You might be losing thousands of dollars per month in 'unclean' claims

By Tina Graham

There are many valuable metrics that help you monitor a practice's finances, but when it comes to insurance companies, some say the golden metric — the clean claims ratio — is essential for success. Simply put, a clean claim will be paid the first time, which means the claim:

- Was never rejected
- Did not have a preventable denial
- Was not filed more than once
- Had no errors

Some healthcare systems have flexible measurements for these ratios. For example, some do not count how many times a claim was filed or the number of denials. Measuring this number in the strictest sense, which requires evaluating every denial to determine whether it was preventable, provides you with actionable information. There are several reasons why it is important to file a clean claim:

- Every rejection or denial introduces the risk of not getting paid
- Studies show the average cost to rework a claim is $25
- 50 to 65 percent of denials are never worked, according to industry sources, who attribute that to lack of time or knowledge

Measuring this ratio accurately and looking for ways to improve it become increasingly important during times of financial uncertainty because clean claims lower the cost of rework for your practice, increase revenue by getting payments on claims that would not otherwise be paid and ensure a timely and steady stream of revenue for the practice.

Consider the following example of clean claims reporting:

This report shows every claim in buckets — clean and not — once there is an activity to make a determination. As shown, 91 percent of the claims filed in September were paid without any further action, 9 percent required rework and 1.21 percent have not had enough activity to make the determination.

For demonstration purposes, let's assume my practice files 1,000 claims per month and maintains a 90 percent clean claims ratio. We can now:

- **Determine staffing needs.** If you need to rework 100 claims a month, calculate the average number of claims a full-time employee can work a day (usually 50) to determine the number of employees needed. Factor in the number of touches a claim typically requires during rework. Someone has to enter the rejection or denial, call the payer for details, research coding mistakes, refile the claim, post another denial, etc.
- **Measure costs.** If the average cost of rework is $25 per claim and 100 claims a month require rework, it costs an average of $2,500 a month to work unclean claims. In addition to an employee's hourly rate, factor in overhead costs, such as benefits (30 percent of salary), facilities, hardware and electronic filing fees, directly associated with unclean claims.

To reduce the cost of unclean claims, dive deeper into the details:

- Get a breakdown of claims by rejection code or denial to establish preventive measures. If you are getting a lot of denials for noncovered services, evaluate the codes. Is there another clinically accurate code that can be billed or are you providing services for which you cannot be paid? If you are getting denials related to information the front office is not capturing correctly, you have identified an opportunity for improvement.
- Create a practice-wide awareness campaign to make sure everyone understands the cost of unclean claims, and give each department detailed feedback about what they need to improve. Knowing the financial impact of mistakes might be the best way to reinforce the importance of getting it right the first time.
- Identify practice management system features, such as coding audits, eligibility checking and demographic edits, that help you enter information correctly. Automation can also help ensure efficiency.
- Monitor your clean claims ratios monthly, provide feedback to staff, celebrate improvements

Clean claim definition:

It has no defect or impropriety, including any lack of required substantiating documentation or particular circumstance requiring special treatment that otherwise prevents timely payment. — Tina Graham

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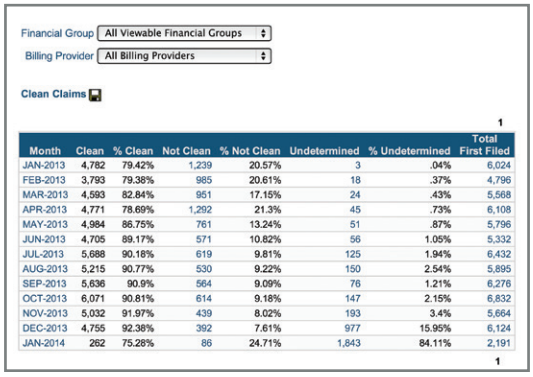

Financial Group: All Viewable Financial Groups

Billing Provider: All Billing Providers

Clean Claims

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Month	Clean	% Clean	Not Clean	% Not Clean	Undetermined	% Undetermined	Total First Filed
JAN-2013	4,782	79.42%	1,239	20.57%	3	.04%	6,024
FEB-2013	3,793	79.38%	985	20.61%	18	.37%	4,796
MAR-2013	4,593	82.84%	951	17.15%	24	.43%	5,568
APR-2013	4,771	78.69%	1,292	21.3%	45	.73%	6,108
MAY-2013	4,984	86.75%	761	13.24%	51	.87%	5,796
JUN-2013	4,705	89.17%	571	10.82%	56	1.05%	5,332
JUL-2013	5,688	90.18%	619	9.81%	125	1.94%	6,432
AUG-2013	5,215	90.77%	530	9.22%	150	2.54%	5,895
SEP-2013	5,636	90.9%	564	9.09%	76	1.21%	6,276
OCT-2013	6,071	90.81%	614	9.18%	147	2.15%	6,832
NOV-2013	5,032	91.97%	439	8.02%	193	3.4%	5,664
DEC-2013	4,755	92.38%	392	7.61%	977	15.95%	6,124
JAN-2014	262	75.28%	86	24.71%	1,843	84.11%	2,191

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and analyze results. Investigate what reports can be run from your practice management system. If it does not provide clean claims ratio reports, you might consider pulling the information from available reports on number of claims filed, rejected, "errored" and denied to establish your own measurement for this important metric.

When assessing practice management systems, ensure that the software provides the level of detail you need to measure clean claims ratios, which is not the same as first-pass ratios. First-pass ratios typically refer to the ratio of claims that make it through clearinghouse edits and are passed on to payers. It does not guarantee they will be paid. Clean claims and first-pass ratios can be defined differently, which is why it's helpful to get a detailed description of how companies measure clean claims and what reporting tools they offer to help increase clean claims ratios. It is critical to file claims cleanly the first time to maximize insurance payments. Ultimately, this reduces cost and increases revenue, which are keys to survival in today's changing healthcare landscape. ■