



The Cost Of Doing Nothing

Kimberly Hartsfield, EVP Growth Enablement

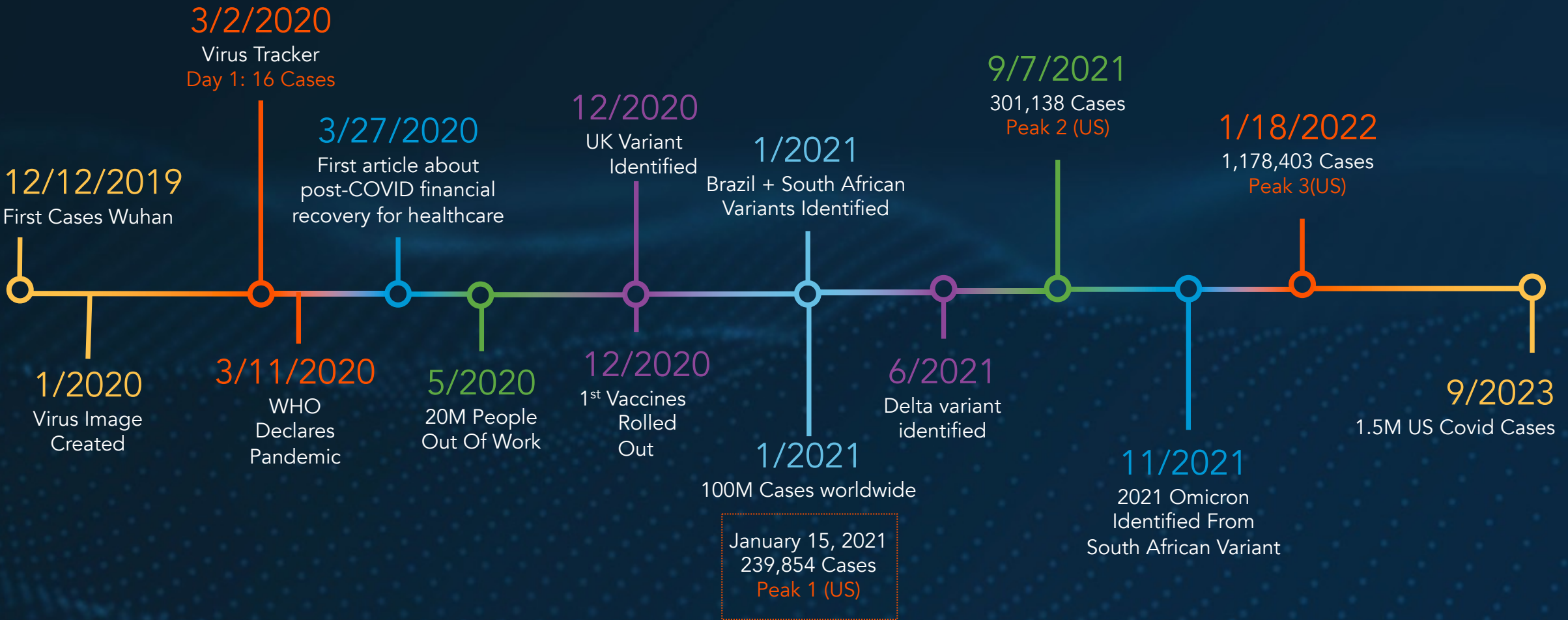


A Little Bit About Me





How We Got Here





LOST REVENUE

\$323B

2020

\$75B

2021

Today-Nearly 2/3 the hospitals are
behind on revenue goals

2022 Cost Increases

\$86B

Increase in
Staffing Costs

\$49B

Increase in Supplies,
Medication,
Purchased Services



Average Clinical Staffing Costs for
500 Bed Hospital
Increased \$17M Annually

THINKING LOCAL:

University of Cincinnati Medical
Center 725 Beds

Estimated \$24.6M

Annual Cost Increase

The Current Reality

“2023 may turn out to be the year hospitals redefine their goals, mission, and idea of success in response to expense and revenue challenges that appear to be here for the long haul”

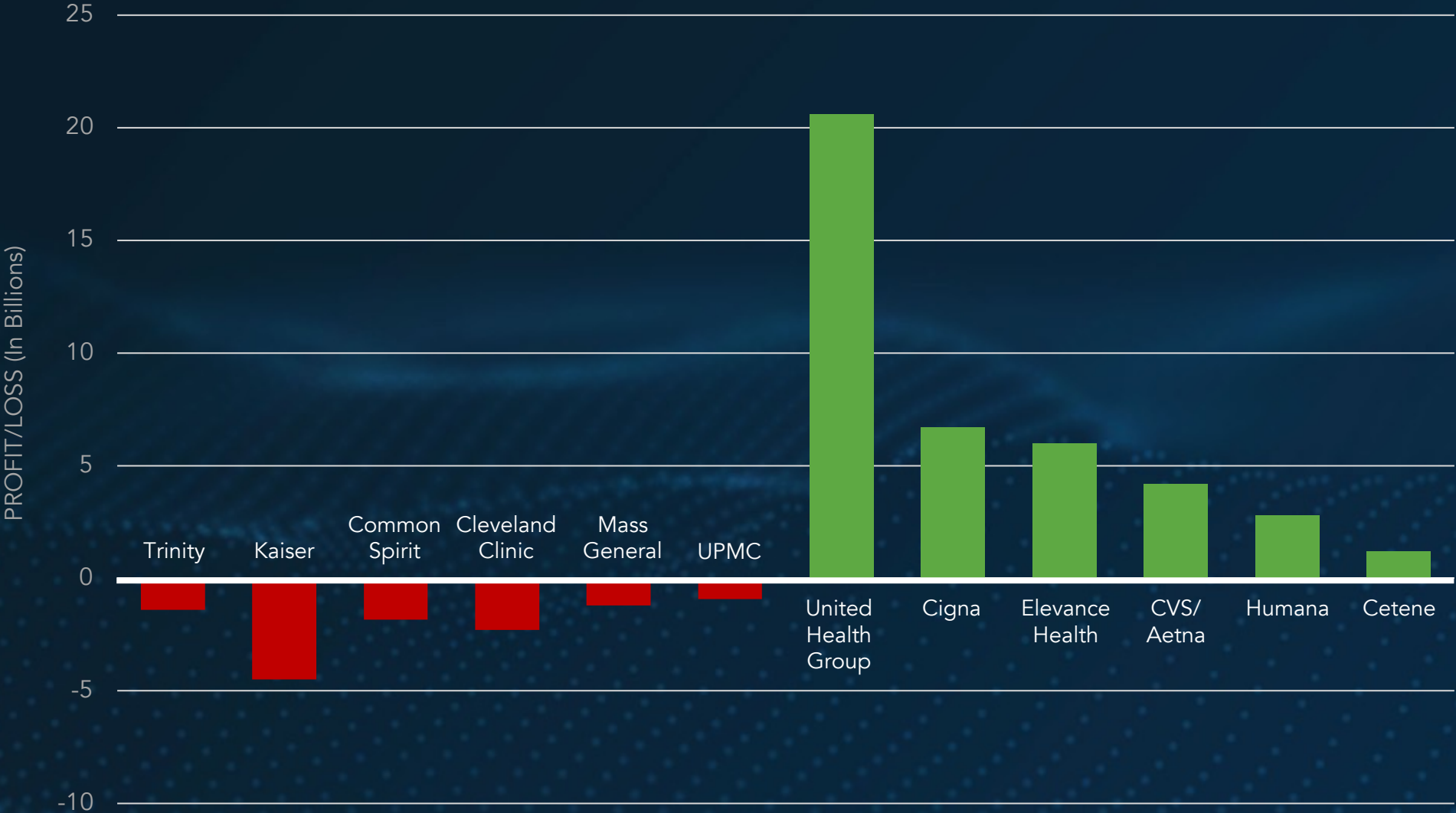
“We can do anything, but we can't do everything”



10th

Largest Company
In The World By Revenue

In 2022, there were clear winners and losers



Source: Beckers

UHG Executive Compensation 2022



CEO Andrew Witty

- Salary: \$1,500,000
- Stock awards: \$12,375,672
- Option awards: \$4,125,100
- Non-equity incentive plan: \$2,760,000
- Other compensation: \$104,334

Total: \$20,865,106

EVP and CFO John Rex

- Salary: \$1,200,000
- Stock awards: \$9,300,612
- Option awards: \$3,100,109
- Non-equity incentive plan: \$2,200,000
- Other compensation: \$32,099

Total: \$15,832,820

President and COO Dirk McMahon

- Salary: \$1,200,000
- Stock awards: \$9,300,612
- Option awards: \$3,100,109
- Non-equity incentive plan: \$2,200,000
- Other compensation: \$32,099

Total: \$15,832,820

EVP and Chief Legal Officer Rupert Bondy

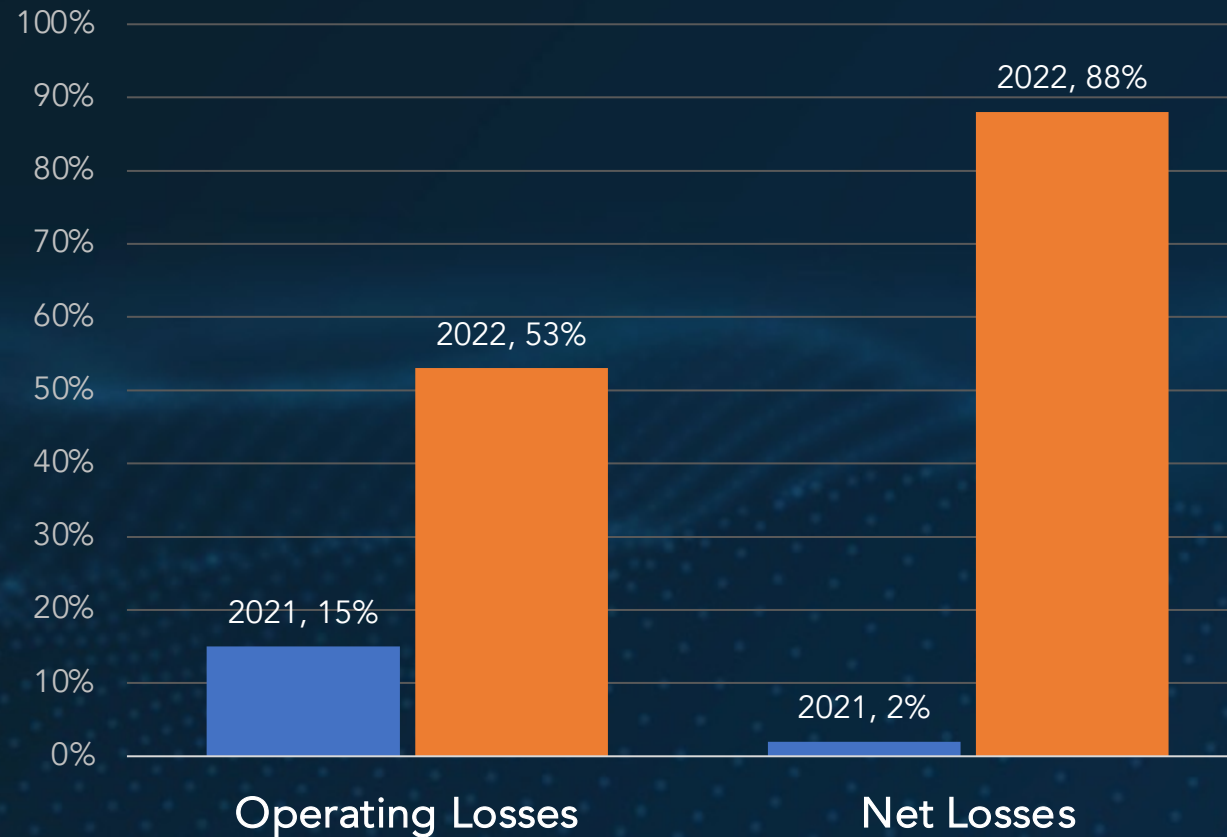
- Salary: \$706,731
- Bonus: \$2,000,000
- Stock awards: \$5,876,767
- Option awards: \$1,125,110
- Non-equity incentive plan: \$1,090,000
- Other compensation: \$519,216

Total: \$11,317,825

Inflation increasing, margins plummeting



% of Health Systems with Operating and Net Losses

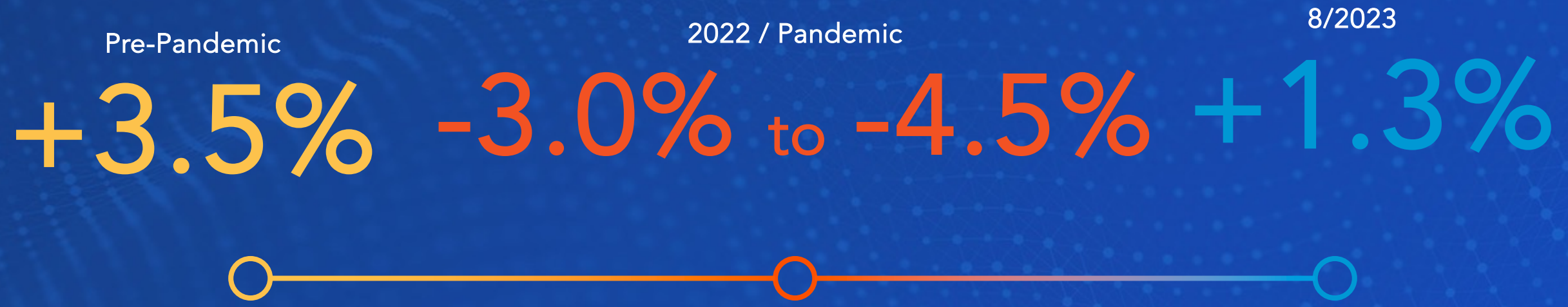


\$1B DSH Cuts

3% Medicare Rate Increase With Inflation At 3%



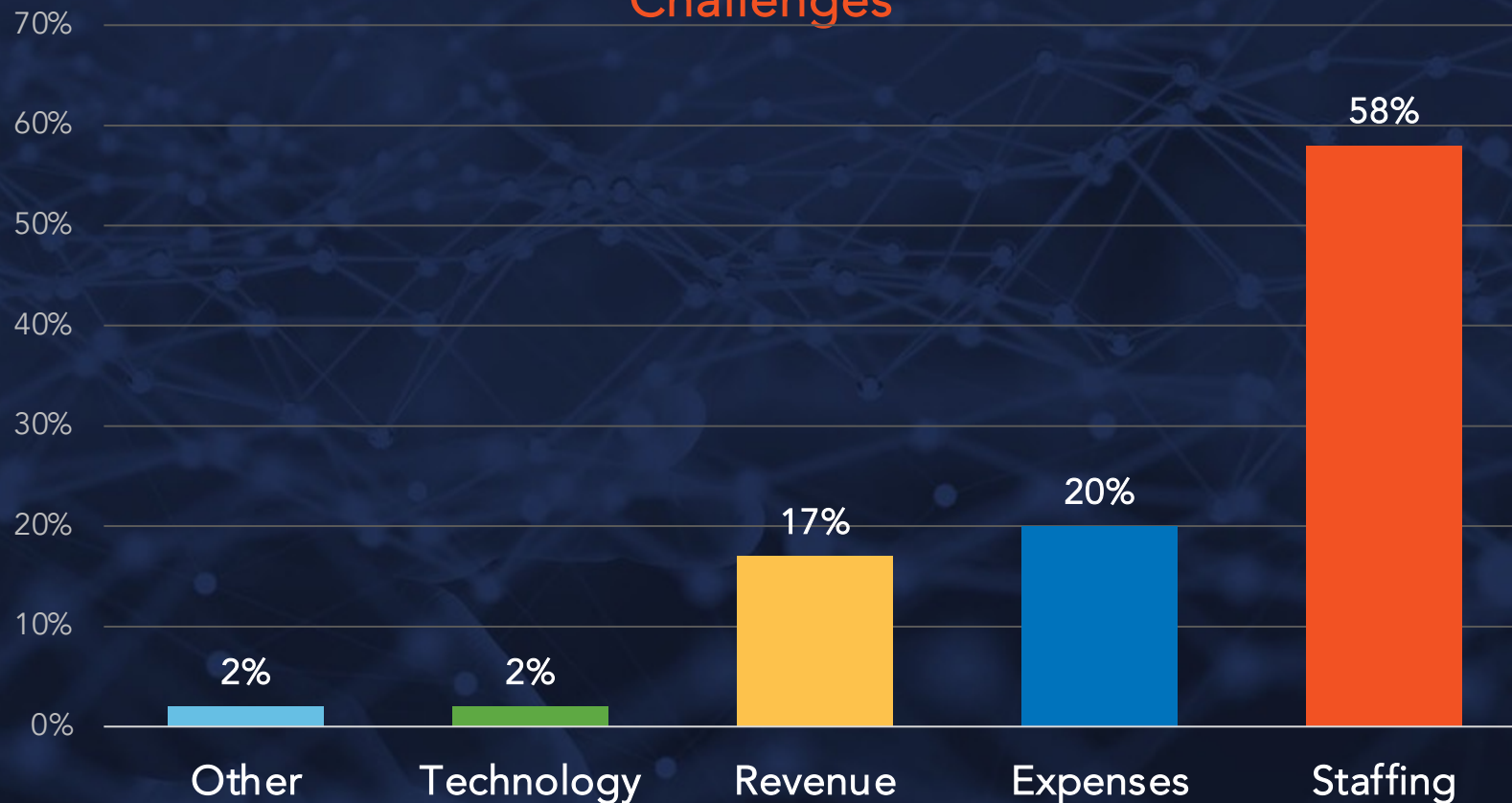
Margins are starting to recover,
but they're still negative.



Biggest Challenge of 2023

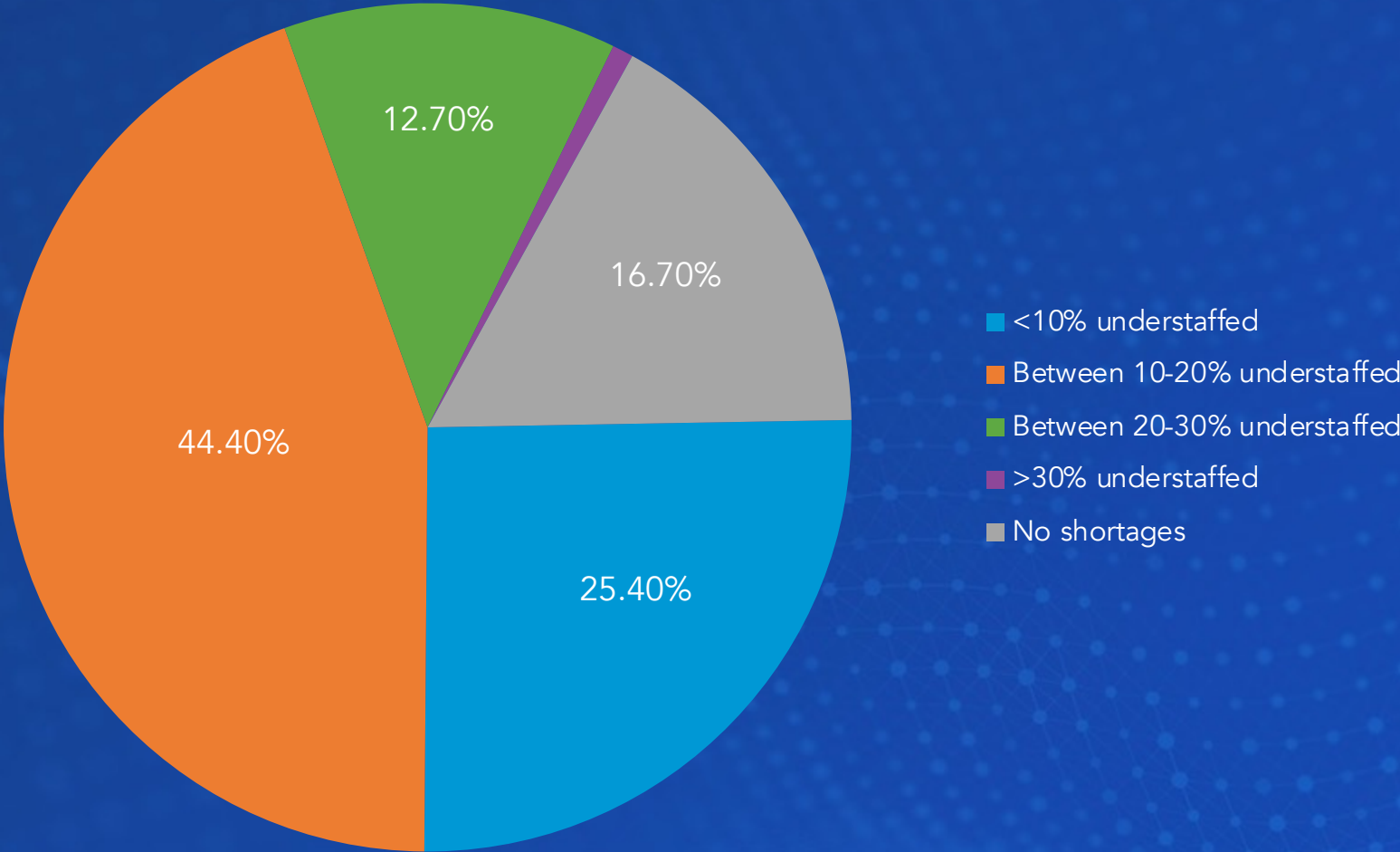


For The First Time In 16 Years Staffing Concerns Outweigh Financial Challenges



26% of employees plan to leave their job in the next 12 months, up from 16% last year

REV CYCLE STAFFING CHALLENGES



STAFFING CHALLENGES



30-40%

of receivables aren't being
worked because of staffing shortages

leading to lower collections, payment delays and
less cash on hand that can devastate a hospital or health system's finances.



Collecting Just Got Harder

Increase in Insured Self-Pay Accounts

BALANCE >\$7.5K

3X

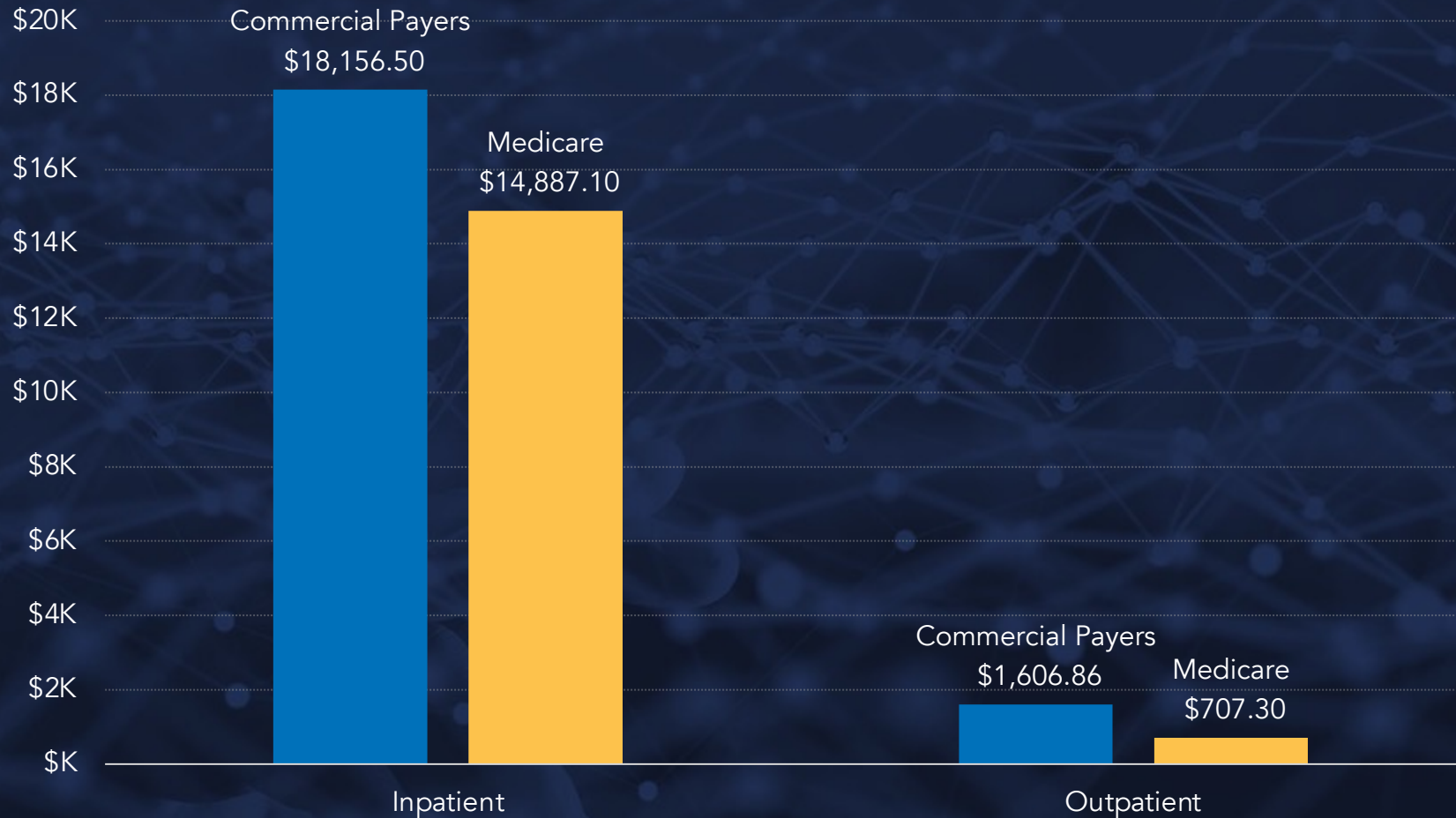
BALANCE >\$14K

4X

Likelihood of Collecting >\$7.5? **Probably Not Happening!**

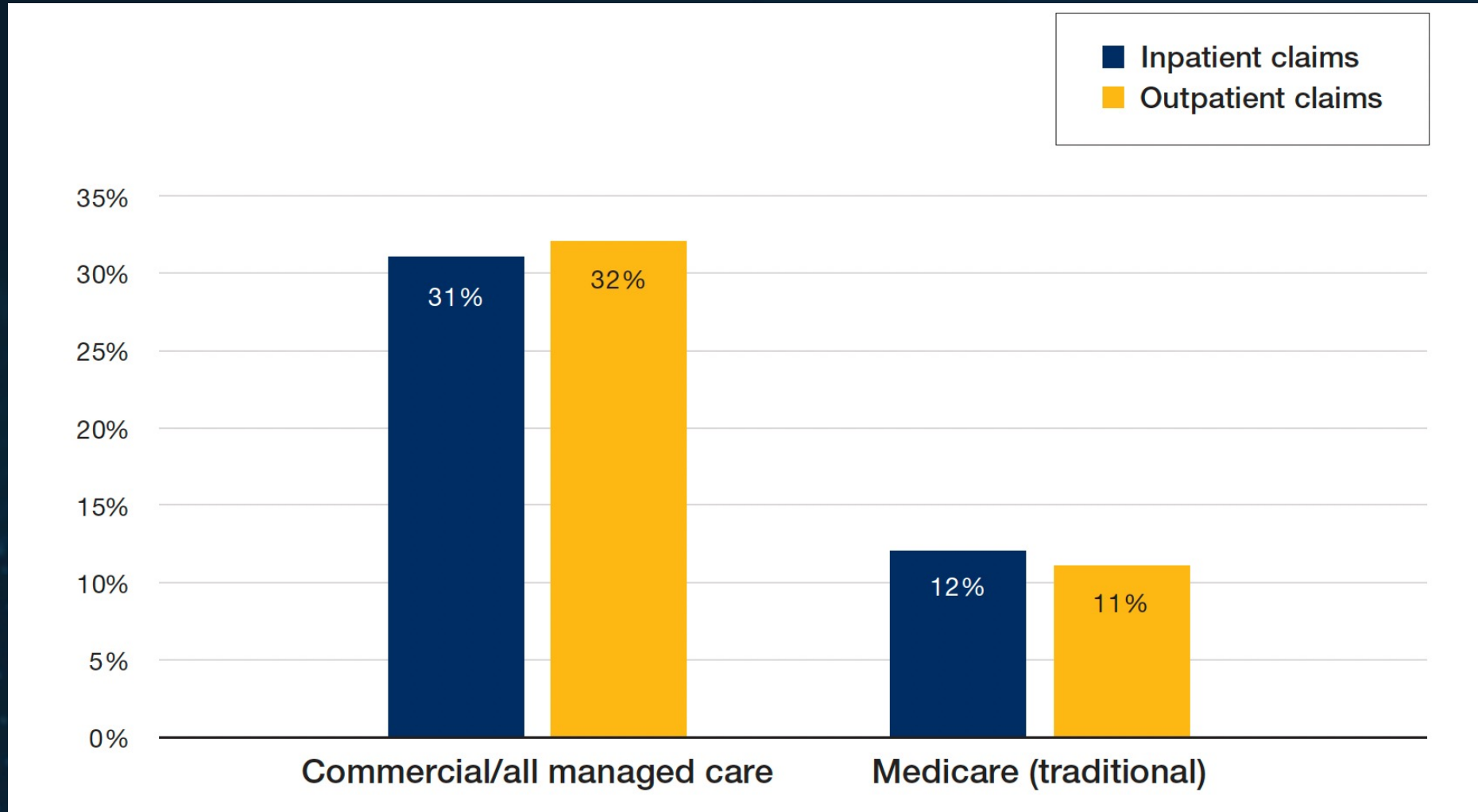
58% of hospital debt comes from insured patients

Average Net Revenue Per Case



IP volume is down 1.1% and OP is trending up 7.3% through 2026

AR>90 Keeps Creeping Up



Days Cash On Hand Drops





DENIED

Let's talk about denials

Time To Invest In The Future



Revenue cycle optimization spending is up

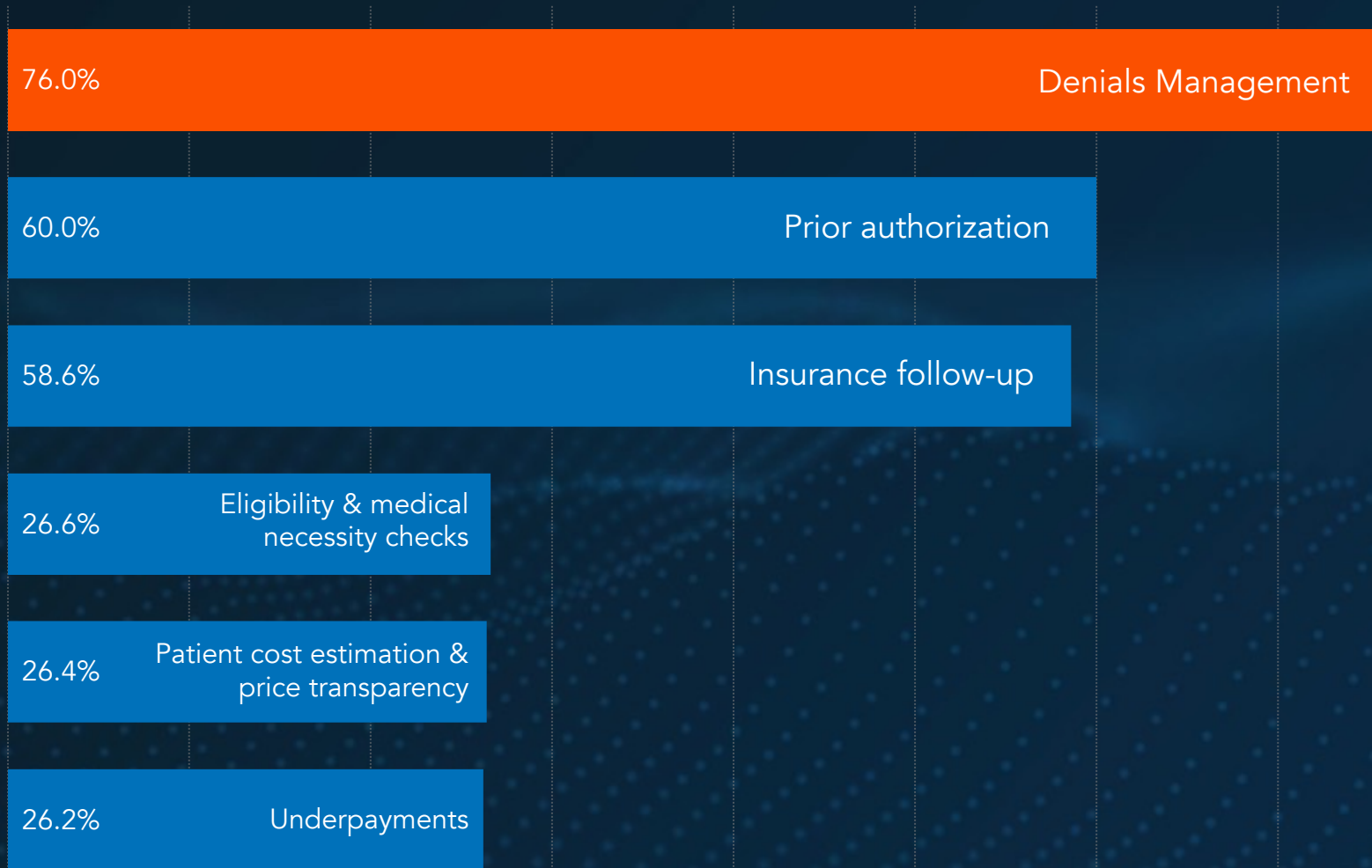
↑ 17%

From pre-pandemic levels
and is expected to last through 2028

Denials management is time-consuming



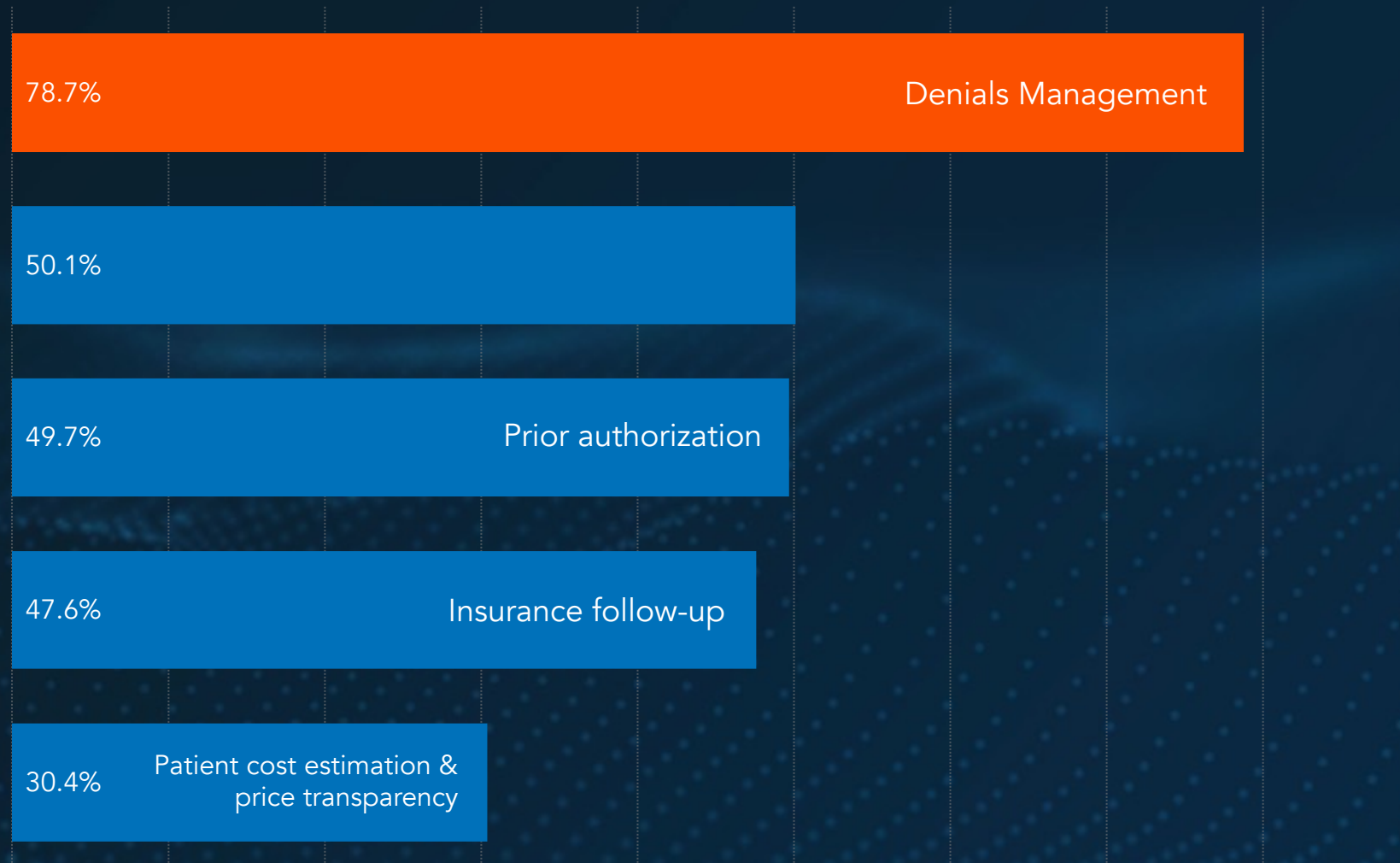
Revenue cycle leaders were asked what was the most time-consuming task in the revenue cycle?



Denials management expertise



Revenue cycle leaders were asked what task requires the most subject matter expertise?



No Good News



**\$262B
Denied
Dollars**



Denials Continue To
Increase Year Over Year

Successful Appeals
Continue to Decrease

Q1 2023 Commercial Denials @ 15.1% v Medicare @ 3.9%



231 Million
Claims Filed

42 Million/~18%
Claims Denied

3% Lost NPR

Front End Rev Cycle
Accounts for

49.7%
of Total Denials

You Are Fighting An Uphill Battle



Between March 2020 and March 2022

> 100,000

Payer Policy Changes



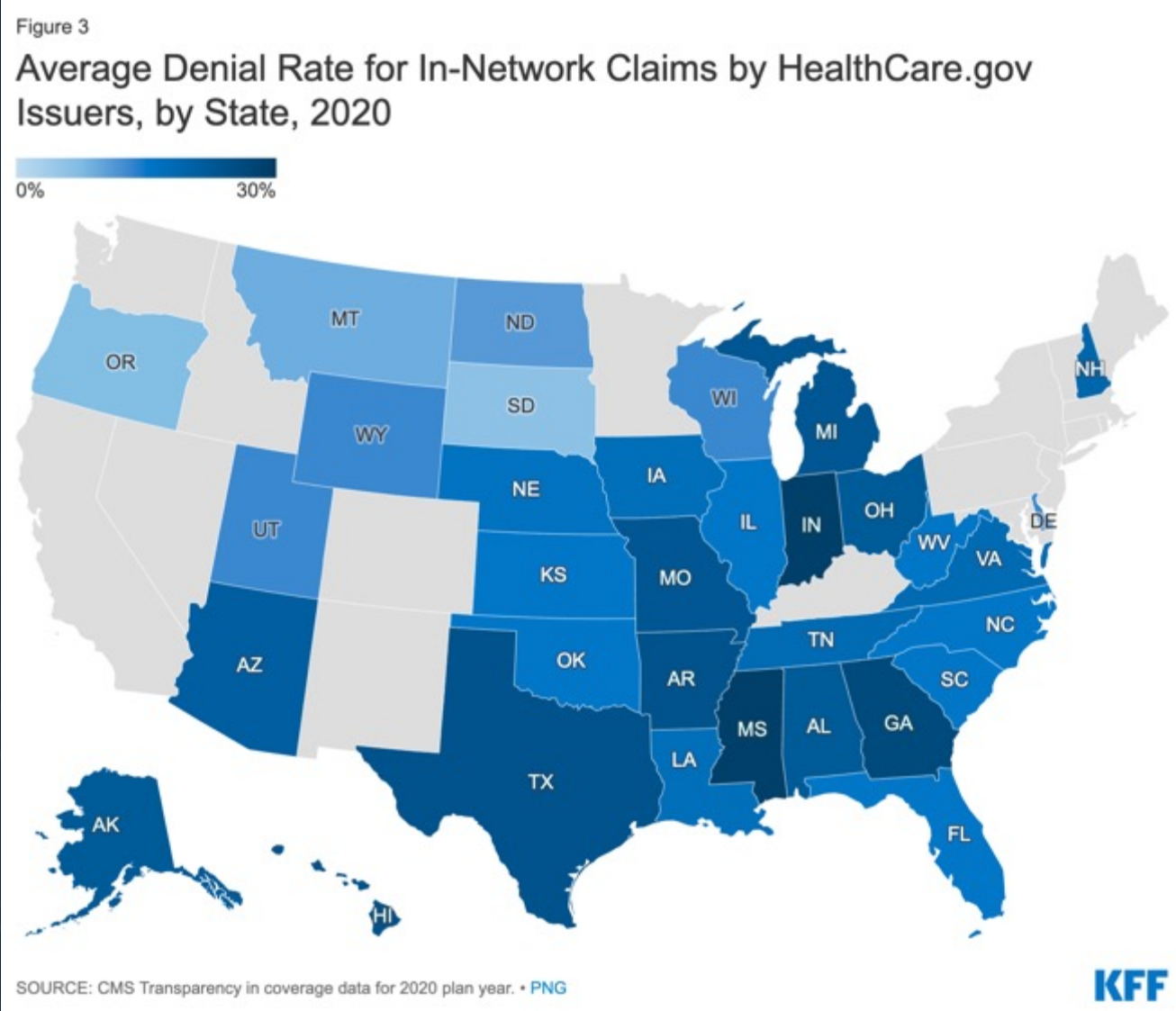
65% of Denials

Are Never Resubmitted

Cost to Rework a Denial

\$181

Average 5-7 Touches



LOTS OF WAYS TO SAY NO



HOW MANY CARC/RARC
COMBINATIONS FOR
NON-COVERED SERVICE?

968

PAYER BAD BEHAVIOR

90% OF CLAIMS DENIED FOR PRIOR AUTH
HAD AUTH SUBMITTED WITH CLAIM

PAYERS ARE DENYING CLAIMS
WITH NO REMARK CODE

PAYER STATING NO AUTH NECESSARY &
DENYING-SERVICE NON-COVERED

MORE PAYER BAD BEHAVIOR

COMMERCIAL PAYER PAYMENT DAYS HAVE
INCREASED 10% FROM 50 TO 55 DAYS

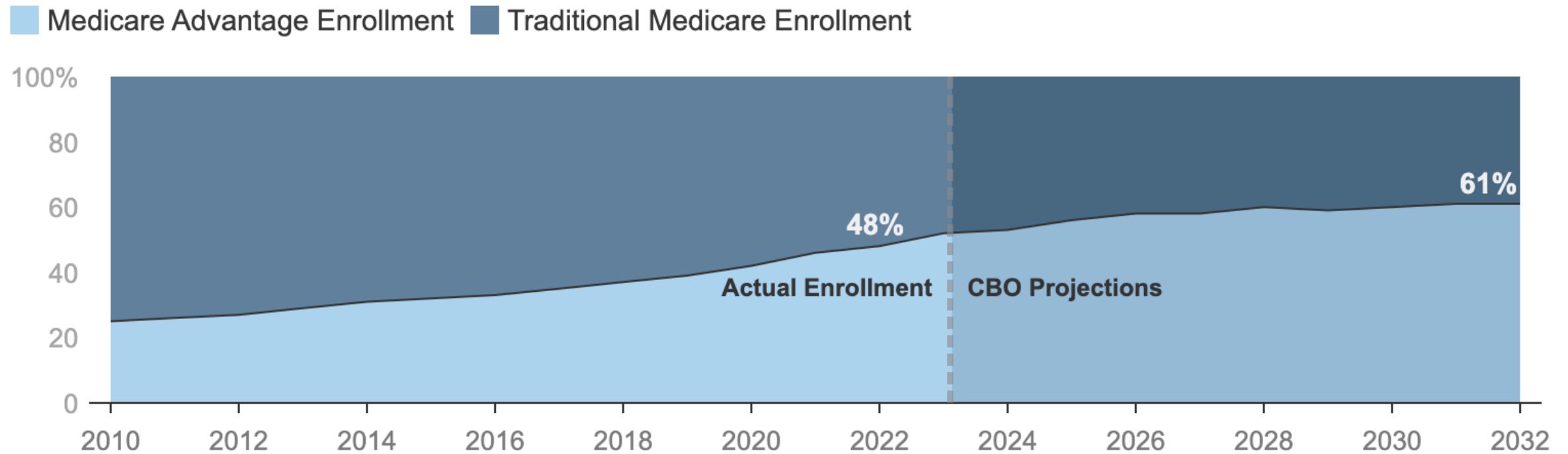
ORGANIZATIONS REPORTING
30-50% INCREASE IN DENIALS

ONE ORGANIZATION 100% DENIAL RATE
CLAIMS >\$50K FOR COMMERCIAL PAYER

Medicare Advantage: Past & Future



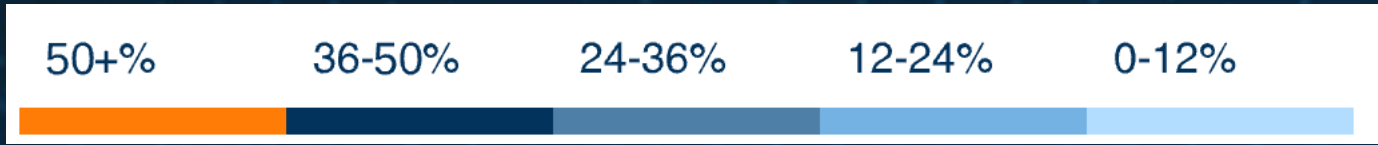
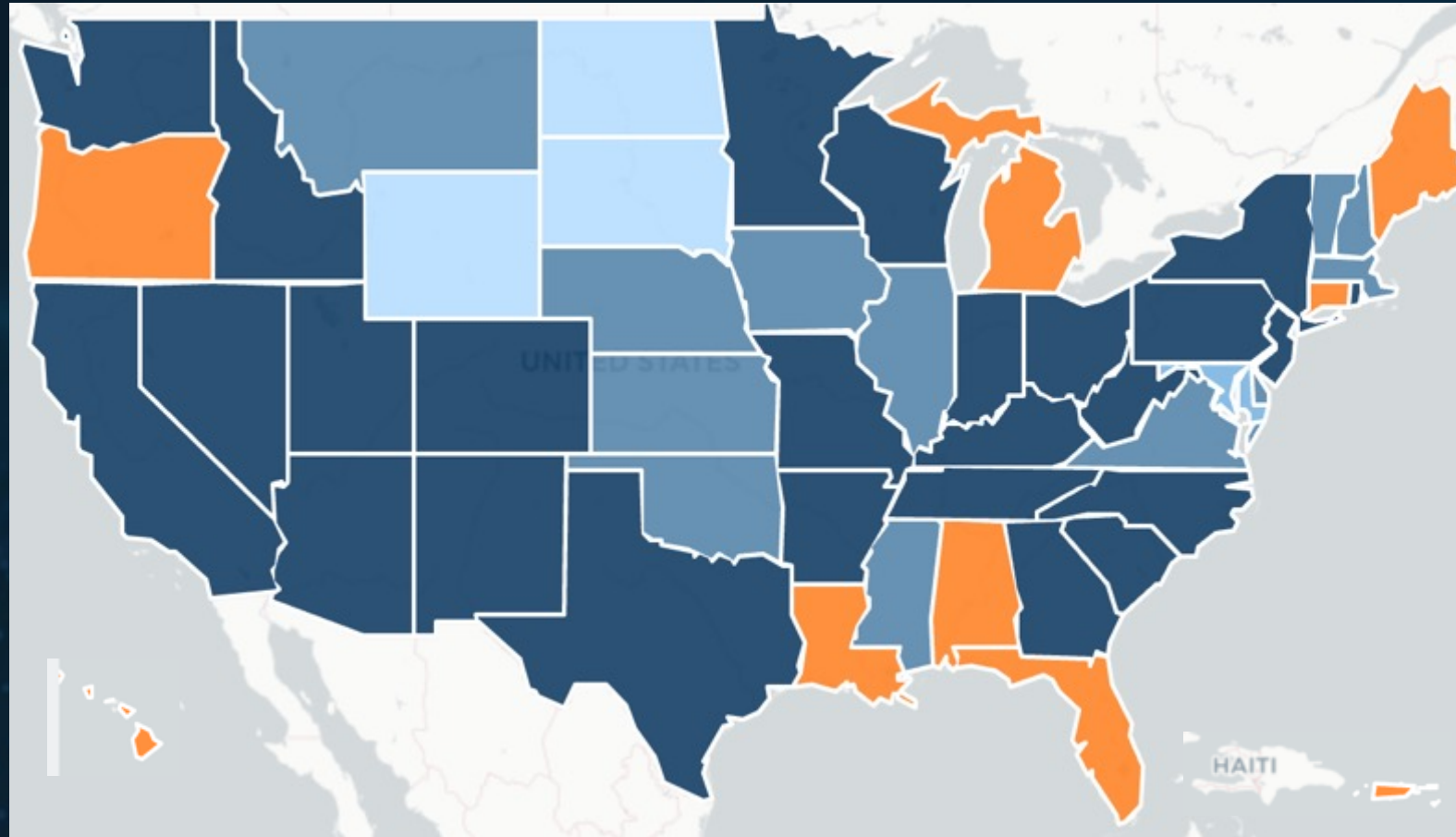
Medicare Advantage and Traditional Medicare Enrollment, Past and Projected



Medicare Advantage Enrollment Grew 9.5% For 2023 With 2.7M New Members



% of Medicare beneficiaries that have Medicare Advantage by state



CONGRESS STEPS IN-MEDICARE ADVANTAGE



Legislation To Require Electronic Prior Auth
Passed The House/Failed The Senate Late 2022 – July 2023
Reconsideration

2021 – Of 35M Prior Auths Submitted, 2M Were Denied –
Only 11% Appealed, But Of Those Appealed, **82% Were Overturned**

13% Of Prior Auth
Denials Would Have
Been Approved Under
Original Medicare

18% of Denied
Payments Met
Coverage Rules

Systems Dropping Medicare Advantage Participation

Mayo
(AZ/FL)

Vanderbilt
(TN)

Cameron Regional
(MO)

Stillwater
Medical Center
(OK)

Brookings Health
(SD)

St. Charles Health
(OR)

Cigna Takes The Cake



- A single provider submits an average of 41 prior authorization requests per week taking about 18 hours per week or almost 1000 hours annually
- Cigna class action lawsuit in 2 months in 2022 Cigna denied 300,000 claims with an average of 1.2 seconds of review using proprietary AI algorithm
- Dropped 1,100 prior auth codes since 2020
- Proposal to require medical records for ALL E&M Services 99212-99215 with Modifier 25

Medicaid Redeterminations



17 to 24M

Expected To Lose Coverage
1 in 3 to 1 in 4

Molina & Centene
Payers To Watch

5.2M

Have Already
Lost Coverage

Potential to Impact
340B Eligibility

FL Class action Lawsuit

TX HHS Whistleblower Case



THE GOAL

Eliminate \$266+ billion
of administrative waste in
the revenue cycle

Administrative Savings Possibilities



Medicare Advantage
Prior Auth:

\$15B

in Savings Over 10 Years

OTHER PROPOSALS:

POLICY PROPOSAL	EST. POTENTIAL ANNUAL SAVINGS	SOURCE
Centralized claims clearinghouse	\$300M	Cutler, 2020
Full electronic prior auth system	\$417M	CAQH, 2020
Harmonized quality reporting	\$7B	Cutler, 2020
Standardization of provider directories	\$1.1B	CAQH, 2019

Georgia's Not Looking Quite So Peachy

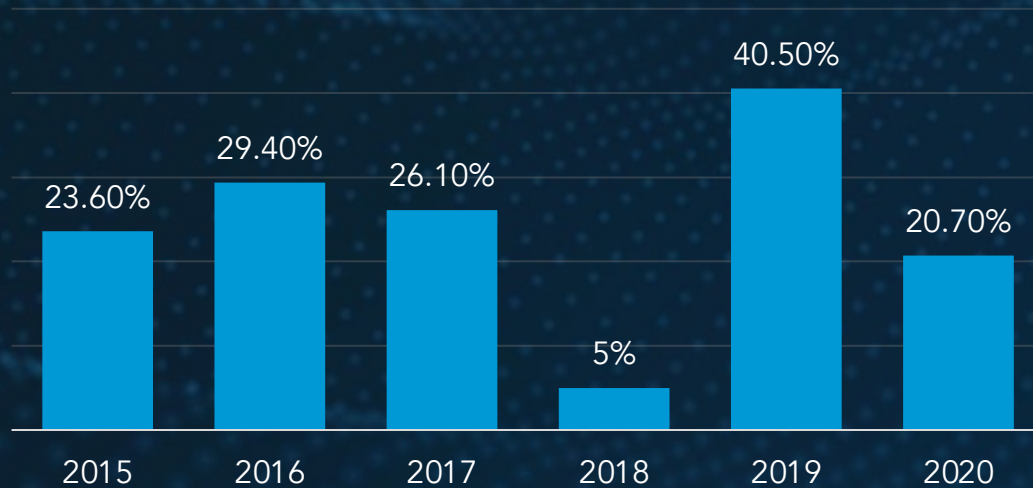


Anthem BCBS of GA

\$5 million

for improper claims settlement practices

Denial Rates by Year



Pennsylvania Cracks Down

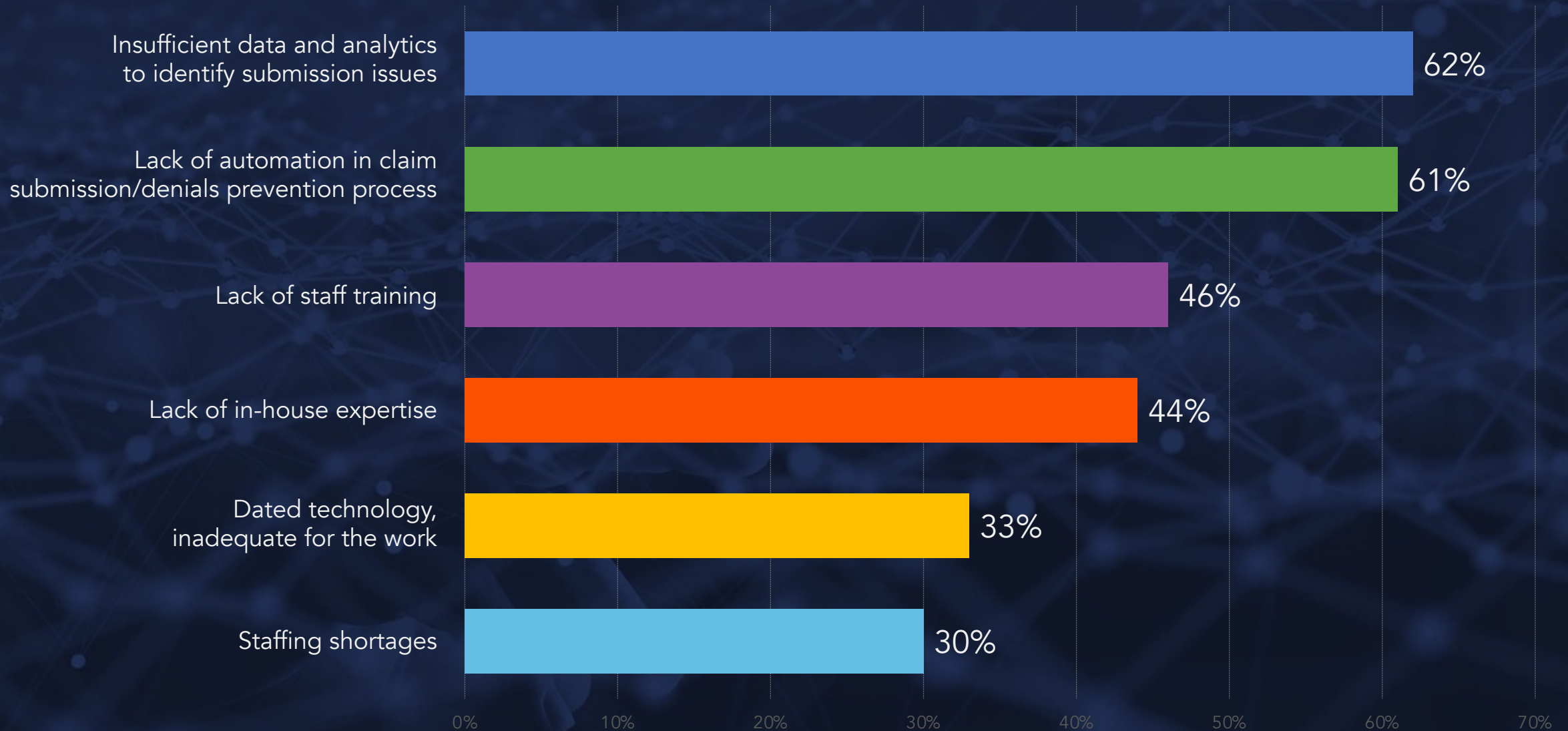
Highmark **\$205K**

Geisinger **\$125K**

Capital Blue Cross **\$85K**



Operational Challenges Increasing Denials



Denied Claims Amount
\$ 766.1 K

Accts
Den %

38
7.16%

Denied Lines Amount
\$ 751.9 K

Accts
Den %

1.3 K
4.79%



Denial Owner	Dollars	Accounts
Care Management	\$ 35.4 K	30
Coding	\$ 17.9 K	12
HIM	\$ 418.5 K	377
Non Denial Txn	\$ 20.2 K	76
Patient Access	\$ 383.4 K	261
PFS	\$ 607.4 K	522

Denials Performance Indicators

13 Month Trend	Key Performance Indicator	Current Period	Previous Period	Variance
	<u>Denied Amount as % of Net Revenue</u>	0.00%	6.96%	- 6.96%
	<u>Initial Denial Rate, Zero Pay</u>	6.21%	8.69%	- 2.48%
	<u>Initial Denial Rate, Partial Pay</u>	4.99%	6.16%	- 1.17%
	<u>Appeal Success Rate</u>	5.31%	1.90%	3.41%

Denied Inventory by Payer

Payer	Jun-22	90 Days Avg
<u>MEDICARE</u>	\$ 708.4 K	\$ 8 M
<u>FLORIDA MEDICAID</u>	\$ 278.7 K	\$ 876.7 K

Denied Inventory Root Cause Owner

Denial Source	Jun-22	90 Days Avg
<u>PFS</u>	\$ 617 K	\$ 6.5 M
<u>HIM</u>	\$ 420.4 K	\$ 2.4 M

Denial Inventory by EOB Category

Denial Type	Jun-22	90 Days Avg
<u>Duplicate Claim</u>	\$ 450 K	\$ 4.2 M
<u>Non-Covered Charges</u>	\$ 417.4 K	\$ 2.6 M

DENIAL TYPE SEGMENTATION

Payer Group Overview – Year to Date

	Financial Class	YTD Denials	Accounts	Area 1	Area 2	Area 3	Area 4	Area 5
1	Medicare	\$69M	9,437	Care Coordination / Coding	COB	Ineligible Coverage	Coding Invalid Diagnosis Code	Insurance Verification
2	Anthem	\$57M	4,081	Auth Missing or Invalid	Missing or Invalid Documentation	Information from Member	Missing Itemized Bill	COB
3	Managed Medicare	\$53M	6,442	Auth Missing or Invalid	COB	Care Coordination / Coding	Internal Billing Error	Missing or Invalid Documentation
4	Managed Medicaid	\$51M	7,577	Auth Missing or Invalid	COB	Information from Member	Ineligible Coverage	Missing Itemized Bill
5	Managed Care	\$36M	3,260	Internal Billing Error	Auth Missing or Invalid	Ineligible Coverage	COB	Missing or Invalid Documentation
6	UHC	\$22M	1,945	COB	Medical Necessity	Information from Member	Missing Itemized Bill	Ineligible Coverage
7	Medicaid	\$19M	1,229	Ineligible Coverage	COB	Care Coordination / Coding	Missing or Invalid Provider Info	Auth Missing or Invalid
	Total	\$340M	36,733	Care Coordination / Coding	Auth Missing or Invalid	COB	Ineligible Coverage	Missing or Invalid Documentation

DRG DENIALS BY FINANCIAL CLASS / INPATIENT SEGMENTATION



This data depicts YTD first remit, primary payer inpatient remits with a denial at the DRG level by financial class. The denial subtypes focus specifically on those **preventable denials that are associated with additional clinical information (auth/eligibility/quals) or information required specifically from the member.**

	Financial Class	YTD TOTAL Denials	Volume	DRG Service Line Area 1	Member or Clinical Denial Subtype	DRG Service Line Area 2	Member or Clinical Denial Subtype	DRG Service Line Area 3	Member or Clinical Denial Subtype
1	Medicare	\$58M	1,252	Internal Medicine: \$16M	Non-Covered Diagnosis / DRG Downgrade: \$13.3M	Cardiac / Thoracic / Vascular: \$11M	Non-Covered Diagnosis / DRG Downgrade \$8.5M	General Surgery: \$9M	Non-Covered Diagnosis / DRG Downgrade \$6.4M
2	Managed Medicare	\$30M	584	Internal Medicine: \$7.2M	Auth Missing or Invalid: \$1.7M	Orthopedics: \$4.8M	Auth Missing or Invalid: \$1.1M	Cardiac / Thoracic / Vascular: 4.3M	Auth Missing or Invalid: \$420K
3	Anthem	\$28M	616	General Surgery: \$6.5M	Information from Member: \$1.9M	Internal Medicine: \$4.8M	Auth Missing or Invalid: \$810K	Cardiac / Thoracic / Vascular: \$4.2M	Auth Missing or Invalid: \$576K
4	Managed Medicaid	\$13M	297	Orthopedics: \$4.1M	Information from Member: \$2.6M	General Surgery: \$4.9M	OP Service within IP Period: \$1.4M	Internal Medicine: \$1M	Auth Missing or Invalid: \$422K
5	Managed Care	\$20M	442	Internal Medicine: \$3.3M	Eligibility not Met: \$388k	Cardiac / Thoracic / Vascular: \$2.9M	Non-covered / not-specified: \$906k	Orthopedics: \$2.6M	Auth Missing or Invalid: \$487K
6	UHC	\$10M	285	General Surgery: \$2.2M	Medical Necessity: \$791k	Orthopedics: \$1.8M	Benefits Maxed: \$700k	Internal Medicine: \$1.5M	Medical Necessity: \$247K
7	Medicaid	\$2.5M	30	Oncology / Hematology: \$781k	Not Covered by this Payer: \$775k	OBGYN: \$238k	Patient Eligibility not Met: \$238k	Internal Medicine: \$376M	Service Category Issue: \$306k

REVENUE CODE DENIALS

This data depicts YTD first remit, primary payer remits with a denial present for a given revenue code without a DRG present. The denial subtypes focus specifically on those preventable denials that are associated with additional clinical information (auth/eligibility/quals) or information required specifically from the member.

	Revenue Code	YTD TOTAL Denials	Volume	FC 1	Drivers	FC 2	Member or Clinical Denial Subtype	FC 3	Member or Clinical Denial Subtype
1	OR Services (0360)	\$25M	852	MANAGED MCD \$8.9M	Info From Member + Authorization	ANTHEM \$6.6M	Authorization + Info From Member	MANAGED MCRE \$2.9M	Authorization
2	Pharmacy (0636)	\$12M	1,024	MANAGED MCRE \$4.4M	Auth + Procedure Coding Issues	MANAGED MCD \$2.5M	Authorization	MEDICARE \$1.8M	Medical Necessity
3	Emergency Room (0450)	\$8M	2,979	MANAGED MCRE \$1.4M	Level of Care Adjustment	ANTHEM \$1.2M	Info From Member + Level of Care Adjustment	MANAGED CARE \$1.1M	Level of Care Adjustment + Ineligible Coverage
4	Implants (0278)	\$7M	264	MANAGED MCD \$2.4M	Non-Covered Charges + Authorization	MANAGED MCRE \$1.2M	Authorization	ANTHEM \$986K	Auth + Information from Member
5	Minor Surgery (0361)	\$3M	322	MANAGED MCRE: \$1.2M	Authorization	MEDICARE \$737K	Procedure Coding	ANTHEM \$590	Authorization
6	Radiation Therapy (0333)	\$3M	95	MANAGED MCRE: \$1.1M	Authorization	ANTHEM: \$706K	Authorization	MANAGED CARE: \$205K	Authorization

OUTSOURCING SEGMENTATION



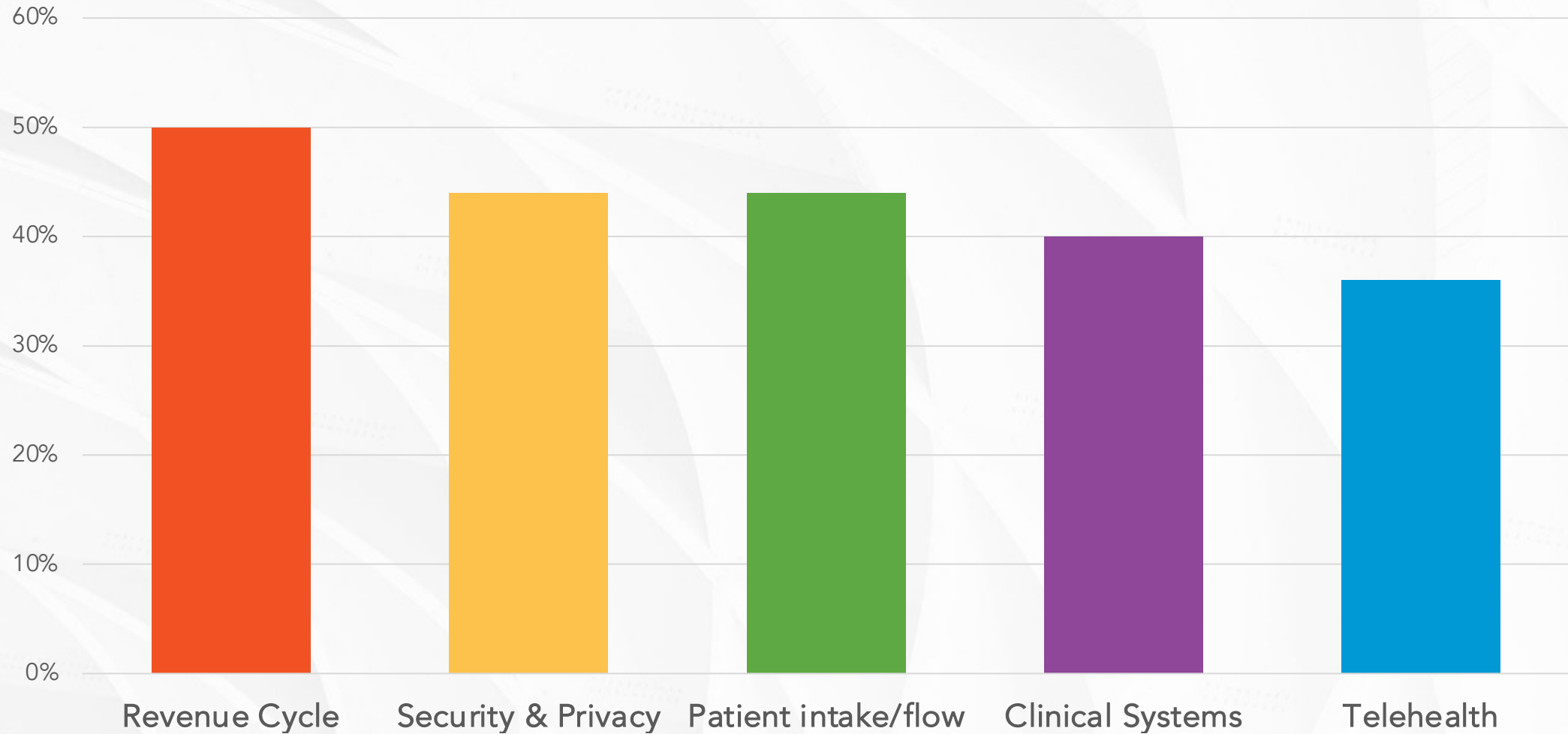
Top Ten Denial Types – Denial Amounts and Rolling Three vs Six Month Trend

		Managed Medicare		Anthem		Managed Medicaid		Managed Care		UHC		Medicaid		Medicare		Grand Total
	Denial Type	Denials	Trend	Denials	Trend	Denials	Trend	Denials	Trend	Denials	Trend	Denials	Trend	Denials	Trend	
1	Auth Missing or Invalid	\$11.6M	↑ 39% \$758k	\$9.3M		\$11.9M		\$3.6M		\$507k		\$352k		\$61k		\$37.4M
2	Medical Necessity	\$1.9M	↑ 55% \$201k	\$2.8M		\$242k		\$723k		\$1.8M						\$7.5M
3	Care Coordination	\$1.2M	↓ 3% \$11k			\$170k		\$57k		\$707k		\$136k		\$570k		\$2.9M
4	COB	\$619k	↑ 35% \$51k	\$250k		\$460k		\$265k		\$67k		\$93k		\$201k		\$2.0M
5	Ineligible Coverage	\$2k	↓ 100% \$11k	\$216k		\$422k		\$524k		\$71k		\$284k		\$69k		\$1.6M
6	Missing Itemized Bill			\$237k						\$1,205k						\$1.4M
7	Missing Documentation	\$385k		\$694k		\$84k		\$90k		\$70k						\$1.3M
8	Internal Billing Error	\$90k				\$3k		\$794k						\$2k		\$890k
9	Coding Invalid Proc. Code	\$36k		\$3k	↑ 35% \$51k	\$6k		\$652k								\$697k
10	Not Eligible Provider	\$156k	↓ 17% \$621k	\$494k	↓ 17% \$621k	\$25k		\$6k								\$681k

Revenue cycle investments are top of mind



Extent to which each solution was chosen as a top 5 priority for investment by providers for 2023



Providers are looking to build efficiency through technology



By 2026, the healthcare services and technology sector is predicted to grow by at least 10% to

\$81 Billion

With the greatest acceleration in software and platforms, and data and analytics



What Solves The Problem?



People



Process



Technology



Take Command of Your Data



Get an ROI
Not an ~~IOU~~



PEAK BUSINESS HEALTH



Thank you!

Kimberly Hartsfield

EVP, Growth Enablement



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