Revenue Circle 2025

Revenue Cycle Breakout - Understanding the Current Headwinds Facing Revenue Cycle Leaders

2/11/2025

KODIAK

Todays Learning Objectives?

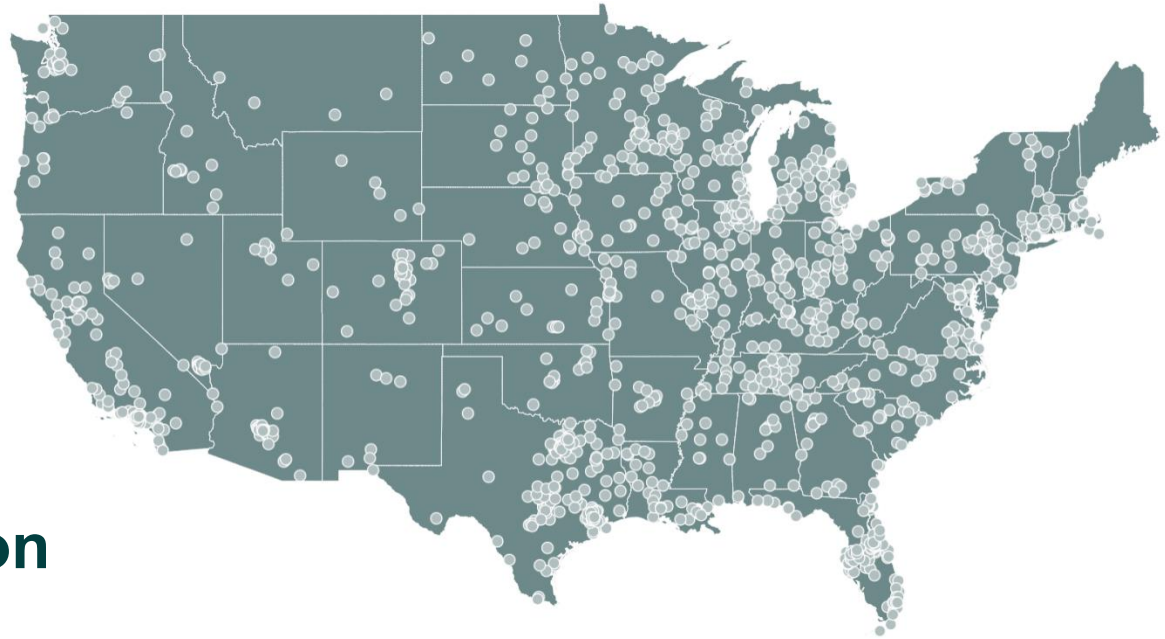
- Identify the core revenue cycle metrics that impact the financial performance of health systems
- Understand the current performance trends of the acute healthcare market
- Discuss how organizations have evolved or are evolving to meet new challenges

Overview of Kodiak Benchmark Data

Update on Facilities and Metrics

Standard content slide blue background

- Normalized key performance indicators
- National and regional performance lens
- Sourced through RCA data that reconciles to the customer's general ledger



Kodiak's Benchmarking Peer Population

$262B
Open A/R

$1.56T
Annual Gross Revenue

Kodiak analytics metrics list—at payor/plan level

VOLUMES

- **Payor - IP Net Revenue Per Case**
- **Payor - OP Net Revenue Per Case**
- Payor - IP Admissions (Volume)
- Payor - OP Visit (Volume)
- Payor - Medicare Net Revenue Per IP Day

ACCOUNT RECEIVABLES

- Payor - Cash/60-Day Lagged Net Revenue
- **Payor - Six Months Cash Lag to Net Revenue**
- **Payor - TRUE A/R Days**
- Payor - Net A/R Days
- Payor - TRUE A/R > 90 Days
- Payor - % A/R > 90 Days Medicare
- Payor - % A/R > 90 Days Medicaid
- Payor - % A/R > 90 Days Commercial
- Payor - % A/R > 90 Days Self-Pay
- Payor - % A/R > 90 Days Other
- Payor - Late Charge % of GPSR
- Payor - Credit Days
- Payor - Credit Liability % of Credit A/R

HIM

- Payor - DNFB Days

PAYMENT COMPLIANCE

- Payor - Time to Insurance Payment - Overall
- Payor - Time to Insurance Payment - Medicare & Managed Medicare
- Payor - Time to Insurance Payment - Commercial Managed Care
- Payor - Time to Insurance Payment - Medicaid & Managed Medicaid
- Payor - Time to Insurance Payment - Other
- Payor - Time to Insurance Payment < 120 Days
- Payor - Insurance Payments % > 120 Days
- **Payor - Time to Insurance Payment Gap - Denied vs. Non-Denied**
- **Payor - Insurance Payment Gap - Denied vs. Non-Denied**
- Payor - Final Denial Write-Offs
- Payor - Final Denial & Administrative Adjustments
- **Payor - Initial Denial Rate**
- Payor - Initial Denial Rate - Medicare & Managed Medicare
- Payor - Initial Denial Rate - Commercial Managed Care
- Payor - Initial Denial Rate - Medicaid & Managed Medicaid
- Payor - Initial Denial Rate - Other Payor
- Payor - Initial Denial Rate - Auth/Precert
- Payor - Initial Denial Rate - Billing/Claim Issue
- Payor - Initial Denial Rate - Coordination of Benefits
- Payor - Initial Denial Rate - Coverage/Eligibility
- Payor - Initial Denial Rate - Duplicate
- Payor - Initial Denial Rate - Medical Necessity
- Payor - Initial Denial Rate - Non-Covered Services
- Payor - Initial Denial Rate - Request for Information
- Payor - Initial Denial Rate - Timely Filing
- Payor - Initial Denial Rate - Other

REGISTRATION

- **Payor - Patient Responsibility % of GPSR**
- Payor - Patient Collection Rate – Managed Care/Commercial
- Payor - Patient Responsibility – Managed Care/Commercial (% of allowed amount)
- Payor - POS Cash Collections % of Patient Cash
- Inpatient Self-Pay Conversion Rate

UNCOMPENSATED CARE

- Payor - Uncompensated Care % of GPSR
- Payor - Bad Debt % of GPSR
- Payor - Charity % of GPSR
- Payor - Charity % of Uncompensated Care
- Payor - Self-Pay After Insurance Bad Debt % of Total Bad Debt
- **Payor - Self-Pay After Insurance Uncompensated Care % of Total Uncompensated Care**

State of the Revenue Cycle Market

View of Market Benchmarks

National Market Scorecard YoY Results

Metric	2023	2024	YoY % Change
True AR Days	54.12	56.96	5.2%
True AR >90	35.22%	35.95%	2.1%
DNFB Days	9.16	9.56	4.4%
Initial Denial Rate	11.53%	11.81%	2.4%
Initial Denial Rate - Authorization	1.64%	1.52%	-7.7%
Initial Denial Rate - Medical Necessity	0.94%	0.98%	5.0%
Initial Denial Rate - RFI	3.31%	3.49%	5.4%
Final Denials as % NPSR	2.75%	2.77%	0.4%
Six-Month Lagged Cash to Net Revenue	94.15%	94.13%	0.0%
Bad Debt (% of GPSR)	1.52%	1.44%	-5.7%
Self-Pay After Insurance Bad Debt % of Total Bad Debt	54.88%	55.49%	1.1%
Self-Pay After Insurance Collection Rate - Managed Care/Commercial	37.58%	34.46%	-8.3%
POS Cash Collections (% of Total Patient Payments)	18.03%	18.90%	4.8%

Understanding Performance at the Payor Level

KODIAK

National Payor Scorecard

Jan 2024 | Dec 2024

Net Revenue Leakage
$16.79bn

Payor Group	Gross Revenue	Net Revenue Leakage	Bad Debt % of GPSR	Final Denial Write Offs	Initial Denial Rate	Initial Denial Rate - Auth/Precert	Initial Denial Rate - Billing/Claim Issue	Initial Denial Rat Coordination of Ber
Medicare - Traditional	$322,092,854,353	3.33%	0.3%	1.9%	4.3%	0.0%	0.1%	0.6%
Medicare - Managed Care	$315,309,740,224	7.03%	0.4%	4.5%	9.8%	2.2%	0.4%	1.1%
Comm Mgd Care BCBS	$200,678,562,545	6.01%	1.6%	1.8%	14.1%	1.5%	0.5%	1.5%
Medicaid - Managed Care	$177,083,729,660	5.88%	0.2%	4.8%	14.8%	2.6%	0.9%	1.8%
Comm Mgd Care United	$58,390,342,333	7.06%	1.8%	2.2%	15.6%	1.7%	0.1%	1.0%
Comm Mgd Care Other	$47,299,937,623	9.60%	1.9%	3.5%	17.7%	2.2%	0.4%	1.9%
Comm Mgd Care Aetna	$32,110,325,314	7.20%	1.8%	2.7%	15.6%	1.7%	0.1%	0.7%
Tricare/VA	$30,400,795,945	3.39%	0.3%	2.0%	8.8%	0.8%	0.2%	1.7%
Comm Mgd Care Cigna	$27,837,034,197	6.48%	1.6%	2.8%	12.6%	1.5%	0.3%	1.0%
Comm Mgd Care Centene	$13,459,610,225	9.57%	1.2%	5.3%	15.8%	3.8%	1.2%	1.6%
Workers Comp	$5,713,289,225	5.54%	0.9%	2.9%	26.1%	1.6%	0.4%	3.2%
Other Govt	$4,836,996,742	4.80%	0.5%	1.7%	32.9%	1.6%	0.2%	1.8%
Medicaid - Traditional	$103,072,277	7.66%	1.8%	9.4%	16.6%	5.1%	0.0%	0.3%
Total	**$1,235,316,290,663**	**5.95%**	**0.7%**	**2.8%**	**10.6%**	**1.5%**	**0.4%**	**1.2%**

Understanding Performance at the State & Payor Level

KODIAK

Minnesota Payor Scorecard

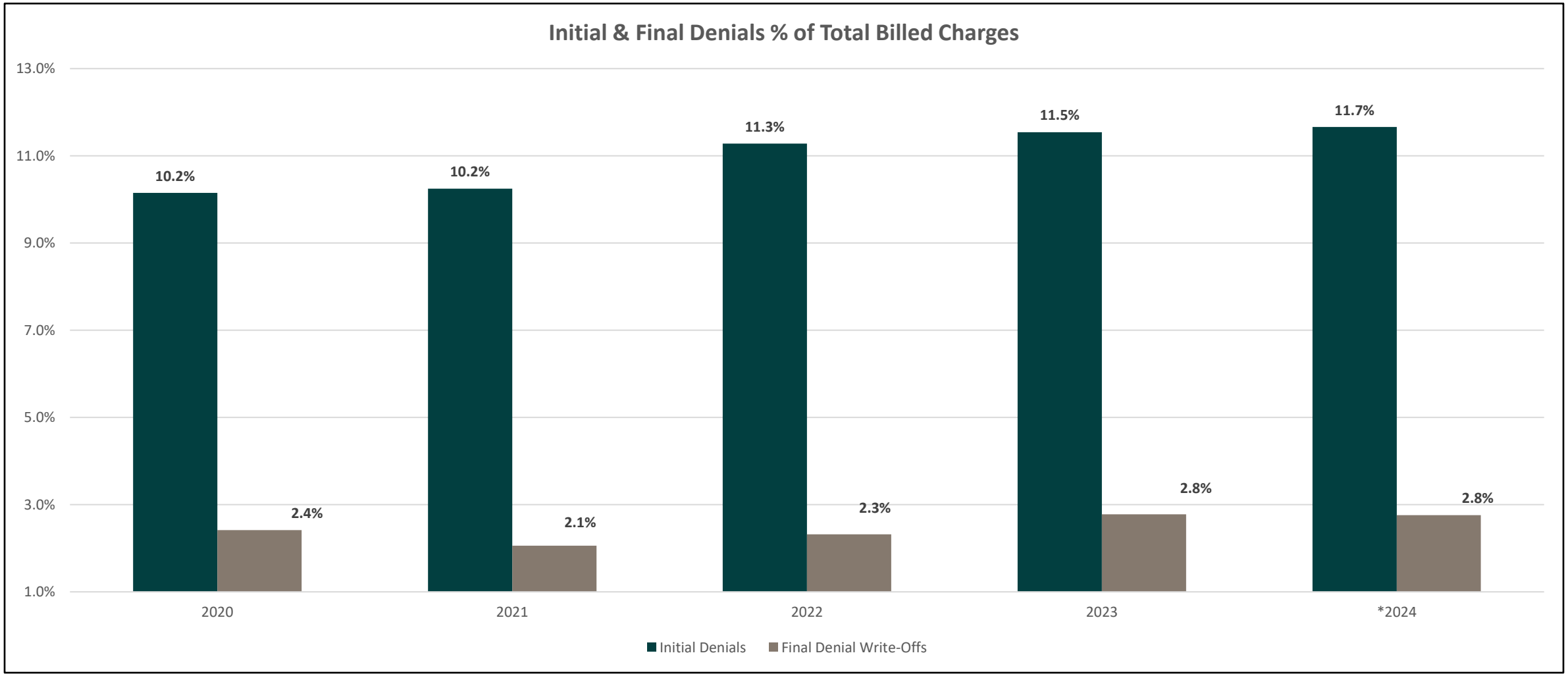
Jan 2024 | Dec 2024

Net Revenue Leakage
$93.49M

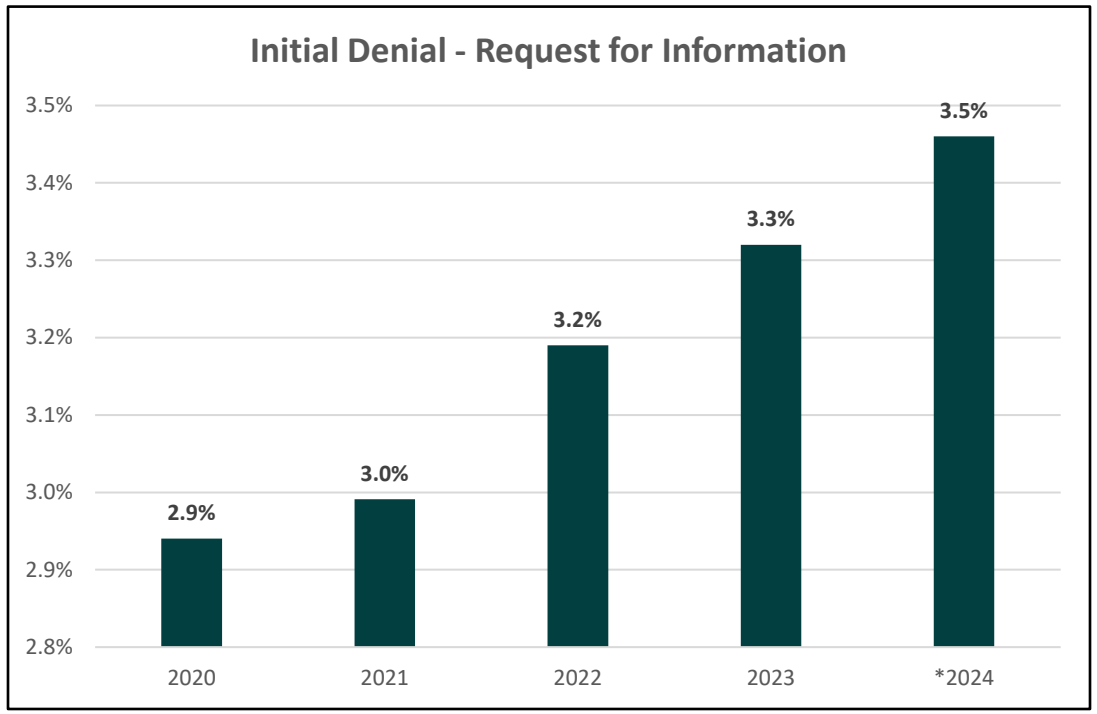
Payor Group	Gross Revenue	Net Revenue Leakage	Bad Debt % of GPSR	Final Denial Write Offs	Initial Denial Rate	Initial Denial Rate - Auth/Precert	Initial Denial Rate - Billing/Claim Issue	Initial Denial Rate - Coordination of Benefit
Medicare - Traditional	$5,125,575,764	2.45%	0.2%	1.8%	3.5%	0.0%	0.4%	0.4%
Medicare - Managed Care	$1,561,378,113	2.96%	0.2%	2.5%	7.6%	2.0%	0.4%	0.7%
Comm Mgd Care BCBS	$787,740,945	2.57%	1.4%	0.6%	4.6%	0.6%	0.2%	1.1%
Medicaid - Managed Care	$485,391,658	2.09%	0.2%	1.6%	3.3%	0.1%	0.2%	0.2%
Comm Mgd Care Other	$277,499,697	3.61%	2.0%	0.5%	8.5%	2.0%	0.1%	0.7%
Comm Mgd Care United	$179,727,959	4.84%	2.6%	1.2%	5.7%	1.7%	0.1%	0.6%
Tricare/VA	$171,060,545	1.83%	0.2%	1.2%	12.3%	3.7%	0.2%	0.8%
Comm Mgd Care Cigna	$170,971,682	2.12%	0.9%	1.1%	1.0%	0.0%	0.0%	0.1%
Medicaid - Traditional	$142,173,753	5.25%	0.9%	3.3%	9.5%	0.0%	0.5%	0.0%
Workers Comp	$26,810,458	2.90%	0.4%	2.5%	10.3%	0.1%	0.4%	1.3%
Comm Mgd Care Aetna	$13,140,132	5.41%	2.6%	2.2%	9.2%	0.0%	3.3%	0.0%
Other Govt	$7,998,968	26.61%	6.5%	0.6%				
Total	**$8,949,469,674**	**2.73%**	**0.4%**	**1.6%**	**5.9%**	**1.1%**	**0.3%**	**0.6%**

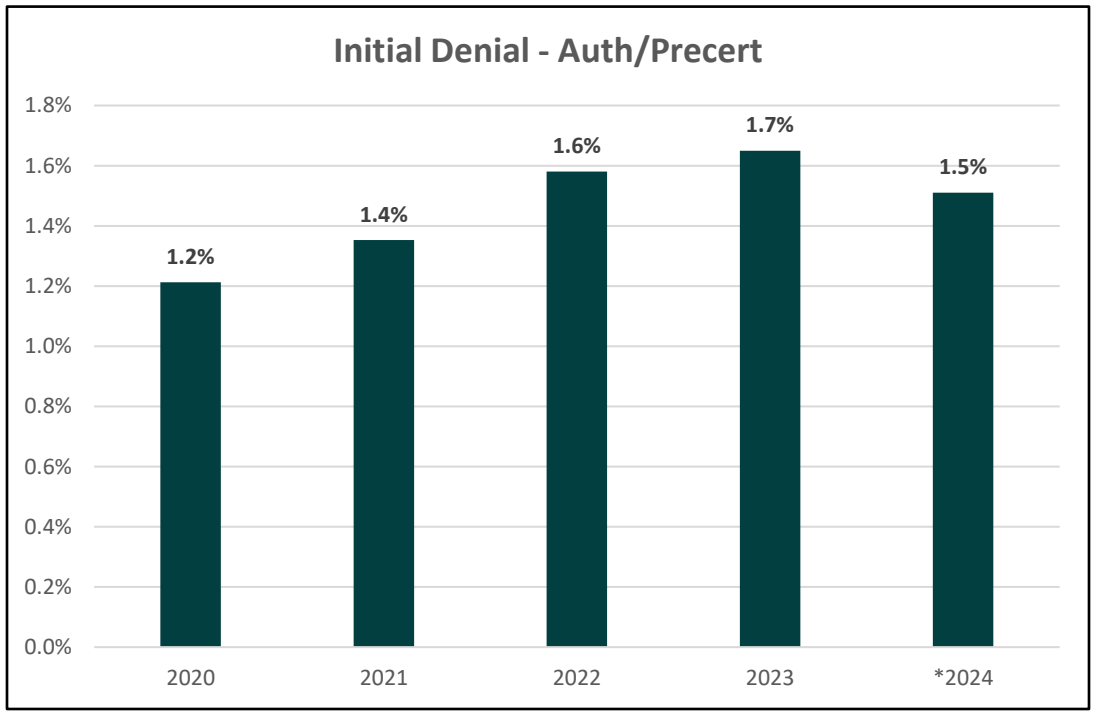
Headwind #1
Growing initial *and* final denials

Initial Denials & Final Denials



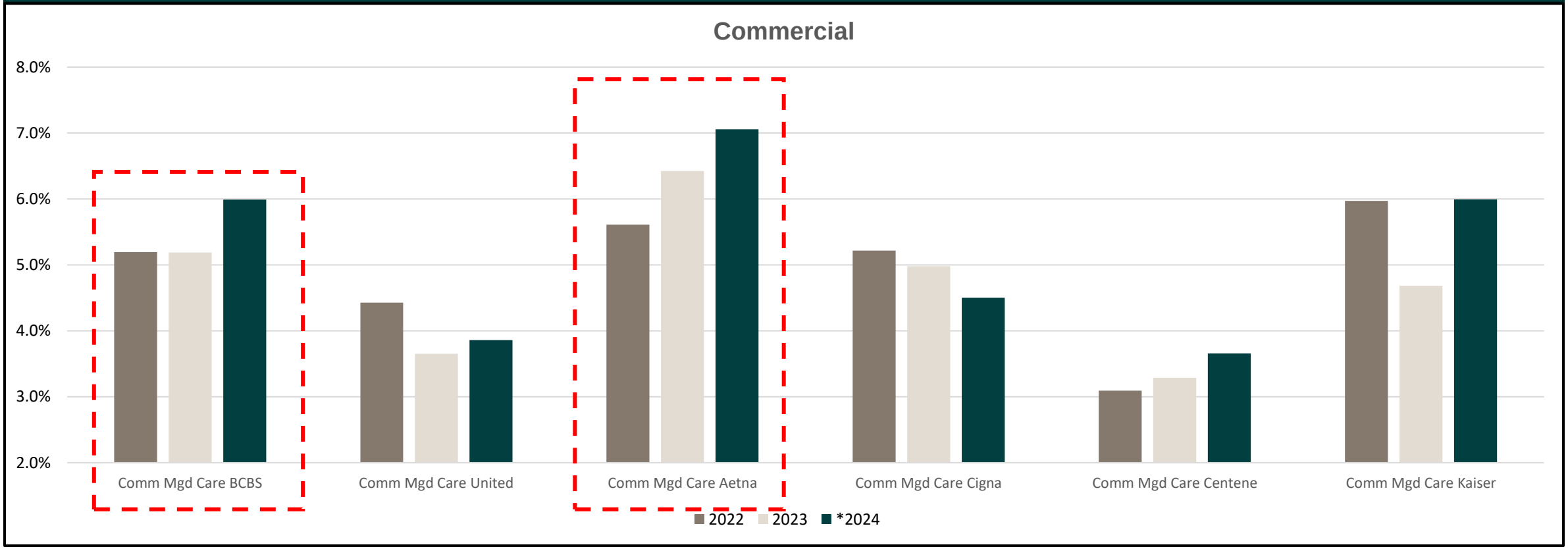
Initial Denial Auth/ Precert & Request for Information



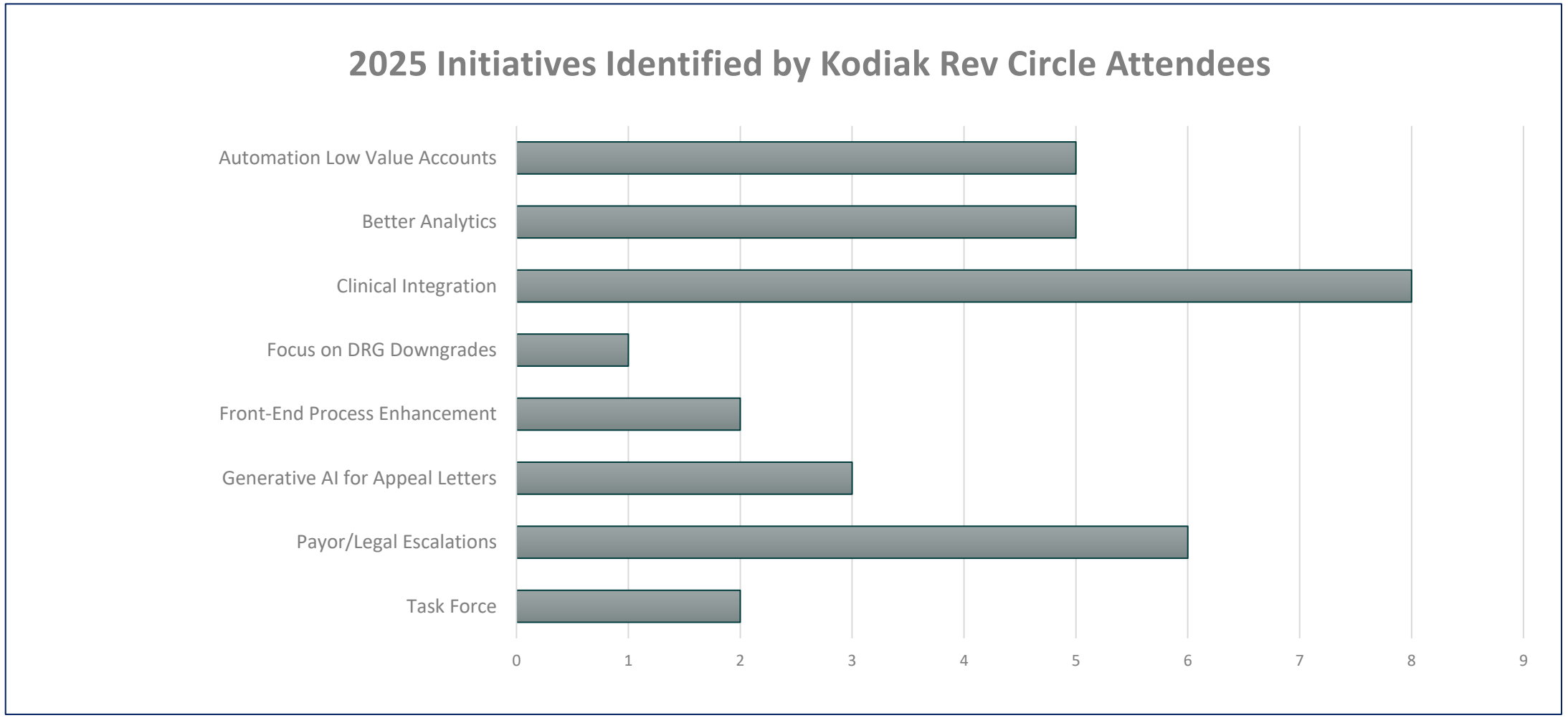


Initial denial rate request for information by commercial payor

- Commercial BCBS and Aetna plans lead in RFI denial rate increases among other commercial payors.
- Aetna's RFI denial rate increased by 10% from 2023 to 2024, reaching 7%.
- BCBS' RFI denial rate increased by 15% from 2023 to 2024, reaching 6%.



What Leaders Are Doing About This Headwind?



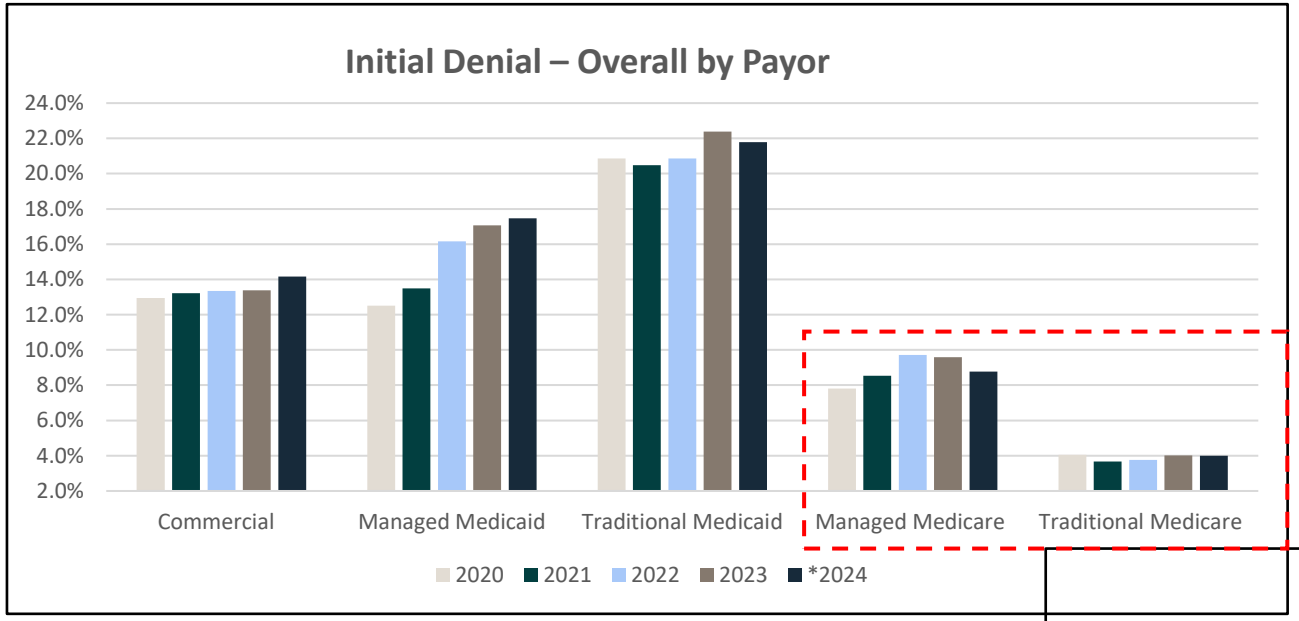
Headwind #2
Growth in Managed Medicare

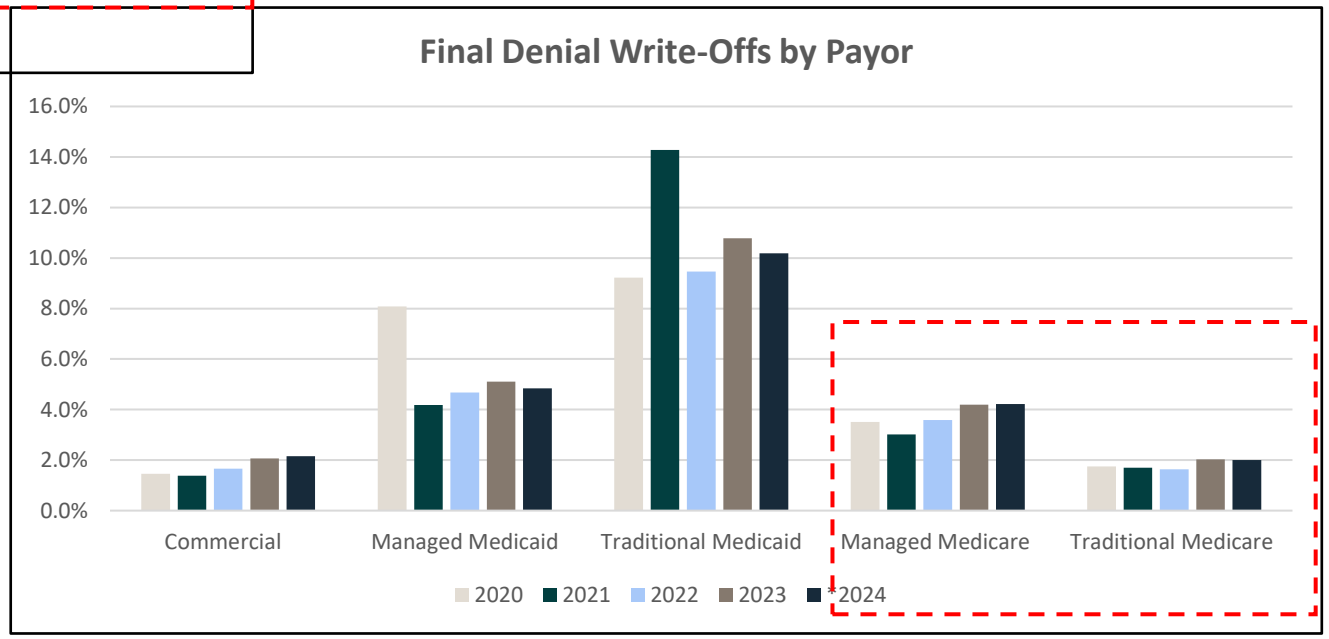
Initial denial rate request for information by commercial payor

Kodiak Payor Group	2023	2024	YoY % Change
Commercial / All Managed Care	29.59%	30.04%	1.53%
Medicaid - Managed Care	11.84%	11.25%	-5.01%
Medicaid - Traditional	5.39%	4.89%	-9.30%
Medicare - Managed Care	22.29%	23.35%	4.77%
Medicare - Traditional	20.13%	19.69%	-2.15%
Other	6.75%	6.77%	0.29%
Self Pay	4.02%	4.01%	-0.15%
Total	**100.00%**	**100.00%**	

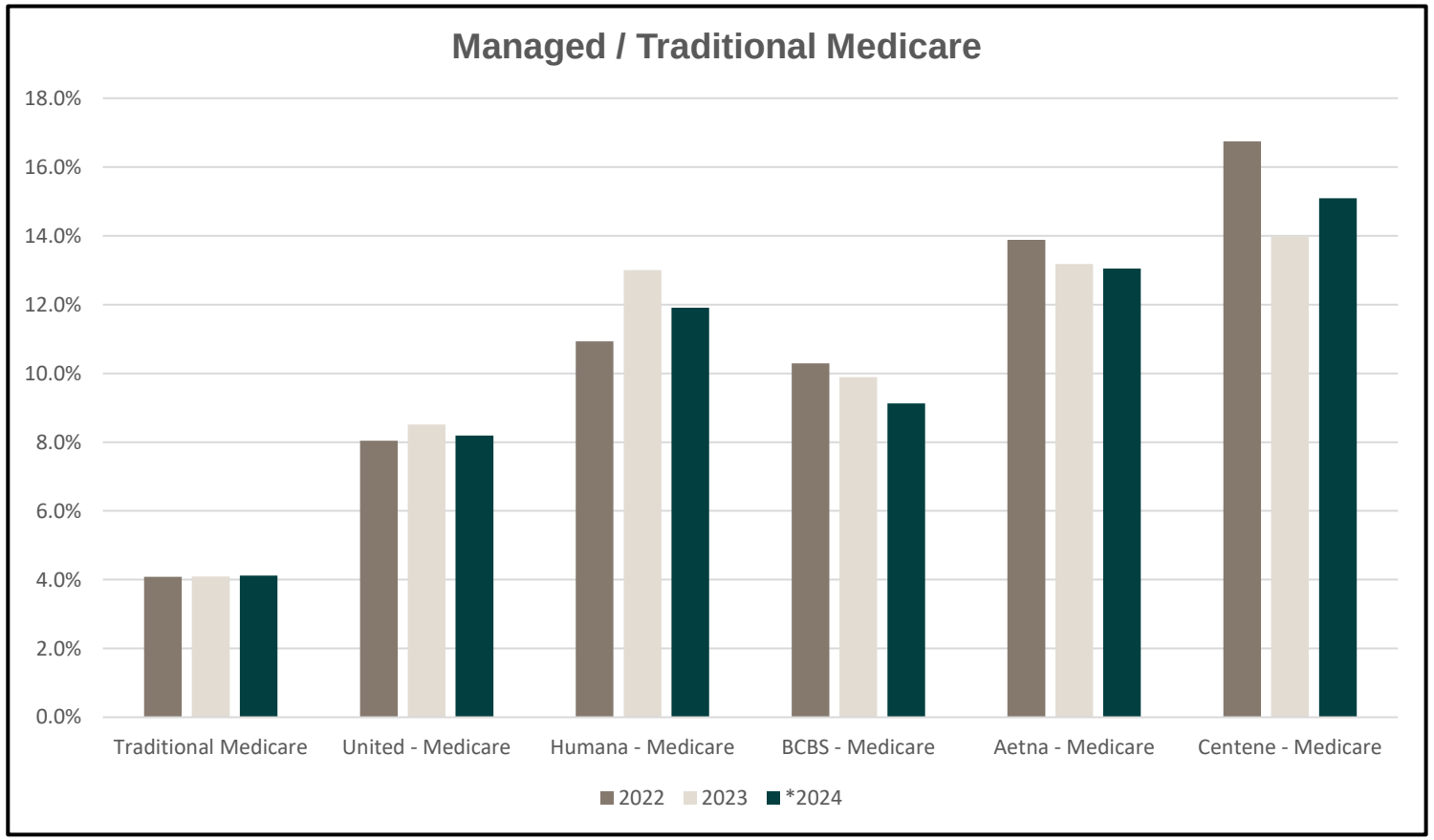
Medicare – Managed Care made up 54.2% of Medicare Payor Mix Across the National Market

Final Denial Write-Offs by Payor Group





Initial denial rate—managed/traditional Medicare



- Managed Medicare plans like Centene and Aetna show higher denial rates, with Centene peaking at 15% in 2024.*
- Traditional Medicare maintains a lower denial rate, suggesting more predictable and streamlined claim approval processes.
- The shift in Medicare payor mix toward managed plans exposes providers to greater administrative burden associated with RFI denials.

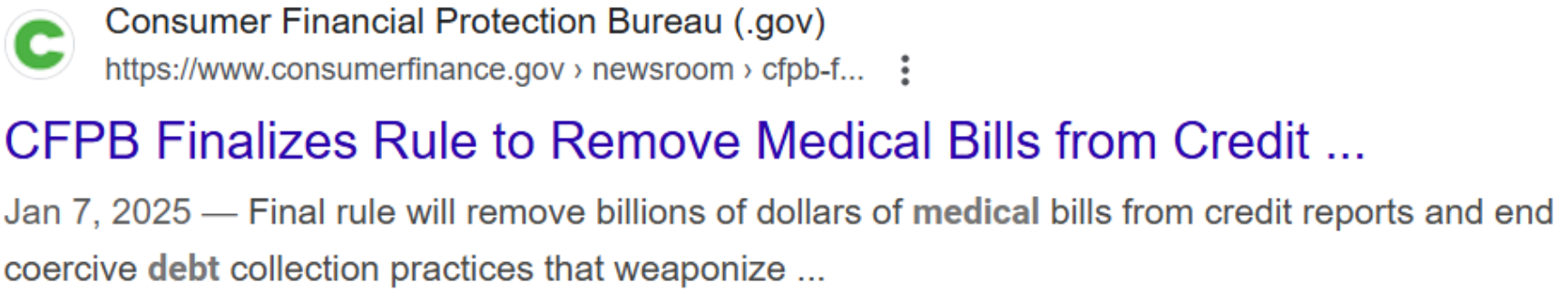
What Leaders Are Doing About This Headwind?

- Stronger Payor Scorecards – Creating Data Communities
- Stronger Contract Language – Service Level Agreements
  - Limiting Pre-Payment Audits/Denials
- Payor/Legal Escalations
- Terminations

Headwind #3
Growth in Patient Responsibility and Challenges in Collecting

Larger Portion of Allowed Amount Moving to Patient Responsibility

Patient Responsibility Metric	2023	2024	YoY % Change
Bad Debt (% of GPSR)	1.52%	1.44%	-5.67%
Patient Responsibility – Commercial (% Of Allowed Amount)	21.70%	21.85%	0.73%
POS Cash Collections (% of Total Patient Payments)	18.03%	18.90%	4.80%
Self-Pay After Insurance Bad Debt % of Total Bad Debt	54.88%	55.49%	1.09%
Self-Pay After Insurance Collection Rate - Managed Care/Commercial	37.58%	34.46%	-8.30%



What Leaders Are Doing About This Headwind?

- Better patient education on their benefit design
- Enhanced communication with the patient through their financial experience
- Renewed focus on Point of Service Collections
- Working with advocacy groups to call attention to “patients being sold insurance that they can’t afford”
- Monitoring Bad Debt within the overall net revenue leakage

Thank you.