Crowe RCA benchmarking analysis

10 best and worst states for provider claims payment

A connection exists between where a provider operates and how fast and accurately claims are paid

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Three attributes determine what revenue cycle leaders want to see in payment for services rendered

For healthcare revenue cycle leaders who deal with claims around the clock, a number of factors contribute to how they view healthcare claims payment. One of the most important factors is where they operate. Claims-paying behaviors vary by state.

Similar to wide variations in life expectancy by zip code – even different zip codes in neighboring areas of cities – significant variations exist in healthcare claims-payor practices by state.

To determine how states compare when it comes to claims payment, Crowe examined these three domains:

1. **Getting paid quickly.** Providers want healthcare claims to be paid quickly. Speed to payment is measured by two key performance indicators (KPIs):
   - **Initial denial rate:** Percentage of claims payors initially deny
   - **Accounts receivable (AR) aging greater than 90 days:** Percentage of claims that payors still haven't paid for more than three months
2. **Getting paid what services are worth.** Providers want to be paid the correct amount for all reimbursable services to which their organizations are entitled – not just what a payor thinks should be paid. Two KPIs are measured:
   - **Six months' lagged cash to net revenue:** Percentage of claim value payors paid within six months after a provider rendered services
   - **Final denials:** Percentage of claims value payors never paid and a provider had to write off
3. **Getting paid by a single payor.** Providers want to get paid by one payor for a single claim versus multiple payors, including patients, for that single claim. The odds of a single payor paying an organization quickly and what services are worth are greater than if another payor like a patient also owes money. Again, two KPIs are measured:
   - **Patient responsibility as a percentage of total allowable:** Percentage of a claim that is the patient's responsibility
   - **Bad debt as a percentage of gross patient service revenue (GPSR):** Percentage of gross revenue that turned into bad debt because a secondary payor – likely a patient – didn't pay its share of the claim

This quarterly KPI benchmarking report examines the six revenue cycle KPIs in the three domains by state and the District of Columbia to determine the top five and bottom five states for each domain and then an overall 10 top and 10 bottom states to operate in for providers collecting healthcare claims.

The data to generate the KPIs used in this analysis comes from the Crowe Revenue Cycle Analytics platform that more than 1,800 hospitals and 200,000 physicians use to manage their net revenue and monitor their revenue cycle performance.

All data and KPIs used in this analysis are through the first six months of 2023. Averages are weighted and have been calculated using raw benchmarking data.

Getting paid quickly

Crowe measured how fast claims get paid using two KPIs: initial denial rate and AR greater than 90 days. In both cases, the difference between the KPIs in the top five states versus the bottom five states appears alarming. Generally, aged AR in the bottom five states is twice the amount of aged AR in the top states.

Initial denial rate

The weighted average initial denial rate for the top five states was 6.7% through the first six months of 2023 compared with 16.0% for the bottom five states.

Top 5 states with the lowest initial denial rates

Rank	State	Initial denial rate
1	Iowa	5.6%
2	Tennessee	6.1%
3	Pennsylvania	7.0%
4	Alabama	7.2%
4	Wisconsin	7.2%

Weighted average: 6.7%

Bottom 5 states with the highest initial denial rates

Rank	State	Initial denial rate
51	Oklahoma	18.5%
50	Arizona	16.1%
49	Washington	16.0%
48	California	15.9%
47	North Carolina	15.8%

Weighted average: 16.0%

AR greater than 90 days

The AR greater than 90 days for the top five states collectively was 27.0% through the first six months of 2023 compared with 50.2% for the bottom five states.

Top 5 states with the lowest AR > 90

Rank	State	AR > 90
1	Nevada	25.9%
2	Arizona	27.0%
3	Ohio	27.4%
4	Connecticut	28.5%
5	Wisconsin	29.1%

Weighted average: 27.0%

Bottom 5 states with the highest AR > 90

Rank	State	AR > 90
50	North Carolina	51.8%
50	Idaho	51.8%
49	Georgia	51.1%
48	South Carolina	47.8%
47	Mississippi	46.5%

Weighted average: 50.2%

Getting paid what services are worth

Crowe measured getting paid what services are worth using two KPIs: six months' lagged cash to net revenue and final denials. Again, the difference in the KPIs between what happens in the top five states compared with the bottom five states is striking, especially with final denials (that is, saying a claim is worthless).

Six months' lagged cash to net revenue

Interestingly, during the first six months of 2023, payors in the five top-performing states in this KPI actually received more cash on accounts than they predicted to receive within their net revenue. Whether providers have to repay that money in the form of takebacks or payors deduct that money in the following six months in the form of denials is another story. Regardless, for the data at this point, a more than 20 percentage point difference exists between the top- and bottom-performing states – 101.0% compared with 80.5%, respectively.

Top 5 states with the highest percentage of six months' lagged cash

Rank	State	Percentage of six months' lagged cash
1	Louisiana	101.6%
2	New Mexico	101.5%
3	Ohio	100.9%
4	Indiana	100.5%
5	Alaska	100.2%

Weighted average: 101.0%

Bottom 5 states with the lowest percentage of six months' lagged cash

Rank	State	Percentage of six months' lagged cash
51	Connecticut	70.7%
50	South Carolina	77.2%
49	Tennessee	77.4%
48	Missouri	83.8%
47	Minnesota	85.9%

Weighted average: 80.5%

Final denials

In the bottom-performing states for final denials, healthcare claims were more than five times more likely to not get paid at all. In fact, payors collectively in the five bottom-performing states didn't pay nearly 7.0% of claims submitted by providers through the first six months of 2023.

Top 5 states with the lowest final denial rate

Rank	State	Final denial rate
1	Hawaii	0.4%
2	Connecticut	1.0%
3	Utah	1.1%
4	Minnesota	1.2%
5	Louisiana	1.3%

Weighted average: 1.0%

Bottom 5 states with the highest final denial rate

Rank	State	Final denial rate
51	Georgia	10.4%
50	Missouri	10.3%
49	South Carolina	8.6%
48	Michigan	5.7%
47	Pennsylvania	5.4%

Weighted average: 7.0%

Getting paid by a single payor

Crowe measured getting paid by a single payor based on two KPIs: patient responsibility as a percentage of total allowable and bad debt as a percentage of gross patient service revenue. The two revenue cycle KPIs are inextricably linked. Because patients, historically, are less likely to pay all or part of their medical bills than public or private payors like Medicare, Medicaid, and commercial health plans, the higher the percentage of a medical bill owed by a patient, the higher the percentage of bad debt. Again, Crowe analysis found a big difference in these two KPIs between the top- and bottom-performing states.

Patient responsibility as a percentage of total allowable

Patients in the five bottom-performing states on this KPI are responsible for nearly 40%, collectively, of claims in those states during the first six months of 2023. That's more than twice as high as claims in the five top-performing states – 37.2% to 15.3%, respectively.

Top 5 states with the lowest patient responsibility as a percentage of total allowable

Rank	State	Percentage of patient responsibility
1	District of Columbia	14.5%
2	California	15.3%
3	Maryland	15.4%
4	Washington	15.9%
5	New Mexico	16.9%

Weighted average: 15.3%

Bottom 5 states with the highest patient responsibility as a percentage of total allowable

Rank	State	Percentage of patient responsibility
51	Minnesota	45.9%
50	Alaska	44.2%
49	Georgia	41.2%
48	Oklahoma	37.4%
47	Kansas	35.1%

Weighted average: 37.2%

Bad debt as a percentage of GPSR

Every penny counts as hospitals, health systems, and medical practices lift themselves out of the financial throes of the COVID-19 pandemic. The difference between writing off less than 1% of GPSR as bad debt and writing off more than 4% of GPSR as bad debt is significant. For some providers, that could be the difference between staying afloat or sinking. The collective gap between the top- and bottom-performing states is approximately 3% over the first six months of 2023.

Top 5 states with the lowest bad debt as a percentage of gross patient service revenue

Rank	State	Bad debt as a percentage of GPSR
1	New York	0.3%
1	Hawaii	0.3%
3	Colorado	0.6%
4	Oregon	0.7%
4	Illinois	0.7%

Weighted average: 0.7%

Bottom 5 states with the highest bad debt as a percentage of gross patient service revenue

Rank	State	Bad debt as a percentage of GPSR
51	Georgia	5.9%
50	Utah	4.1%
49	Mississippi	4.0%
48	South Dakota	3.6%
47	North Carolina	3.3%

Weighted average: 4.5%

Overall 10 best and 10 worst claims-paying states

At this point, revenue cycle leaders might not be sure of the top places to get paid quickly, paid what services are worth, and paid by a single source. Not every state excels or struggles on each of the six KPIs in the three domains.

To make it easier, Crowe came up with a top 10 and bottom 10 based on a simple scoring system. A state that finished in the top five for a specific KPI received 10 points. A state that finished in the bottom five for a specific KPI received two points. A state that finished in between the top five and bottom five on any specific KPI received three to nine points, depending on where it fell in the ranking. The 10 states with the highest point totals make up the top 10. The 10 states with the lowest point totals make up the bottom 10.

Here are the top 10 and bottom 10 states for collecting healthcare claims:

Top 10 states based on claims-paying performance by payors to providers

Rank	State	Total score
1	Louisiana	53
2	Oregon	51
2	New Mexico	51
4	Pennsylvania	49
5	Indiana	48
6	Wisconsin	47
7	Iowa	45
8	Arizona	44
8	Illinois	44
10	Ohio	42

Bottom 10 states based on claims-paying performance by payors to providers

Rank	State	Total score
51	South Carolina	21
50	Mississippi	22
48	Arkansas	24
48	North Carolina	24
45	Missouri	26
45	Kansas	26
45	Georgia	26
44	Kentucky	28
43	New Jersey	29
42	Idaho	30

If you can’t move, what should you do?

The data and KPIs in this Crowe report demonstrate that payor claims-paying behaviors vary significantly by state. But the reality is provider organizations can’t just relocate to another state with a more favorable claims-paying climate. They have to do business in the state where their patients are insured.

But they can use this data-driven knowledge to their advantage and convert that advantage into better revenue-cycle performance.

They can use all of the knowledge to have meaningful conversations with their payors about improving claims-paying performance. Identifying outlier behaviors and backing that up with credible statistics can go a long way in correcting systematic and chronic problems.

Learn more

For more information on the Crowe RCA benchmarking program, please visit crowe.com/benchmarking or contact:

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TPG and Crowe LLP to establish Crowe Healthcare Consulting as independent company, Kodiak Solutions; https://press.tpg.com/news-releases/news-release-details/tpg-and-crowe-llp-establish-crowe-healthcare-consulting

The Crowe Revenue Cycle Analytics (Crowe RCA) solution was invented by Derek Bang of Crowe.

The Crowe RCA solution is covered by U.S. Patent number 8,301,519.

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