The KPI conundrum: Discovering the right data to optimize AR recovery

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The healthcare industry is over-reliant on workforce expansion to meet ever-growing demands. If providers shifted their focus to labor productivity gains, it could lead to more than $200B in cost savings. The entry point into this change is through key performance indicators (KPIs), which provide vital measurements of efficiency.

KPIs related to denials provide an excellent example. A 2024 study shows nearly 15% of all submitted claims are initially denied, which is a 25% increase since 2022.[1] The increased need for hands-on intervention by the provider to obtain reimbursement has also been estimated to cost $19.7B per year across all providers in the healthcare space.

Denials are pricey. You already know you need to be tracking denials percentage, but what other data do you need? And what steps should you take when you've collected it? These areas are where your business can gain clarity through implementing KPIs.

KPIs provide targets to track and implement changes, as well as provide valuable insights into the health of your finances and performance. Below are the leading KPIs healthcare organizations should be tracking to increase revenue, decrease AR days and inform best practices.

1. Filipek, D. (2021, July) Healthcare News of Note: National index shows denials are up 11% since the onset of COVID-19+. HFMA.org

Cash collections targets

Perform a collectability analysis of your inventory each month. Calculate by taking the standard liquidation rates per aging buckets and multiplying it by your gross to net percentage.

Strong analytics are imperative to provide oversight into collections month-to-date, collections by payer and average collections per day.

Target/Standard:
Greater than 98% of cash goal.

Insight this KPI provides:
Collectability of your backlog and what you should be collecting for new placements.

Monitor these areas:
Collections by payer; adjust your cash goal appropriately if you've identified a payer issue. Once this has been resolved, factor in the collectability for identified accounts to increase cash goal once it's resolved.

Net collection rate

Calculate your net collection rate on a monthly basis by dividing payments (net of credits) by charges (net of approved contractual agreements) for a specific timeframe; multiply by 100.

Meet and analyze:
Meet weekly to ensure the numbers are decreasing. Analyze denials and implement a denial prevention plan.

Review and act:
Evaluate avoidable write offs to determine the root cause for adjustments and collaborate with other departments to create an action plan.

Hospital and physician practice AR aging over 90 days

Monitor and analyze your aging over 90 days every month. To calculate the aging, take the aging over 90 days divided by your total receivables.

Target/Standard:

Hospital = less than 20% over 90 days;
Physician = less than 15% over 90 days.

Monitor these areas:

Denials by aging denial type and payer; allows you to determine the root cause of increase.

Understand these analytics:

Aging by discharge date and payer; heat maps can show you where you're reducing inventory and where it's increasing by payer aging buckets.

Action plan:

- Review your heat map for increasing areas.
- Analyze new placements to prevent accounts from rolling.
- Consider older inventory for timely filing issues.

Productivity

Set realistic productivity goals your team can achieve. Calculate how many accounts the team has worked on in a productivity report both weekly and monthly.

Target/Standard:

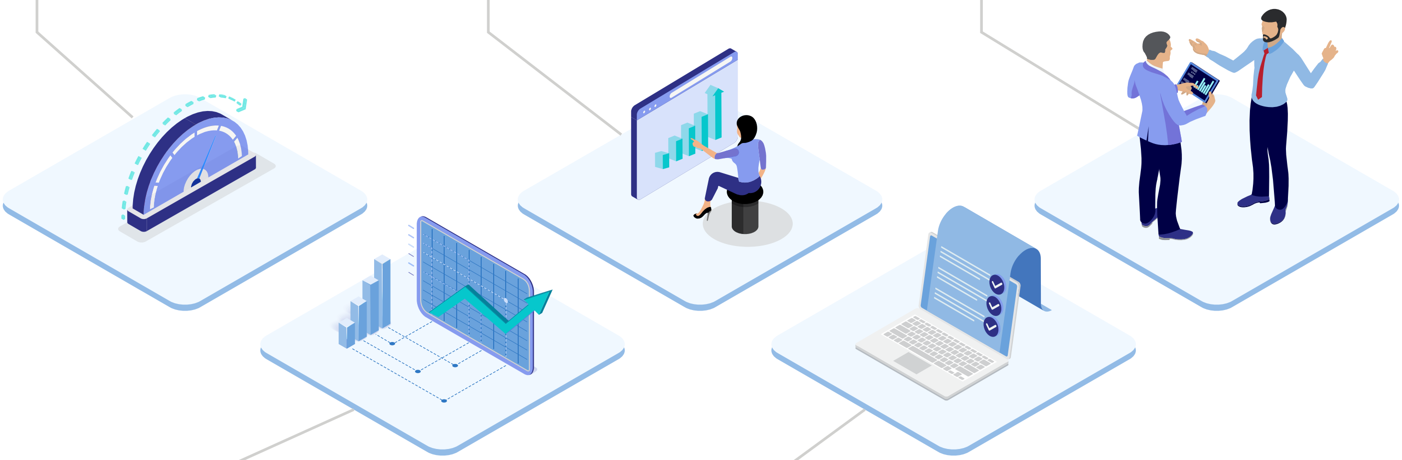
Meet with anyone below 95% to gather information about how to assist them and increase productivity.

Insight to improve this KPI:

Knowing high volume times for each payer so you can focus on other payers at that time.

Leadership responsibility:

Leaders should spend time with employees to identify areas leaders can improve their own productivity.



Reporting KPI progress:

Track the time it takes between working each account to provide insight and training to employees on how they can be more efficient.

Action plan:

- Coach your staff based on call analytics.
- Group like accounts.
- Use prewritten notes to speed productivity.

Denials %

Track your denial percentage each month. To calculate the percentage, divide the total denied claims by your total receivables.

Target/standard:

5% to 10%.[2]

Monitor these areas:

If you notice erroneous denials, escalate to the payer and include your provider representative.

Insight to improve this KPI:

Keeping your percentage below best practice standards reduces the number of touches to resolve the account and increases revenue.

Action plan:

- Identify why denials are spiking for accounts above 10%.
- Separate denials into front, middle and back. Work with each area to identify the root cause of increasing denials.

2. 7 KPIs providers should be tracking. (2023, April). HFMA.org

Quality assurance

Tracking quality assurance for your colleagues on a weekly and monthly basis is vital.

Target/Standard:

98% or higher.

Monitor these areas:

Work with your quality assurance team to ensure they're pulling a random audit, including appropriate areas such as adjustments and moving money to the correct bucket. The team should be auditing the colleague's documentation to ensure their notes cover:

- Payer contact
- Phone number
- Outcome of call
- Reference number
- Timely filing limits
- Address to send an appeal

Action plan:

If colleagues are falling below the threshold, they need to spend time and implement suggestions from their quality audit feedback.

Resolution rates

Track your resolution rates each month by creating a report that has your total charges minus cash collections, adjustments and patient response. This should leave an open balance. Divide the open balance by your total charges to get your resolution rate.

Target/Standard:

90% inventory resolved the first time it's placed.

Insight this KPI provides:

Measure of how much you're resolving by revenue, adjustments or moving to patient responsibility.

Action plan:

- Pull a report and review details.
- Analyze why inventory isn't liquidating or being resolved.

Clean claim rate

Track your clean claim rate every month. To calculate the rate, take the total claims accepted divided by the total amount of claims submitted.

Target/Standard:

Greater than 95%.[3]

Understand these analytics:

Look at your edits by payer in descending order to identify which ones could benefit from a bridge routine. This will decrease the number of touches to resolve the account, which will increase your revenue.

Action plan:

- Monitor which claims aren't passing through each day.
- Quantify rejection reasons where training may be needed.

3. Clean Claim Rate, MD Clarity

Avoidable write offs

Run and review avoidable write offs on a monthly basis. Calculate your denial percentage by dividing your avoidable write offs by your inventory.

Target/Standard:

3% or less.[4]

Reporting KPI progress:

Run reports by payer and adjustment reason to determine why you're adjusting the claim. There are many reasons to adjust, such as:

- Incorrect insurance billed
- Coding
- Timely filing

Action plan:

- Quantify denials by area.
- Meet with each department to share adjustments.
- Collaborate on a plan to prevent them.

4. 7 KPIs providers should be tracking. (2023, April). HFMA.org

Collaboration is Key

All departments—front, middle and back—impact the healthcare stream, which means it's critical for collaboration to extend across the organization. Cross-departmental communication allows the business to identify and discuss critical accounts receivable areas.

For example, say the denials team notices a high volume of modifiers being denied due to needing a 50 bilateral procedure. The backend service must communicate to the coding area that claims are dropping with the incorrect modifier, which will reduce the number of denials and speed up the revenue process.

There are a number of ways for organizations to facilitate collaboration to reach their KPIs. These are the top three most important:

- Organizations should meet with their leadership team each week to monitor aging, cash collections, resolution, untouched inventory, productivity and net assurance.
- Businesses should meet with all department heads each month to determine the root cause of avoidable adjustments.
- After each meeting with leadership and department heads, organizations should create an action plan and follow up to ensure the correct steps are being taken to reach KPIs.

Clear communication is critical for organizations, especially in terms of collaboration and reaching organization-wide KPIs. When you can accurately measure and analyze KPIs, you can see how well the business is financially performing and adjust as needed to keep goals on track. These discussions don't just happen at the leadership level, but throughout the departments who are working within the processes—for this reason, collaboration is a must.

Learn more about Cognizant Revenue Cycle Management services today. Visit our website at cognizantrcm.com

Jennifer Hannah has over 25 years of experience in healthcare revenue cycle. She has supported large hospital systems, private practice, and hospital-based physicians. Prior to joining Cognizant, Jennifer served as Vice President on the back end of revenue cycle which included denials, AR follow up and underpayments.

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