
# Analysis of HFS-contracted MCO Claims Processing and Payment Performance

## For services in Q3 and Q4 of CY 2022

**Illinois Department of Healthcare and Family Services**

**JB Pritzker, Governor**
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## Introduction

Section 5-30.1 of Public Act 100-0580[1] amends the Public Aid Code to require Healthcare and Family Services (HFS) to "post an analysis of [Managed Care Organization, or] MCO claims processing and payment performance on its website every 6 months." The required analysis mandates a review and evaluation of hospital claims that are rejected and denied, the top 5 reasons for such actions, and timeliness of claims adjudication (focusing upon 30, 60, 90, and 90+ day timeframes). This report is being posted pursuant to Public Act 100-0580.

## Date Span of Data

The data provided in this report covers Quarter3 (Q3, or the dates July 1, 2022 through September 30, 2022) and Quarter 4 (Q4, or the dates October 1, 2022 through December 31, 2022) of calendar year 2022.

## Data Inclusions and Exclusions

The data analyzed in this report focuses solely on institutional hospital claims, or claims submitted via 837I, or its paper variant (UB04), by hospitals. This means that all other claim types, including professional claims submitted via 837P, or its paper variant (CMS-1500), by hospitals and all other providers, are not included in this report. Professional claims billed by hospitals were excluded as they are processed and often paid in a different manner than institutional claims which makes aggregating the claims potentially misleading. In addition to these professional claims, adjustments were held back from this reporting period. Adjustments can complicate processing periods and reimbursement methodologies and can be triggered for various technical reasons, as such it was determined that adjustments should be set aside until common ground in the data between plans could be established.

Representative Sample.

This report seeks to review all MCO inpatient hospitalization data in whole, establishing the entire data set as the representative sample.

**Notes**.

1. All dollar values provided in this report have been rounded to the nearest thousand-dollar value.
2. Regarding Charges Billed – Hospitals independently develop the values submitted on their claim as Charges Billed. Billed charges may be significantly higher than the allowable payments negotiated between payers and hospital.
3. Reimbursements detailed in this report do not include all payments made to hospitals under the Illinois Medicaid Program, as it excludes both fee-for-service payments made by HFS, and other payments made as a result of the hospital assessment program.

## Data Collection Process

The data for this report was collected via Microsoft Excel in a standardized spreadsheet format established by the OMI. The spreadsheet format was disseminated by HFS on behalf of the OMI to all MCOs, and the data was submitted by the MCOs by the middle of September 2023.

All data in this report is provided via self-report from the MCOs. While the OMI seeks to provide data in the most accurate manner possible, data integrity errors may exist in this report related to discrepancies in the interpretation of instructions, variance in health plan data management, and the general potential for human error.

[1] See: http://www.ilga.gov/legislation/publicacts/100/100-0580.htm

## Section 1. General Data

**Unique Services and Denial Rate**

To determine the rate at which hospital claims were being rejected or denied, the number of "unique services" was used instead of the raw volume of claims submitted to MCOs for payment. This was done because multiple claims can be submitted for one discrete service, or hospital stay. Counting unique services in effect removes duplicate claims. For example, if a provider were to submit a claim three times, each time receiving a denial for the same inpatient stay, that service under this methodology would be counted as a single denial. Additionally, given this same example, if a fourth claim submitted by the provider was paid, that service would be counted as a paid claim and not a denied claim, under this methodology – regardless of the three claims denials that occurred, leading to the service reimbursement. Tables 1A and 1B below show how many services were paid, denied, or rejected, and the associated dollar amounts for Quarters 3 and 4, respectively.

**Table 1A. Unique Services. 2022 Q3**

| 2022 Q3 | Unique Service Count | % Of Services | Charges billed | Amount Paid |
|---|---|---|---|---|
| **Unique Services Submitted** | 1,764,921 | 100.00% | $10,941,973,000.00 | $1,428,021,000.00 |
| **Payable/Paid Unique Services** | 1,582,499 | 89.66% | $9,031,993,000.00 | $1,428,021,000.00 |
| **Rejected Unique Services** | 43,051 | 2.44% | $473,981,000.00 | [redacted] |
| **Denied Unique Services** | 139,371 | 7.90% | $1,435,998,000.00 | [redacted] |
| **Total Non-Payable (Denied + Rejected)** | 182,422 | 10.17% | $1,909,979,000.00 | [redacted] |

**Table 1B. Unique Services. 2022 Q4**

| 2022 Q4 | Unique Service Count | % Of Services | Charges billed | Amount Paid |
|---|---|---|---|---|
| **Unique Services Submitted** | 1,794,027 | 100.00% | $11,035,391,000.00 | $1,433,592,000.00 |
| **Payable/Paid Unique Services** | 1,635,727 | 91.18% | $9,249,225,000.00 | $1,433,592,000.00 |
| **Rejected Unique Services** | 44,652 | 2.49% | $577,706,000.00 | [redacted] |
| **Denied Unique Services** | 113,648 | 6.33% | $1,208,459,000.00 | [redacted] |
| **Total Non-Payable (Denied + Rejected)** | 158,300 | 8.82% | $1,786,165,000 | [redacted] |

Approximately 10.2% of unique services submitted for Q3 and 8.8% of unique services for Q4 were either rejected or denied.

**Submissions Before Positive Adjudication**

Table 2 focuses on efficiency in the claiming process. Providers have the ability to submit unpayable claims multiple times in order to achieve an adjudication determination. Additionally, claims that are negatively adjudicated due to missing or wrong information can be updated and resubmitted for re-adjudication. This table groups positively adjudicated claims by the number of submissions needed for that positive adjudication.

**Table 2A. Number of Submissions Before Positive Adjudication 2022 Quarter 3**

| 2022 Q3 | Number of Claims | Percent of Claims | Net Liability |
|---|---|---|---|
| 1st Submission | 1,583,619 | 97.16% | $ 1,347,978,000.00 |
| 2nd Submission | 43,144 | 2.65% | $ 102,328,000.00 |
| 3rd Submission | 2,626 | 0.16% | $ 12,494,000.00 |
| 4th Submission | 345 | 0.02% | $ 1,374,000.00 |
| 5th or More Submission | 109 | 0.01% | $ 743,000.00 |
| Total | 1,629,843 | 100.00% | $ 1,464,917,000.00 |

**Table 2B. Number of Submissions Before Positive Adjudication 2022 Quarter 4**

| 2022 Q4 | Number of Claims | Percent of Claims | Net Liability |
|---|---|---|---|
| 1st Submission | 1,628,960 | 97.90% | $ 1,396,803,000.00 |
| 2nd Submission | 32,625 | 1.96% | $ 80,639,000.00 |
| 3rd Submission | 1,916 | 0.12% | $ 9,996,000.00 |
| 4th Submission | 278 | 0.02% | $ 2,433,000.00 |
| 5th or More Submission | 79 | 0.00% | $ 172,000.00 |
| Total | 1,663,858 | 100.00% | $ 1,490,043,000.00 |

In both Quarter 3 and Quarter 4, approximately 97% of claims were paid on the first submission, which is in line with most historical data for this table. It shows that that the current state of hospital claiming across the MCOs is efficient. Note: by efficient, it is meant that paid claims are usually paid upon first submission; no conclusions can be drawn about rejections or denials from these tables.

**Timeframe of Claim Adjudication**

Table 3 highlights the length of time it takes for claims, following submission, to be adjudicated by the MCOs.

**Table 3A. Days for Claims to be Adjudicated**
**2022 Quarter 3**

| 2022 Q3 | Claims | % Of Claims | # Of Payable/ Paid Claims | Net Liability | # Of Non-Payable * | Charges Billed for Non-Payable* |
|---|---|---|---|---|---|---|
| **Total Claims Adjudicated in 0-30 days** | 1,752,302 | 96.52% | 1,578,999 | $1,337,303,000 | 173,303 | $1,337,303,000 |
| **Total Claims Adjudicated in 31-60 days** | 18,151 | 1.00% | 13,080 | $54,033,000 | 5,071 | $54,033,000 |
| **Total Claims Adjudicated in 61-90 days** | 6,718 | 0.37% | 4,142 | $14,699,000 | 2,576 | $14,699,000 |
| **Total Claims Adjudicated in 91+ days** | 38,340 | 2.11% | 33,623 | $58,905,000 | 4,717 | $58,905,000 |
| **Total Claims Awaiting Adjudication** | 6,278 | | | | | |
| **Total Claims Adjudicated for DOS for Reporting Period** | 1,815,511 | 100.00% | 1,629,844 | $1,464,940,000 | 185,667 | $1,464,940,000 |

* Non-Payable means rejected or denied.

| Table 3B. Days for Claims to be Adjudicated<br>2022 Quarter 4 | | | | | | |
|---|---|---|---|---|---|---|
| **2022 Q4** | **Claims** | **% of Claims** | **# of Payable/ Paid Claims** | **Net Liability** | **# of Non-Payable*** | **Charges Billed for Non-Payable*** |
| **Total Claims Adjudicated in 0-30 days** | 1,786,985 | 98.01% | 1,638,442 | $1,337,303,000 | 148,542 | $1,337,303,000 |
| **Total Claims Adjudicated in 31-60 days** | 12,402 | 0.68% | 7,988 | $54,033,000 | 4,414 | $54,033,000 |
| **Total Claims Adjudicated in 61-90 days** | 6,994 | 0.38% | 4,169 | $14,699,000 | 2,825 | $14,699,000 |
| **Total Claims Adjudicated in 91+ days** | 16,932 | 0.93% | 13,259 | $58,905,000 | 3,673 | $58,905,000 |
| **Total Claims Awaiting Adjudication** | 9,388 | | | | | |
| **Total Claims Adjudicated for DOS for Reporting Period** | 1,823,313 | 100.00% | 1,663,858 | $1,464,940,000 | 159,454 | $1,464,940,000 |
| * Non-Payable means rejected or denied. | | | | | | |

The data in Table 3A shows that in Q3 96.5% of claims were adjudicated within 30 days, and Table 3B data shows that in Q4 approximately 98.0% of claims were adjudicated within 30 days. These numbers are consistent with historical experience.

**Note.** *Table 3 transitions away from reviewing unique services, as detailed in Table 1 and focuses on total claim volume, as such totals between Table 1 and Table 3 will not match. Additionally, given the nature of "usual and customary charges," the non-payable value should not be viewed as an exact or estimated amount owed or lost.*

**Adjudication to Payment**

Table 4 focuses on the release of money from the MCOs to the provider, following the adjudication of the hospital claim.

**Table 4A. Time from Adjudication to Payment**
**2022 Quarter 3**

| 2022 Q3 | Number of Hospital Claims Paid | Percent of Hospital Claims Paid | Total Net Liability for Positively Adjudicated Hospital Claims |
|---|---|---|---|
| **Timeframe of Payment to Provider Following Positive Adjudication (0-30 days)** | 1,612,635 | 98.94% | $ 1,438,510,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (31-60 days)** | 15,347 | 0.94% | $ 18,406,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (61-90 days)** | 367 | 0.02% | $ 372,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (91+ days)** | 1,043 | 0.06% | $ 2,334,000 |
| **Total Payments Pending to Provider Following Positive Adjudication** | 452 | | $ 5,318,000 |
| **Total Payments Following Positive Adjudication (Doesn't include pending)** | 1,629,844 | 100.00% | $ 1,464,940,000 |

Data for Quarter 4 is shown on the following page.

| Table 4B. Time from Adjudication to Payment<br>2022 Quarter 4 | | | |
|---|---|---|---|
| **2022 Q4** | **Number of Hospital Claims Paid** | **Percent of Hospital Claims Paid** | **Total Net Liability for Positively Adjudicated Hospital Claims** |
| **Timeframe of Payment to Provider Following Positive Adjudication (0-30 days)** | 1,521,733 | 91.46% | $ 1,352,689,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (31-60 days)** | 135,613 | 8.15% | $ 128,544,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (61-90 days)** | 2,047 | 0.12% | $ 1,160,000 |
| **Timeframe of Payment to Provider Following Positive Adjudication (91+ days)** | 3,729 | 0.22% | $ 3,346,000 |
| **Total Payments Pending to Provider Following Positive Adjudication** | 736 | | $ 4,305,000 |
| **Total Payments Following Positive Adjudication (Doesn't include pending)** | 1,663,858 | 100.00% | $ 1,490,044,000 |

Table 4A shows that approximately 99% of claims were paid to providers within 30 days of adjudication, with a drop to approximately 91.5% in Tables 4B. While this is a significant drop from the quarters immediately preceding this report period, it is in line with many of the previous quarters. Also, all but one of the MCOs continue to pay out 99%-100% of their claims within 30 days of adjudication, the drop in Q4 was due to the performance of one MCO. HFS will continue to monitor MCO performance of this metric.

**Submission to Payment**

Table 5: Interval -release of money from the MCOs to the provider, following submission of the hospital claim.

| Table 5A. Time from Submission to Payment 2022 Quarter 3 | | | |
|---|---|---|---|
| **2022 Q3** | **Number of Hospital Claims Paid** | **Percent of Hospital Claims Paid** | **Total Net Liability for Positively Adjudicated Hospital Claims** |
| **Timeframe of Payment to Provider Following Submission of Claim (0-30 days)** | 1,530,569 | 93.91% | $ 1,173,223,120 |
| **Timeframe of Payment to Provider Following Submission of Claim (31-60 days)** | 58,990 | 3.62% | $ 207,247,843 |
| **Timeframe of Payment to Provider Following Submission of Claim (61-90 days)** | 5,087 | 0.31% | $ 17,532,070 |
| **Timeframe of Payment to Provider Following Submission of Claim (91+ days)** | 34,746 | 2.13% | $ 61,618,929 |
| **Total Payments Pending to Provider Following Positive Adjudication** | 452 | 0.03% | $ 5,318,477 |
| **Total (Not including Pending)** | 1,629,844 | 100.00% | $ 1,464,940,439 |

Data for Q4 is shown on the next page.

| Table 5B. Time from Submission to Payment<br>2022 Quarter 4 | | | |
|---|---|---|---|
| **2022 Q4** | **Number of Hospital Claims Paid** | **Percent of Hospital Claims Paid** | **Total Net Liability for Positively Adjudicated Hospital Claims** |
| **Timeframe of Payment to Provider Following Submission of Claim (0-30 days)** | 1,474,440 | 88.62% | $ 1,105,532,000 |
| **Timeframe of Payment to Provider Following Submission of Claim (31-60 days)** | 164,869 | 9.91% | $ 304,131,000 |
| **Timeframe of Payment to Provider Following Submission of Claim (61-90 days)** | 6,751 | 0.41% | $ 19,824,000 |
| **Timeframe of Payment to Provider Following Submission of Claim (91+ days)** | 17,063 | 1.03% | $ 56,251,000 |
| **Total Payments Pending to Provider Following Positive Adjudication** | 736 | | $ 4,305,000 |
| **Total (Not including Pending)** | 1,663,858 | 100.00% | $ 1,490,043,000 |

Table 5A shows that almost 94% of claims in Q3 were paid within 30 days of submission of the claim, with Table 5B showing a drop to about 88.7%. As with Tables 4A and 4B, the drop in performance was due to one MCO, with the rest of the MCOs paying 95% or more of claims within 30 days. Experience in future Quarters will continue to be monitored by HFS for future anomalies in the data.

## Section 2. Rejections and Denials

**Rejected Claims**

A rejected claim is one in which the determination of payment cannot be made. These claims may enter the MCOs clearinghouse (front-end) but do not get passed on to the health plan's billing system for payment processing and adjudication (back-end) due to missing administrative elements on the claim. In most cases, the provider may address the issue causing the rejection and re-submit the claim for processing. Table 6 describes only the top ten codes, thus the percentages shown do not equal 100%.

**Claim Adjustment Reason Code (CARC) Rejections**

To gain common understanding across MCOs, hospital rejections by CARCs were collected and measured. Though each of the plans may map and utilize CARCs in a slightly different manner, the top 10 CARC code rejection reasons are provided in Table 6.

**Table 6A. Top 10 CARC Rejections 2022 Quarter 3**

| CARC Code | CARC Code Description | Total Claims | Percent of Claims Rejected |
|---|---|---|---|
| **N/A** | (None/Invalid code reported by MCO) | 27,150 | 54.45% |
| **31** | Patient cannot be identified as our insured. | 5,906 | 11.84% |
| **96** | Non-covered charge(s). | 4,368 | 8.76% |
| **18** | Exact duplicate claim/service | 3,188 | 6.39% |
| **49** | This is a non-covered service because it is a routine/preventive exam or a diagnostic/screening procedure done in conjunction with a routine/preventive exam. | 2,843 | 5.70% |
| **16** | Claim/service lacks information or has submission/billing error(s). | 2,605 | 5.22% |
| **27** | Expenses incurred after coverage terminated. | 1,643 | 3.29% |
| **193** | Original payment decision is being maintained. Upon review, it was determined that this claim was processed properly. | 492 | 0.99% |
| **45** | Charge exceeds fee schedule/maximum allowable or contracted/legislated fee arrangement. | 445 | 0.89% |
| **97** | The benefit for this service is included in the payment/allowance for another service/procedure that has already been adjudicated. | 325 | 0.65% |
| | **Total Rejections (Duplicative)** | **49,865** | |

| Table 6B. Top 10 CARC Rejections 2022 Quarter 4 | | | |
|---|---|---|---|
| **CARC Code** | **CARC Code Description** | **Total Claims** | **Percent of Claims Rejected** |
| **N/A** | (None/Invalid code reported by MCO) | 29,499 | 57.91% |
| **31** | Patient cannot be identified as our insured. | 5,928 | 11.64% |
| **96** | Non-covered charge(s). | 3,779 | 7.42% |
| **16** | Claim/service lacks information or has submission/billing error(s). | 2,889 | 5.67% |
| **18** | Exact duplicate claim/service | 2,700 | 5.30% |
| **49** | This is a non-covered service because it is a routine/preventive exam or a diagnostic/screening procedure done in conjunction with a routine/preventive exam. | 2,385 | 4.68% |
| **27** | Expenses incurred after coverage terminated. | 1,629 | 3.20% |
| **193** | Original payment decision is being maintained. Upon review, it was determined that this claim was processed properly. | 481 | 0.94% |
| **45** | Charge exceeds fee schedule/maximum allowable or contracted/legislated fee arrangement. | 401 | 0.79% |
| **26** | Expenses incurred prior to coverage. | 325 | 0.64% |
| | **Total Rejections (Duplicative)** | **50,941** | |

**Note.** *While CARC and RARC codes are standardized, the manner in which a payer chooses to map CARCs and RARCs to their internal Explanation of Benefits (EOB), or proprietary coding can be nuanced, resulting in a difference in application or usage between plans.*

**Remittance Advice Remark Code (RARC) Rejections**

To gain common understanding across MCOs, hospital rejections by RARCs were collected and measured for the first time. Though each of the plans may map and utilize RARCs in a slightly different manner, the top 10 RARC code rejection reasons are provided in Table 7. RARCs provide additional information regarding claim action and may or may not be present on all claims. Table 7 describes only the top ten codes, thus the percentages shown do not equal 100%.

**Table 7A. Top 10 RARC Rejections 2022 Quarter 3**

| RARC Code | Code Description | Total Rejections | Percent of Claims Rejected |
|---|---|---|---|
| **N/A** | (None/Invalid code reported by MCO) | 5,638 | 28.19% |
| **M86** | Service denied because payment already made for same/similar procedure within set time frame. | 3,979 | 19.90% |
| **N130** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 3,511 | 17.56% |
| **N30** | Patient ineligible for this service. | 3,502 | 17.51% |
| **M56** | Missing/incomplete/invalid payer identifier. | 2,471 | 12.36% |
| **M15** | Separately billed services/tests have been bundled as they are considered components of the same procedure. Separate payment is not allowed. | 218 | 1.09% |
| **N522** | Duplicate of a claim processed, or to be processed, as a crossover claim. | 126 | 0.63% |
| **N514** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 117 | 0.59% |
| **M80** | Not covered when performed during the same session/date as a previously processed service for the patient. | 79 | 0.40% |
| **N77** | Missing/incomplete/invalid designated provider number. | 67 | 0.34% |
| | **Total Rejections (Duplicative)** | 20,000 | |

| Table 7B. Top 10 RARC Rejections 2022 Quarter 4 | | | |
|---|---|---|---|
| **RARC Code** | **Code Description** | **Total Rejections** | **Percent of Claims Rejected** |
| **N/A** | (None/Invalid code reported by MCO) | 5,900 | 30.31% |
| **M86** | Service denied because payment already made for same/similar procedure within set time frame. | 3,379 | 17.36% |
| **N30** | Patient ineligible for this service. | 3,374 | 17.33% |
| **N130** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 3,110 | 15.98% |
| **M56** | Missing/incomplete/invalid payer identifier. | 2,782 | 14.29% |
| **M15** | Separately billed services/tests have been bundled as they are considered components of the same procedure. Separate payment is not allowed. | 262 | 1.35% |
| **N522** | Duplicate of a claim processed, or to be processed, as a crossover claim. | 200 | 1.03% |
| **N514** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 109 | 0.56% |
| **M80** | Not covered when performed during the same session/date as a previously processed service for the patient. | 56 | 0.29% |
| **N519** | Invalid combination of HCPCS modifiers. | 39 | 0.20% |
| N77 | **Missing/incomplete/invalid designated provider number.** | 19,464 | |

While the rejection reasons are varied, the data in the table demonstrates that most rejections are related to technical claiming issues (e.g., missing information, incomplete data, taxonomy issues, plan guideline issues, claim format, payee data, etc.).

**Denied Claims**

A denied claim is a claim submitted by a provider that is not rejected by the clearinghouse but is adversely adjudicated by an MCO based upon one of seven defined HFS denial reason codes. These claims are HIPAA compliant and are fully processed by the MCO claims system but may be denied for payment due to enforcement of payer defined policies. These denials are typically due to the Provider not meeting payer policy requirements around prior authorization, documentation, timeliness, benefits, a service limitation, contractual issue, or other non-contracted provider related issue.

**Top Denial Reasons**

Denial reasons were reported using CARCs and RARCs, as well as the seven HFS-approved denial codes. The seven denial code categories were created for MCOs to use when submitting encounter data to HFS. Table 8 focuses on denials grouped by denial reason code.

**Table 8A. HFS Denial Reasons**
**2022 Quarter 3**

| Denial Reason | Number of Claims Denied | Percent of Claims Denied |
|---|---|---|
| **Timely Filing** | 9,534 | 10.23% |
| **Additional Information** | 33,451 | 35.89% |
| **Authorization** | 11,001 | 11.80% |
| **Benefit / Covered Service** | 34,091 | 36.58% |
| **Medical Necessity** | 337 | 0.36% |
| **Pre-Certification** | 3,229 | 3.46% |
| **Provider** | 1,556 | 1.67% |
| **Total Denials** | 93,199 | 100.00% |

Note: Data for Quarter 4 is shown on the next page.

| Table 8B. HFS Denial Reasons<br>2022 Quarter 4 | | |
|---|---|---|
| **Denial Reason** | **# Claims Denied** | **Percent of Claims Denied** |
| **Timely Filing** | 6,023 | 7.17% |
| **Additional Information** | 32,343 | 38.53% |
| **Authorization** | 9,884 | 11.77% |
| **Benefit / Covered Service** | 30,459 | 36.28% |
| **Medical Necessity** | 329 | 0.39% |
| **Pre-Certification** | 3,371 | 4.02% |
| **Provider** | 1,538 | 1.83% |
| **Total Denials** | 83,947 | 100.00% |

Across quarters Q3 and Q4, “Additional Information” and “Benefit/Covered Service” continue to be the primary denial reasons followed by issues related to “Authorization”, and “Timely Filing”. “Medical Necessity” of services continues to be a non-factor with respect to denials, for services that do not require prior authorization or additional information.

**Claim Adjustment Reason Code (CARC) Denials**

In an effort to gain common understanding across MCOs, hospital denials by CARCs were collected and measured for the first time. Though each of the plans may map and utilize CARCs in a slightly different manner, the top 10 CARC code denial reasons are provided in Table 9. As only the top 10 reasons are shown, the percentages do not equal 100%.

**Table 9A. Top 10 CARC Denials 2022 Quarter 3**

| CARC Code | CARC Code Description | Total Claims Denied | Percent of Claims Denied |
|---|---|---|---|
| **N/A** | (None/Invalid code reported by MCO) | 24,009 | 20.49% |
| **129** | Prior processing information appears incorrect. | 15,408 | 13.15% |
| **197** | Precertification/authorization/notification/pre-treatment absent. | 10,297 | 8.79% |
| **96** | Non-covered charge(s). | 9,120 | 7.78% |
| **16** | Claim/service lacks information or has submission/billing error(s). | 9,088 | 7.76% |
| **A1** | Claim/Service denied. | 8,362 | 7.14% |
| **22** | This care may be covered by another payer per coordination of benefits. | 8,154 | 6.96% |
| **29** | The time limit for filing has expired. | 7,872 | 6.72% |
| **18** | Exact duplicate claim/service | 4,035 | 3.44% |
| **45** | Charge exceeds fee schedule/maximum allowable or contracted/legislated fee arrangement. | 3,283 | 2.80% |
| | **Total Denials (Duplicative)** | 117,159 | |

| Table 9B. Top 10 CARC Denials 2022 Quarter 4 | | | |
|---|---|---|---|
| **CARC Code** | **CARC Code Description** | **Total Claims denied** | **Percent of Claims Denied** |
| **129** | Prior processing information appears incorrect. | 14,226 | 15.33% |
| **N/A** | (None/Invalid code reported by MCO) | 9,770 | 10.53% |
| **197** | Precertification/authorization/notification/pre-treatment absent. | 9,724 | 10.48% |
| **22** | This care may be covered by another payer per coordination of benefits. | 8,625 | 9.30% |
| **96** | Non-covered charge(s). | 8,326 | 8.97% |
| **A1** | Claim/Service denied. | 7,153 | 7.71% |
| **16** | Claim/service lacks information or has submission/billing error(s). | 6,733 | 7.26% |
| **18** | Exact duplicate claim/service | 4,953 | 5.34% |
| **29** | The time limit for filing has expired. | 4,466 | 4.81% |
| **45** | Charge exceeds fee schedule/maximum allowable or contracted/legislated fee arrangement. | 2,958 | 3.19% |
| | **Total Denials (Duplicative** | 92,787 | |

Overall, the CARC denial detail in Tables 9A and 9B compliment and expand on the information found in Tables 8A and 8B. While the primary denial reason is related to non-covered charges, most other codes detail procedural issues (precertification, benefit covered in another service, time limit for filing has expired, charge exceeds fee schedule, service not covered, etc.) that providers are struggling to meet in accordance with plan requirements.

**Remittance Advice Remark Code (RARC) Denials**

In an effort to gain common understanding across MCOs, hospital denials by RARCs were collected and measured for the first time. Though each of the plans may map and utilize CARCs in a slightly different manner, the top 10 RARC code denial reasons are provided in Table 10. As only the top 10 reasons are shown, the percentages do not equal 100%.

**Table 10A. Top 10 RARC Denials 2022 Quarter 3**

| RARC Code | Description | Total Claims Denied | Percent of Claims Denied |
|---|---|---|---|
| **N/A** | (None/Invalid code reported by MCO) | 20,231 | 20.31% |
| **N253** | Missing/incomplete/invalid attending provider primary identifier. | 16,194 | 16.26% |
| **N199** | Additional payment/recoupment approved based on payer-initiated review/audit. | 12,523 | 12.57% |
| **N4** | Missing/Incomplete/Invalid prior Insurance Carrier(s) EOB. | 5,034 | 5.05% |
| **N130** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 4,101 | 4.12% |
| **MA04** | Secondary payment cannot be considered without the identity of or payment information from the primary payer. The information was either not reported or was illegible. | 3,565 | 3.58% |
| **N111** | No appeal right except duplicate claim/service issue. This service was included in a claim that has been previously billed and adjudicated. | 3,433 | 3.45% |
| **N522** | Duplicate of a claim processed, or to be processed, as a crossover claim. | 2,934 | 2.95% |
| **M62** | Missing/incomplete/invalid treatment authorization code. | 2,518 | 2.53% |
| **N216** | We do not offer coverage for this type of service or the patient is not enrolled in this portion of our benefit package. | 2,069 | 2.08% |
| | **Total Denials (Duplicative)** | 99,621 | |

| Table 10B. Top 10 RARC Denials 2022 Quarter 4 | | | |
|---|---|---|---|
| **RARC Code** | **Description** | **Total Claims Denied** | **Percent of Claims Denied** |
| **N/A** | (None/Invalid code reported by MCO) | 16,104 | 20.75% |
| **N199** | Additional payment/recoupment approved based on payer-initiated review/audit. | 11,892 | 15.32% |
| **N4** | Missing/Incomplete/Invalid prior Insurance Carrier(s) EOB. | 5,258 | 6.77% |
| **N111** | No appeal right except duplicate claim/service issue. This service was included in a claim that has been previously billed and adjudicated. | 4,243 | 5.47% |
| **N522** | Duplicate of a claim processed, or to be processed, as a crossover claim. | 4,109 | 5.29% |
| **MA04** | Secondary payment cannot be considered without the identity of or payment information from the primary payer. The information was either not reported or was illegible. | 3,863 | 4.98% |
| **N130** | Consult plan benefit documents/guidelines for information about restrictions for this service. | 3,454 | 4.45% |
| **N253** | Missing/incomplete/invalid attending provider primary identifier. | 2,508 | 3.23% |
| **M62** | Missing/incomplete/invalid treatment authorization code. | 2,314 | 2.98% |
| **N19** | Procedure code incidental to primary procedure. | 1,924 | 2.48% |
| | **Total Rejections (Duplicative)** | 77,614 | |

The data in Table 10A and 10B demonstrate that the HFS-contracted MCOs continue to rely significantly upon proprietary remittance advice coding or single-level CARC coding in their messaging to providers on denials, with approximately 20% of claims in Q3 and Q4 being attributed to the “None / Invalid Code” used by MCOs. HFS will continue to work with MCOs to ensure complete remittance advice codes are sent to providers.

## Conclusion

There was an 89.7% clearance rate of hospital claims reported against $1,428M in payable claims in Q3. The clearance rate in Q4 increased to 91.2% against $1,433M in payables. Additionally, approximately 97% of hospital services claims in Q3 and Q4 were adjudicated by HFS' MCOs upon first submission (another strong metric of efficiency).

From a financial perspective, hospital claiming from MCOs can be qualified as ***generally paying hospitals within 60 days of claims submission***. This characterization is supported by approximately 97.5% of claims in Q3 and 98.7% of claims in Q4 being adjudicated within 60 days of submission from a provider. This was followed by approximately 99% of adjudicated claims in Q3 being paid to providers within 30 days of adjudication, and in 91.5% of adjudicated claims being paid within 30 days of adjudication in Q4. This drop was due to the performance of one MCO, and this performance will continue to be monitored in the future, but the overall rate is still high. In totality, for Q3 and Q4 2022, virtually all payable claims are adjudicated and paid to providers within 60 days of submission (97.5% in Q3 and 98.5% in Q4). Finally, it should be noted that by the 30 day standard, pursuant to 305 ILCS 5/5-30.1. Managed Care Protections, sub-section (g), about 6.1% of claims in Q3 and 11.4% of claims in Q4 would be eligible for interest from MCOs, as they were not adjudicated and paid to the provider within 30 days of submission.

As with previous reports, CARCs and RARCs continue to be collected. However, each plan's use of CARCs and RARCs has its own nuances. While the inclusion of CARCs and RARCs provide additional detail, a crosswalk between plans would provide a better understand each plan's payment processes.

## Office of Medicaid Innovation

This report was prepared by the Office of Medicaid Innovation (OMI) at the request of Department of Healthcare and Family Services (HFS).

The OMI is a specialty unit within the University of Illinois System that seeks to utilize U of I resources from across all its campuses to provide administrative, clinical, and operational support to HFS in the administration of the Illinois Medical Assistance Program.

The OMI can be contacted at:

**University of Illinois**
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## Definitions :

Adjudicated Claim: A claim that has been processed by the MCO or its vendor, and a determination as to whether or not that claim is payable has been made. Claims that have been Rejected or Denied, or have been determined Payable, or that have been paid, are all adjudicated Claims.

Claim Adjustment Reason Code (CARC): A HIPAA mandated code set to be used in an Electronic Remittance Advice explaining why an action was taken on a claim.

Date of Submission: This is the date that a claim, paper or electronic, is received by either the MCO or their agent (i.e., EDI clearinghouse).

Denied/Denied Claim: A claim where the payment was denied by the MCO to a Provider corresponding to HFS defined administrative reasons/codes. These claims are HIPAA compliant and may be fully processed by the MCO claims system but are denied for payment due to enforcement of payer defined policies. These denials are typically due to the Provider not meeting payer policy requirements around prior authorization, documentation, timeliness, benefits, a service limitation, contractual issue and non-contracted Providers. For purposes of this report, MCOs are to report the relative counts into one of the following seven (7) Denial Reasons.

> **Note**: HFS defines denials as denial of payment for a claim for the seven Denial Reasons described in this section of the report, and only these reasons.
> Additional Information: Provider claim is denied because the Provider has failed to supply the required information and the MCO needs the Provider to submit more information to process the claim (i.e., doctor's notes).
>
> *Authorization*: Provider claim is Denied by MCO because Provider did not meet MCO's authorization policy on Provider network status, service limits, medical necessity, non-emergency services, or missing/invalid authorization form/record.
>
> *Benefit/ Covered Service*: Provider claim is denied by MCO because Provider did not meet MCO's policy for Covered Services which are eligible for reimbursement. Note that the MCO may cover some services which are traditionally not covered by HFS as stated under Section 104 of Chapter 100 – Handbook for Providers of Medical Services (https://www.illinois.gov/hfs/SiteCollectionDocuments/100.pdf). If there is TPL benefit for which the MCO Denied coverage, it should be reported as a Benefit/Covered Service denial.
>
> *Medical Necessity*: Provider claim is denied by MCO because Provider did not meet MCO's reimbursement policy for medical necessity.
>
> *Pre-certification*: Provider claim is denied by MCO because Provider did not meet MCO's pre-certification for Hospital and SUPR (formerly DASA) services.
>
> *Provider*: Provider claim is denied by MCO because: 1) Provider is sanctioned by OIG, 2) Provider is not registered with HFS, including Providers who are out-of-state and not registered with HFS, and 3) Provider isn't certified or eligible to be paid for this procedure/service on this date of service. It is expected that Provider works with HFS IMPACT/OIG team to activate their status so

that claims can be reprocessed by MCOs for reimbursement. (In each of these cases, MCOs have decided to reimburse $0 and nothing will change that reimbursement value, until the Provider is enrolled with HFS.)

*Timely Filing*: Provider claim is denied by MCO because Provider did not meet MCO's timely filing policy, including any waiver period.

Hospital Claims: All claims, billed by a provider who is enrolled with HFS' Medical Programs as a General Hospital (Provider Type 030), Psychiatric Hospital (PT 031), or Rehabilitation Hospital (PT 032). NOTE: Only report Institutional hospital claims are included in this report.

Paid Claim: A claim submitted by a provider to a MCO that has been adjudicated, resulting in reimbursement to the provider.

Payable Claim: A claim submitted by a provider to a MCO that has been adjudicated and determined to be payable.

Rejected/ Rejected Claim: A rejected billing claim is one in which the determination of payment cannot be made. These claims may enter payer claims system (front-end) but do not pass further into adjudication and payment processing (back-end) due to missing administrative elements on the claim. All claims categorized as denied/rejected due to ineligibility, or claims denied/rejected because a duplicate claim has already been paid, as a rejected claim.

Rejected claims are:

1) Claims submitted to an MCO that were accepted through the Electronic Data Interchange (EDI), but subsequently removed/deleted from the adjudication system;

2) Claims that rejected through the EDI translator for failing any SNIP (see definition below) validations; and

3) Any custom business rules implemented in EDI that reject claim submissions.

Examples of missing administrative elements include taxonomy code, value codes, occurrence codes, modifier codes, billed units, covered days, invalid recipient ID, notes, and NDC codes. In most cases, once the administrative element is added and the claim is resubmitted by the Provider to the MCO, the claim may be adjudicated.

Remittance Advice Remark Code (RARC): A HIPAA mandated code set to be used in an Electronic Remittance Advice explaining why an action was taken on a claim. It is used in addition to a CARC. Not all actions require a RARC.

Unique Service: Multiple claims can be submitted for one service. To report Unique Services only report unique combinations of a provider's NPI/ Medicaid ID, patient Recipient ID/ Medicaid ID, admission through discharge date, and bill type. NOTE: For institutional claims, report Unique Services at the claim level of detail.