Part 2
Reviewing a Denial and Preparing for an Appeal
A Structured, Strategic Approach for Physician Advisors

Purpose of This Section

Not every denial should be appealed. Not every denial can be overturned. And not every denial deserves Physician Advisor time.

The purpose of this section is to teach Physician Advisors how to review a denial methodically, determine whether it is clinically and strategically worth pursuing, and prepare appropriately when an appeal or peer-to-peer review is justified.

This section focuses on analysis and preparation, not execution. It builds on the conceptual framework in Part 1 and prepares the reader for the practical communication skills addressed in Part 3.

What "Reviewing a Denial" Really Means

Reviewing a denial is not an emotional reaction to payer disagreement. It is a disciplined process of answering four essential questions:

1. What exactly was denied?
2. Why was it denied, according to the payer?
3. Is the denial clinically defensible or flawed?
4. Is the denial worth pursuing from a strategic standpoint?

Step 1 — Identify the Denial Precisely

The review begins with defining the denial clearly and narrowly. The Physician Advisor should confirm dates of service, type of denial, payer type, denial stage, and whether a peer-to-peer opportunity exists.

Step 2 — Read the Denial Rationale Carefully

Denial letters often contain boilerplate language, criteria citations, and conclusions without clinical nuance. The Physician Advisor's task is to extract the true basis of the denial without reacting emotionally.

Step 3 — Reconstruct the Clinical Decision at the Time of Care

The Physician Advisor must reconstruct what the treating physician knew at the time of admission, what risks and uncertainties were present, and what clinical course was reasonably anticipated, deliberately avoiding hindsight.

Step 4 — Separate Clinical Correctness from Documentation Adequacy

Many denials reflect documentation gaps rather than flawed clinical judgment. The Physician Advisor should determine whether the admission was clinically reasonable and whether documentation sufficiently demonstrates that reasoning.

Step 5 — Apply the Correct Payer Lens

Traditional Medicare (TMCR)

TMCR denials should be evaluated against regulatory standards, including the Two-Midnight benchmark, physician expectation, and recognized exceptions.

Medicare Advantage / Medicare Replacement (MR)

MR denials require assessment of Traditional Medicare defensibility, internal policy influence, and strength of risk-based documentation.

Commercial (Under-65) Plans

Commercial denials are primarily contract-driven and criteria-heavy, with significant variability in appeal success based on payer behavior.

Step 6 — Decide: Pursue, Defer, or Accept

The Physician Advisor should explicitly recommend whether to pursue, defer, or accept a denial based on clinical defensibility, documentation strength, and strategic value.

Financial Awareness as Part of Denial Strategy

While medical necessity decisions must remain clinically grounded, the decision to pursue or accept a denial is also strategic. In certain cases, observation payment may be financially comparable or favorable to inpatient payment, particularly for short stays or low-weighted DRGs.

This financial awareness does not invalidate the original admission decision but informs whether appeal pursuit is operationally and financially prudent.

Step 7 — Prepare the Case for Appeal or Peer-to-Peer

Preparation includes identifying the strongest clinical argument, anticipating payer counterpoints, and aligning documentation to support each position.

Step 8 — Frame the Case Clinically, Not Administratively

Effective appeals focus on patient risk and clinical necessity rather than policy citation alone. The Physician Advisor's role is to translate the medical record into a coherent clinical narrative.

Step 9 — Document the Review and Recommendation

Physician Advisors should document the denial type, clinical assessment, recommended action, and any educational or system-level issues identified.

Common Pitfalls to Avoid

- Appealing every denial reflexively
- Letting outcomes redefine clinical judgment
- Ignoring documentation trends
- Over-investing in unwinnable cases

Key Takeaway

Reviewing a denial is a clinical judgment exercise combined with strategic decision-making. The Physician Advisor's value lies in knowing which denials deserve pursuit, which require education, and which are best accepted.

Transition to Part 3

Once a denial has been reviewed and a decision to pursue is made, execution becomes critical. This is addressed in Part 3: Best Practices for Conducting a Peer-to-Peer Review.

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