

Revenue Cycle Metrics

Revenue Cycle Performance Indicators

Health centers need to understand how well the organization is collecting revenue from third party payers. Calculating and analyzing several key measures can assist in assessing the health center's billing and collections performance. Any analysis requires utilizing a consistent time frame to allow for appropriate comparisons.

Accounts Receivables (A/R)

Accounts receivable (A/R) is a term used to denote money owed to your practice for services you have rendered and billed. Managing the A/R ensures that payment occur in a timely manner. An increase in A/R from one period to another is often a sign that monies are not being collected in a timely fashion. It indicates possible cash flow concerns if not addressed. There are several key A/R indicators:

1. Days in Accounts Receivables

Definition: Days in account receivable measures how long it takes for a service to be paid.

Calculation: Total Accounts Receivable divided by Average Daily Charges

Limitations: Does not consider how long the receivables have been waiting for collection of payment

Data Collection: Total Agency, By Site and By Payer

Benchmark: 40-45 days¹

2. Percent of A/R over 120 days

Definition: This measure examines the percent of aged receivable over 120 days. The longer a receivable remains on the books, the more likely it will not be collected and will turn into bad debt.

Calculation: Amount of Receivable over 120 days divided by Total Receivables

Data Collection: Total Agency, By Site and By Payer

Benchmark: 12-14%²

Collections

It is rare for a practice to collect all of the charges that are billed given contractual arrangements. Thus, to assess how well the practice is collecting money that has been billed, it needs to examine net collections. Examining measures using net collection assesses the ability of a practice to collect what is due. Examining denial rates assists in improving collections.

1. Net Collection Rate

Definition: Percent of payment due that is collected. Net collections are defined as the total charges less contractual adjustments.

Calculation: Payments Received divided by Total Payments Due (Charges less Contractual Adjustments)

Benchmark: 96-98%³

¹ Key Performance Indicators for Medical Billing, Elizabeth W. Woodcock, MBA, [http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/Liz Wood](http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/Liz%20Wood)

² Key Performance Indicators for Medical Billing, Elizabeth W. Woodcock, MBA, [http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/Liz Wood](http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/Liz%20Wood)

³ Key Performance Indicators for Medical Billing, Elizabeth W. Woodcock,

2. Claims Denial Rate

Definition: The percent of all claims that are denied by third party payers and need to be corrected and resubmitted.

Calculation: Number of Claims Denied divided by Total Number of Claims Submitted

Benchmark: 96-98%⁴

3. Average Third Party Revenue Collected per Clinician

Definition: To assess the revenue that each clinician produces at the health center.

Calculation: Total Third Party Revenue Collected divided by Number of Clinician Full Time Equivalents

Data Collection: Total Agency, Each Clinician

Benchmark: Not available - analysis of changes over time

4. Collected Revenue per Work Relative Value Unit

Definition: Most third party providers develop fee schedules based on Relative Value Units (RVU) including Medicare. The work RVU estimates the resources needed for each type of visit or services.

Calculation: Total Third Party Revenue Collected divided by Total Number of Work RVUs

Data Collection: Total Agency, Each Clinician

Benchmark: Not available - analysis of changes over time

Time of Service Collections

A source of revenue that can make a difference in a health center's sustainability is the collection of patient fees. Collecting payments at the time of services is the most effective method to assuring the center receives these funds.

1. Percent of Collections on Day of Service

Definition: Percent of payment due that is collected on the day of services. This includes sliding fee collections, co-pays, deductibles and payments from the patient.

Calculation: Patient payments on day of services divided by Total Patient Payment Generated

Benchmark: 90%

MBA, <http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/>Liz Wood

⁴ Key Performance Indicators for Medical Billing, Elizabeth W. Woodcock,

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