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Denial Rates: Fact or Fiction?

David V. Axene, FSA, FCA, CERA, MAAA

The killing of the CEO of a major health plan has again highlighted the issue of denials and denial rates in today's healthcare marketplace. It is fairly common in today's marketplace to criticize those plans with higher than average denial rates. I raise the question, is this a fair criticism or is there more to the discussion that is being overlooked? I suggest there is more to the story that is too often overlooked.

Potentially Avoidable Care

Potentially Avoidable Care (i.e., potentially avoidable admits, potentially avoidable days, potentially avoidable services, etc.) was a term initially developed by a group of clinical consultants in my consulting practice back in the 1990s. Potentially Avoidable Care refers to care provided by healthcare professionals or health systems that has questionable medical value, isn't supported by clinical evidence, is inefficient, is medically unnecessary, or is wasteful. The managed care industry, through its care management efforts, has focused its care management activities on these services, and by minimizing or even eliminating them, its companies achieve substantial cost savings while improving quality.

Care Management Effectiveness

We have developed another descriptor, Care Management Effectiveness or CME, to describe how effective an organization is at removing Potentially Avoidable Care. CME is expressed as a percentage and ranges from 0% to 100%. A CME of 0% suggests that the care management efforts had no impact on eliminating Potentially Avoidable Care. A CME of 100% suggests that all Potentially Avoidable Care has been eliminated. In practice, we find that the highest observed CME has been in the 90% - 93% range, suggesting that the uncertainty associated with diagnosis and treatment by healthcare professionals seems to lead to some inefficiencies in the best of systems. The higher the CME score the lesser the extent of Potentially Avoidable Care.

Defining High-Quality Care

Multiple definitions and measurement approaches have been developed over the years to measure and quantify the quality of healthcare. Multiple metrics have been developed and widely used (e.g., HEDIS, Star Ratings, etc.). One of the earliest definitions of "high quality care" that I learned from a physician partner back in the mid 1980s and have continued to used since then is:

> *"finding out what is wrong with the patient as quickly and as efficiently as possible, and fixing it as quickly and as efficiently as possible"*

Fixed healthcare problems are good outcomes (i.e., a common factor in determining quality). Timely diagnosis is high quality (i.e., a common factor valued by patients and measures quality). Efficiency automatically is compatible with quality. Patients want their healthcare problems solved and return to their normal lives as quickly as possible.

This definition suggests that efficiency and quality are converging items. The highest quality systems tend to be the most efficient, the most efficient systems tend to have the highest quality.

Does Potentially Avoidable Care Exist?

Today there is a substantial portion of the patient population, and society as a whole, that seems to be unaware of the size of this Potentially Avoidable Care. In fact, an unfortunately large portion would say it doesn't exist at all. A recent healthcare client providing coverage for healthcare services had their entire C-Suite saying Potentially Avoidable Care doesn't exist. In other words, they denied the existence of potentially avoidable care. Too often we find this situation throughout stakeholders of the healthcare system.

As you can imagine, I don't agree with these unaware individuals. In fact, research I have led and worked with for the past 45+ years shows that Potentially Avoidable Care is substantial. For example, recent studies show the following estimates can be applied nationally:

- 15% - 20% of inpatient acute care admits
- 30% - 50% of days in acute care
- 20 – 35% of office based care services
- 10% - 20% of surgeries, etc.

Large health plans that believe Potentially Avoidable Care exists realize that it is a problem requiring a solution. As a result, they expend considerable resources trying to get rid of it and often have higher denial rates as they pursue this. More mature healthcare organizations, such as Kaiser Foundation Health Plan, often have very low denial rates since they have already eliminated much of the problem. Those who agree that potentially avoidable care is a problem work hard to eliminate it and reduce the cost of care and increase the quality of care.

Now, that doesn't justify some of the questionable approaches used to get rid of this unnecessary portion of the healthcare system. Multiple health plans have focused on the "magic of denials". Less than 40% of those denied a health care service pursue an appeal of the decision. Sixty percent accept it, move on, and complain most likely. High denials are used to increase profits without expending appropriate care management activities to minimize the problem.

Several years ago, several companies were litigated for inappropriate behavior in the area of their business. As we often find, "Greed" sneaks into the healthcare system in uncanny ways. Providers do more to get more compensation. Plans deny more to get more profit. While those who really care about the quality of the system work hard to do it the right way.

Our latest research shows that competent care management achieves at least a 3.5-6.0:1 ROI. However, too many are pursuing this half-heartedly and trying to get it without the heavy lifting needed to do it right.

Which Denial Are We Talking About?

So, when you read about the denial rates, you need to ask the question: Is the denial of reimbursement/care the problem or the denial of the existence of potentially avoidable care?

In my mind, health plans appropriately pursuing the elimination of potentially avoidable care need to be applauded for most of their sophisticated efforts to get rid of the real problem, while the others need to be held accountable for their actions (causing the problem or cheating their way to get rid of it).

Denial rates are not always the right metric to consider. The extent of remaining potentially avoidable care might be.

ABOUT THE AUTHOR

David V. Axene, FSA, FCA, MAAA

David Axene is a Partner and Consulting Actuary with Axene Health Partners, LLC.
David can be reached at (951) 294-0841 or david.axene@axenehp.com.

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