The rise of clinical denials

This article highlights the financial and operational impact of clinical denials on health systems and the importance of a strong utilization management function to enable timely reimbursement for care. Deloitte's deep experience in revenue cycle and clinical operations assists our health system clients to identify the right solution for their organization to help reduce clinical denials.

Clinical denials background

Jane Doe is admitted through the emergency department (ED) for appendicitis and has an emergency appendectomy. The procedure goes exactly to plan, and Jane is discharged timely. Sounds like an easy payment situation, right?

In the current health care environment, this claim may take multiple denials and appeals to be paid in full.

Despite efforts to comply with medical necessity guidelines, clinical denials can make up anywhere from 20% to 35% of overall denied dollars for our provider clients. For a health system with $5 billion of annual gross charges, assuming an industry standard 5% to 10% initial denial rate, this could mean up to $175 million if those denials are not prevented or appropriately remediated. In this intricate health care landscape, utilization management (UM) continues to be a high administrative burden for providers with increasing sophistication needed to get paid for the care. The lack of technology integration, resource constraints, disjointed workflows, and fragmented operating models significantly impact the accuracy and timeliness of insurance payments, further amplifying the financial strain on health care providers. Providers are recognizing the escalating pressure of denials related to medical necessity, level of care, and authorization requirements, and the critical need for denial prevention and remediation strategies.

The impact of clinical denials stems from a complex web of issues, including under-resourced UM, varied and difficult to access insurance policies, and operational inefficiencies. Our recent provider clients

that prioritized enhancing UM functions have seen $10 million to $20 million in reduced clinical denial write-offs over a three-to-four-year period, and up to a 30% reduction in the volume of accounts with an initial clinical denial within six months.

Importance of utilization management

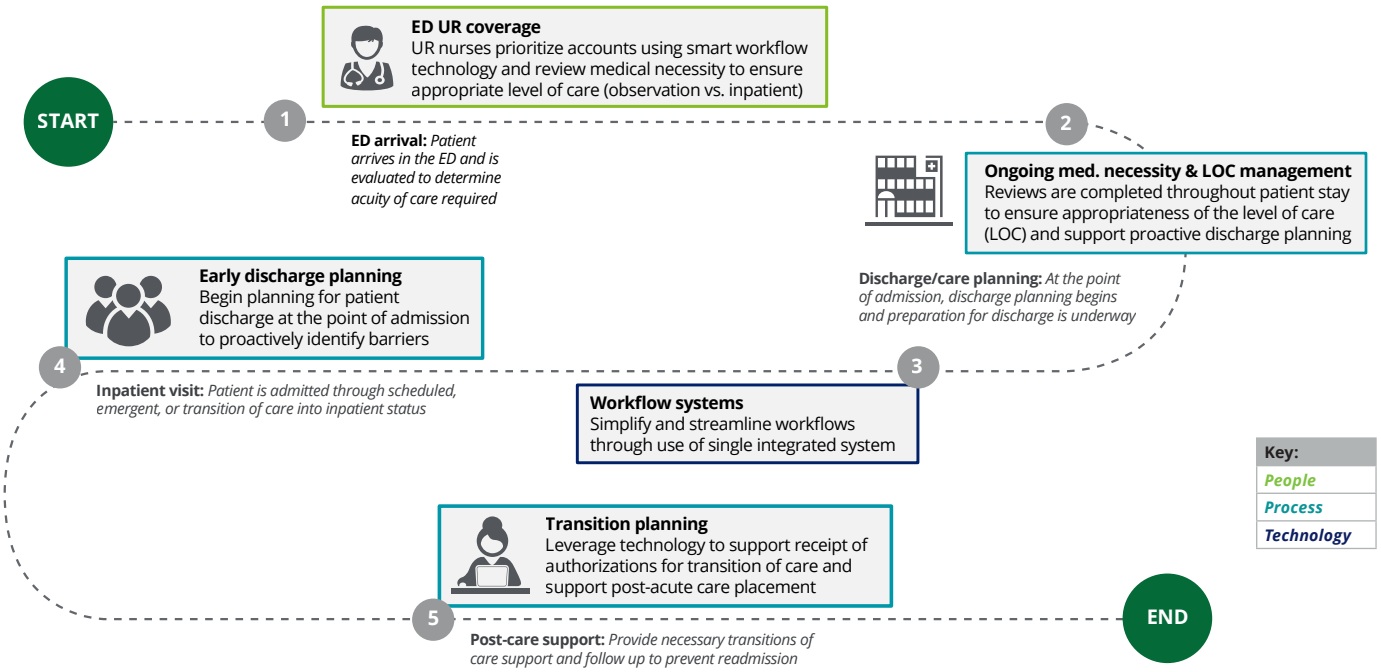
Prior authorization and concurrent review play pivotal roles in preventing and managing clinical denials by collaborating with care delivery teams and plans to ensure providers are paid for the right level of care, without impacting patient access to care. Effective UM begins even before the point of patient admission and continues throughout the care continuum. For scheduled admissions or procedures, UM nurses should be integrated into the patient access function to validate medical necessity of scheduled services and to obtain authorization from payers before admission. For emergent admissions and surgeries, the UM function is critical to validating that patients are entering and staying in the correct level of care for their acuity. The involvement of the UM function, including physician advisers, throughout a hospital patient stay is critical to successful reimbursement for services performed. This integration can help prevent denials earlier in the process flow and mitigate downstream effort that relies on complex appeals to overturn denials.

Addressing clinical denials

Through our client work, we have observed that the UM department is often under-resourced or inefficiently organized, which are key contributing factors to clinical denials. The UM department can contribute to addressing clinical denials in many ways, including:

- **Integrating UM nurses early in the patient journey:** The initial level of care and medical necessity determination can help facilitate the patient stay getting reimbursed and prevent denials prior to care or concurrently for the full patient stay. This includes embedding clinical staff, such as UM nurses, into the prior authorization process to validate the authorized level of care. Additionally, UM coverage at access points for unplanned admissions (e.g., emergency department, transfers) will be critical to ensuring patient placement in the correct status.
- **Providing adequate coverage for the UM function:** To ensure ongoing medical necessity and appropriate adjustments to the level of care (e.g., intensive care unit vs. medical/surgical), rightsized staffing to align with payer and market-specific requirements will be critical. This includes balancing the appropriate level of coverage for weekends and in the ED.
- **Conducting frequent medical necessity reviews:** Medical necessity reviews during the duration of the patient stay will be paramount for prevention of denials for partial stays, most frequently when a patient no longer meets medical necessity requirements but is unable to be discharged. UM should frequently provide guidance on the appropriate level of care when there are delays in discharge, such as level-of-care downgrades.
- **Optimizing the UM operating model across facilities:** Optimizing UM operating models to allow for specialization (e.g., service lines, payer requirements) and standardization of workflow for efficiency gains may include centralization, insourcing key functions, and leveraging appropriate vendor relationships.

Patient process flow



Source: Deloitte Clinical Solutions, Copyright © 2026 Deloitte Development LLC.

- **Engaging physician advisers:** Physician advisers should be closely partnered with UM nurses to provide guidance on clinically complex cases, input on denial next steps (e.g., peer-to-peer), and education to both physicians and UM departments on denial trends.

For better prevention of clinical denials, UM nurses play a critical role in the quality of clinical documentation provided and communication with payers for services. This documentation is key to adequately justifying the patient's need for a procedure or level of care based on industry clinical criteria and payer-specific guidelines. To bolster UM capabilities, health systems can consider:

- **Enhancing EMR capabilities:** Enhancing the functionality of their current electronic medical records (EMRs) to support UM workflows, payer data exchange, and coordination with revenue cycle.
- **Leveraging AI and automation:** Implementing leading AI and automation technologies to accelerate reviews and organize chart documentation to align with medical necessity requirements.
- **Optimizing work queues:** Employing advanced analytics and machine learning to organize reviews based on risk level to proactively prevent potential denials.
- **Partnering with physicians:** Educating physicians on leading documentation practices and clinical criteria in partnership with physician advisers.

Lastly, if UM falls outside of the revenue cycle operating model, a strong collaboration with the revenue cycle team will be a vital lever for preventing clinical denials. This collaboration starts with the admitting and registration staff through back-end financial services and billing functions. Accurate collection of patient information and verification of insurance throughout the care journey is essential for clinical staff for accurate and timely submission of authorizations and clinical documentation. Clinical staff should also partner with the revenue cycle team to align the timing of billing to prioritize completion of pre-bill interventions to reduce the likelihood of denials, such as:

- Clinical staff following up with payers if there are outstanding determinations from concurrent reviews.
- Peer-to-peer completion on known concurrent denials.
- Downgrading the patient level of care.

Completion of these interventions before the claim is sent to payers can help to limit initial denials and reduce duplicative efforts to appeal denials. Moreover, establishment of clear feedback loops with the revenue cycle team can support early identification of trends in denials that can be used to inform process improvements or education required across the health system.

How Deloitte can help

Deloitte has a successful track record in assisting clients to address clinical denials, helping them receive accurate reimbursement through the improvement of their UM departments and denials prevention workflows.

If you would like to learn more about the strategies discussed in the blog post, please reach out to Lauren O'Hanlon, Christi Skalka, Zaid Kazzaz, or Marya Upchurch.

Lauren O'Hanlon
lohanlon@deloitte.com

Christi Skalka
cskalka@deloitte.com

Zaid Kazzaz
zkazzaz@deloitte.com

Marya Upchurch
mupchurch@deloitte.com