Claims aren't *always* complex, but as aforementioned, they can be extraordinarily time consuming and require a certain level of expertise **not commonly found in a typical billing team**. Such claims are mostly state-driven with various fee schedules and differing state timely payment requirements. Complex Claims require state-specific expertise across ALL 50 states as well as the ability to work simultaneously with numerous competing parties.

## WORKERS' COMPENSATION



- State Driven
- Complex – Various Possible Parties
- Contracts Possibly Applicable

## AUTO/THIRD PARTY LIABILITY



- Auto accident/injury scenarios
- Injury sustained due to negligence
- Medical care
- Various possible payment sources



## Work Injury Claim Form

By signing and submitting Work Injury Claim Form, I certify that this application is complete and all information provided is true and accurate and contains no omissions or misrepresentation. I understand that falsification, misrepresentation, or omission may result in my removal from consideration for this position. I hereby authorize responsible person to contact current and previous employers for verification unless a background investigation and check the following record.

Full Name:	Last Name	First
Home Phone:		
Street:		
	City	State
		Zip
E-mail Address:		
Education:		
Highest school grade completed:		
Do you have a high school diploma?		
Number of years of post high school:		
Name and location of Educational Institution:	Degree Received:	Major/ Specialty:

## WORKERS' COMPENSATION

These claims, involving claimants with a work-related injury or illness, are state driven. Medical payment fee schedules, and set of rules are also state-specific. These fee schedules vary in terms of their complexity. Some are simpler and more straightforward, such as Washington, DC where the medical fee schedule for Workers' Compensation matters is 113% of Medicare amounts. Others are more complex. And some are paid at a usual and customary rate. In addition, each state potentially has different Workers' Compensation statutes that may be applicable to these claims – such as prompt payment statutes which provide for a timeframe for when such claims must be paid to medical providers, and a possible penalty when they are not paid timely. There are other state requirements which may arise as well, such as possible filing of Workers' Compensation liens (such as a green lien in California).



# MORE ABOUT Workers' Compensation



Complex Claims involve numerous parties and rules and are very different than traditional commercial or governmental healthcare claims. Workers' Compensation claims require more intensive follow-up because of the state-by-state nature and the coordination of multiple parties, including the patient, their employer, their attorney, the workers' compensation carrier and adjuster. These accounts tend to utilize a disproportionate share of the business office's time and staff.

**In fact, these claims have been described by healthcare providers as comprising less than 10% of their overall business office revenue but 90% of their headache.**

Compensability and work-related issues may arise. The claims may be determined to be not work related and then need to be filed as a health insurance claim to a health insurer. Even if compensability is not an issue, depending on the fee schedule or issues that may arise, a settlement or resolution may need to be negotiated with applicable parties. In addition to varying state fee schedules, there could also potentially be a contract governing payment of these claims. In this case, the contract, as opposed to the state fee schedule, would govern.

# MOTOR VEHICLE ACCIDENT / THIRD- PARTY LIABILITY

These accounts involve persons injured due to the alleged fault or negligence of another. They are also very labor intensive and require working with multiple parties, including the liability insurer and adjuster, the patient and patient's counsel, in addition to potentially other first and third-party payers (including health insurance, Med Pay and No Fault/PIP).

Another possible consideration, regarding payment from the liable party through the liability insurer would be healthcare/hospital liens.



These are also very state specific with certain states (such as Florida) being broken down by county. It is important to be aware of the specifics, including filing requirements and lien coverage. The filing of a hospital/healthcare lien doesn't guarantee payment in full as the liability coverage may be limited. However, it should at least put the healthcare provider in line for a potential pro-rata share of the distribution and likely in a better position than if they had not filed such a lien.





## Best Practice Recommendations

Follow these recommendations for handling MVA/TPL claims:

- Obtain Accident details as soon as possible.
- Obtain location of accident/injury.
- Obtain potential insurance information (auto, including Med Pay and PIP Coverage if applicable, homeowner's and health insurance).
- Evaluate all payment sources for potential recovery.
- File Healthcare liens timely and according to statutory requirements.
- Medicare Conditional Billing – bill timely once primary liability payer has been pursued for at least 120 days.



Since hospital staff generally don't have the expertise or time to handle Complex Claims, many are written off to bad debt. [5] Outsourcing these claims to a trusted and experienced business partner will help reduce these write-offs, further contributing to their bottom line.

# IN-HOUSE VS. OUTSOURCING

## DO YOU NEED TO OUTSOURCE?

There are a variety of reasons for hospitals and healthcare providers to outsource; mainly, to ease the burden on their internal staff, including: lack of expertise and time, staffing challenges, system conversions, size of employee accounts per collector, M&A, or needs for cash, and reduction in AR days.

By outsourcing Complex Claims, healthcare providers can focus their staff on other more traditional financial classes and the issues that arise. More and more providers are now doing just this. Between 2015-2016 alone, the number of US Hospitals that outsourced Complex Claims to a specialized business partner to handle grew to almost 40% of all hospitals.

Of those hospitals, close to 80% indicated their revenue cycle realized gains in productivity and efficiency! [4]



# 40%

US Hospitals that outsourced Complex Claims to a specialized business partner grew to almost 40% of all hospitals!



# CONCLUSION

## NEXT STEPS FOR YOU

---

Hospitals of all sizes are struggling. Without the time and expertise to devote to Complex Claims, healthcare providers are leaving money on the table – at a time when every cent is important and when budgets are already razor thin.

More and more hospitals and healthcare providers are turning to outsourced specialized business partners to help combat this financial burden.

If you need help, Wakefield can evaluate your current revenue cycle processes and determine the best strategy for your healthcare organization moving forward.

**Contact Taylor Foster:**



816-609-9344



[www.wakeassoc.com](http://www.wakeassoc.com)

## Resources Used:

[1] HFMA Finance and Business Strategy, by Ken Perez: “3 strategic options hospitals can use to repair today’s negative margins.” May 26, 2023

[2] and [3] Forbes Business Council, “Hospital Outsourcing: The Opportunities and Challenges” by Jacob Kupietzky, Jan 7, 2022,

[4] Financial Management

How hospitals can protect the bottom line, increase efficiency by outsourcing key revenue cycle functions

Brooke Murphy - Monday, March 20th, 2017

Beckers hospital CFO Report.

[5] Outsourcing of complex claims is a trend set to expand, Black Book survey finds

Ayla Ellison - Thursday, December 8th, 2016

Beckers hospital CFO Report