



# ***10 Benchmarks to Improve Accounts Receivable & Practice Performance***

Presented by:

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## **10 Benchmarks**

- Patient Registration & Verification of Eligibility
- Point of Service Collections
- Audit Revenue Capture
- Gross and Net Collections Percentage
- Receivables/Days in AR
- Revenue/Cash Flow
- Bad Debt/Write-Offs
- Denials/Underpayments
- Productivity
- Performance by Payer/Contract Performance

## **Access/Registration/Eligibility – 100%**

- Eligibility – Does your practice verify eligibility and obtain pre-authorization/referral for all appropriate patient services?
- Patient Registration – Does your practice have (and monitor) basic data which is captured, verified and entered prior to or at the time of service?

## **Point of Service Collections – 100%**

- Are you incorporating verified eligibility info to front office check-in staff?
- What percentage of patient co-pays are collected at time of service?
- When are patients with outstanding balances being informed and/or requested to pay?

## **Audit Revenue Capture – 100%**

- Are you auditing the capture of all provided services?
- Do you reconcile your days superbills against the appointment book?
- Do you reconcile inputted charges against surgery logs (IP and OP)?

## Net Collections (FFS only\*) - 94%

- Does your practice collect equal to or greater than 94%\*\* of the maximum collectable amount?

### Example:

Gross FFS Charge = \$100.00

Contractual Adjustment - 25.00

Net FFS Charge = \$ 75.00

Payment Total = \$ 71.00

Formula = Payment Total divided by Net FFS Charge ( $\$71 \div \$75 = 0.95$ )

Net FFS Collections Percentage = 95%

\* Capitation data artificially skews the results

\*\* MGMA 2005 Cost Survey Data

## Gross Collections

- Set benchmark based on month in which Net Collections was average or good – too many variables to use external benchmark\*

### Example:

Gross FFS Charge = \$100.00

Payment Total = \$ 54.00

Formula = Payment Total divided by Gross Charge  
( $\$54 \div \$100 = 54\%$ )

Gross Collections Percentage = 54%

\* Fee schedule and payor mix vary from practice to practice

## Days in A/R – 63 Days Charges in AR

**MGMA standard for All Multispecialty = 63\***

### Formula:

Step 1:  $\text{FFS Charges for Period} \div \text{Days in Period} = X$

Step 2:  $\text{FFS AR} \div X = \# \text{ of Average Days Charges in AR}$

**Tip #1 - Use at least 90 days of charges to get true average**

**Tip #2 – Exclude any non-FFS data from calculation\*\***

### Example:

Step 1: 90 Days of FFS Charges =  $\$200\text{K} \div 90 \text{ days} = \$2,222$

Step 2: FFS AR =  $\$140,000 \div \$2,222 = 63 \text{ Days Charges in AR}$

\* MGMA 2005 Cost Survey Data

\*\* Capitation data artificially skews the results

## Revenue/Cash Flow

- Charges, Payments, Adjustments and AR (by provider, payor and/or financial class)
- Cumulative Month and Year to date with last month/year comparison
- Identify and track key departments or high volume/\$\$ procedures (Surgeries, X-Ray, Deliveries)

## **Bad Debt and Write-Offs**

- How much of your AR is Bad Debt and do you have a process for dealing with it?
  - After 90 days patient due it needs to be resolved – sent to collections or adjusted off
- How are you tracking write-offs and do you compare them against your actual contracts?

## **Patient Collections**

### **Collection Policy A**

- 3 statements (90- 120 days)
- 14 days letter #1
- 14 days phone
- 14 days letter #2
- 14 days request approval for outside collection
- **TOTAL: 160-190 days**

### **Collection Policy B**

- 2 statements (25-50 days)
- Phone Call #1 (64 days)
- Statement #3 (75 days)
  - Phone Call #2
  - Collection Letter #1
  - Pre-approval
- Statement #4 (100 days)
  - Collection letter #2
- **TOTAL: 110 days**

## **Denials/Underpayments**

- Track denials by payer, reason, and financial consequence and prioritize
- Have dedicated denials process in place
- Must include “tickler” tracking so they don’t go unresolved
- Must have access to contractual allowables

## **Productivity**

- Develop & utilize tools to measure productivity
- Examples might include how many:
  - encounters per day
  - payments per day (\$\$ or count)
  - turnaround (DOS to Bill Date)
  - Use Days in AR to measure follow-up
- If you outsource, measure date of sending batch to date of entry and claim creation

## Revenue Cycle Timeline

Date of Service



Date of Entry



Date of Billing



Date of Payment



Can you diagnose where the delays are?

## Performance by Payer/Contract

- Do you measure and compare payors? (PPO and HMO)
- First step is to insure you have negotiated best possible rates for your practice
- Second, insure you are being paid your negotiated rates – ENFORCEMENT IS KEY!

## Tips for Improving Revenue Cycle

- Build a better “front-end”
  - Cash at time of service
  - Quality of data and entry into billing system**“Do it right the first time”**
- Automate wherever possible
  - Electronic claims and remittances
  - Eligibility and claims status
- Maximize and analyze productivity
  - Define job descriptions and expectations
  - Measure and report results

## External Resources

- Consulting
  - Ability to provide outsiders view and bring alternative perspective to problem
  - Any one can point out problems, key is to offer suggestions and plan to implement changes
- Billing Services
  - 100% focus on Revenue Cycle Management
  - “TEAMWORK” approach works best as some areas must be handled internally
  - Concern over “Lack of Internal Control”
  - Reputable, Stable, Service Oriented

**DEFINING EXPECTATIONS IS KEY!**