



DENIAL COST & REVENUE FORMULAS

FORMULA BREAKDOWN

COST TO WORK A DENIAL

- Cost to work a denial = \$44
- Average Initial Denial Rate = 16-20%
- Simple Math - Compare your Average Reimbursement per Encounter (ARE) to the cost to work a denial.

FORMULA - COST TO WORK DENIALS

- Cost to Work Denials = Total Annual Encounters * Denial Rate * Cost to Work a Denial (\$44)
- Example: 57,600 Total Encounters * 14% Initial Denial Rate * \$44 = \$354,816 a year.

FORMULA - UPSIDE OF WORKING DENIALS

- Value of Denied Encounters = Total Encounters * Denial Rate * Average Revenue Per Encounter (ARE)
- Recovery Rate = The percentage of appealed denials that are overturned. (Industry Average is 54%)
- Value of Recovered Appeals = Value of Denied Encounters * Recovery Rate
- Net Value of Working Denials In-House = Value of Recovered Appeals - Total Cost to Work Denials

COMPLETE FORMULA

- Net Value of Working Denials In-House = Total Encounters * Denial Rate * ((Average Reimbursement Per Encounter * Recovery Rate) - Cost to Work a Denial)