5 MUST-TRACK METRICS FOR PRACTICE PROFITABILITY

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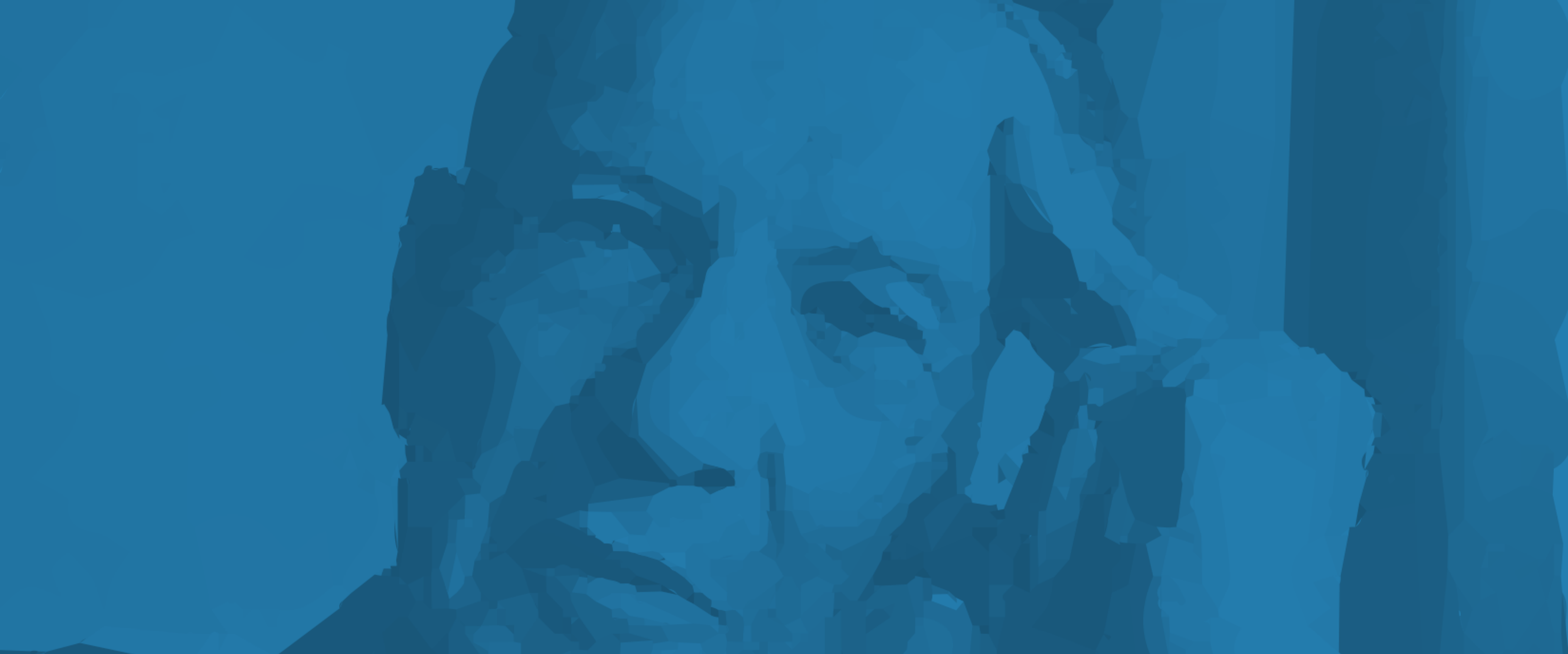

The late, legendary management expert Peter Drucker once famously said, “If you can’t measure it, you can’t manage it.”

In today’s challenging and rapidly evolving healthcare landscape, measurement is more important than ever. However, it can be easy to fall prey to “data for the sake of data” and lose the most meaningful metrics in a sea of statistics. When it comes to revenue cycle management—all of the activities that happen before, during and after a patient’s visit that affect a practice’s ability to get paid—it’s essential for practices to focus on a small set of meaningful metrics.

In this report, you’ll learn about the five key metrics that provide the best pulse on a practice’s revenue cycle and are the main drivers of financial success.

Metric 1.

FIRST-PASS RESOLUTION RATE

What It Is
The first-pass resolution rate (FPRR) is the share of a practice's claims that get paid on first submission.

Calculation
Total Number of Claims Paid / Total Number of Claims Submitted
(for a given period of time)

Benchmark
FPRR should be 90% or above.

Why It Matters
FPRR is a reflection of the effectiveness of your revenue cycle management processes – from pre-visit processes like verifying insurance eligibility, adding required authorizations, and maintaining accurate patient demographics to post-visit tasks like coding and billing. Getting it right the first time is critical to maximizing both efficiency and profitability.

Metric 2.

DAYS IN ACCOUNTS RECEIVABLE (A/R)

What It Is	Days in Accounts Receivable (A/R) represents the average number of days it takes a practice to get paid. The lower the number, the faster a practice is obtaining payment on average.
Calculation	There are several ways to calculate this, but the industry standard is **(Total Current Receivables – Credits) / Average Daily Gross Charge Amount.**
Benchmark	Days in A/R should stay below 50 days at minimum, but should generally be more in the 30-40 day range.
Why It Matters	In addition to providing insight into the efficiency of your revenue cycle management processes, monitoring this metric can help you unearth factors hurting your finances. For example, when assessing the cause of an increase, you may spot a problem with a certain payer and can then work to resolve it quickly.

Metric 3.

PERCENTAGE OF ACCOUNTS RECEIVABLE >120 DAYS

What It Is

Accounts Receivable (A/R) is generally grouped into aging buckets based on 30-day increments of elapsed time (30, 60, 90, 120 days). All A/R aged over 120 days falls in the inclusive A/R >120 day bucket.

Calculation

Dollar Value of A/R >120 Days / Dollar Value of Total A/R

Benchmark

Benchmark: Less than 25% of your A/R should be in the >120 days bucket.

Why It Matters

A/R >120 days is a clear indicator of how effective your practice is at securing reimbursements in a timely manner. High or rising percentages are red flags alerting you of issues with your practice's revenue cycle management (e.g., your staff may not be acting quickly enough on denials or aged claims) that need to be addressed promptly.

Metric 4.

NET COLLECTION RATE

What It Is

The net collection rate is the percentage of total potential reimbursement collected out of the total allowed amount. It is also commonly referred to as the "adjusted collection rate."

Calculation

(Payments - Credits) / (Charges – Contractual Adjustments)

Benchmark

Your net collection rate should be above 95%.

Why It Matters

This metric lets you assess your practice's effectiveness when all is said and done (i.e., claims have been submitted, denials processed, patients billed). It tells you objectively the share of the revenue your practice deserved, but left on the table. The lost opportunity reflects factors within your practice's control (e.g., untimely filing) and others beyond its control (e.g., uncollectable debt). Weak ongoing net collection rates may compel practices to replace staff, revamp processes, invest in new tools or outsource revenue cycle management to increase profitability.

Metric 5.

AVERAGE REIMBURSEMENT PER ENCOUNTER

What It Is	This is the average amount a practice collects per encounter.
Calculation	**Total Reimbursement / # of Encounters in a Given Time Period**
Benchmark	Due to variation across specialties, there is no universal industry benchmark for this metric.
Why It Matters	When benchmarked within a specialty, this metric gives practices a sense of whether they're performing well or could realistically be bringing in more money. When tracked over time and compared with historical practice results, it provides a simple, yet powerful gauge of whether your practice is trending in a positive or negative direction, so if negative, your practice must take steps to get back on track (e.g., by diversifying your patient or payer mix).

HOW DO YOU STACK UP?

The above metrics are **critical performance indicators**, empowering practices with the visibility necessary to gain control over their operations and profitability. While insightful on their own, these metrics are most valuable when analyzed in context, over time and against relevant benchmarks. Internal benchmarking should include comparisons with historical results for comparable time periods and comparisons with pre-established practice targets. External benchmarking should include comparisons with industry standards, along with specialty-specific standards. When it comes to data, less can be more when you focus on tracking, understanding and improving the vital metrics that tell you the most about your revenue cycle. If your practice doesn't have clearly defined key performance indicators, it will be difficult to gauge results and raise your practice's profitability in the long-term.

References: http://www.aapcps.com/news-articles/DaysinARandMore.aspx

CareCloud is a leading provider of cloud-based practice management, electronic health record (EHR) and medical billing software and services for medical groups. The company's products are connecting providers to one another – and to their patients – through a fully integrated digital healthcare ecosystem that can be accessed on any browser or device.

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