

# Measuring My Practice: What Is Important



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A brass balance scale is shown on a wooden surface. The left pan is lower and contains a stack of US dollar bills. The right pan is higher and contains an hourglass. The scale is in the center of the frame, and the background is dark.

“You cannot manage what  
you do not measure.”

Tom Peters, *In Search of Excellence*

# Overview

- Benchmarking
- Identify benchmarks to measure and monitor performance
- Additional control points
- Root cause analysis



# Benchmarking



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# Why benchmark?

Two key principles of benchmarking:

- If you don't measure it, you can't manage it
- If you don't value it, you won't change it



# Why comparison is important

## Improve Practice Performance

- Cannot improve unless you know where you are compared to where you were and how you compare to others
- Objectively identify improvement opportunities
- Set goals for higher performance



# Why comparison is important

- Evidence-based management versus gut feeling
  - Reduces uncertainty and builds confidence
  - Helps explain decisions and supports your management expertise





# Steps in benchmarking process

- 1 Identify what to benchmark
- 2 Identify a benchmark or best practice
- 3 Determining the gap in performance
- 4 Communicate findings
- 5 Develop and implement action plans
- 6 Review and adjust benchmarks



# 1 Identify what to benchmark

Identify metrics that accurately measure processes critical to performance.

- What is critical to the success of your practice?
- What is your mission? What are your values? What are your strategic goals?



## 2 Identify a benchmark or best practice

Benchmarking requires establishing a goal from internal or external sources. External sources may include industry or other sources, such as MGMA and HFMA. Internal goals may be based on specific experiences.

- Get specific - what are the key indicators?
- How will you trend? How will you measure performance?



# 3 Determining the gap in performance

- Identify areas where internal performance is below the benchmark
- Do a gap analysis



# 4 Communicate findings

- Communicating the findings is critical to the success toward improvements. Permits setting expectations and changes to priorities.



# 5 Develop and implement action plans

- Address gaps in performance with specific steps to improve on issues that are identified as the root cause

For example:

- Is your performance better than the benchmark?
- Is your performance in a normal range?
- Is your performance worse than the benchmark?



# 6 Review and adjust benchmarks

- Adapt the processes used by others to your organization
- Implement changes. Reassess your practice objectives. Recalibrate measurements.
- Do it again!





# Identify Benchmarks to Measure and Monitor Performance



# Key Performance Indicators

- Accounts receivable ageing
- Net collection ratio
- Days in accounts receivable (A/R)
- Credit balance percentage
- Charge lag time
- Payment lag time



# Accounts Receivable Ageing



# What does this report show?

- Measures the timeliness of collection efforts.
- Accounts are reduced in value as they age!

For example:

- Financial auditors typically review ageing reports when valuing a client's account receivable asset



# Accounts Receivable Ageing

The older the dollars, the more likely you will end up writing those dollars off.

Accounts Receivable that is over 120 days should represent a small percentage of your ageing dollars. These are dollars owed to your practice by patients, third-party payers, etc.



# How do you measure up?

<u>0-30 days</u>	<u>31 - 60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>&gt;120days</u>
▪ \$400,000	\$200,000	\$75,000	\$25,000	\$300,000
▪ <b>40%</b>	<b>20%</b>	<b>7.5%</b>	<b>2.5%</b>	<b>30%</b>



# How do you measure up?

Percentage of total A/R over 120 days old<sup>1</sup>

Average:	12-15%
Best Practice:	<11%
Alarm Bells	>25%

<sup>1</sup>Elizabeth Woodcock, Optimizing Your Revenue Cycle



# What reports do I run?

Report Type	Report Name	Notes
Revised Reports	#22 Account Ageing Report	Summary
Revised Reports	#18 A/R Status Report	Detail
Custom Reports	A/R 120 Days and older	Customer Web



# Analyzer Reports

## Report Name

A/R Ageing by Insurance Type (BRDHOS)

Also available in the following sorts:

- Balance Type (PIWC)
- Balance Type by Provider
- Balance Type by Place of Service
- Insurance Class
- Insurance Type by Place of Service





# Reports

Reports can be created based on date of service, posting date, date billed, or date of last payment. Consistency is important in running the report. Most practices run by posting date or date of transfer of responsibility.



# Areas for improvement

- Revenue cycle
  - Data quality issues in registration resulting in additional follow-up requirements. Results in additional resources that often not funded. Result is excessing ageing of A/R and eventual write-off
- Staffing/resource issues
  - Prioritization of work by follow-up staff. Where are efforts focused? Are they focused on issues that impact significant portions of the revenue?



# Net Collection Rate



# What does this report show?

*Net Collection Rate* tells you how much money you *actually* collected of the money you *could* have collected. Net charges are gross charges minus the contractual adjustments agreed upon when you signed your contract with the payer.



# How is it calculated?

- **Net collections (gross collections minus refunds)**
  - Divided by
- **Net charges (gross charges minus contractual adjustments)**

Collectible revenue (exclusive of contractual and non-contractual adjustments) divided by net charges (allowables). That is, out of the \$100 that an insurance company allows you to collect for a certain CPT code, how much did you collect?



# Collection Ratio Recommended 1

Pay / Chg

Pay/(Chg - Adj)

POSTING MONTH	# OF CHARGES	CHARGE AMOUNT	COLLECT MONTH	PAYMENT AMOUNT	ADJUSTED AMOUNT	BALANCE DUE	UNCOLL. PERCENT	GROSS % COLLECTED	ADJUSTED PERCENT	NET RATIO	COLLECTION
09/92	5905	885330.88	07/93	0.00	0.00	6568.63	0.74	0.00	0.00	0.00	0.00
			06/93	0.00	0.00	6568.63	0.74	0.00	0.00	0.00	0.00
			05/93	798.58	494.61	6568.63	0.74	0.09	0.05	0.09	0.09
			04/93	10921.15	5964.05	7861.82	0.88	1.23	0.67	1.24	1.24
			03/93	5697.23	2392.97	24747.02	2.79	0.64	0.27	0.64	0.64
			02/93	16406.94	4797.32	32837.22	3.70	1.85	0.54	1.86	1.86
			01/93	18154.41	11403.19	54041.48	6.10	2.05	1.28	2.07	2.07
			12/92	45852.69	12871.93	83559.08	9.44	5.17	1.45	5.25	5.25
			11/92	94967.74	37552.42	142323.70	16.07	10.72	4.24	11.20	11.20
			10/92	323416.17	159755.67	274843.86	31.04	36.53	18.04	44.57	44.57
			09/92	102262.40	25052.78	758015.70	85.62	11.55	2.82	11.89	11.89
09/92	TOTALS:		ALL	618477.31	260284.94	6568.63	0.74	69.83	29.40	98.95	
08/92	5623	847288.21	07/93	0.00	0.00	16393.63	1.93	0.00	0.00	0.00	0.00
			06/93	0.00	0.00	16393.63	1.93	0.00	0.00	0.00	0.00
			05/93	2588.17	2358.29	16393.63	1.93	0.30	0.27	0.30	0.30
			04/93	6152.59	9611.50	21340.09	2.51	0.72	1.13	0.73	0.73
			03/93	3406.28	6980.92	37104.18	4.37	0.42	0.82	0.42	0.42
			02/93	7645.88	5343.20	47689.38	5.62	0.90	0.63	0.90	0.90
			01/93	10006.60	22048.25	60678.46	7.16	1.18	2.60	1.21	1.21
			12/92	19307.89	4534.89	92733.31	10.94	2.27	0.53	2.29	2.29
			11/92	35530.45	15077.26	116576.09	13.75	4.19	1.77	4.26	4.26
			10/92	119726.05	48453.64	167183.80	19.73	14.13	5.71	14.98	14.98
			09/92	302565.45	159946.21	335363.49	39.58	35.70	18.87	44.01	44.01
			08/92	45177.32	4235.74	797875.15	94.16	5.33	0.49	5.35	5.35
08/92	TOTALS:		ALL	552304.68	278589.90	16393.63	1.93	65.18	32.88	97.12	
TOTALS:	66175	10143854.60		6197895.16	3159810.71	786148.73	7.75	61.10	31.15	88.74	

Excludes corrections.



# Key A/R Indicators

- *How do you measure your practice?*

- Industry recommendation:

Average	95 – 97%
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Best Practice	98%
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Alarm Bells	<90%
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- Elizabeth Woodcock, *Optimizing Your Revenue Cycle*



# What reports do I run?

Report Type	Report Name	Notes
<b>Revised Reports</b>	#5 Collection Ratio	
<b>Custom Reports</b>	Collection Ratio  Net collection ratio by provider	Custom Web





# Analyzer Reports

Report Name

Collection Ratio

Also available by Specialty



# What to look for

- If rate is below expectations, look to see if the uncollected dollars have been adjusted off or if receivables have increased
- If receivables have increased, look at staffing issues (new employee, vacation, sick time, etc.), payer delays and other items that would be associated with increases in days in receivable



# What to look for

If receivables have not increased in a way that corresponds with reduced collections, then review adjustments for non contractual.

- Perhaps a new provider is not properly credentialed, coding guidelines have been changed, or bad debt has increased because of economic conditions.



# Days in Accounts Receivable



# Days in A/R

- Most traditional measure of revenue cycle performance
- Measures average days to collect receivables or days of charges pending adjudication



# Calculating total days in A/R

Industry standard is to divide total accounts receivable by your average daily gross charges. Your average daily gross charge is your total gross charges for past year divided by 365 days:

$$\text{Total Accounts Receivable} / (\text{Total gross charges for past year} / 365) = \text{Days in A/R}$$



# How do you measure up?

Average:	40-45 days
Best Practice:	30-35 days
Alarm Bells	>65 days <sup>1</sup>

<sup>1</sup> Elizabeth Woodcock, Optimizing Your Revenue Cycle. 2009



# Days in A/R

Description	Time
Average days from date of service to charge posting date	5 days
Average days from charge posting to claim filing	2 days
Average days from claim filing to first follow-up (if required)	45 days
Average days from first follow-up to second follow-up (if required)	60days
Average days to post payment after receipt of remit	5 days





# Where do you find this report?

<b>Report Type</b>	<b>Report Name</b>	<b>Notes</b>
<b>Custom Reports</b>	Days in AR Net collection ratio by provider	Customer Web



# Analyzer Reports

## Report Name

### Days in A/R

Also available in the following sorts:

- by Provider
- by Place of Service
- By Insurance Class
- By Insurance Code by Provider
- Insurance Type



## Days in A/R by Provider

**Start Date**

10/1/02

**End Date**

12/31/2002

Provider Name		Total A/R	Posted Charges	Days in A/R
AMBLO	MD	\$202,354.18	\$365,138.66	51.0
CANAVAN	DO	\$227,184.60	\$319,482.91	<b>65.4</b>
CAST TECH		\$64,513.04	\$68,469.00	<b>86.7</b>
DUNTON	MD	\$95,663.98	\$269,462.98	32.7
FULLER	MD	\$215,772.20	\$287,013.60	<b>69.2</b>
GHOSTLAW	MD	\$160,104.43	\$339,153.26	43.4
KATZ	MD	\$174,923.39	\$336,316.82	47.9
LOCKWOOD	MD	\$197,100.94	\$239,987.38	<b>75.6</b>
MARGOLIS	MD	\$118,140.87	\$446,641.10	24.3
PARENTE	MD	\$240,134.41	\$373,904.12	59.1
REED	PA	\$49,051.13	\$56,448.00	<b>79.9</b>
ROSCOE	MD	\$186,165.94	\$270,693.37	<b>63.3</b>
SMITH	MD	\$169,520.30	\$289,089.10	53.9
WILLIS	MD	\$187,898.23	\$237,301.29	<b>72.8</b>

**Current Open Month:** 01/2003

**Total Ending Accounts Receivable:** \$2,288,527.64

**Total Posted Charges:** \$3,899,101.59

**Number of Days to Roll Charges:** 92

**Days in A/R for Report:** 54.0

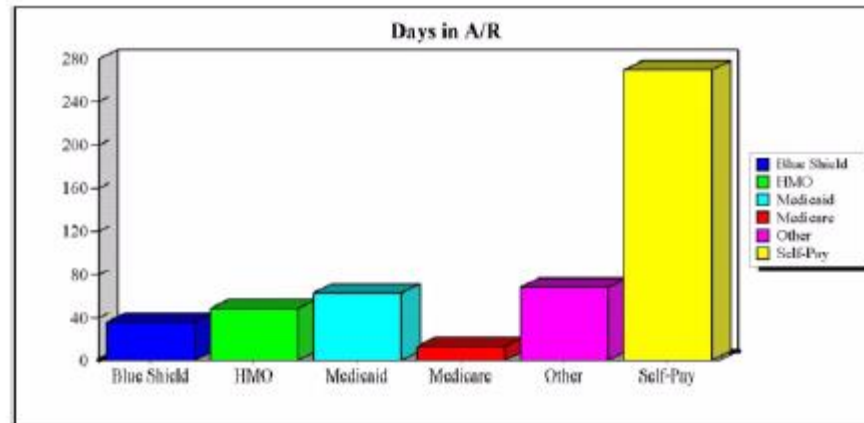

## Days in A/R by Insurance Type

**Start Date**  
10/1/02

**End Date**  
12/31/02

Insurance Type	Total A/R	Posted Charges	Days in A/R
Blue Shield	\$292,032.23	\$744,423.44	36.1
HMO	\$161,792.97	\$304,734.01	48.8
Medicaid	\$816,224.21	\$1,187,880.13	63.1
Medicare	\$127,305.67	\$851,684.61	13.8
Other	\$504,571.02	\$678,125.18	68.5
Self-Pay	\$387,601.54	\$132,274.22	269.6

Current Open Month: 01/2003  
 Total Ending Accounts Receivable: \$2,288,527.64  
 Total Posted Charges: \$3,699,101.59  
 Number of Days to Roll Charges: 92  
 Days in A/R for Report: 64.0



# Calculating days in A/R

- Exclude collection agency accounts
- Create separate report for collection agency accounts
- The report can be run on posting date (most common) or date of service. Again, be consistent and know what you are looking at and what you are comparing.
- Include credits (e.g., refunds), which actually offset your A/R



# Calculating days in A/R

- If you have seasonal fluctuations, you may want to use something other than 365 days. Just be consistent.
- Significant changes upward would indicate collection problems
- Drill in by Insurance Type to determine if there is a problem in a specific area
- Drill in by Provider to determine if there is a problem for specific provider or providers



# Charge and Payment Lag Times



# Revenue cycle management reports

<b>Pre-Visit</b> <hr/> Appointment Statistics Appointment Verification	<b>Patient Check In</b> <hr/> Registration Exception Report Copay Collection Rates	<b>Charge Entry</b> <hr/> Posting Productivity Report Posting Lag Time Report	<b>Claims</b> <hr/> Unbilled Claims
<b>Payment Entry</b> <hr/> Posting Productivity Report Posting Lag Time Report	<b>Account Management</b> <hr/> No Response Claim Report Front Desk Monthly Denials	<b>Patient Collections</b> <hr/> Delinquent Payment Plans	





# Charge Lag Time

## BURLINGTON MEDICAL GROUP

PROVIDER	CHARGE AMOUNT POSTED
CDA	4332.00
CN	3344.00
EDM	875.00
HP	18908.00
HUL	.00
JMP	370.00
KMB	200.00
LAB	75.00
MG	100.00
SWC	1247.00
TS	150.00
WAJ	100.00

## CHARGE POSTING LAG TIME REPORT

AVERAGE LAG TIME (DAYS)
22.80
1.92
145.33
23.40
0.00
21.25
678.00
0.00
0.00
0.00
10.57
0.00
0.00



# Payment Lag Time

## BURLINGTON MEDICAL GROUP

CHG PROV	PAYMENT AMOUNT POSTED
BN	138.00
CDA	2273.81
CN	1005.00
EDM	322.00
HP	6983.00
JMP	100.00
KK	60.00
LH	110.00
MG	10.00
SWC	620.00

## PAY POSTING LAG TIME REPORT

AVERAGE LAG TIME (DAYS)
0.00
29.94
0.00
0.00
3.71
0.00
0.00
0.00
0.00
0.00



# Credit Balance



# What are credit balances?

Credit balances are accounts that have a negative or credit balance due to payments and adjustments exceeding the original charge. This occurs routinely in the revenue cycle for a variety of reasons.



# Reasons for credit balances

- Excessive or inappropriate co-pay collection - Occurs when co-pays are collected during the global period (follow-up appointment after surgery, maternity) or for any service in which a co-pay is not required. In addition, the wrong amount is often collected (\$15 when the contract requires \$10)
- Coordination of Benefits - Results from multiple payers believing they are primary on the account



# Reasons for credit balances

- **Pre-Paid Activity** - Occurs when certain procedures (plastic surgery, in vitro fertilization) require a deposit or payment-in-full prior to rendering the service. These are typically not medically necessary procedures, but that is not always the case. These are not considered true credit balances and should be netted out of the total when calculating the rate.
- Goal is to maintain true credit balances below 2 percent



# How is it calculated?

- Total credit balances – Pre-paid Activity
- Divided by
- Total Accounts Receivable



# Root cause

- A goal for any organization should be to maintain the true credit balance percentage below 2 percent. Excessive credit balances indicate process concerns, training issues, inadequate follow-up or a combination of the group.
- In almost all cases, there is inadequate focus on credit balances. In most practices, credit balances are the last item on the "to-do" list. The most effective approach requires the organization to treat credit balances as a separate piece of the receivable and manage with the same tools utilized for debit balances (ageing, days in credit balances).





# Root cause

- **Identify root issues** - The credit balance is the end result but a sample audit could reveal the root causes. It is critical to identify those areas that are the genesis of the credit balances and train the staff or make process changes. Early intervention results in lower cost resolution. For example, maybe staff needs assistance in determining when and from which payers to collect co-pays. A co-pay collection work-aid or training would likely address the problem.



# Root cause

- **Streamline process where possible** - It is very common for refunds to be delayed because of a bottlenecked review process. Certainly, internal controls are critical to this process, but does the business office manager have a large stack on his / her desk awaiting review and approval? Is a tiered review / approval process possible?



# Root cause

- **Ensure maximum automation** - The lack of timely access to EOBs (explanation of benefits) can result in significant delays.
  - Use Task Management to management credit balances
  - Use distcredits to manage patient credits

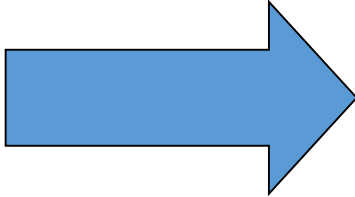


# Additional Control Points



# Revenue Cycle: Control Points

- Coding Errors
- Registration Errors
- Constants Mgmt
- Claim Format



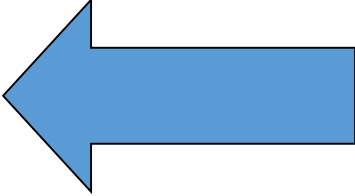
### Claim Rejections

- Coding Errors
- Registration Errors
- Constants Mgmt
- Claim Format
- Enrollment
- Eligibility



### Denials

- Coding Errors
- Registration Errors
- Duplicates
- Constants Mgmt
- Claim Format
- Enrollment
- Eligibility



### A/R Insurance Follow-Up

- No Response from Payer
- Denial Review
- Unbilled Claims



# Control Point: Claim Edits

- Charges hit the Claim Edit List for the following reasons:
  - Coding Errors
  - Registration Errors
  - Constants Management
  - Claim Format



# Control Point: Rejections

- Charges are Rejected for the following reasons:
  - Coding Errors
  - Registration Errors
  - Constants Management
  - Claim Format
  - Enrollment
  - Eligibility



# Control Point: Denials

- Charges are denied via an EOB by the payer for the following reasons:
  - Coding Errors
  - Registration Errors
  - Duplicates
  - Constants Management
  - Claim Format
  - Enrollment
  - Eligibility





# Control Point: A/R Insurance Follow-Up

- Types of charges that would need A/R Insurance Follow-Up would be the following:
  - No Response from the payer
  - Denial Review
  - Unbilled Claims



# Root Cause Analysis



# Is the problem with the payer?

- Maintain contact with payer representatives
- Keep up with payer communications
- Network with others
- Contact EDI for assistance



# Is the problem internal?

- Audit processes – 10 to 20 accounts per payer.
- Are staff trained on how to work different payers?
- Are account documented with work effort?
- Are you using Task Management?



# Root causes of under performance

- Registration data
- Incorrect coding
- Priorities in follow-up not correctly established
- Self pay follow up not clearly defined
- Payment posting process



# Root causes of under performance

- Low productivity
- Lack of training
- Lack of understanding of payer



# Know when to stop!

- Do sanity checks on your A/R! Are you pursuing intelligently?
- Look at age and effort!



# Are you posting adjustments correctly?

- Distinguish between contractual and non-contractual adjustments
- Use transaction messages and transaction message categories
- Be sure all transaction messages are posted to be able to report and analyze
- How much are you writing off to non-contractual adjustments????





# Questions?



# Resources

- Business Performance Resource ([www.bpir.com](http://www.bpir.com))
- Medical Group Management Association ([www.mgma.com](http://www.mgma.com))
- Practice Support Resources, Inc. ([www.psrbooks.com](http://www.psrbooks.com))
- Healthcare Financial Management Association ([www.hfma.org](http://www.hfma.org))
- Medical Group Management Association. *Performance and Practices of Successful Medical Groups. 2011 Report Based on 2010 Data.* MGMA 2011.



# Resources

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- Walker Keegan, Deborah, Woodcock, Elizabeth and Larch, Sara. *The Physician Billing Process Second Edition*. MGMA 2009.



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