3Gen Consulting

KPIs To Transform Your *Revenue Cycle*

As your organization addresses new forms of competition, navigates the consumerization of healthcare, and finds its way in the wake of new payment and medical billing practices, it will be crucial to pinpoint the key performance indicators (KPIs) that align with your goals.

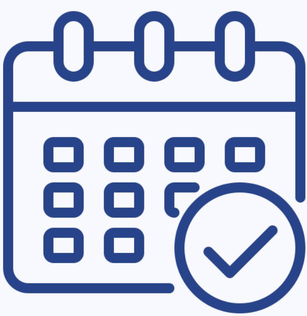
Denial Rate | < 5%

Indicates: Effectiveness

Recent estimates suggest that denials have grown to 15-20% of all claims submitted. As many as 65% of denials are never worked resulting in an estimated 3% net revenue loss annually.[1] The industry standard for denial rates is below 5%, even though a rate as low as 1% attainable.

Net Days In A/R | < 40 days

Indicates: Efficiency



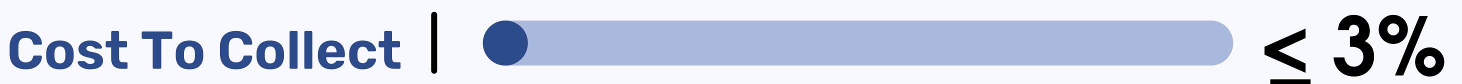
The days in accounts receivable (A/R) measures the average number of days it takes for a claim to be paid based on average daily charge volume. Turnaround time has a great impact on cash flow, which is why it is important to keep this figure as low as possible. The Medical Group Management Association (MGMA) suggested days in A/R should be lesser than 40 days.

Bad Debt | < 4%

Indicates: Effectiveness

Bad debt is useful for judging the effectiveness of collection efforts. Higher bad debt highlights the inefficiencies in certain revenue cycle areas such as point-of-service (POS) collections and financial counseling. A survey conducted by Kaufman Hall in 2020 for hospitals and health systems showed that 48% of respondents have seen increases in bad debt and uncompensated care.[2] Providers should strive to keep their bad debt rate below 4%.

Cost To Collect | ≤ 3%



Indicates: Effectiveness & Productivity

Cost to collect indicates the operational performance of an organization's revenue cycle process. An organization must determine the costs associated with the collections process in order to calculate this. The lower the number, the better.

Clean Claim Rate | ≥ 95%

Indicates: Efficiency

A clean claim rate (CCR) provides an indication to providers on the quality of data being collected and the resources going into error resolution. Improving CCR means reduced cost-to-collect, lower A/R and improved reimbursements. The industry standard for CCR is greater than 95%, which can be difficult to achieve without the right revenue cycle processes.

> *If you'd like guidance in prioritizing your key performance indicators and would like to learn more about the services 3Gen Consulting can offer to improve your revenue cycle performance, we'd love to talk!*

[1] Hayes Management Consulting, "Beyond the Basics: Accelerating the Revenue Cycle Through Advanced KPI's".
[2] Kaufman Hall 2020 Performance Improvement Survey

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