

Strategies for Managing Medical Necessity Denials



Introduction:

About 24% of medical claims are denied by insurance companies by considering them not medically necessary or investigational. This obviously creates strain on healthcare practices and their staff as they continuously try to send out medical bills and appeal denied claims. This condition leads to claim rejections and poses significant hurdles for providers with revenue leakage, and also causes patients to lose trust in your practice's ability to assess their medical needs, leading to a poor reputation with patients and payers. Grasping the complexity of these denials and managing them effectively is not just important, but crucial for maintaining a smooth revenue cycle.

In this whitepaper, we are going to discuss the root causes of medical necessity denials, their impact on provider cash flow, strategies to overcome this problem, and what should be the effective way to manage them.

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Impact of Medical Necessity Denials

- **Revenue Loss:** When claims are denied by payers for medical necessity, there is a risk of revenue loss or long delays in reimbursement. In the case of smaller practices, even a few unpaid claims can have a big financial impact on cash flow.
- **Increased Administrative Costs:** These claims always lead to increased labor costs and reduce the operational efficiency as each denial requires staff to spend extra time reworking claims, preparing appeals, and communicating with payers.
- **Patient Dissatisfaction:** Patient feels dissatisfied when payers deny claims, and they receive unexpected bills for services they assumed were covered. This resulted in confusion, frustration, and a loss of trust in the provider, which reduces the patient retention rate.
- **Provider Burnout:** Providers also encounter the adverse impact of the denials because payers do not consider the service medically necessary or deny the payments when services were already rendered to the patients. It leads to revenue loss and reduced job satisfaction in providers and related staff.



Strategies to Prevent Medical Necessity Denials

1. Strengthen Clinical Documentation - To prevent medical necessity denials, it is important to make sure that patient records clearly reflect the medical necessity of treatment or service. All the symptoms, diagnostic test results, treatment rationale, and expected outcomes should be documented properly.

2. Align Diagnosis and Procedure Codes - Accurate coding is the critical step to overcome the problem of medical necessity denials. ICD-10, CPT, and HCPCS codes should be cross-checked properly to make sure they support one another and make sense to prove medical necessity.

3. Verify Payer-Specific Requirements - To avoid denial related to medical necessity, it is highly important to stay updated with payer-specific guidelines, bulletins, coverage determinations, and medical necessity criteria.

4. Use Pre-Authorization Effectively - Automated prior authorization can help to avoid medical necessity denials, as this process reduces delays and denials. So it is beneficial to confirm whether services require prior authorization before scheduling.

5. Leverage Technology and AI Tools - Technology can do wonders in preventing denials. Utilization of eligibility verification tools and denial analytics software can prevent these denials to a great extent by flagging potential issues even before claims are submitted to the payers.

Ways to Handle Medical Necessity Denials When They Occur

- 1. Review Denial Letters Carefully** - To deal with these denials, it is important to understand that what reasons the payer stated for denial are missing documentation, coding mismatch, or lack of coverage.
- 2. Collect Additional Documentation** - All the required additional documents are collected. For that purpose, work with providers to obtain missing clinical notes, test results, or appeal letters that demonstrate medical necessity.
- 3. File Timely Appeals** - To handle this situation, filing timely appeals is crucial. Payers set strict timelines for appeals. Develop workflows to track and respond before deadlines are met.
- 4. Strengthen Provider-Payer Communication** - It is advisable to strengthen your relationship with the payer through effective and continuous communication. Engage payer representatives directly for clarification or reconsideration of denied claims.
- 5. Track Denial Trends** - To overcome this problem permanently, denial patterns and their root cause should be analyzed across payers to identify recurring issues.
- 6. Partner with RCM Specialists** - Outsourcing partners can play a crucial role as external RCM experts can provide denial management support, appeal writing expertise, and payer negotiation assistance.

The Role of RCM Partnerships

A large amount of resources and time is required to combat medical necessity denials effectively. Due to a lack of time and experts in practices can cause them significant amount of loss in revenue and financial growth. Partnering with an RCM provider like StafGo Health offers multiple advantages, like:

- RCM partners use advanced denial analytics to overcome the recurring issues, track the root cause behind them, and work accordingly.
- RCM companies have a team of experts who have extensive knowledge of preparing and submitting error-free appeals.
- RCM partners work on proactive eligibility and prior authorization management to avoid delays in getting PA and reimbursement.
- RCM partner can provide customized training for clinical and administrative staff.



Conclusion:

For healthcare providers, Medical necessity denials are a growing challenge that is hampering their practice's profitability and financial growth, but they are not insurmountable. With the help of the right support, accurate documentation, coding alignment, payer-specific knowledge, and strong denial management strategies, healthcare organizations can significantly reduce revenue leakage. Partnering with an outsourcing firm like StafGo Health can surely help by providing customized solutions and enabling the providers to shift focus back to patient care while ensuring financial stability.

StafGo Health is more than just a regular billing company - We are your complete RCM partner in your growth journey. We offer End-to-End Revenue cycle management solutions specific to medical and dental practices in the United States. With experience of more than 15 years, our goal is to add value to healthcare practices in terms of improved collections, reduced claim denials, and enhanced operations. StafGo Health is owned by highly experienced industry leaders and a team of experts who deeply understand the RCM services and are keen to deliver the best quality and great care for healthcare providers. We provide Credentialing & Fee Negotiation, Insurance Verification, Prior Authorization Management, Coding and Billing, AR and Denial management, Payment Posting & EFT Reconciliation, Patient billing & support, Legacy A/R resolution, Credit A/R Resolution, Practice Transition and Planning services to both dental and medical practices across the United States. Unlock unmatched revenue growth, reduced costs, and streamlined operations with StafGo Health— The USA-Physician Owned and Managed Nation's Leading RCM company.