

Accounts Receivable Check Up

By Mary N. Moak

Ever wondered how effective your billing office is? This quick assessment will give you some insight.

Ratio	Formula	What Does It Mean?
Days In Receivables	$\frac{\text{Average A/R} \times \text{Time Period (30 days for month)}}{\text{Charges for Same Time Period}}$	Tells how quickly you collect. 30 days or less is great, 40 days is industry average, and over 60 days means issues.
Collection Percentage	$\frac{\text{Collections for Time Period} + \text{Contr. Write-offs}}{\text{Charges for the Same Period}} \times 100$	Tells what percentage of charges is collected versus written off to bad debt or timely filing. Look at each month.
Revenue Per Visit	$\frac{\text{Collections for a Time Period}}{\text{Patient Visits for the Same Time Period}}$	Can be run by insurance company, physician, and office. Look at monthly to quickly spot trends that need addressing.
Profitability Percent	$\frac{\text{Collections for Time Period}}{\text{Collections} + \text{Contractual Write-Offs}} \times 100$	Takes uncollected charges out and looks at actual profitability on what you did collect. Percentage is not comparable between practices because fee schedules for charges vary.
Profitability Percent – More Accurate	$\frac{\text{Payments on Charges Included in Denominator}}{\text{Contractual Allowables on All Charges}} \times 100$	Fee schedules must be loaded in PM system to make this calculation. Note that this calculation compares payments with the charges that generated those charges. Most reports in PM systems show charges and payments for a period.
Bad Debt Percentage	$\frac{\text{Write- Offs Other Than Contractual}}{\text{Charges}} \times 100$	If your PM system enables matching write offs with applicable charges, the calculation is more accurate. If not run monthly to track trends.

Other Quality Measures

- a. How many FTE's are involved in billing? Industry metrics suggest 1 FTE for 10,000 claims sent in a year.
- b. What percent of claims are paid on the first pass? Payor mix and specialty can affect this number. Effective front desk procedures for insurance verification and correct charge posting are also important. In primary care 95% paid on first pass is very achievable.
- c. What billing system are you using and how old is it? Legacy systems do not allow you to work as efficiently as the newer systems because they do not have the functionality.
- d. Look at denials for a 30 day period. What issues do you see?
- e. What percentage of claims is filing electronically? The number should be 100% where there are not extenuating circumstances like requiring chart notes. Electronically filed claims are easier to track for proof of timely filing not to mention they are paid faster.
- f. What e-claims vendor do you use? There are vendors today who do much more than just forward claims and remittance.
- g. What percentage of payments is posted electronically? You should be using electronic remittance for major payors.
- h. Do you have contracted fee schedules loaded in the practice management system for at least your larger payors, high cost procedures, and frequent procedures? If you do are your payment posters identifying underpayments?
- i. Do you use document imaging for explanation of benefits and other business paperwork? The time savings generated from readily available EOB's enables workers to be more efficient and makes monitoring quality easier.
- j. What is the lag time if any between visits and charges posted and filed? It should be no longer than 24 hours.
- k. What is the lag time between payments being received and posted? It should be less than 5 business days.
- l. Do you use a bank lockbox to receive all but front desk payments? Security of funds, complete and well organized payment batches for posting and fewer trips to the bank more than pay for this service.
- m. Calculate accounts receivable aging buckets by patient and insurance responsibility. Metrics for these percentages can be obtained from MGMA by specialty. Over 120 days should not be over 15% unless there are extenuating circumstances like lots of workers comp claims.

For information on Physician Interlink, LLC's Accounts Receivable and Billing Office Assessment, call 404-216-7213 or email mmoak@PhysicianInterlink.com.

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