

KODIAK

KODIAK RCA BENCHMARKING ANALYSIS

Death by a thousand requests

August 2024

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Nothing is more frustrating, perplexing, and needlessly expensive for a provider than an initial request for information claim denial from a payor. Initial RFI claim denials are rising and, along with them, providers' administrative costs at a time when they can least afford it. It's time for providers to take the fight to payors.



Introduction

Have you ever filled out a form online only to have it rejected because the webpage said a number, letter, special character, or field was wrong, but you don't know which one? Now multiply that feeling by 1.9 billion, and you'll understand how healthcare revenue cycle leaders feel about request for information claim denials from payors.

RFI claim denials are an increasingly common type of initial claim denial from payors. The payor initially denies the claim for payment because it's missing something and, in order to process it, the payor needs more information from the provider. The provider may think the claim is complete, as it's filed thousands if not millions of similar claims before without any snags. Yet now the payor wants more information of some kind before it can even think about reviewing the claim's merits.

At best, the payor is getting more persnickety about what constitutes a clean claim for review. At worst, it's an arbitrary payment delay tactic facilitated by ginning up any reason to request more information.

Either way, initial RFI claim denials are increasing and, along with them, providers' administrative costs as they spend more money to respond to payor requests for more information.

This quarterly key performance indicator revenue cycle benchmarking report from Kodiak Solutions quantifies the increase in initial RFI claim denials, the patient care settings victimized most by initial RFI claim denials, and payor types issuing more initial RFI claim denials. We make four recommendations on how providers can fight back against initial RFI claim denials.

The objective claims data analyzed for this quarterly KPI benchmarking report comes from the Kodiak Revenue Cycle Analytics platform used by more than 1,900 hospitals and 250,000 physicians to manage their net revenue and monitor their revenue cycle performance. Kodiak weights the averages and uses raw benchmarking data to make the KPI calculations.

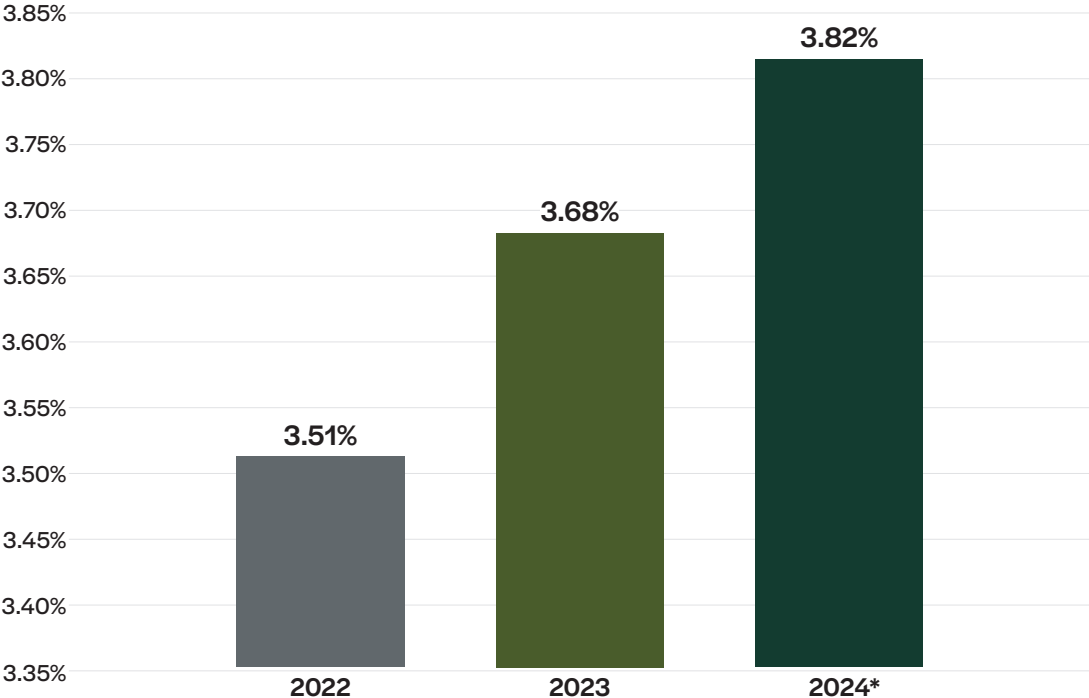
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Initial request for information claim denial rates are increasing

Initial RFI claim denial rates began rising in 2023, and that upward trend shows no sign of slowing down so far in 2024. Through the first five months of this year, payors initially denied 3.82% of all billed charges from providers in Kodiak’s RCA database by requesting more information. That’s up from 3.51% in 2022 and 3.68% in 2023.

Initial RFI claim denial rate as a percentage of total billed charges



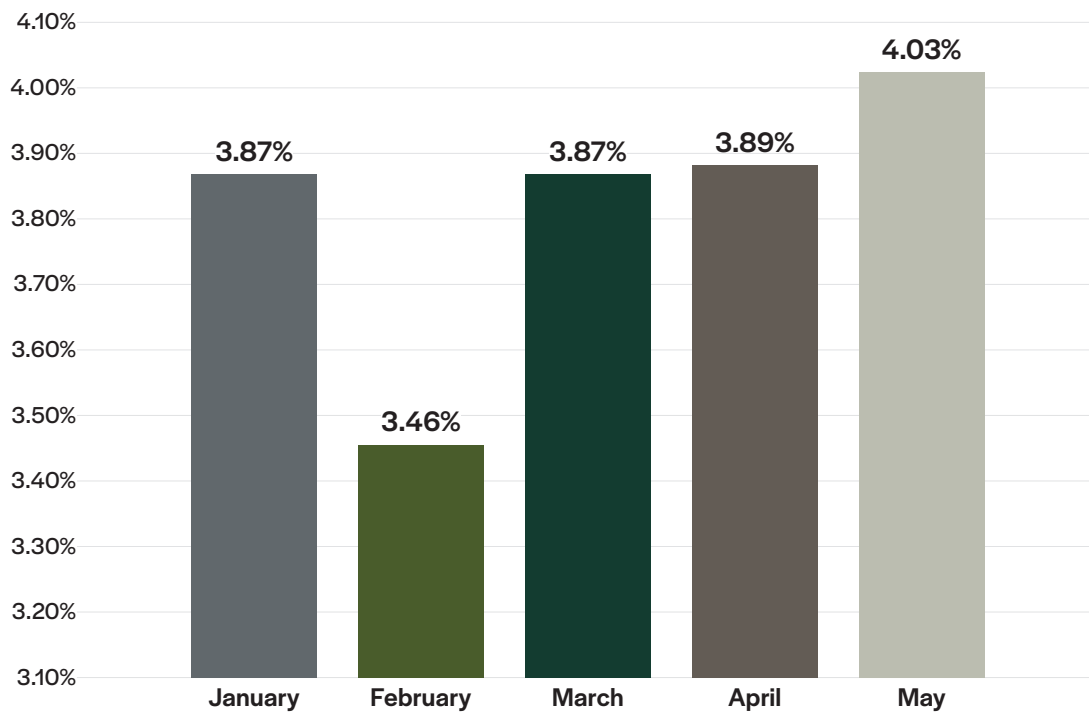
*January-May 2024

Source: Kodiak RCA

The 8.8% jump in the denial rate from 2022 through May 2024 wasn’t the result of a one-off, or one month that was especially bad for providers. We broke down the month-by-month initial RFI claim denial rate for this year, and the data revealed an accelerating upward trend.



Initial RFI claim denial rate as a percentage of total billed charges by month in 2024



Source: Kodiak RCA

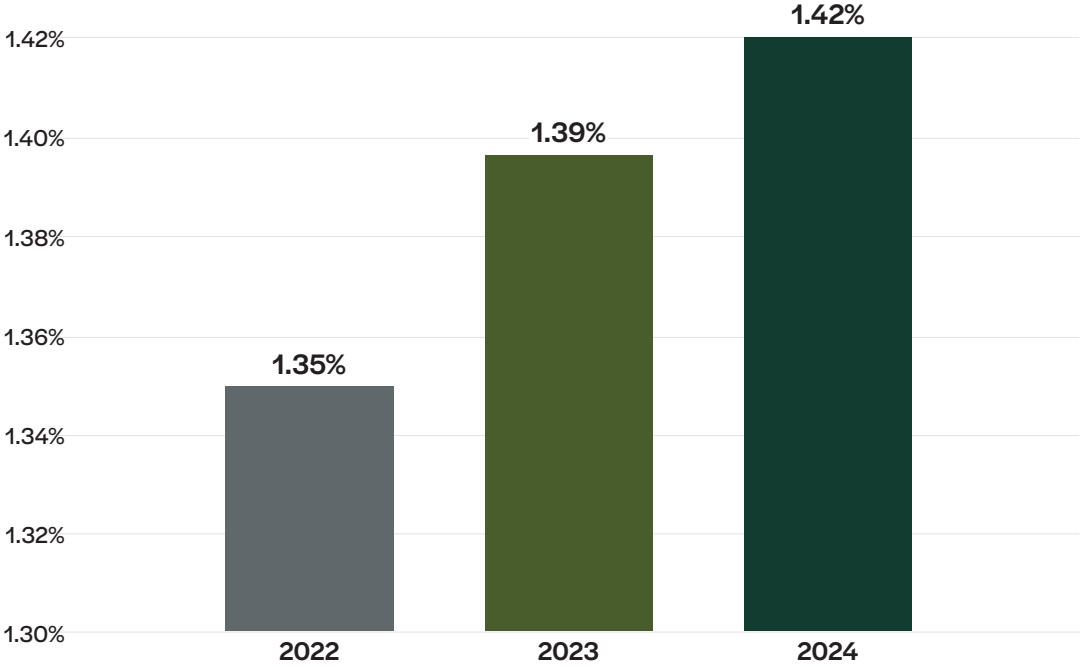
Rising initial RFI claim denial rates are driving rising administrative costs

Regardless of whether initial RFI claim denials are resolved in providers' favor after transmitting whatever data payors say is missing, the process of finding and sending that missing information costs providers a lot of money for no additional return on their expensive effort. They're spending more money every year simply to get paid what they're owed.

We calculated the cost of providers' administrative burden by adding the cost of initial RFI claim denials (percentage of total billed charges) to patients' financial responsibility for their own medical bills. Then we divided that total by providers' net revenue. That equates to 1.42% of providers' total net revenue over the first five months of this year.

Like providers' initial RFI claim denial rate, that five-month percentage is up over the past two years. The five-month rate is up 1.76% compared with 2023 and 5.2% compared with 2022.

Administrative burden as a percentage of net revenue through the first five months of each year

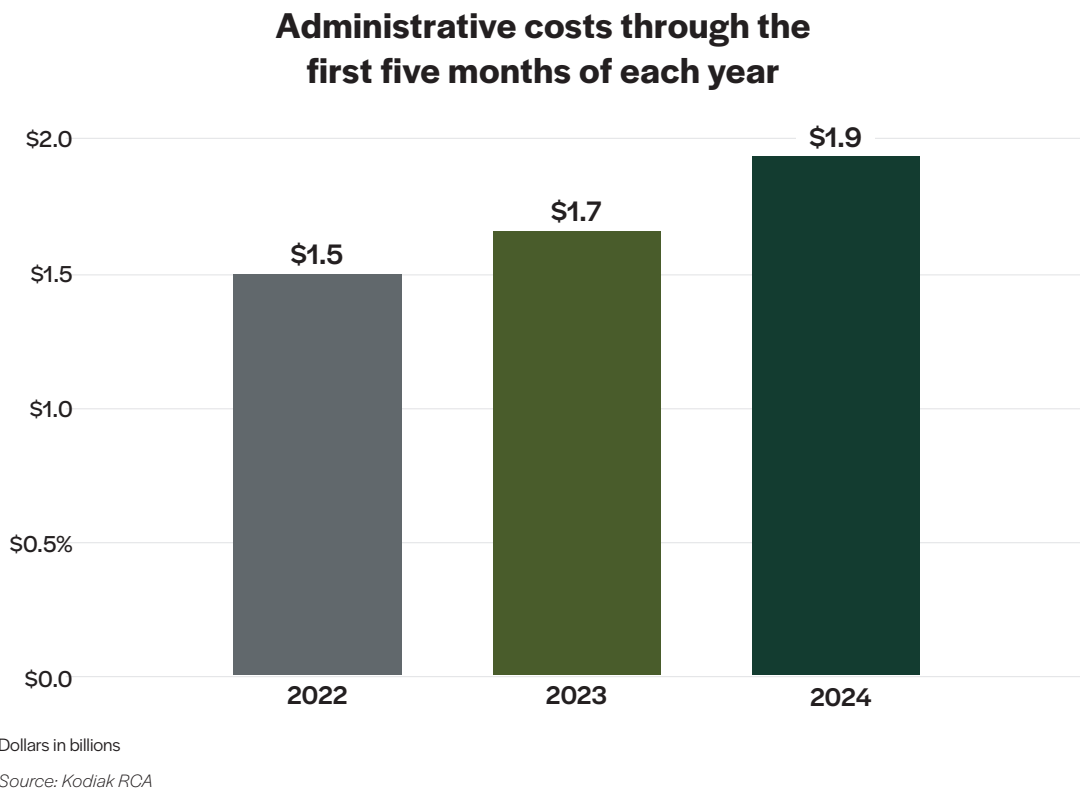


Source: Kodiak RCA

When you convert those percentages to dollars, the result is in the billions. That's billions with a B.

From January through May of this year, that 1.42% is worth \$1.9 billion. In other words, providers spent nearly \$2 billion in the first five months of this year responding to requests for information simply to get paid. Extrapolated out for a full year, that's nearly \$4.6 billion in 2024.

Here's how that five-month dollar total compared with the first five months of the previous two years.



The data confirms that initial RFI claim denials are costing providers more money to adjudicate.

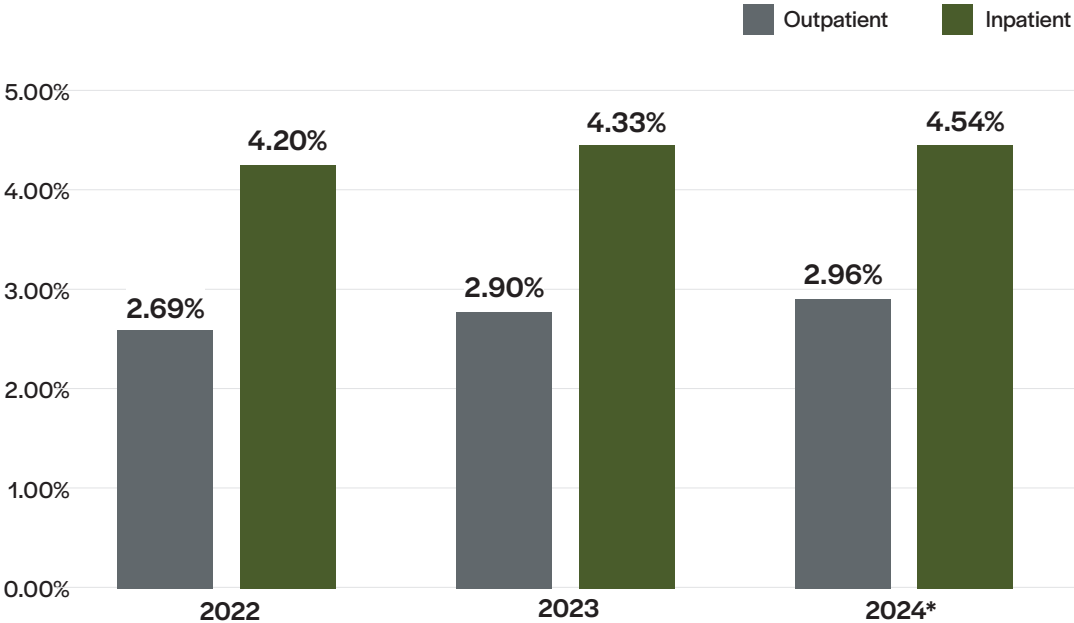
Initial RFI claim denials are far more prevalent for inpatient care than for outpatient care

We've established that initial RFI claim denials are on the rise, and we've shown that those increasing denial rates are costing providers more money as measured by the additional administrative burden.

The question now becomes where—where as in care setting—inpatient or outpatient? Not surprisingly, our data analysis identified inpatient care as the source of most initial RFI claim denials. Inpatient care is infinitely more complex, complicated, and resource intensive than outpatient care. The care setting gives payors many more avenues to allege they're missing important information before they can review a claim on its merits.

Below are the inpatient and outpatient initial RFI claim denial rates in 2022, 2023, and the first five months of 2024. Again, the patterns are clear.

Initial RFI claim denial rate as a percentage of total billed charges for outpatient and inpatient care



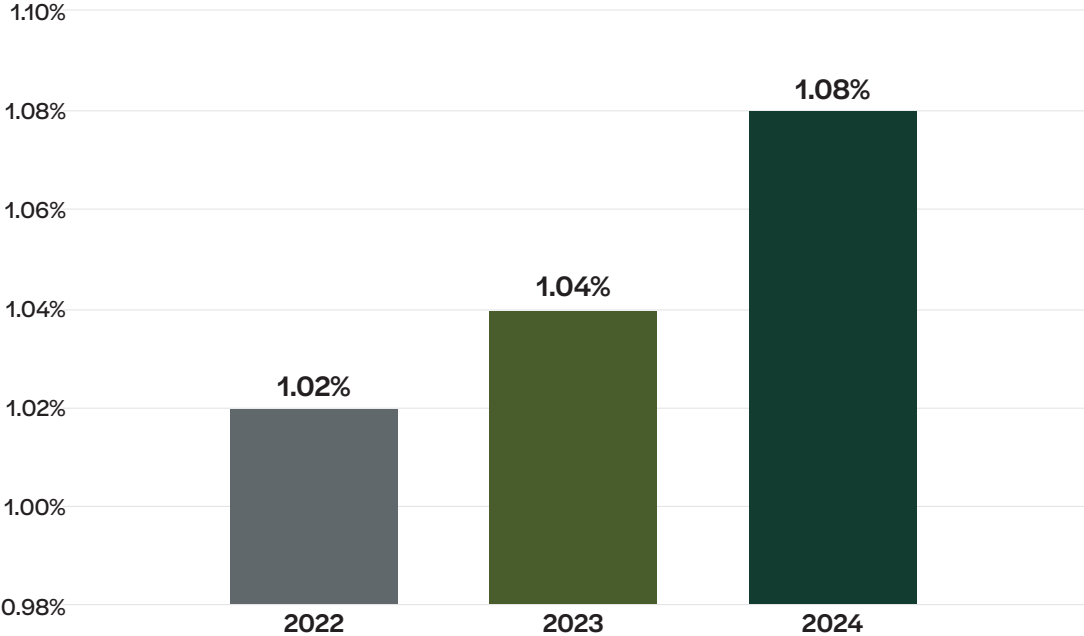
*January-May 2024

Source: Kodiak RCA

The inpatient initial RFI claim denial rate through the first five months of this year is 4.8% higher than all of 2023 and 8.1% higher than all of 2022. Again, these are not positive trends for providers in the Kodiak RCA database and likely most providers across the country.

In turn, those negative trends are reflected in providers' administrative burden as a percentage of net inpatient revenue for the first five months of 2022, 2023, and 2024.

Providers' administrative burden as a percentage of net inpatient revenue through the first five months of each year



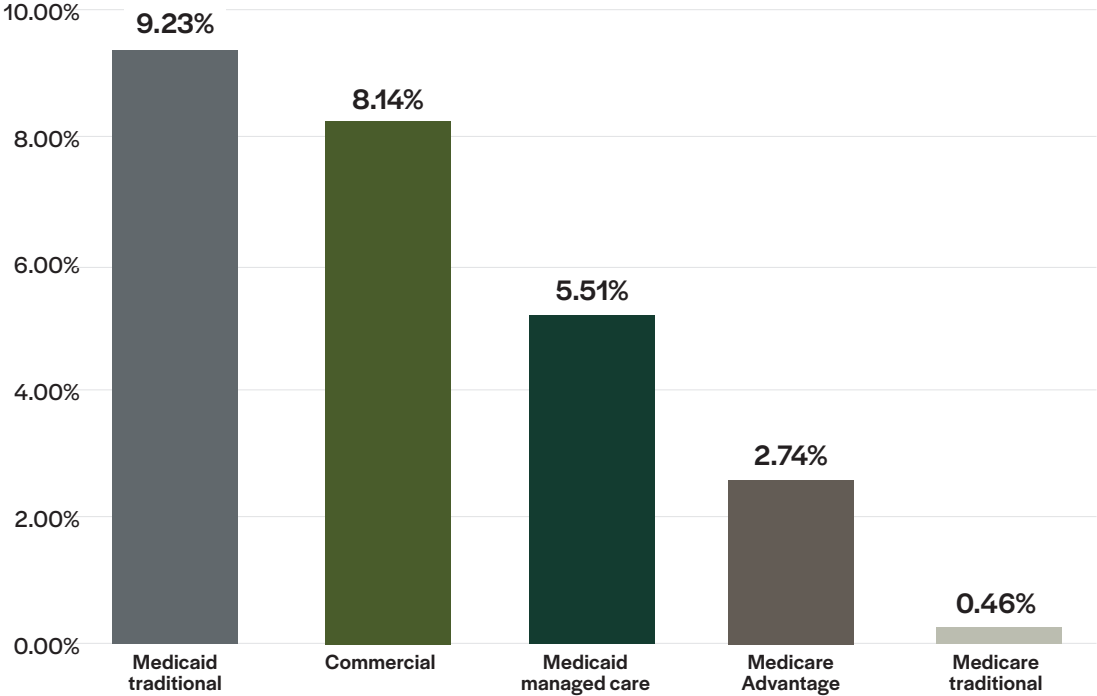
Source: Kodiak RCA

That represents a 3.8% increase in 2024 compared with 2023, and a 5.9% increase compared with 2022.

Medicaid and commercial payors are asking the most questions

The next logical question to ask is who—as in what type of payor—is making all these initial RFI claim denials, purporting that it doesn't have sufficient information to process a claim from a provider? By far, the top offenders from a provider's perspective are traditional state Medicaid programs and commercial payors. Their initial RFI inpatient claim denial rates through the first five months of 2024 are significantly higher than for other types of payors.

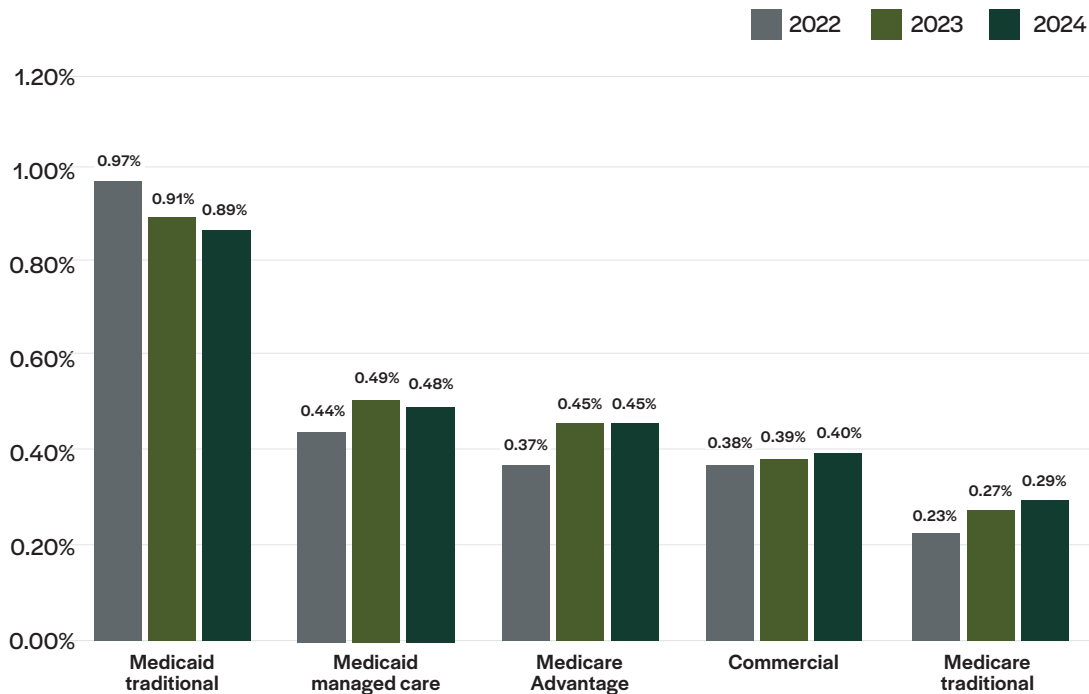
Initial RFI inpatient claim denial rates by payor type through the first five months of 2024



Source: Kodiak RCA

Converted into administrative burden expressed as a percentage of net inpatient revenue, here’s how it breaks down by payor type through the first five months of 2022, 2023, and 2024.

Administrative burden as a percentage of total inpatient net revenue by payor through the first five months of each year



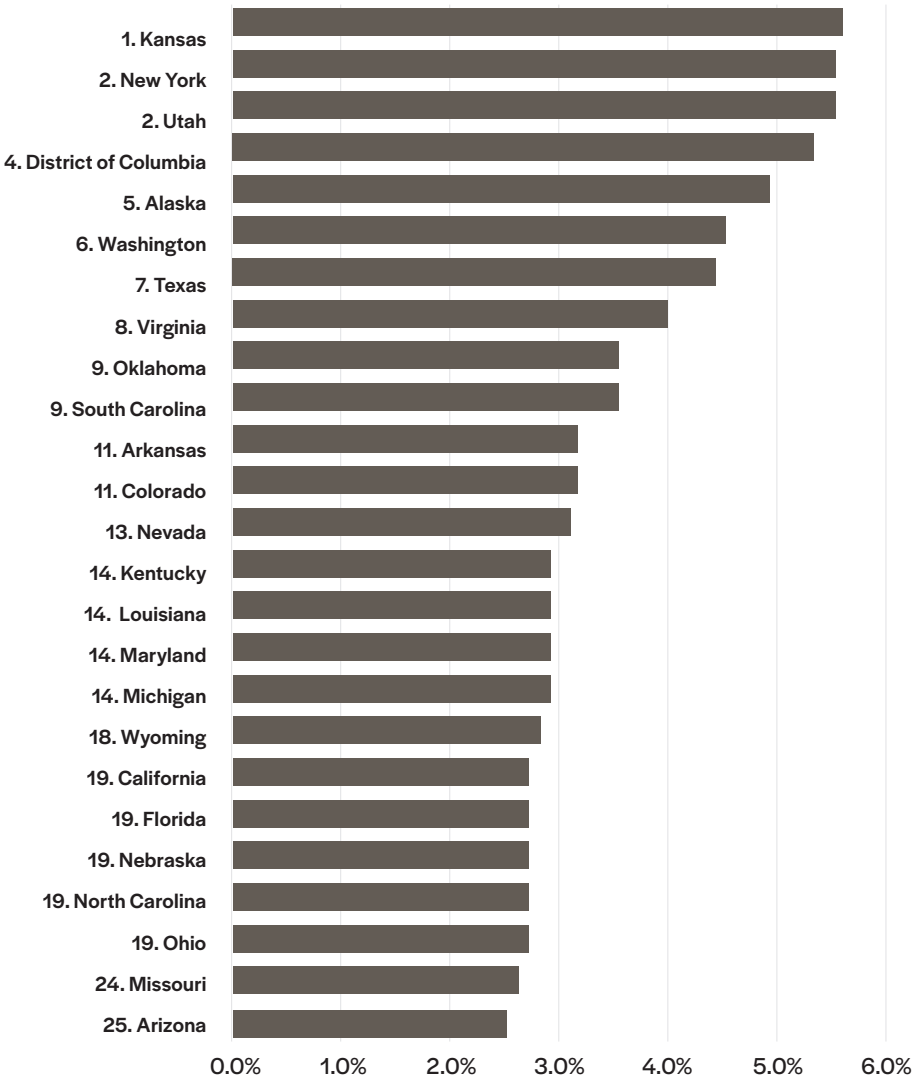
Source: Kodiak RCA

Of those five payor categories, the two “hot spots” are commercial and traditional Medicare. They are the only two to experience an increase in their inpatient administrative burden percentage through May of this year compared with the first five months of 2023. The commercial percentage rose 2.74% this year compared with last year and 5.68% compared with 2022. Traditional Medicare, meanwhile, rose 5.58% this year compared with last year and 23.97% compared with 2022.

Initial RFI claim denial rates vary significantly by state

There are payor hot spots, and there certainly are geographic hot spots, according to our analysis. We compiled initial RFI claim denial rates for 25 states for which we had complete data for May 2024. Below ranks those states by the initial RFI claim denial rates for Kodiak RCA users in those states.

Initial RFI claim denial rate by state for May 2024



Source: Kodiak RCA

Kodiak RCA users in Kansas had the highest initial RFI claim denial rate in May 2024 at 5.60%. Minnesota had the lowest at 1.10%. The national average that month was 4.03%. Clearly, what state a healthcare organization is in affects its denial rate based on the payor behaviors in that state.

Why payors say they are kicking back claims for more information

We know the what—initial RFI claim denials are increasing along with the administrative costs associated with them. We know the where—more initial RFI claim denials are happening on the inpatient side than on the outpatient side. And we know the who—it's primarily traditional Medicaid and commercial payors at least on the inpatient side that are driving initial RFI claim denials.

What we don't know is the why. Why are more payors initially denying more claims because they need more information from providers? Like your online form that gets rejected because it's missing a piece of data or information, the why can be tough to figure out.

Based on conversations that we've had with Kodiak RCA users, some common reasons that lead a payor to request more information include:

- Billing code errors
- Inaccurate or incomplete clinical documentation
- Inaccurate or incomplete claim documentation
- Prior authorization issues

We encourage healthcare organizations to track and quantify the types of initial RFI claim denials to see if any patterns emerge in what payors are requesting.

Interestingly, we reviewed more than 39,000 initial RFI claim denials at five health systems in 2023. After the systems complied with their payors' requests for more information, payors paid 88.4% of the claims. In short, whatever information or data payors said was missing or inaccurate ultimately wasn't significant enough to deny the merit of the claim. That's what makes initial RFI claim denials frustrating, perplexing, and needlessly expensive for a provider.



It's time to get proactive against initial RFI claim denials by payors

Left unchecked, your payors will continue to issue more and more initial RFI claim denials. Chances are you'll ultimately get paid but not until you've spent millions of dollars chasing after your own money for no legitimate reason. That's not a successful business model.

You can reverse the trend and take control over initial RFI claim denials by taking the following actions:

- Establish a formal and ongoing strategy to deal with initial RFI claim denials. Dealing with them on an as-need basis doesn't work and is eating up your resources.
- Quantify the net revenue impact and the administrative burden at the payor level to arm your managed care teams for your payor negotiations.
- Create data communities with your peers to understand if the payor behaviors driving your administrative burden are shared and then share tactics to end those behaviors.
- Prioritize your inbound denials to ensure you're not working denials that will yield no additional cash to the organization.

It costs payors nothing to ask you for more information. Isn't it time to make them pay?



Learn more

For more information on the Kodiak RCA benchmarking program, visit the [business intelligence and analytics section](#) of our website or contact:

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