

Hospital Denials Management: Connect Prevention and Recovery

Why the same denials keep showing up and the team working them usually can't prevent them.



A recovered claim is a win. The same denial that comes back next month is a **different problem** and it usually doesn't sit with the team that works on it.

Ask most HIM, CDI, coding and compliance leaders how their denials are trending, and they can tell you exactly where the queue stands this week and the trends they are seeing. Ask the CFO the same question, and you'll often get a different answer: net revenue, cost to collect, days in AR. Both are measuring denials. **The lenses are different and so is the impact.**

What we see with the health systems we support is that this usually isn't a data problem, it's a **translation problem**. One team can tell you the repeat-denial rate went up. The other can tell you what happened to cash flow. **Nobody owns connecting the two** for resolution.



The number that's improving isn't the whole story

Initial and final denial rates fell industry-wide in the first half of 2026 compared with the same period a year earlier. That sounds like progress until you look at what happened next: insurer takebacks rose nearly 14%, and providers recovered 12% less when they did appeal (Kodiak Solutions, 2026). The denial rate went down. The monetary impact on the system didn't follow.

Managing to one number can mask the real impact. Denial rate, recovery, and cost to process must be viewed together for full understanding. Otherwise, what appears to be a win upstream may simply shift the financial burden downstream.



Find the cause, not the category

Tracking a denial category tells you what happened, not why. What we see across health systems: a high-volume issue typically leads to a process problem. A lower-volume, high-dollar pattern may need a clinical review.



Documentation must be accurate, not simply complete

A complete chart and an accurate one aren't the same thing. Adding another required field won't correct a charge discrepancy or an unsupported code. The goal is a defensible record, not a longer one.

The disconnect is real and left unaddressed leaves teams working in silos, with no resolution to the greater issue at hand: operations can report the recovery rate and the repeat-denial trend. Finance wants to know what that did to net revenue and cash flow. Those two views rarely get translated into each meaningful data for each other. The key is to tie operational measures your team already tracks to the financial outcomes your leadership asks about.



AI belongs in appeal triage, not in place of judgment

A WellSpan Health model built to prioritize appeals hit strong accuracy on a representative test set, and appeal volume roughly doubled after deployment (Owolabi, 2025). It also missed some cases and needed manual review of its false positives. This data helps reinforce the right role for AI: point staff at the claims worth their time and keep a person making the final decision.



A program, not just a work queue

A work queue asks one question: what needs attention today? A connected program asks three more: why did this happen, what's the right response, and what should change before the next claim leaves the system?

This is also where the leadership disconnect usually lives. Directors are fluent in the queue. The C-suite is fluent in the outcome. Both are right, and most organizations don't have anyone whose job is translating between them.



Build one denials program

Connecting prevention and recovery doesn't mean every function reports to one leader. It means shared definitions, clear ownership, and a real path from what a denial teaches you to what changes.

Four connected functions make that possible:

- Documentation and coding integrity – CDI, coding, and UR reviewing the claims with a common understanding and goal.
- Risk-based pre-bill review – second-level review targeted by your own denial patterns and dollar impact.
- Structured appeal triage – specialized staff pointed at the right claims, knowledgeable about the appeal process
- Root cause analysis and follow-through – denial trends utilized to improve workflow and documentation with on-going monitoring to determine whether the repeat rate dropped.



If your denial patterns keep coming back, talk to us about where prevention and recovery could be working together.

Sources

- Falling Rates of Insurance Claim Denials Fail to Drive Better Financial Performance – Kodiak Solutions Analysis
- Transforming appeal decisions: Machine learning triage for hospital admission denials – JAMIA Open



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