REVELE

Key Metrics to Measure Revenue Cycle Management Success

A guide to measuring your revenue cycle performance with common KPIs.

Introduction

TOP PERFORMING PRACTICES BENCHMARK THEIR DATA.

The key is to measure your practice against industry benchmarks but how do you know where to start?

Comparing your practice is only helpful if you are using the right metrics. This guide will help you get started.

KEY METRIC #1

DAYS IN ACCOUNTS RECEIVABLE

WHAT IS IT?

Accounts receivable (A/R) is a measure of how long it typically takes for a service to be paid by the responsible parties.

The calculation features the outstanding money based on the practice's average daily charge. Therefore, volume is accounted for and you get the insight into how well your billing department is collecting on accounts.

METRIC #1

Days in Accounts Receivable

How to Calculate

To calculate days in A/R, divide your total current receivable, net of credits, by your practice's average daily charge amount. In order to net the credits, subtract the current credit balance (in effect, adding the balance because you are subtracting a negative number) from the current total receivables.

For the average daily charge amount, divide total gross charges for the last 12 months by 365 days, representing the previous 12-month period. Depending on the specialty or certain circumstances, some practices may find it beneficial to calculate their average daily charge on a three-month basis instead of 12. In this case, the previous three months would be divided by 90. The key is to make a choice, and use the metric consistently over time.

**Like any billing indicator, performance as measured by days in A/R is influenced by your payer mix and specialty, as well as the level of automation that is deployed.*

Calculate and Measure

Days in Accounts Receivable

EXAMPLE:

Receivables:	Credit Balance:	Gross Charges:
= $76,800	= $8,621	= $630,520

(Total Receivables Net of Credits) / (Gross Charges / 365 Days) = Days in A/R

[$76,800 - ($8,621)] / ($630,520 / 365 Days) = 49.45

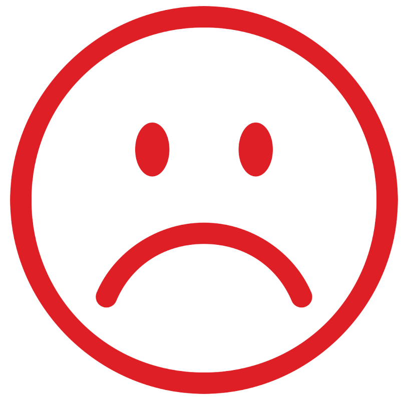
($85,421) / ($1,727,45) = **49.45**

Best Performers

A/R less than 35

Average Performers

A/R 35 to 50



Poor Performers

A/R greater than 50

Problems to Avoid

Days in Accounts Receivable

Now that you have calculated your days in A/R, you should evaluate a few other areas that could be underperforming even if your A/R seems favorable.

Days in A/R are high on specific insurance carriers

If your practice's A/R is 42.95, but your Medicare claims are around 65 days, there is a problem with your Medicare claims. Make the same days in A/R calculation for each of your major payers so you can analyze the performance of each payer.

Patients on Payment Plans

Because of payment plans, patients have an extended amount of time to pay on their accounts. This can cause A/R to rise. Some practices find it helpful to create and designate payment plans as a separate payer so that days in A/R can be calculated with and without this new "payer".

Older Aging Buckets

Claims that have aged past 90 or 120 days could be hiding if your overall days in A/R number is good. Utilize the "A/R>120 days" benchmark to get insight on your old claims.

Accounts Sent to Collections

Accounts sent to a collection agency are often written off the current receivables. Therefore these monies are not accounted for in the equation and ultimately can lead to a false impression of the A/R days. If you suddenly send a large number of accounts to collections your A/R days will appear much better. Avoid any confusion by calculating and comparing your days in A/R with—and without—the accounts sent to collections.

The Impact of Credits

Subtract credits from receivables so you are getting the most accurate number. If you do not consider the monies that are owed by the practice to other parties then you are going to see a false impression of performance.

KEY METRIC #2

PERCENTAGE OF A/R GREATER THAN 120 DAYS

WHAT IS IT?

We covered A/R earlier but what about the A/R over 120 days? The percentage of the A/R over 120 days is a measure of the practice's ability to get paid in a timely manner.

It is a percentage that represents the amount of receivables older than 120 days of the total current receivables. It isn't the only aging category to observe, but if choosing an aging indicator to evaluate, the percentage of A/R greater than 120 days is an excellent choice.

METRIC #2

Percentage of A/R Greater than 120 Days

How to Calculate

To calculate the percentage of A/R greater than 120 days, take the dollar amount of your receivables, net of credits, that is greater than 120 days and divide that number by your total receivables, net of credits.

**Like any billing indicator, performance as measured by percentage of A/R greater than 120 days is influenced by your payer mix and specialty, as well as the level of automation that is deployed.*

73%

Of providers state that it takes one month or more to collect from patients.

Calculate and Measure

Percentage of A/R Greater than 120 Days

EXAMPLE:

0-30	31-50	61-90	91-121	121-150	151+	Total
$754,116	$395,256	$303,417	$161,452	$115,836	$125,540	$1,694,165
44.51%	23.33%	17.90%	9.52%	6.83%	7.41%	

14.24%

To calculate the percentage of A/R greater than 120 days, sum the receivable in the aging buckets greater than 120 days and divide by total A/R ($1,694,165 in the example above).

In the example above, the A/R>120 would be calculated by dividing $241,376 by $1,694,165. The result is 14.24%.

Best Performers

A/R > 120 less than 12%

Average Performers

A/R > 120 between 12-25%

Poor Performers

A/R > 120 greater than 25%

Problems to Avoid

Percentage of A/R Greater than 120 Days

Once you have calculated you're A/R>120 days, you need to take into consideration a few areas that could be causing some inaccuracy.

Age of the Claim

Base your calculations on the actual age of the claim (e.g. date of service) for a more accurate number.

Some systems allow users to age accounts based on the date of service but others use the date the charge is entered. Some systems will re-age the service each time it changes hands from one party to another causing a false positive in most cases. The recalculation of the aging can significantly impact the percentage of A/R greater than 120 days.

KEY METRIC #3

ADJUSTED COLLECTION RATE

WHAT IS IT?

The adjusted collection rate (also known as the net collection rate) is a measure of a practice’s effectiveness in collecting all legitimate reimbursement.

This rate shows the percentage achieved out of the reimbursement allowed based on the practice’s contractual obligations. This figure reveals how much revenue is lost due to factors such as uncollectible bad debt, untimely filing and other non-contractual adjustments.

METRIC #3

Adjusted Collection Rate

How to Calculate

To calculate this rate you will need to divide payments (net of credits) by charges (net of approved contractual adjustments) for a specific time frame.

Ideally, the calculation should be based on matching the payments to the charges that created them in order to avoid fluctuations in results. If the practice management system can’t match payments with their originating charges, the practice should calculate this using aged data, typically from six months back, to ensure a majority of the claims used for the calculating have had enough time to clear.

**Like any billing indicator, performance as measured by the adjusted collection rate is influenced by your payer mix and specialty, as well as the level of automation that is deployed.*

Calculate and Measure

Adjusted Collection Rate

EXAMPLE:

Practice Payments:	Refunds:	Total Charges:	Total Write-Offs:
= $427,689	= $13,258	= $862,945	= $358,400

[(Practice Payments - Refunds) / (Total Charges - Write Offs)] x 100 - Adjusted Collections Percentage

[($427,689 - $13,258) / ($862,945 - $358,400)] x 100 = 82.13%

To calculate the adjusted collection rate, divide payments net of credits ($427,689 - $13,258) by charges net of approved contractual adjustments ($862,985 - $358,400), then multiply by 100.

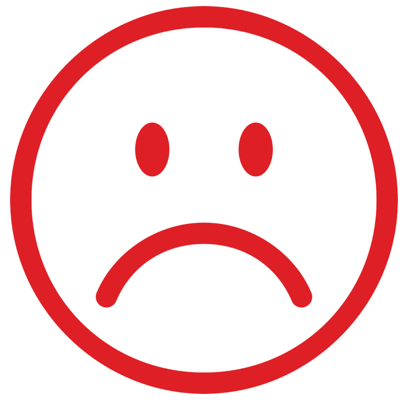
The total adjusted collection rate comes to **82.13%**

Best Performers

Higher than 99%

Average Performers

Between 95-99%



Poor Performers

Less than 95%

Problems to Avoid

Adjusted Collection Rate

As you calculate your adjusted collection rate, there are pitfalls to be aware of.

Including inappropriate write-offs in the calculation of adjusted collection rate.

One of the most common mistakes practices make is applying inappropriate adjustments to charges when posting payments. The most common inappropriate adjustment is lumping non-contractual adjustments and contractual adjustments together.

Failing to distinguish between the two provides a misleading view of how well the practice actually collects the money it has earned. Non-contractual adjustments must be appropriately designated, computed separately and placed in applicable categories indicating the reason, such as “untimely filing,” “failure to obtain pre-authorization,” and so forth. Tracking non-contractual adjustments based on their reasons will help reveal sources of errors and find opportunities to improve revenue cycle performance.

Not having access to your fee schedule or reimbursement schedules for each payer.

Without this information, a practice cannot truly know what it should have been paid. As a result, more inappropriate write-offs may go undetected.

KEY METRIC #4

DENIAL RATE

WHAT IS IT?

The denial rate is the percentage of claims denied by payers. A low number is desired as it represents a practice’s cash flow and the staff needed to maintain that cash flow.

Clean, paid claims do not require the attention that denied claims do by staff members. Automating processes can lower the ratio dramatically. Realtime patient eligibility tools and online claims editing tools assist practices in stream lining their processes and ultimately reduce denials.

METRIC #4

Denial Rate

How to Calculate

Using a specific period of time—the last quarter, for example—total the dollar amount of claims denied by payers.

The sum is then divided by the total dollar amount of claims submitted by the practice during that period of time. Practices may want to use charge line items denied divided by total charge line items submitted.

**Like any billing indicator, performance as measured by the denial rate is influenced by your payer mix and specialty, as well as the level of automation that is deployed.*

Best Performers

Less than 5%

Average Performers

Between 5-10%

Poor Performers

Greater than 10%

Additional Reports and Practice Metrics

DAILY & MONTHLY

DAILY

- Net Production

Charges-payments-adjustments + refunds, etc.

- Payments Summary

Review if the front office is collecting and posting copays & coinsurances.

- Rolling AR by Days
- Billed Claims

Are claims being billed out?

MONTHLY

- Days Sales Outstanding

End of month A/R divided by end of month charges. Multiply by calendar days in the same month.

- Clean Claim Rate
- Adjustments Report
- AR Aging (30, 60, 90, 120, 120+)
- AR Over 120 Days: Patient Responsibility vs Insurer Responsibility
- Patient visits
- New patients
- Charges
- Percent collections
- Number of statements mailed
- Charge & Pay per visit

Demand more from your revenue cycle.

Learn how our integrated RCM solution brings together robust data, intelligent claim handling, and performance consulting for a richer revenue cycle.

Talk with Sales

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