Reimbursement & Compliance

When a Downcode Isn't a Denial: What to Look for in Payer Remits
Downcoding is no longer limited to obvious denials or clear medical necessity pushback.
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Downcoding has changed.
What we are seeing more often is reimbursement erosion that happens quietly, inside claims that technically process and pay.
That is why teams that focus only on denial rates can miss a growing share of revenue leakage.
In practice, many downcodes now appear as lower-than-expected payment amounts with minimal explanation. The remit may reference "policy" or "bundling," but without enough specificity to immediately understand whether the reduction is correct, incorrect, or something in between.
Common Remit Signals Worth a Second Look
A few patterns consistently show up when downcoding is in play:

- The same E/M level pays slightly less across multiple claims
- Payment amounts drift from historical expectations without a contract change
- CARC and RARC codes point to general policy language rather than a clear rule
- Services appear bundled even when no traditional NCCI edit exists

None of these automatically means the payer is wrong. But they are signals that something has changed.
Why Downcoding Is Easy to Miss
Most revenue cycle workflows are built around denials, not underpayments. When staffing is tight, it is understandable to prioritize what comes back unpaid. Unfortunately, that means paid claims often receive less scrutiny, even when patterns suggest a systemic issue.
Layered payer edits play a role here. A single claim may pass coding edits, meet medical necessity requirements, and still be re-priced later in the adjudication process based on payer-specific logic.
How to Start Dealing with Downcoding
You do not need to audit everything. Start with one payer and one service line where reimbursement "feels off." Pull a small sample of remits and look for consistency in the reduction. From there, you can determine whether you are dealing with published guidance, payer policy, or a potential error that warrants escalation.
Related: **This topic is explored further in RCCS's recent webinar, *What's Really Happening with Automated Downcoding in 2026*.** **Watch the Full Recorded Webinar Here**