Capture Billing
Medical Billing Services

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Medical Claim Denials and Rejections in Medical Billing

What's the difference between a claim denial & claim rejection?

Insurance claim denials and rejections are one of the biggest obstacles affecting healthcare reimbursements. Too often the terms ***"claim rejection"*** and ***"claim denial"*** are used interchangeably in the billing world.

This misunderstanding can create very costly errors and can have a significant, negative impact on your overall revenue cycle. Proper education and management of accounts receivable and workflow are essential for timely cash flow.

Let's spend a little time defining the terms and differences between a **claim rejection** and a **claim denial**.

Claim Rejections

Claims Rejections are claims that do not meet specific data requirements or basic formatting that are rejected by insurance according to the guidelines set by the Centers for Medicare and Medicaid Services.
These rejected medical claims can't be processed by the insurance companies as they were never actually received and entered into their computer systems. If the payer did not receive the claims, then they can't be processed.

This type of claim can be resubmitted once the errors are corrected. These errors can be as simple as a transposed digit from the patient's insurance ID number and can typically be corrected quickly.

Claim Denials

Denied claims are altogether a different issue. Denied claims are defined as claims that were received and processed (adjudicated) by the payer and a negative determination was made. This type of claim cannot just be resubmitted. It must be researched in order to determine why the claim was denied so that you can write an appropriate appeal or reconsideration request.

If you resubmit this type of claim without an appeal or reconsideration request it will most likely be denied as a duplicate, costing you even more time and money the claim remains unpaid.

Why Are Claims Being Denied?

"The National Health Insurer Report Card is the cornerstone of an AMA campaign launched in June 2008 to lead the charge against administrative waste by improving the healthcare billing and payment system," Ardis Dee Hoven, MD, president of the AMA, told *Medical Economics*. "The campaign has produced noticeable progress by health insurers in response to the AMA's call to improve the accuracy, efficiency and transparency of their claims processing."

According to the American Medical Association's National Health Insurer Report Card (NHIEC), that provides metrics on the timeliness, transparency and accuracy of claims processing of insurance companies, there are 5 major reasons for denied medical claims:

1. Missing information- examples include even one field left blank, missing modifiers, wrong plan codes, incorrect or missing social security number
2. Duplicate claim for service- when claims are submitted more than once for the same service provided, same beneficiary, same date, same provider, and single encounter
3. Service is already adjudicated- (unbundling) services. Benefits for a service are included within another service or procedure
4. Services not covered by payer- before providing services, check details of eligibility or call payer to determine coverage requirements

5. Limit for filing has expired- there are a set number of days following service for claim to be reported to the payer. If outside of that time period, the claim will be denied. Included in this period is time to rework rejections

How to Improve Claim Rejections and Denial Rates

Whether your practice manages its medical billing and coding in-house oroutsources it to a medical billing company, there are steps that should be taken to manage denials:

1. Management must track and analyze trends in payer denials and rejections. Categorize these denials and rejections and work on how to fix these issues as quickly as possibly
2. Staff education is imperative. Train billing staff to handle rejections quickly and provide training on how to appropriately handle denials
3. Schedule routine chart audits for data and documentation quality to identify problems and trends before claims are sent to the payer
4. Work with payers to discuss, revise or eliminate contract requirements that lead to denials that are overturned on appeal
5. Utilize automated software or external vendors to optimize claim management and perform predictive analysis to flag potential denials- addressing before claims are submitted. A good clearinghouse will allow you to quickly resolve rejections plus provides a great tracking tool

Conclusion

Medical claim denials and rejections are perhaps the most significant challenge for a physician's practice. They have a negative impact on practice revenue and the billing department's efficiency.

Educating your billers and collecting and analyzing claim data can determine trends in denials and rejections. Using up-to-date software or a 3rd party vendor can also prove invaluable.
By properly interpreting claims data, taking a proactive stance and paying attention to the details, a medical practice can prevent rejections and denials before claims are submitted and if claims are returned, make corrections in a timely fashion.

Stay current on billing and coding trends and educate yourself and your staff to optimize your claim reimbursement.

Let's start a discussion on how your practice manages its denials. What software are you using to help you with claim denials and rejections? Do you outsource to a billing service and receive regular feedback?

Additional Resources

1. http://medicaleconomics.modernmedicine.com/medical-economics/RC/claim-denials/claim-denials-15-ways-fight-back?page=0,0
2. http://electronichealthreporter.com/differences-between-a-rejection-and-denial-in-medical-billing/
3. http://www.fiercehealthcare.com/payer/payers-and-providers-lose-big-inefficient-claims-processing

About the Author

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Manny Oliverez, CPC, is a 20-year healthcare veteran and the CEO and co-founder of Capture Billing, a medical billing services company located outside of Washington, D.C. He teaches the nation's physicians, administrators, and medical practices how to maximize billing and revenue cycle management processes. Manny also frequently posts articles and videos on his award-winning healthcare blog. For more information on Manny and his company, please visit his website, or call (703)327-1800. And if you're on LinkedIn, please look for him there too. **READ MORE**

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