

## Financial Formulas

Ratio	Formula	What Does It Mean?
<b>Days In Receivables</b>	$\frac{\text{Average A/R} \times \text{Time Period (30 days for month)}}{\text{Charges for Same Time Period}}$	Tells how quickly you collect. 30 days or less is great, 40 days is industry average, over 60 days means issues.
<b>Collection Percentage</b>	$\frac{\text{Collections for Time Period} + \text{Contractual Write-offs}}{\text{Charges for the Same Period}} \times 100$	Tells what percentage of charges are collected versus written off to bad debt or timely filing. Look at each month.
<b>Revenue Per Visit</b>	$\frac{\text{Collections for a Time Period}}{\text{Patient Visits for the Same Time Period}}$	Can be run by insurance company, physician, office. Look at monthly to quickly spot trends that need addressing.
<b>Profitability Percent</b>	$\frac{\text{Collections for Time Period}}{\text{Collections} + \text{Contractual Write-Offs}} \times 100$	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.
<b>Profitability Percent – More Accurate</b>	$\frac{\text{Payments on Charges Included in Denominator}}{\text{Contractual Allowables on All Charges}} \times 100$	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.
<b>Bad Debt Percentage</b>	$\frac{\text{Write- Offs Other Than Contractual}}{\text{Charges}} \times 100$	If your PM system enables matching write offs with applicable charges, the calculation is more accurate. If not run monthly to track trends.

*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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