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Payer Denials for Legitimate Claims Adds Up to $10.6 Billion in Wasted Health Care Dollars

Results from a new survey show that 15% of all claims submitted to private payers for reimbursement are denied, but over half of those are ultimately paid after multiple and costly provider appeals. As a result, hospitals and health systems spend about $10.6 billion “wasted arguing over claims that should have been paid at the time of submission.” And that figure doesn’t include many other claims that might have been paid but weren’t fully pursued due to provider resource constraints.

The National Survey on Payment Delays and Denials was conducted by Premier, an analytics, consulting and group purchasing organization. Survey respondents included 516 hospitals across 36 states and represent claims from calendar year 2022.

According to the survey results released by Premier in late March, providers spend an average of $43.84 per claim to resolve claim denials, which amounts to nearly $20 billion per year. For claims that are overturned, providers on average must conduct three rounds of reviews with insurers, with each review cycle taking between 45 and 60 days. This means payment can be delayed for up to six months.

These payment delays and denials have an impact on the financial viability of hospitals and health systems. Over the past year, according to Premier, the average days of cash on hand for hospitals and health systems dropped by 17%. The report contrasts this to insurers like United and Cigna, for which days cash on hand has been increasing as much as 25% since 2019.

The summary also notes that 3.2% of all claims denied included those that were already pre-approved through a prior authorization process. The report’s estimate of wasted spending doesn’t include the dollars spent on unnecessary prior authorizations. However, the prior authorization process has been the subject of much scrutiny over the past several years, with UW Hospital and Clinics reporting that they spent $18.2 million and 65 FTE in one year just to manage prior authorizations.

While hospitals and health systems attempt to work through claim denials, ultimately such denials can impact patients. When insurers deny payment, patients may ultimately end up liable for some or all of the costs. If the patient has further treatment needs, they may hesitate to seek additional care as a result. Premier notes that patients subject to claims denials have lower patient satisfaction scores, even if the claim is ultimately paid.

Premier makes several recommendations for improvement, including suggesting that CMS collect data on payment delays and denials and noting that inadequate payment practices may negatively impact access to care for Medicare beneficiaries. The organization also encourages CMS work to enforce its recently finalized prior authorization rules for Medicare Advantage plans. Further, Premier encourages CMS to require Medicare Advantage plans to use electronic prior authorization processes and suggests that electronic prior authorization should ensure that the payer remits timely payment.

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