Key Performance Benchmarks for Revenue Cycle Excellence

Your Quick Reference Guide to Successful AR Performance

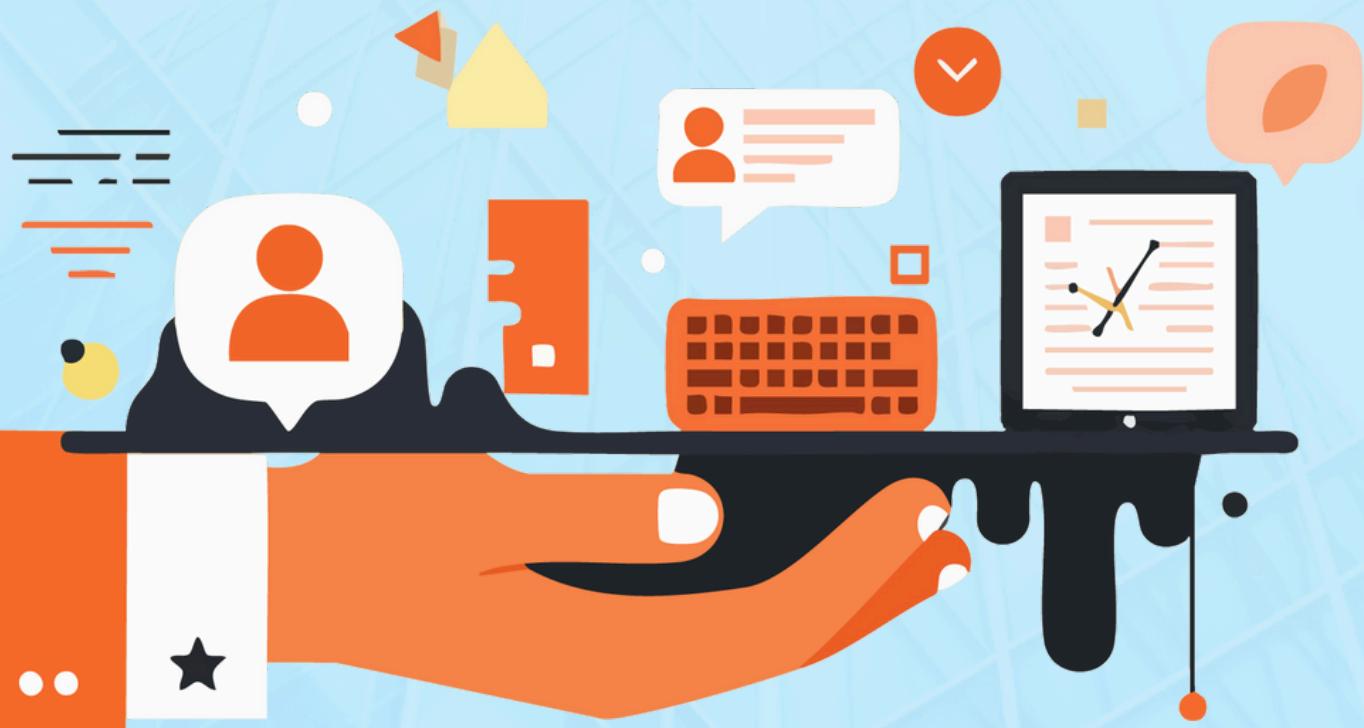REVCO
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Introduction

HOW TO USE THIS GUIDE

Accounts receivable (AR) performance is the lifeblood of any healthcare organization's financial health. At Revco, we've seen firsthand how even small improvements in AR management can have a major impact on an organization's bottom line.

We created this guide to give you clear definitions, benchmarks, actionable tips, and formulas for the most important AR terms — so your team can make informed, data-driven decisions every day.

> **Navigate Terms Easily:** Terms are grouped by AR stage and organized alphabetically within each section for quick reference.
> **Interpret Benchmarks:** Each metric includes a benchmark or guideline to help you understand performance expectations.
> **Take Action:** Action sections provide practical steps to improve performance or track metrics more effectively.
> **Operational Tool:** Use this guide not only as a reference but also as a hands-on tool to monitor and optimize AR performance in your day-to-day workflow.

About Revco

HEALTHCARE REVENUE CYCLE EXPERTS

Revco Solutions is a leading **healthcare revenue cycle management organization** that helps healthcare providers maximize payer reimbursements, minimize patient billing, and streamline the claim denial and appeals process. What sets us apart isn't just our expertise — it's the intelligence behind it. Our technology delivers clear, actionable visibility into AR trends, payer behavior, and workflow bottlenecks, giving providers the insight they need to improve performance. This data-driven approach, backed by our experienced team, ensures stronger recoveries and a better financial experience for every organization we support.

AR STAGE

Pre-Billing / Revenue Capture

> Clean Claim Rate

> Discharged Not Final Billed

> Revenue Integrity

CLEAN CLAIM RATE

> Claims accepted on first submission without rejection.

BENCHMARK

≥ 95% ideal

ACTION / TIP

Improves cash flow and reduces rework

FORMULA
(Clean Claims ÷ Total Claims) × 100

DISCHARGED NOT FINAL BILLED (DNFB)

> Accounts discharged but not billed yet.

BENCHMARK

< 3 days average goal for hospitals; < 2 days for physician

ACTION / TIP

Address coding or documentation delays

REVENUE INTEGRITY

> Ensures documentation and charge capture accuracy.

BENCHMARK

Ongoing monitoring recommended

ACTION / TIP

Align coding, billing, and compliance

AR STAGE

Claim Submission & Payer Processing

> Denial Rate

> Denial Write-Offs

> First Pass Resolution Rate

DENIAL RATE

> Percentage of claims denied by payers.

BENCHMARK

< 10% indicates good control; High performing is approx. 5-8%

ACTION / TIP

Trend by payer and denial reason for prevention

FORMULA
Total # of Denials ÷ Total Payment Transactions (payments + denials)

DENIAL WRITE-OFFS

> Amount written off due to uncollectable denied claims.

BENCHMARK

< 2-3 % of net revenue

ACTION / TIP

Target preventable denial categories

FIRST PASS RESOLUTION RATE (FPRR)

> Percentage of claims paid or correctly denied on first submission.

BENCHMARK

≥ 95% strong performance

ACTION / TIP

Benchmark varies on payer mix and specialty

FORMULA
(Claims Paid on First Submission ÷ Total Claims) × 100

Accounts Receivable / Collections Stage

- Average Reimbursement Rate by Payer
- Bad Debt
- Credit Balance
- Days Receivable Outstanding
- Gross Collection Rate
- Late Charges
- Net Collection Rate
- Point-of-Service Collections
- Self-Pay

AVERAGE REIMBURSEMENT RATE BY PAYER

> Average amount collected from the total claims submitted by payer.

BENCHMARK

35-40%

ACTION / TIP

Calculate individual payer performance; do not calculate the overall average reimbursement rate solely for all payers together.

FORMULA

Sum of total payments ÷ Sum of total submitted charges

BAD DEBT

> AR unlikely to be collected, usually patient responsibility.

BENCHMARK

< 5%

ACTION / TIP

Assess vendor recovery and patient outreach success

CREDIT BALANCE

> Overpayments or credits owed to payers/patients.

BENCHMARK

< 1% of A/R

ACTION / TIP

Monitor for compliance and refund timely

DAYS RECEIVABLE OUTSTANDING (DRO)

> Average number of days it takes to collect AR.

BENCHMARK

Hospitals ~30-45; physician practices/specialty groups ~ 25-30

ACTION / TIP

High DRO = slow collections/bottlenecks; low DRO = efficient follow up and workflows; track DRO by payer class to help pinpoint delays

FORMULA

Total A/R ÷ (Net Revenue ÷ Days in Period)

GROSS COLLECTION RATE (GCR)

> Percent of total charges collected before adjustments (write-offs).

BENCHMARK

Varies by specialty; used for trend monitoring

ACTION / TIP

Track but don't rely on for true performance

FORMULA

(Payments ÷ Charges) × 100

LATE CHARGES

> Fees added after initial claim submission.

BENCHMARK

< 2% of total charges

ACTION / TIP

Identify workflow or documentation issues

NET COLLECTION RATE (NCR)

> Percent of collectible AR collected.

BENCHMARK

97%+ is strong; below 90% signals underperformance

ACTION / TIP

Identify payer or process lag causing collection gaps

FORMULA

(Payments ÷ [Charges – Contractual Adjustments]) × 100

POINT-OF-SERVICE COLLECTIONS (POS)

> Patient payments collected at time of service.

BENCHMARK

20–30% of self-pay goal

ACTION / TIP

Improves upfront cash and reduces back-end work

SELF-PAY

> Patient responsibility balances.

BENCHMARK

Varies; monitor payment plan uptake

ACTION / TIP

Identify trends with high-deductible plans

AR STAGE

Contractual & Payer Adjustments

> Charity Care / Financial Assistance

> Contractual Adjustment

> Payer Mix

CHARITY CARE / FINANCIAL ASSISTANCE

› Discounts or write-offs for eligible patients.

BENCHMARK

Policy-based

ACTION / TIP

Track separately from bad debt for compliance; you can access health systems financial assistance policies on their website, as required by the IRS

CONTRACTUAL ADJUSTMENT

› Difference between billed charge and payer's allowed amount.

BENCHMARK

Depends on payer contracts

ACTION / TIP

Expected write-off — not a true loss

PAYER MIX

› Distribution of AR by payer type (Medicare, Medicaid, Commercial, Self-Pay).

BENCHMARK

Varies by organization; diversification is key to stabilize revenue and reduce exposure

ACTION / TIP

Track shifts impacting net revenue

AR STAGE

Forecasting / Performance Management

> Aging Analysis

> AR Turnover Ratio

> Forecasting

AGING ANALYSIS

> Breakdown of AR by the length of time invoices have been outstanding, typically in 0–30, 31–60, 61–90, and 90+ day buckets.

BENCHMARK

0-30 days 70-90%; 31-60 5-15%; 61-90 <10%; 90+ days ideally <10%.

ACTION / TIP

Focus collection efforts on older AR (61+ days)

FORMULA

Aging % for each bucket = (AR in bucket ÷ Total AR) × 100

AR TURNOVER RATIO

> Measures how quickly accounts receivable are collected over a period

BENCHMARK

Typical range: 8–12 times per year

ACTION / TIP

Compare AR turnover against historical performance to identify trends

FORMULA

AR Turnover Ratio = Net Patient Service Revenue ÷ Average AR

FORECASTING

> Predicts future revenue or cash flow trends.

BENCHMARK

Based on historical and projected data

ACTION / TIP

Use for planning and staffing

Ready to Improve Your AR Performance?

A strong AR strategy relies on visibility, accuracy, and the consistent use of reliable metrics. By understanding the definitions, benchmarks, and performance drivers behind each key AR term, your team can better identify trends, reduce avoidable delays, and improve cash flow across the revenue cycle.

5 KEY TAKEAWAYS

> **Clear AR visibility is essential**
  Consistent monitoring helps identify issues early and prevents avoidable aged AR.

> **Benchmarks provide critical context**
  Comparing performance to expectations shows where to prioritize improvement.

> **Actions Matter**
  Small operational adjustments can produce significant gains in cash flow and AR efficiency.

> **Diversified payer and account management reduces risk**
  Balanced AR categories support more predictable revenue.

> **Sustained improvement requires ongoing review**
  AR health changes over time, making continuous measurement essential.

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CONTACT US

Revco Solutions is here to support you every step of the way. Whether you're looking to strengthen your AR strategy, understand where your metrics stand, or reduce aged receivables, our team brings deep expertise and data-backed processes to help you improve financial performance with confidence.

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Formulas & Benchmarks

TERM	FORMULA	BENCHMARK
Aging Analysis	Aging % for each bucket = (AR in bucket ÷ Total AR) × 100	
AR Turnover ratio	Net Patient Service Revenue ÷ Average AR	
Average Reimbursement rate by payer	Sum of total payments ÷ Sum of total submitted charges	
Clean claim rate	(Clean Claims ÷ Total Claims) × 100	
Denial rate	Total # of Denials ÷ Total Payment Transactions (payments + denials)	
Days Receivable Outstanding	Total A/R ÷ (Net Revenue ÷ Days in Period)	
First Pass Resolution Rate	(Claims Paid on First Submission ÷ Total Claims) × 100	
Gross Collection Rate	(Payments ÷ Charges) × 100	
Net Collection Rate	(Payments ÷ [Charges – Contractual Adjustments]) × 100	

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