



DENIAL APPEALS PROCESS REVIEW

Department of Internal Audit

Executive Summary

Background

MD Anderson's denials appeal process is a vital component of the revenue cycle, designed to recover payment for services initially denied or underpaid. According to management, claims can be denied for a variety of reasons, and the appropriate appeal approach depends on the reason for the denial and payer.

Patient Business Services (PBS) has dedicated teams for managing appeals for Hospital Billing (HB) and Professional Billing (PB), with staff further divided by payer type. In addition, the PBS team is responsible for claims billing and collections, including monitoring the status of hospital and physician service claims. This involves follow-up to ensure timely payments, managing denials, and handling appeals for rejected claims. PBS also utilizes a third-party vendor to address collections and denials under \$3,000 for PB.

For the 12-month period ending August 2025, a total of \$2.5B gross patient revenue charges were initially denied by payors, representing 16% of the total claims processed, with \$275M in deductions ultimately adjusted as final denials. Of these, 65% were preventable, with the top denial reasons being Eligibility/Registration, Medical Necessity, and Non-Covered Services. These preventable denials add additional pressure to the denial appeal process by increasing workload, delaying reimbursement, and impacting patient experience. According to management, PBS has taken steps to implement different strategies to address preventable denials in current state and in the future. These include a mix of automation and other process improvements including enhanced eligibility verification tools, AI-driven pre-service review, expanded support coverage, and targeted provider and staff education.

Audit Results

Internal Audit conducted a review to assess the adequacy and effectiveness of processes and controls related to the appeals process. PBS has established processes and workflows, supported by a specialized team dedicated to managing payors' denials. Dashboards and reports are utilized to monitor denial trends and performance. Additionally, PBS conducts monthly Quality Audits to ensure collectors consistently meet performance standards.

Although management has established these activities and formal processes, our review identified the following opportunities for improvement:

- Enhance visibility of denial appeals reporting
- Monitor untimely filing of denials appeal submissions
- Provide formalized training resources
- Create comprehensive department Standard Operating Procedures (SOPs)

Further details are outlined in the Detailed Observations section.

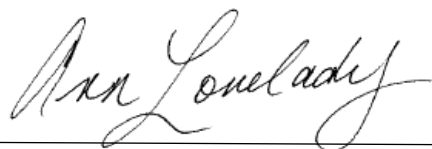
Appendix A: Objective, Scope, and Audit Methodology

Appendix B: Data Analysis

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before 7/1/2026.

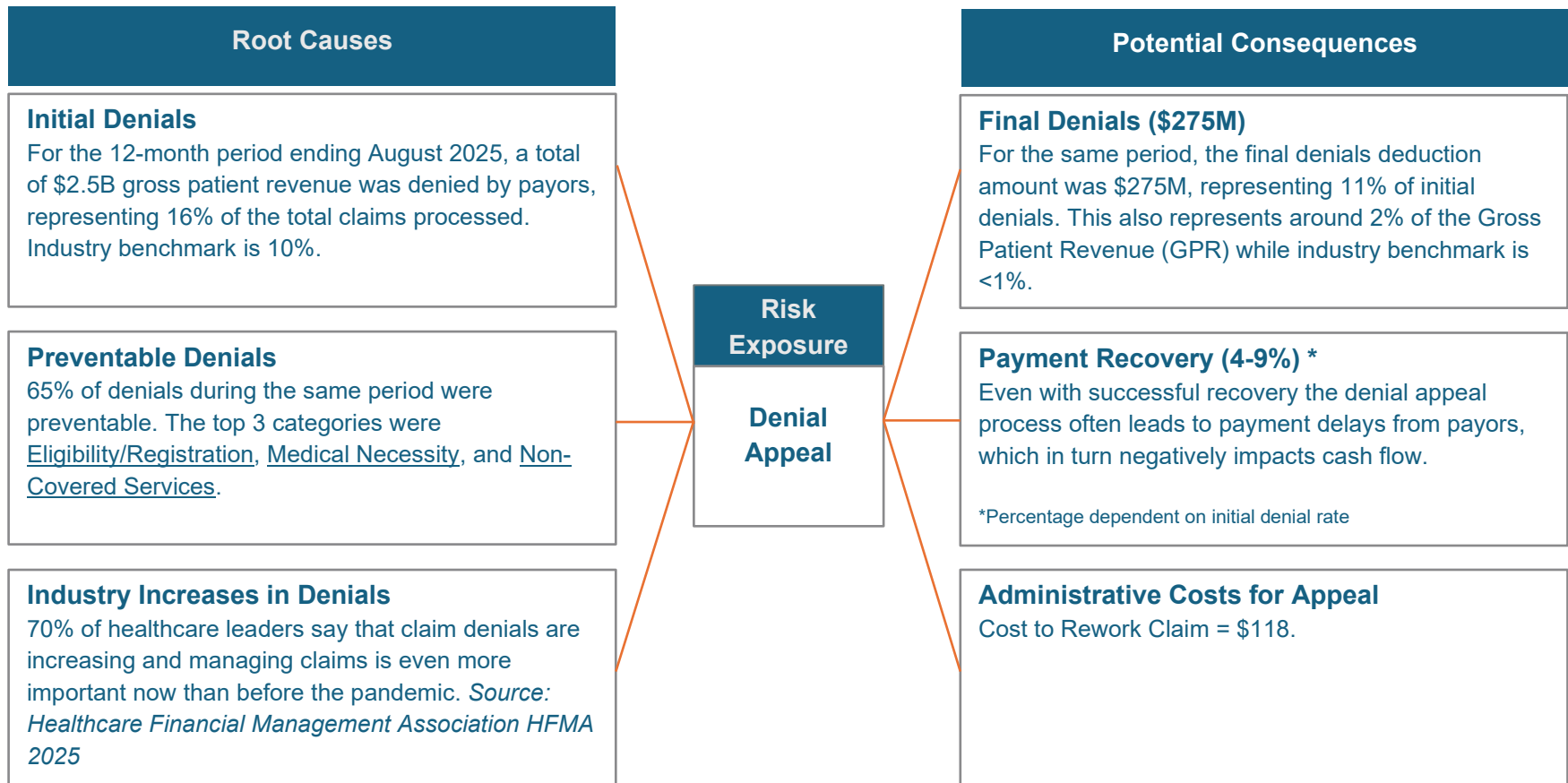
The courtesy and cooperation extended by the the Patient Business Services team are sincerely appreciated.



Ann Lovelady, CIA, CHIAP, CFE, CRMA, CCSA
AVP and Chief Audit Officer Ad Interim
November 13, 2025

Bow-Tie Analysis

As part of our review, we prepared the following bow-tie analysis, which visually represents the relationship between root causes and potential consequences. This analysis considers internal and external factors impacting the denial appeals process. It is intended to provide an overview of the risk scenario related to appeals.



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Detailed Observations

1.0 Enhance Visibility of Denial Appeals Reporting

Ranking **Medium**

Internal Audit, PBS, and Enterprise Data Engineering & Analytics collaborated to develop a complete denial appeals population, however, the dollars and percentage of denials appealed, and appeal success rate were not available (see Appendix B).

According to management, supervisors rely on team-specific manual reports to track their team's respective appeals activity. In addition, the PBS team uses various reports via Webi, SlicerDicer, Cubes, and dashboards in Epic to monitor and benchmark denials, including trends and analysis for both initial and final denials, HB and PB recovery rates, as well as breakdowns by payors and denial reasons.

The absence of a full population of denial appeals and success rates may limit senior leadership's ability to gauge the performance of denial appeals activities or identify areas of improvement.

Recommendation

While we recognize that challenges currently exist within Epic related to reporting of appeals outcome data, we recommend that management continue working with the EHR team to determine the feasibility of a comprehensive report of denials appeals. This report could then be utilized to support a dashboard to efficiently and timely track and monitor denial appeals, including key metrics such as success rates by payer and denial reasons.

Management Action Plan

Due Date: 5/30/2026
Responsible Executive: Omer Sultan
Department/Division Executive: Miriam Flores
Owner: Artemio Mier

PBS will open a ticket with the EHR team to work with Epic on the request for a dashboard or a comprehensive report that reflects the status of the current denial population. Although there are several reports that provide data, there is not currently a dashboard or comprehensive report that would reflect denial status. If Epic is not able to create a dashboard or comprehensive report, PBS will explore options through discovery utilizing industry peers and consultants.

2.0 Monitor Untimely Filing of Denials Appeal Submissions Ranking **Medium**

A total of \$8.5M* in initial denials during the audit period were written off due to untimely filing or submission of appeals, as defined by payor policies. Per discussion with PBS management, currently collectors prioritize those denials with high-dollar balances and a greater likelihood of collection. This includes denials that are preventable with no recourse, such as no authorization which is not considered for appeal by most of the payors. While this approach is reasonable, other denials may therefore go without an appeal or the appeals deadlines may be missed.

Technology advancements and innovation may offer opportunities to bolster the department's limited resources while enhancing efficiency and reducing preventable write-offs. Specifically, adopting artificial intelligence (AI) and robotic process automation (RPA) for repetitive, rules-based tasks could help streamline the appeals process. Recent studies have shown that AI-powered tools and RPA can increase the speed of appeal processing by up to three times, improving both timeliness and recovery rates.

Recommendation

Management should explore possible AI and RPA solutions to automate repetitive, rules-based tasks in the denial appeals process. This could enhance efficiency, reduce untimely filings, and improve both the speed and accuracy of claim recoveries.

Management Action Plan

Due Date: 7/1/2026

Responsible Executive: Omer Sultan

Department/Division Executive: Miriam Flores

Owner: Artemio Mier

The Revenue Cycle team is actively collaborating with the Innovation team to evaluate vendors offering AI and RPA solutions within the revenue cycle domain. Based on current business priorities, the initial focus is on solutions that support Coding and Authorization processes. This approach should result in a reduction of denials for medical necessity and non-covered services. We are also exploring other automation opportunities with EPIC, our payors and revenue cycle vendors. As midstream AI and RPA solutions are implemented, we will continue our focus on automation aimed at enhancing business office operations, particularly in the area of denial management and denial prevention.

In addition, we are creating a global extended business office to expand our hours of operation and workforce in order to more effectively manage and work lower-dollar claims and reduce the volume of missed appeal deadlines.

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3.0 Provide Formalized Training Resources to the Team

Ranking **Medium**

Currently, the institution does not have a revenue cycle training/education area. Per discussion with management, the PBS Collection team receives education and on-the-job training from the management team, along with guidance provided by tip sheets and other training resources. The management team provides this training while also handling their core responsibilities, including tasks related to denials management. Given the impact on the overall workload and limited time available for training, management acknowledged the need for formal and dedicated training resources. Without formalized, dedicated training resources, employee performance may be inconsistent, inefficient, and not meet management expectations.

Recommendation

Management should consider establishing dedicated, formalized training resources along with other potential solutions to ensure consistent, structured training for employees, while not impeding management's other responsibilities.

Management Action Plan

Due Date: 6/1/2026

Responsible Executive: Omer Sultan

Department/Division Executive: Miriam Flores

Owner: Artemio Mier

Revenue Cycle has included the addition of an Education and Training team in the FY25 and FY26 Priority Review Budget. Establishing dedicated roles for education and training aligns with industry best practices. In the interim, Revenue Cycle leadership will begin compiling a comprehensive list of areas requiring education and training materials. This effort will help define the overall scope and inform the development of a structured plan to create and maintain these resources effectively. In the interim, we will assess current resources for e-learning through our Education Center. The revenue cycle team also has access to HFMA and their goal plans include completing courses and/or certifications.

4.0 Develop Standard Operating Procedures

Ranking **Medium**

The department does not have comprehensive Standard Operating Procedures (SOP) for the denial appeals process. PBS management maintains various tipsheets offering guidance for processes like the monthly Quality Audit review and Nurse workqueues criteria. Without standard operating procedures, the risk of errors is increased, as well as the potential for inconsistencies and noncompliance with relevant requirements. Standard operating procedures create an opportunity to establish a centralized reference point for consistent operations, and a foundation for training and education.

Recommendation

Management should develop comprehensive Standard Operating Procedures (SOP) for the denial appeal process, including but not limited to, documentation standards, the quality review process, and the monitoring and tracking of appeals

Management Action Plan

Due Date: 2/15/2026
Responsible Executive: Omer Sultan
Department/Division Executive: Miriam Flores
Owner: Artemio Mier

Patient Business Services will review current process and procedure materials and create a comprehensive Standard Operating Procedures (SOP) for the denial appeals process, quality review process, and the monitoring and tracking of appeals.

Appendix A Objective, Scope, and Methodology

The objective of the review is to determine the adequacy and effectiveness of processes and controls in place related to the denials appeals. Our review covered processes in place for the period of January 1, 2024, through December 31, 2024, and related periods. Our procedures included, but were not limited to, the following:

- Interviewing key personnel and reviewing relevant organizational policies to gain insight into current denial appeal processes.
- Reviewing and analyzing denial and follow-up activity data to identify trends and areas for improvement.
- Examining activity reports for Epic Workqueues related to denial and follow-up management.
- Examining a sample of initial denials to evaluate follow-up handling and resolution practices.
- Reviewing the monthly Quality Audit reports for a sample of collectors to ensure adequacy and effectiveness, and compliance with applicable guidance.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The internal audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards (GAGAS)* requirements for internal auditors.

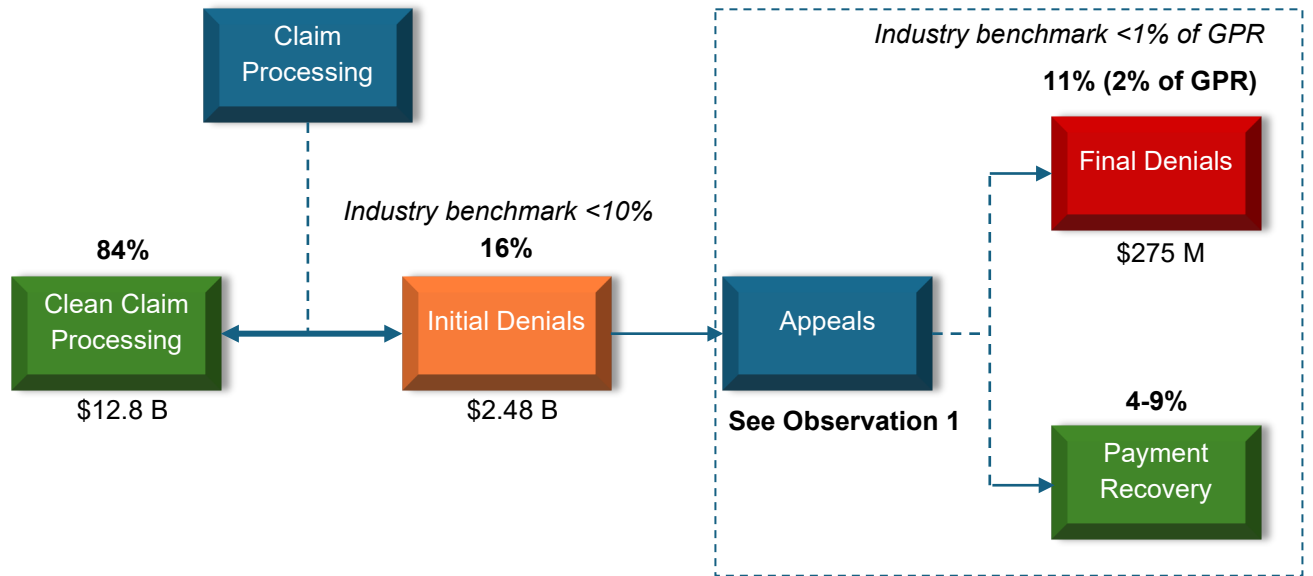
Team: Mahmud Mrad, Melissa Prompuntagorn-Gwosdz

Number of Priority Findings to be monitored by UT System: *None*
A Priority Finding is defined as “*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.*”

Appendix B

Data Analysis – HB and PB All Denials Cycle

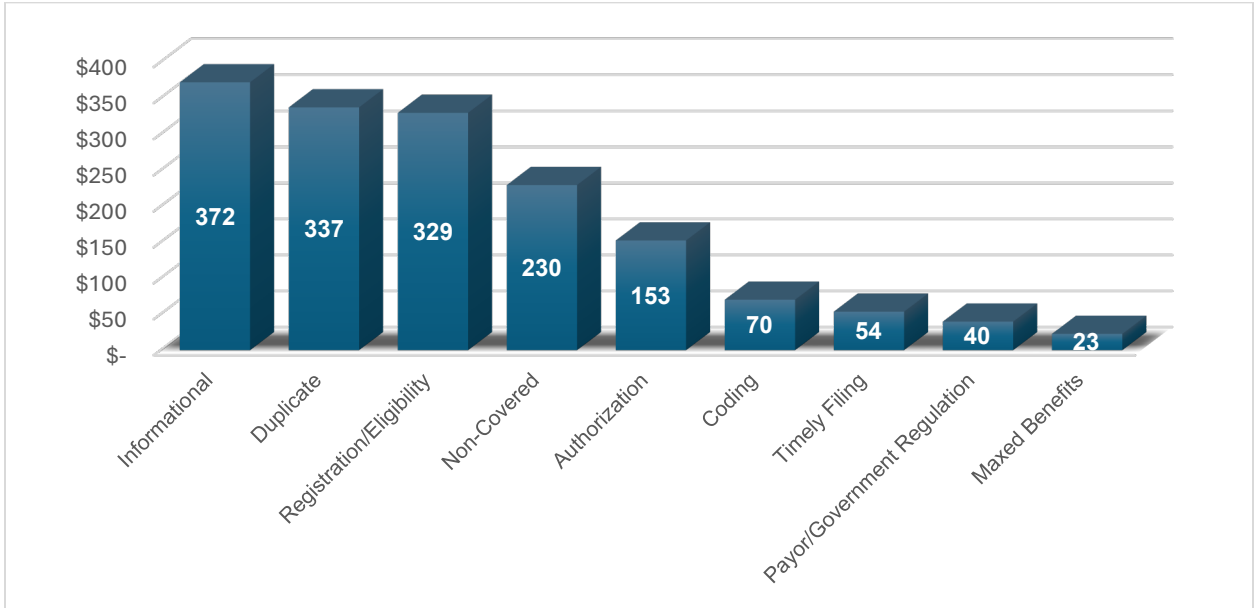
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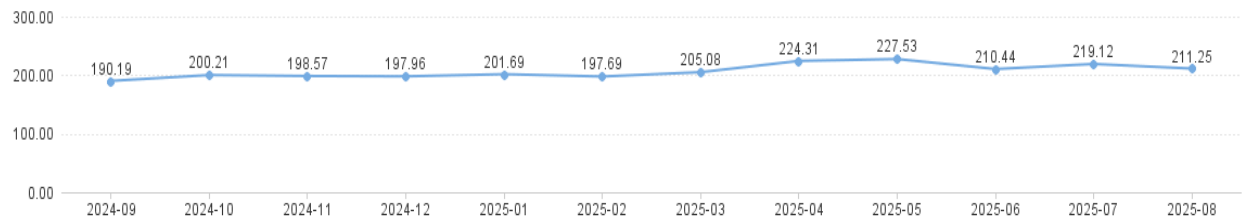
Appendix B (continued)

Top 10 Initial Preventable Denial Reasons HB & PB (\$M)

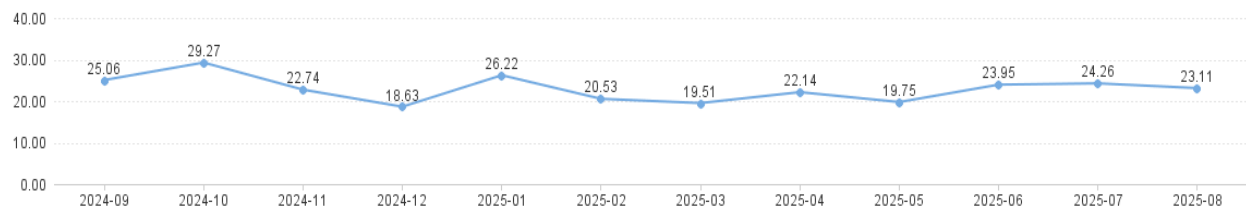


HB and PB Initial and Final Denial Write-Offs Monthly Analysis

Initial Denials HB and PB by Month (Millions)



Final Denials Write-Offs HB and PB by Month (Millions)



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