

The Hidden Rule Makers Behind Prior Auth and Claim Denials: How InterQual, MCG, HealthEdge, Zelis, Lyric, and Optum's CES Write the Criteria Payers Use to Reject Care and Why That's Where Real Reform

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The Hidden Rule Makers Behind Prior Auth and Claim Denials: How InterQual, MCG, HealthEdge, Zelis, Lyric, and Optum's CES Write the Criteria Payers Use to Reject Care and Why That's Where Real Reform

Everyone knows the payer's name on the claim denial or prior auth denial letter. Almost nobody knows the names of the companies that wrote the rules behind it. That's the real prior auth and claim denial story...

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- Thesis: payers absorb the political and reputational damage for prior auth (I and claim denials, but the rules that drive most of those denials are written sold by a small cluster of tech vendors that almost nobody outside the UM a payment integrity world thinks about.
- PA criteria: roughly two products, InterQual (Optum-owned via the Change and MCG (Hearst-owned), sit underneath medical necessity decisioning at n commercial, Medicaid MCO, and MA plans in the country. KLAS puts Inter around 60% share and MCG around 30%.

- Claim editing: Optum's CES, Lyric (the old ClaimsXten line spun out of Ch... as a DOJ divestiture), HealthEdge (with Source and Burgess), and Zelis dominate the auto-deny, repricing, and payment integrity layer.
- Economics: a meaningful slice of payment integrity vendors get paid on contingency (often 15-30% of "savings"), which is a bounty on denials, not a reward for accuracy.
- Conflict: Optum owns InterQual, owns CES, owns rev cycle assets, and UHC owns UHC. Same corporate parent on both sides of the same denial.
- OIG (2022) found 13% of sampled MA PA denials and 18% of payment denials violated Medicare coverage rules. Senate PSI (2024) flagged UHC PA denial rates for acute care more than doubling from 2019 to 2022 as automation rolled out.
- AI: Lyric, Cohere, Cotiviti, EXL, and a wave of startups now run NLP/LLM overlays on unstructured documentation. Denials at sub-second latency, millions per day.
- Policy: CMS-0057-F (Jan 2024 final rule) covers FHIR APIs, turnaround clock, and metric reporting (2026, API by Jan 2027). It does not touch the criteria layer or contingency economics.
- Reform has to go upstream to the vendor layer, not just the payer layer.

The wrong villain

Everyone has a payer story. The MA plan that denied mom's SNF days. The commercial plan that wanted three failed conservative therapies before an MRI. Medicaid MCO that decided 23 hours of obs was clinically equivalent to inpatient. The instinct is to point at the logo on the denial letter, and that instinct is half right. The plan signed the letter. The plan is on the hook with state insurance regulators. The plan gets the brand damage when ProPublica writes the piece. But peel back the layer and the plan didn't write the criteria, didn't build the engine, often doesn't even adjudicate the edge cases on its own software. A vendor did. Two vendors, really. Prior auth. A handful for claim editing. And these vendors don't take the brand

don't sit in front of a state senate hearing, don't get mentioned by name in the explanation of benefits. They just collect the check.

That's not a conspiracy theory, it's how UM infrastructure gets built. A mid-size health plan does not have the clinical staff or the regulatory cover to write its own level of care criteria for 4,000 DRGs and 9,500-ish CPT codes. So it licenses a pro, plugs it into its UM workflow, and treats the output as if it were carved on a stone tablet. Same on the claims side. A claims platform doesn't ship with an opinion on whether modifier 25 was appropriate or whether 76942 should bundle into 20610. It calls out to an edit engine. The edit engine has the opinion. The edit engine sends back a deny. The payer ratifies and moves on to the next 4 million claim lines that

Calling that a "payer decision" is technically true and substantively misleading. It's like calling a 737 MAX crash an airline decision. The airline operated the plane, but it bought the airframe, the avionics, and the certification package from someone else and is not in a great position to relitigate any of that mid-flight.

Who actually writes the prior auth rule



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