Decreasing Short Stay Denials: One Dollar at a Time

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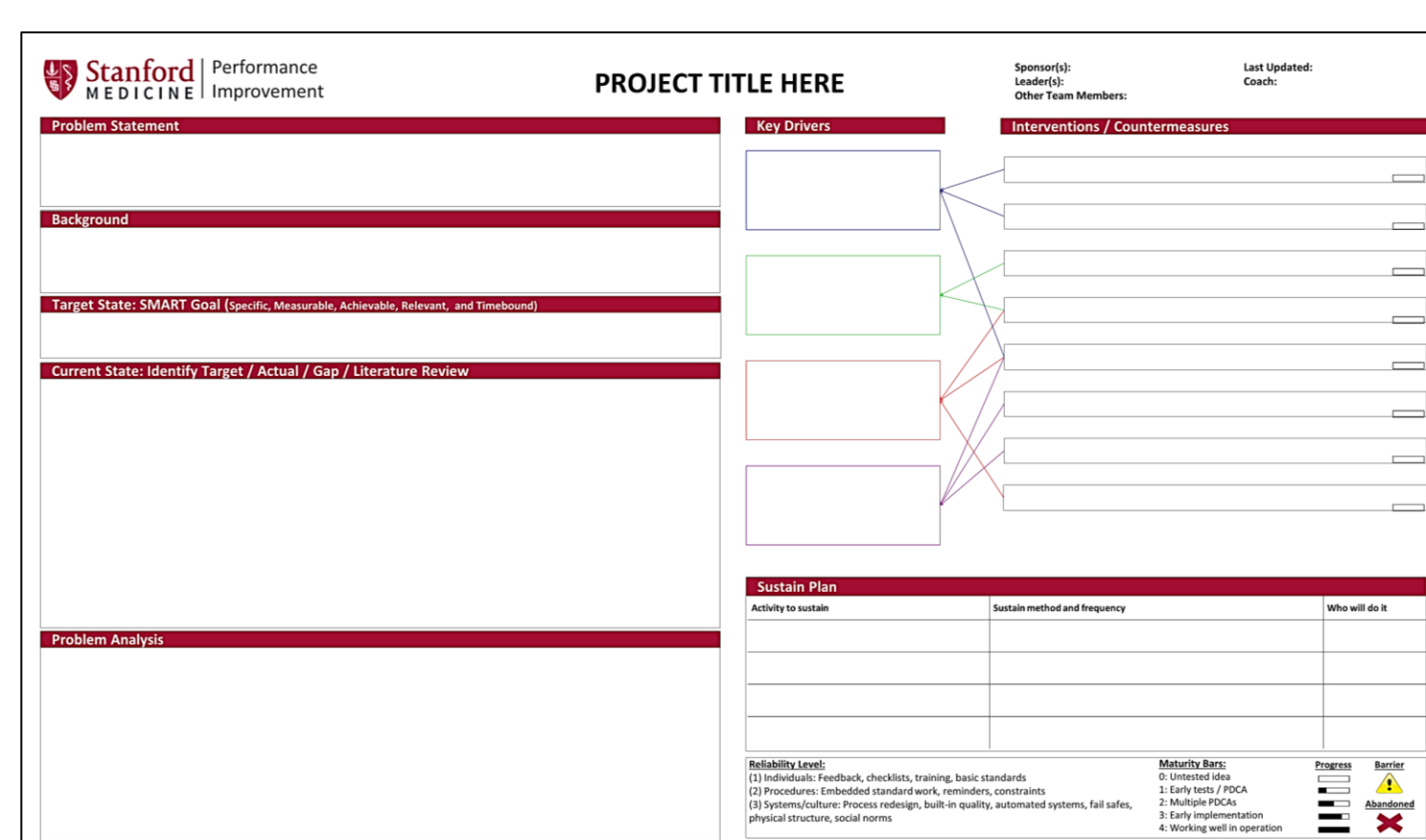
Introduction

Hospitals have seen a steady increase in commercial payer denials from 2016 along with an accelerated surge of denials since the pandemic with the average rate increasing by 23 percent in 2020 (LaPointe, 2021). The increase in payer denials is attributed to payers using an automated review with AI software, boosted complex criteria for medical necessity, and detailed technical requirements for claim submission (Fontana & Brand, 2019). The good news for hospital revenue cycle departments is that around 90 percent of denials are preventable (Reiner, 2021) and denial prevention is crucial to avoid revenue loss and reduce administrative burden.

In addition to commercial payer denials, hospitals are faced with the Medicare Recovery Audit Program for short stay reviews which was reinstated this year (Livanta, 2021). Contracted by Medicare, Recovery Auditors will conduct a post-payment review of Part A payment for short stay inpatient hospital claims (0-1 midnight stays) and identify improper payments. If determined to be inappropriate, hospitals will be subject to a recoup of overpayment.

Project Summary & Methods

In efforts to be preemptive for the increase in commercial payer denials and the Medicare Recovery Audit, Stanford Health Care implemented a new process starting in April 2021 to proactively prevent short stay denials using technology with the creation of a Best Practice Alert, data analytics, and Case Manager education.

We used the A3 Lean Approach methodology to guide the project. A3 Lean Approach is based on seven components: Problem Statement, Background, Target State, Current State, Problem Analysis, Key Drivers & Interventions, and Sustain Plan (Healy, 2020). Stanford's template was initiated and for the development of interventions, timeline and feedback. Current state was completed on the left side of the template including the problem statement, history, goals, and problem analysis with identification of root cause. We developed the action plan, countermeasures, and implantation plan on the right side of the template.

Stanford Health Care A3 Methodology Template

Objectives

Leverage EMR capabilities to push information to the end user that will allow for assessment of inpatient short stays

Decrease Medicare One Day Stay write-offs

Prevent commercial and government inpatient short stay medical necessity denials

Project Interventions

Technology & Digital Solutions
- Created a Best Practice Alert (BPA) within EMR
- Once a discharge order is entered, the EMR automatically sends a secure text message to the covering CM if the patient's class is inpatient and has only crossed one midnight
- CM reviews for appropriateness of patient class and completes the steps of the Convert to Outpatient / Observation process if indicated.
- The PA and UM/Denials Management team has oversight to ensure the Convert to Outpatient / Observation process is finalized before the patient is discharged

Data Analytics
- Track and monitor monthly commercial short stay denials
- Review denial trends with payers
- Identify root cause of denials
- Prioritize efforts in prevention

Education for Case Managers
- Created an easy to remember acronym for the exceptions to the Medicare two-midnight rule

I-HEARTS Acronym

I = **I**npatient-only procedures
H = **H**ospice
E = **E**xpired
A = Left **A**MA
R = **R**apid recovery
T = **T**ransfer to/from another acute facility
S = **S**pecial circumstances (vEEG/chemo)

Results

The Denials Management team compared the number of Medicare One Day Stay write-offs between the months of April-August pre- and post- BPA launch (April 12, 2021). The percent of revenue lost for Medicare One Day Stay write-offs decreased by 24%.

Medicare One Day Stay Write-offs

Apr-Aug 20 to Apr-Aug 21: ↓ by 24%

Write-off Dollars
■ Apr-Aug 20 ■ Apr-Aug 21
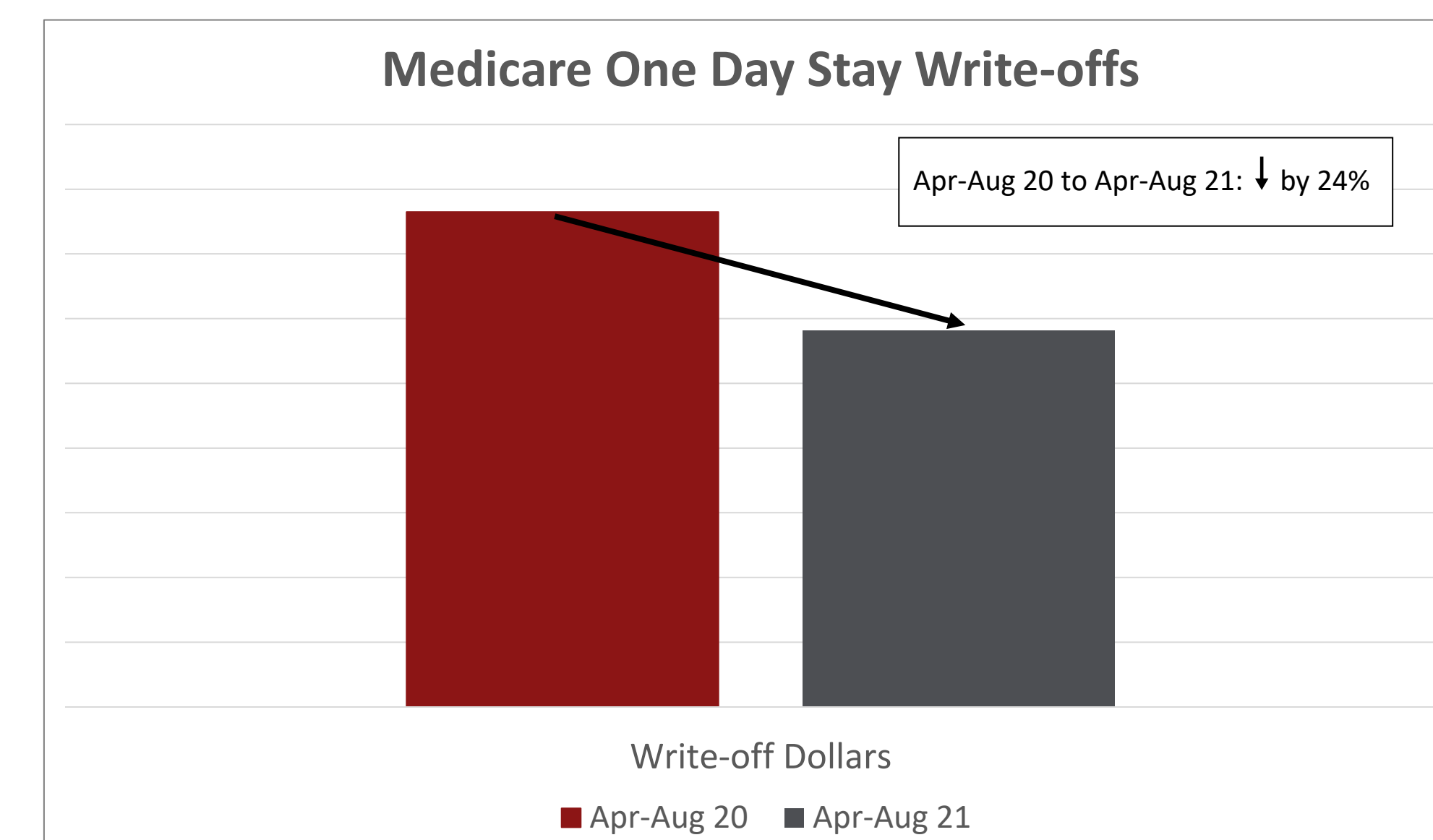
The Denials Management team compared the effect of the BPA launch on Commercial Short Stay Denials during the same time period of April-August in 2020 and in 2021. Unfortunately, the number of write-off dollars increased post BPA launch by more than 200%. The drastic uptick in write-off dollars mirrors the accelerated surge of denials seen during the COVID-19 pandemic. Looking ahead, however, short stay denials in Q1 and Q2 of FY22 have reduced by half (52%) compared to FY21. The Denials Management team looks forward to evaluating the denials data in Q3 and Q4 of FY22 after the claims and appeals process has been adjudicated which typically lags 6 to 9 months from discharge date.

Commercial Short Stay Denials

Apr-Aug 21 to FY22 Q1&Q2: ↓ by 52%

Write-off Dollars
■ Apr-Aug 20 ■ Apr-Aug 21 ■ FY22 Q1&Q2
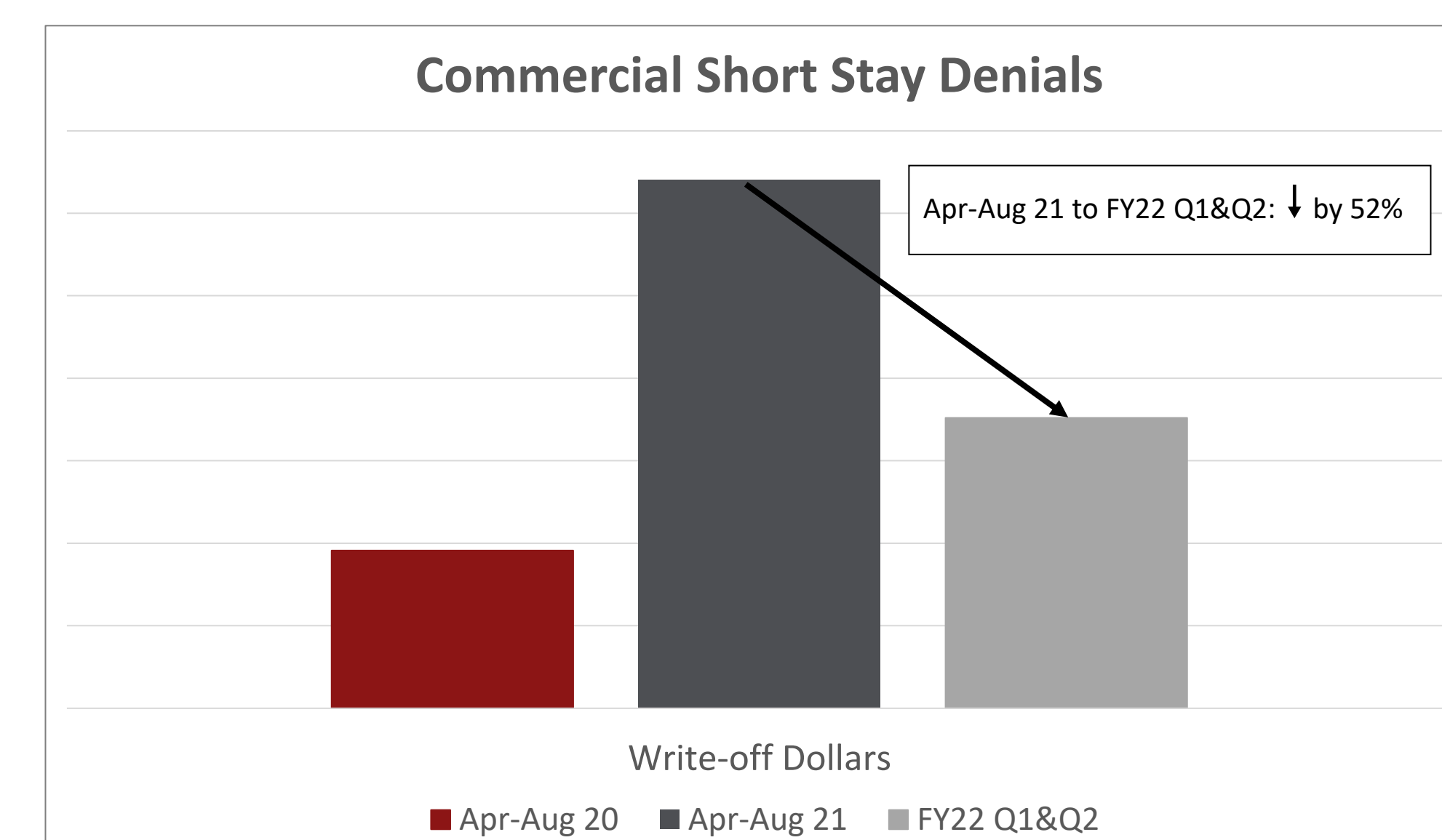
Outcomes

The effect of a BPA on Medicare One Day Stay write-offs has shown an immediate and significant outcome in reducing write-offs. The effect of the BPA on Commercial Short Stay write-off dollars has not been as immediate. While the end of FY21 showed an increase in Commercial Short Stay write-off dollars, the impact in FY22 has already shown a reduction.

Conclusion

The application of a BPA that flags inpatient short stays for case review prior to discharge has led to significant decreases in Medicare One Day Stay write offs as well as commercial short stay denials. The ability to have short stay cases requiring review to be pushed to the Denials Management team ensures that cases are not missed due to lack of visibility into discharges.

We look forward to continuing to creatively think of ways to leverage this technology to help continue to decrease write offs and denials as well as to help with front line case manager and physician education.

Implications

Project outcomes highlight the need to creatively think of ways to leverage EMR capabilities to push information to the appropriate parties for case evaluation and patient class determination. The ability for the Case Management Department to decrease Medicare One Day Stay write-offs and proactively review commercial short stays for appropriate Outpatient / Observation conversion allows for the opportunity to decrease Medicare write-offs and commercial payor denials prior to patient discharge. The implementation of the BPA and easy to remember I-HEARTS acronym is easily replicated across other acute hospital settings.

This type of real-time review allows for either conversion to Outpatient or Observation or physician documentation improvement to clearly identify the need for inpatient stay.

References

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