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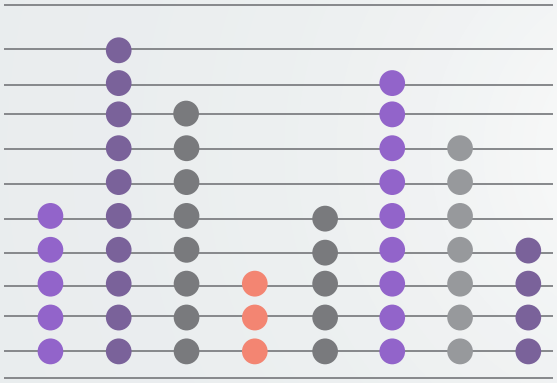
The IDR recovery gap playbook

A guide to operationalizing Independent Dispute Resolution under the No Surprises Act



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Out-of-network reimbursement has entered a new phase

For several years, Independent Dispute Resolution (IDR) under the No Surprises Act (NSA) existed as a formal reimbursement pathway that health systems had available to them, but very few organizations had the operational capacity to pursue IDR in a manner that would be meaningful to their bottom line.

The 2026 Federal IDR Operations Final Rule modifies several elements of the law that have historically made IDR difficult to scale for healthcare providers. Some of these changes improve the economics of IDR and reduce administrative friction. However, the changes do not make claim recovery automatic or IDR less burdensome on an operational level. Health systems still require discipline. They require expertise and supporting technology to identify eligible claims, route them correctly, meet deadlines, defend reimbursement positions, and follow recovery through payment.

While there are welcome changes to law, the core operating challenge to IDR must still be addressed.

Organizations must develop an IDR program that is streamlined, repeatable and strategic – one that can maximize the volume of claim cohorts where expected recovery justifies the effort and bolsters total revenue.

Our goal is to help financial and revenue cycle leaders **close the recovery gap in IDR,** reducing lost income to ultimately better serve their patients and stakeholders.

This playbook addresses opportunities to operationalize the IDR process for a more predictable revenue stream, and how to best manage the workflow and lifecycle of this increasingly lucrative part of the claim portfolio.

– The Knowtion Health Leadership Team

The law has changed; the operating challenge has not

Historically, IDR has been so complex that a provider would pursue a limited number of cases and decide the operational burden was too cumbersome to justify the resources required to see it through. Determining eligible claims, routing them correctly, managing negotiation and arbitration timelines and following recovery through payment all require specialized attention and knowledge.

The reality, however, is that underpaid, out-of-network claims often have a material impact on a provider's bottom line.

The greatest barrier to recovering claims comes from identifying repeatable patterns across payers, service lines, claim types, and reimbursement behavior — and acting on those patterns with consistent selection, evidence and follow-through.

With changes to the law, healthcare providers should **approach IDR as a portfolio opportunity** across the entire claim stream**.** The practical question is how an organization can effectively identify a viable claim population and successfully manage it to deliver maximum revenue recovery.

Workflow updates to Federal IDR require operational rigor

The 2026 Final Rule makes Federal IDR more structured, transparent and accessible to providers. This is critical because it changes how health systems should evaluate filing thresholds, batching, payer identification, eligibility signals and dispute workflow.[1]

Topline updates to the law that specifically warrant a fresh look and organizing approach to IDR:

1. **Improved economics.** This includes the reduction in administrative fees from $115 to $15 per party, per dispute.
2. **Improved data and requirement expectations.** For example, payers must use specified codes to indicate whether certain out-of-network items or services are subject to NSA protections and Federal IDR, improving eligibility signals.
3. **Enhancements to the IDR Portal.** This will consolidate the IDR process, reduce delays and improve process predictability. The phased IDR Gateway will centralize how providers initiate, track, and manage disputes.

These updates significantly reduce certain administrative friction; however, it does not address the four phases across the IDR lifecycle where recovery is won or lost.

Internal IDR discipline, expertise and supporting technology must all be leveraged together for maximum effect.

Four phases where value is won or lost

IDR begins before arbitration and continues after an award. **Four specific phases** will determine whether an eligible claim ultimately becomes recovered cash.

1. Eligibility identification

IDR programs can stall at the outset when teams cannot reliably identify IDR-eligible claims, distinguish federal from state pathways, or surface the payer, plan and remittance information required before the filing window closes.

2. Open negotiation

Open negotiation establishes the record, fixes the timeline, and creates an opportunity to resolve the claim before arbitration costs are incurred. This is a common phase for missed revenue recovery if teams do not identify eligible claims quickly enough, miss submission windows, lack payer contact clarity, or cannot manage correspondence at volume.

3. IDR arbitration

If open negotiation does not resolve the dispute, the provider may proceed to the Federal IDR Process within the required timeframe. Operational discipline gets the claim into the process; reimbursement judgment determines whether the position is persuasively supported with details such as patient acuity, complexity and scope of services, etc. A healthcare provider can have the appropriate claims and still underperform if the submission does not defend the requested rate effectively.[2]

4. Recovery and post-award batching

Recovery is complete only when the payment is received, posted, and reconciled. Healthcare teams need to track payment deadlines, match payer remittances to determinations, identify short or late payments and escalate noncompliance when necessary. Tracking payer behavior and grouping eligible claims for future batching helps ensure that potentially recoverable claims are not lost simply because they could not be pursued immediately.[2]

Across the lifecycle of a claim, the core requirements for IDR remain the same: accurate eligibility identification, disciplined open negotiation, well-supported submissions, and consistent post-award follow-through.

In this new legal environment, an IDR approach must move beyond individual disputes. A disciplined approach manages both the award-to-cash process and the related claim population that follows it, creating a repeatable recovery cadence across the four phases rather than a series of isolated cases.

Provider outcomes are strong, but eligibility remains a risk

Federal data demonstrates why operating discipline is crucial. The CMS reported that in the first half of 2025, providers, facilities, and air ambulance **providers prevailed in approximately 88% of payment determinations,** and the prevailing offer was higher than the qualifying payment amount in approximately 88% of payment determinations.[3] At the same time, eligibility remains a major operational risk.

CMS reported that non-initiating parties challenged eligibility in 40% of initiated disputes during the first half of 2025, and certified IDR entities found 17% of disputes ineligible during that period.[3]

The win-rate data suggests that well-supported provider claims can perform favorably in the Federal IDR Process. The eligibility data underscores the importance of claim selection, routing, documentation and filing discipline. Pursuing more disputes without getting those fundamentals correct will increase activity without necessarily increasing revenue recovery.

The federal data showcases the potential. The business case depends on the operational discipline of how to effectively identify and capture the revenue.

The recovery math, and the cost to capture it

The IDR business case is not based on gross recovery alone. Finance and revenue cycle leaders need to understand the relationship between eligible opportunity, expected reimbursement lift, cost to capture, time to cash and operating risk. Some important considerations:

1. What is the recoverable population?

Is there enough eligible claim volume to warrant focused attention? This requires looking across out-of-network claims and remits, identifying federal and state pathways, and understanding where opportunity concentrates by payer, service line and claim type.

2. What is the cost to capture?

IDR carries costs beyond filing fees, including specialized expertise, workflow management, evidence development, reconciliation, and internal oversight. Those costs need to be evaluated against expected recovery and time to cash.

3. Which claims are economical to pursue?

Lower administrative fees and expanded batching may change the pursuit threshold for recurring, smaller, or mid-value disputes.[1] However, eligibility confidence, expected reimbursement lift, payer concentration, batching potential, time to cash, and cost to capture still determine where the economics are most attractive.

The objective is to pursue every eligible claim where there's a positive return on investment.

Once the economics support action, the question becomes how to build the operating model required to capture the opportunity consistently.

Five pillars to help scale IDR

A sustainable IDR program is not built around arbitration alone. It requires five disciplines that work together—whether those capabilities are developed internally, supported by a specialized partner, or managed through a combination of both.

1. Treat the lifecycle as one workflow.

An effective IDR program connects eligibility identification, federal/state routing, open negotiation, IDR initiation, submission, arbitration management, award reconciliation and cooling-off capture. When those steps are managed by different teams, tracked in different tools, or processed without shared visibility, recovery can be lost at the handoffs. Clear ownership and accountability across the full lifecycle are essential.

2. Make routing an explicit control.

The Federal IDR Process is not always the right pathway. In states with applicable specified state laws or all-payer model agreements, certain claims may fall under state processes rather than the federal process. Mis-routing can result in ineligibility, delay, or a missed deadline.[2]

The 2026 Rule's payer registration requirements clarify routing to a degree, but specialized knowledge and claim-level logic are still required.[2] Organizations need a reliable way to maintain expertise as federal and state requirements evolve.

3. Pair technology with judgment.

IDR requires both workflow discipline and reimbursement judgment. Technology can support identification of potentially eligible claims, deadline management, payer and plan mapping, batching, documentation and workflow visibility. Reimbursement professionals apply the judgment required to validate eligibility, determine pursuit strategy, assess the evidence and shape the submission.

The operating model should make those decision rights explicit: technology supports identification and execution; financial teams make the reimbursement, filing and escalation decisions. The question is not simply whether the technology exists, but whether the organization has the expertise and capacity to act on what technology can help surface and automate.

4. Govern IDR as a managed recovery portfolio.

CFOs and revenue cycle leaders need portfolio-level visibility into:

- Eligible claim volume
- Filed volume
- Open negotiation outcomes
- Federal versus state routing
- Win rate
- Average lift
- Fees incurred
- Recovery timing
- Payer concentration
- Service-line concentration
- Cooling-off capture
- Repeat payer behavior
- Ineligibility/withdrawal rate
- Net recovery after fees
- Award-to-cash reconciliation

This level of visibility allows leaders to evaluate performance, identify recurring payer and claim patterns and determine where recovery or upstream intervention is warranted.

5. Use outcomes to improve the portfolio.

IDR outcomes should inform more than the next filing decision. It is imperative to track where disputes, ineligibility, payment delay and recovery concentrate across payers, plans, service lines and claim types.

Those patterns should refine claim selection, evidence strategy, escalation pathways and pursuit thresholds—and identify issues that warrant payer, contracting, documentation, or other upstream action.

The goal is not simply to increase dispute volume. It is to improve net recovery while reducing repeatable sources of friction over time.

Establish the size and economics of the opportunity

Using recent out-of-network claim and remit history, an IDR opportunity assessment can identify your organization's potential eligible claim population, assess federal and state routing, evaluate payer and service-line concentration, and estimate recovery potential and cost to capture.

The result of an assessment will be a clearer baseline for deciding whether to build the capability internally, or engage a partner based on economics.

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- ROI realized within approximately six weeks after go-live

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To inquire about an assessment, contact: services@knowtionhealth.com

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Performance figures and case studies cited reflect Knowtion Health internal client data (2024–2025). Outcomes vary based on payer mix, claim composition, baseline performance, and implementation. The IDR Recovery Gap Playbook is provided for informational purposes and does not constitute legal, financial, or compliance advice.