HFMA Guide to Better Practices in Measuring Cost-to-Collect

HFMA, in collaboration with more than 50 leaders from our executive councils, healthcare finance leadership, and a broad range of revenue cycle benchmarking stakeholders, has developed this industry guide to outline better practices for measuring cost to collect within provider organizations. The guide is thoughtfully organized to support providers in evaluating the costs associated with each phase of the collection process across their enterprise.

In recognition of the complexity involved in identifying and isolating certain cost areas, we have designated those segments as optional—while still ensuring they are transparently disclosed. We also acknowledge that healthcare organizations vary widely in structure and available resources, which may impact their ability to fully allocate costs across all categories.

As such, transparency is essential when benchmarking cost to collect metrics against peers. The value of this guide lies not in rigid uniformity, but in creating a common, honest framework for comparison, improvement, and strategic decision-making. The following expenses are included in healthcare organization cost to collect. Optional expenses—due to their calculation complexity—are marked with checkboxes for inclusion.

Guidance On Calculating Your Organization's Cost-to-Collect Score

Accurately calculating your organization's cost to collect is essential for enabling your leadership team—and other healthcare stakeholders—to make meaningful, apples-to-apples comparisons with peer organizations.

To ensure consistency and comparability, please use the following cost-to-collect formula outlined by HFMA below.

PURPOSE

Trending indicator of operational performance

VALUE

Indicates the efficiency and productivity of revenue cycle process

EQUATION

$$\frac{\text{Total revenue cycle cost}}{\text{Total patient service cash collected}} = \frac{\text{Income Statement}}{\text{Balance Sheet}}$$

Equally important, please note that several items on the cost-to-collect better practices sourcing list are marked with radio boxes. These boxes should be checked as "confirmed" if the data point has been included in your sourcing data for your cost-to-collect calculation. While HFMA recommends that hospitals include all sourcing data outlined in the better practices document, we recognize that certain marked items may be difficult or impossible for some organizations to capture due to structural or resource constraints. Any items not included under these circumstances will be disclosed as "not separately identified" in your final cost-to-collect score to ensure full transparency in all comparisons.

To better understand your organization's structure and position on outsourcing, please complete the following questions before proceeding with the cost-to-collect measures:

- Does your organization outsource any areas of your revenue cycle?
  Yes or No
- If so, which areas of the revenue cycle do you outsource?
  Does your organization near-shore any areas of your revenue cycle?
  Yes or No
- Does your organization offshore any areas of your revenue cycle?
  Yes or No
- Does your organization employ revenue cycle staff virtually outside of the states in which you deliver healthcare services?
  Yes or No
- Does your organization's revenue cycle business office personnel work 100% off-site?
  Yes or No
- Does your organization's revenue cycle business office personnel work 100% on-site?
  Yes or No
- Does your organization's revenue cycle business office personnel work a percentage of time off-site (hybrid)?
  Yes or No

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1. SALARIES/FRINGE BENEFITS

All Salaries and benefits of personnel directly involved in revenue cycle

- Patient Access/ Registration Staff
- Health Information Management (HIM)
- Coding
- Billing, Cash Posting and Collections
- Revenue Integrity/ Charge Capture
- Revenue Cycle Leadership & Support
- Dedicated nurse FTEs assigned to UR and denial review functions

Fringe Benefits to Include

- Employer-paid FICA (Social Security and Medicare)
- Health Insurance premiums paid by the employer
- Dental/vision insurance
- Retirement plan contributions (401(k) match, pension)
- Paid Time Off (vacation, sick leave, holidays)
- Life and disability insurance
- Workers' Compensation premiums
- Training and continuing education costs
- Any other employer-paid benefits specific to the organization

2. MANAGEMENT VENDORS

- Revenue Cycle Management (RCM) Outsourcing Firms
- Extended Business Office (EBO) Services
- Denials & Appeals Management Firms
- Consulting & Advisory Firms (Specific to RCM Ops)
- Interim or Contract Revenue Cycle Leadership
- Outsourced Coding Management Vendors

3. SUBSCRIPTION FEES

- Revenue Cycle software subscriptions: Practice Management Systems (PMS)/ Billing Software, Coding Tools, Claims Management Platforms, Denial Management Systems, Propensity to pay, and Presumptive Charity Screening
- Clearinghouse Subscriptions
- Patient Access Tools: Insurance Verification/ Authorization Platforms
- Patient Payment Portals, & Estimation Tools: Platforms for price transparency, estimates, and patient balance payments
- Business Intelligence & RCM Analytics Platforms: Subscription-based dashboards and analytics tools for KPIs
- Compliance and Reference Tools: Coding reference subscriptions (National Uniform Billing Committee (NUBC), American Academy of Professional Codes (AAPC), American Medical Association (AMA), HIPAA/RCM audit tools that require subscriptions
- Continuing Education/Certifications (CEU, CPE)

4. OUTSOURCED ARRANGEMENTS

- Full-Service Revenue Cycle Outsourcing (End to End RCM)
- Partial/ Function-Specific Outsourcing (Coding Services, Billing & claims processing, Denial management, Patient access outsourcing, Charge entry/charge capture)
- Collections-Related Outsourcing (Early-out vendors, Extended business office providers, outsourced insurance follow up)
- Lockbox Payment Processing Services (If a third party manages posting and reconciliation of patient or payer payments)
- Outsourced Eligibility & Enrollment Vendors

5. PURCHASED SERVICES

- Full-Statement Printing & Mailing
- Lockbox & Payment Processing
- Document Scanning & Indexing
- Transcription Services
- Manual Charge Entry or Data Entry Support
- Courier & Logistics Services
- Check Printing & Refund Processing
- Temp Staffing via Staffing Firms (RCM staffing)

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6. SOFTWARE/HARDWARE MAINTENANCE FEES (CHECK THE BOXES BELOW IF YOUR DATA INCLUDES THOSE AREAS)

- ☐ EHR/ Practice Management System Maintenance (RCM Modules Only)
- ☐ Coding & Compliance Software Maintenance
- ☐ Claims, Clearinghouse & Billing Software Maintenance
- ☐ Patient Access Software Maintenance
- ☐ Estimation Tools/MRFs
- ☐ Data Warehouse or Analytics Tools (RCM-Specific)
- ☐ Mutli-Channel Patient Digital Front Door
- ☐ Custom-Build Applications)

7. BOLT-ON APPLICATION COSTS AND ASSOCIATED SUPPORT STAFF

Bolt-On Application

- ☐ Denial Management Tools
- ☐ Patient Estimation Tools
- ☐ Eligibility & Authorization Tools
- ☐ Coding & CDI Enhancements
- ☐ Price Transparency & Self-Pay Portals
- ☐ Analytics or A/R Workflow Tools
- ☐ Charge Integrity Solutions
- ☐ Contract management and payment variance tools

Costs to Include:

- ☐ License Fees (non-subscription SaaS or perpetual licenses)
- ☐ Implementation and integration fees (if directly RCM-related)
- ☐ Annual support or maintenance for bolt-on software
- ☐ Upgrade fees or feature enhancements tied to revenue cycle functions

Associated Support Staff: (Check boxes below if your data includes those areas):

- ☐ Application analysts and IT support FTEs dedicated to RCM bolt-ons.
- ☐ Data-reporting analyst FTEs supporting bolt-on tools output or dashboards.
- ☐ RCM trainers or super user FTEs supporting end-user adoption.
- ☐ System administrator FTEs managing interfaces or integrations for RCM tools.

Cost Components:

- ☐ Salaries and fringe benefits of in-house support (if dedicated to RCM tools)
- ☐ Contractor or vendor staff costs if contracted to maintain RCM bolt-ons
- ☐ FTE time allocated to support system updates, patching, testing

8. IT OPERATIONAL EXPENSES RELATED TO REVENUE CYCLE (CHECK BOXES BELOW IF YOUR DATA INCLUDES THOSE AREAS)

- ☐ IT Support FTEs (Help Desk Support, Application support analysts, IT leadership or project management, DBA or systems engineers supporting RCM databases or infrastructure)
- ☐ Hosting & Infrastructure (Data center or cloud hosting fees, Network, Server, Storage costs)
- ☐ Cybersecurity & Access Management
- ☐ Licensing for Shared IT Tools Used by RCM
- ☐ Telecom & Devices for RCM Teams

9. RECORD STORAGE

- Physical Record Storage
- Electronic Document Management & Archiving – regardless of department budget ownership
- Data Retention & Compliance Storage (Long-term storage of financial or claim-related documents for legal and regulatory compliance)
- Scanning and Digitization Services– regardless of department budget ownership

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10. CONTINGENCY FEES (FEES TIED TO ACTUAL CASH COLLECTED OR RECOVERED)

- Bad Debt Collection Agency Fees
- Early-Out (Self-Pay) Contingency Fees
- Underpayment Recovery Vendors
- Denials & Appeals Contingency Services
- Out-of-Network/ Third-Party Liability Recovery Firms

11. TRANSACTION FEES

- Clearinghouse and Claims Processing Fees
- Eligibility & Authorization Transactions
- Electronic Bank/Payment/Processing Fees
- Patient Payment Portal Transactions
- Lockbox Payment Transactions
- Statement Generation Fees (if charged per transaction

12. LEGAL FEES

- Payer Contract Enforcement & Disputes
- Denial Appeals (Legal Escalation)
- Third-Party Liability & Subrogation
- Patient Financial Litigation
- Compliance with Billing Regulations
- Out-of-Network Legal/Outside Council (excludes internal legal resources)

13. OFFICE OVERHEAD (CHECK BOX BELOW IF YOUR DATA INCLUDES FACILITY RELATED COSTS)

- Supplies & Equipment
- Postage & Shipping (Not Patient Statements)
- Furniture & Fixtures

☐ Separate Revenue Cycle Facilities Related Costs (Rent/ Depreciation, Utilities, Office Security, Maintenance)

14. IT SUPPORT TO REVENUE CYCLE (CHECK BOXES BELOW IF YOUR DATA INCLUDES THOSE AREAS)

☐ IT Personnel Dedicated to RCM: Salaries, Fringe Benefits, and employer-paid taxes (Application Analysts, Interface engineers and data integration staff, Revenue Cycle Reporting/ BI developers, Help Desk or technical support staff)

☐ System Admin & Technical Support (Maintenance and monitoring, user account and access provisioning, testing, upgrades and patching)

☐ Project support for Revenue Cycle IT Initiatives (IT labor associated with RCM projects such as: charge capture optimization, patient portal enhancements, claims edit engine configuration, denials workflow redesign)

☐ IT Security & Compliance for RCM

15. AI/AUTOMATION WORKFLOWS (CHECK BOXES BELOW IF YOUR DATA INCLUDES THOSE AREAS)

☐ Robotic Process Automation Tools (Bots for payment posting, eligibility checks, claim status inquiries, denials routing and worklist management)

☐ AI- Driven Coding and CDI Tools (Automated medical coding, clinical documentation improvement, code prediction or validation)

☐ AI for Denials, Appeals, and Payer Analytic (Predict and prevent denials, classify denial types, recommend appeal actions, identify trends in payer behavior)

☐ AI-Powered Price Estimation and Patient Engagement (Patient out-of-pocket estimations, insurance plan benefit application, dynamic payment plan creation based on patient financial profiles)

☐ Virtual Agents or Chatbots (Answer billing questions, take payments, set up payment plans, route patients to support or collections)

☐ Automation Development & Support Costs (Salaries or contractor fees for staff building or managing automation (if RCM-specific), cloud usage fees associated with AI tools, training data preparation or model fine-tuning services)