

Modern Healthcare

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Claim denials cost hospitals \$20 billion a year, report shows

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Hospitals and health systems spend an estimated \$19.7 billion a year managing denied claims for care, a new report shows.

Premier, a group purchasing and consulting organization that works with thousands of providers, polled 516 hospitals that offered their 2022 claims data. Nearly 15% of claims, on average, were denied at a cost of close to \$44 a claim, excluding related clinical labor expenses, the survey found. Insurers process roughly 3 billion claims a year, according to research from the Council for Affordable Quality Healthcare cited in the report.

“These delays in payments create an upside-down economic situation for providers,” said Michael Alkire, president and CEO of Premier. “Providers are the absolute least part of the system that can financially absorb these types of issues.”

Here are five takeaways from the report.

1. Medicare Advantage, Medicaid plans denied more care

Insurers administering [Medicare Advantage](#) and Medicaid managed care plans [denied initial claims](#) at an average rate of 15.7% and 16.7%, respectively.

Claims were denied more frequently — around 20% of the time — during hospital discharges of Medicare Advantage patients to post-acute care settings, survey data shows. In the report, Premier urged regulators to collect data on payment delays and denials between [MA plans](#) and providers and to prevent insurers from [“artificially delaying or denying”](#) claims via [electronic prior authorization](#).

2. Most claim denials are overturned

More than 54% of claims denied by insurers were ultimately overturned, according to the survey.

Reversing those denials cost hospital and health systems an average of \$47.77 per Medicare Advantage claim and \$43.84 across all private insurance types.

3. Claims remain unpaid for six months

Providers said in the survey they needed about three rounds of reviews with insurers to adjudicate denied claims, with each round taking up to 60 days.

As a result, 13.9% of hospital and health system [claims were past due](#). Some providers waited up to six months to get paid, according to the survey.

4. Pre-approved claims were also denied

An average of 3.2% of denied claims were pre-approved by insurers, survey data shows.

5. Claim denials dent patient satisfaction

Patients reported 8.2% lower patient satisfaction scores when their treatment was held up by claim denials, according to a 2018 peer-reviewed study published in the American Journal of Managed Care cited by Premier in the report.

Premier asked regulators to weigh patient experience and access measures more heavily in [Medicare Advantage star ratings](#).