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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

(MONTH)



### FORMULA

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

AR STAGE

# 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**  

$$\frac{\text{Sum of total payments}}{\text{Sum of total submitted charges}}$$

## 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

$(\text{Payments} \div [\text{Charges} - \text{Contractual Adjustments}]) \times 100$

## 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.

/ MONTH

### BENCHMARK

Varies; monitor payment plan uptake

/ MONTH

### ACTION / TIP

Identify trends with high-deductible plans

/ MONTH

AR STAGE

# Contractual & Payer Adjustments

- Charity Care / Financial Assistance
- Contractual Adjustment
- Payer Mix

## CHARITY CARE / FINANCIAL ASSISTANCE

> Discounts or write-offs for eligible patients.

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### BENCHMARK

Policy-based

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### 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

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## CONTRACTUAL ADJUSTMENT

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

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### BENCHMARK

Depends on payer contracts

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### ACTION / TIP

Expected write-off — not a true loss

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## PAYER MIX

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

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### BENCHMARK

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

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### ACTION / TIP

Track shifts impacting net revenue

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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**

$$\text{Aging \% for each bucket} = \frac{\text{AR in bucket} \div \text{Total AR}}{100} \times 100$$

## 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**

$$\text{AR Turnover Ratio} = \frac{\text{Net Patient Service Revenue} \div \text{Average AR}}$$

## 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.



## 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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