Essential financial metrics for your medical practice

By Don Rodden, CPA, CHBME

As a practice leader or partner, you need to know that the business side of your practice is on target — even if you don't have a passion for medical billing, balance sheets and income statements.

Your billing process should deliver quality metrics every month and quarter, and affirm all your procedures are being captured and processed to maximize your revenue.

When you drive your vehicle, you don't need to understand how the engine and drivetrain are engineered, what alloys are used to manufacture the frame or the rpm of the tires. You need specific measurable elements and warning systems to tell you what you need to know to operate your vehicle. A dashboard with straightforward references that confirm the positives and warn of any concerns is a useful tool.

When it comes to medical billing, you may not need to fully understand CPT code assignment, diagnosis code nuances or clean claim filing parameters.

You simply need a set of comparative metrics that allow you to monitor your performance and alert you to trends to help you adjust or respond to change in a timely manner.

At an absolute minimum, you need to be able to confirm that your practice is on target; you don't want to leave money on the table or risk being out of compliance. You need to receive current and relevant information in an easy to assess format. It should be reliable and validated.

Even with today's technology, many practice managers and practice management systems still don't effectively connect the plethora of data analytics that provide insight to your practice's financial health.

For information to be helpful and actionable, it needs context. For example, telling you how much you received in payments last month without reference points limits its meaning. But if you know that receipts increased 3.4% over prior periods and your charges and RVU volumes were up by 12.8%, that indicates you are missing money.

Start by asking yourself, "What are the absolute basics I need on a monthly basis to assure that I'm on the right trajectory?" Your answer should include these four specific sets of consistent, comparable, validated metrics from your process/system:

Monthly receipts

You need to have all of your monthly receipts, but you also need to be able to compare to prior months, same month prior year and year to date for both current and prior years.

Current receipt per RVU

The only accurate way to measure how much you received from a specific procedure is to file a claim, file secondary claims, balance bill the patient and send statements until the account is resolved. On average, 90% or so of your revenue will be realized within 30 to 45 days from the date of service. Some specific procedures, particularly the more extensive ones, can take longer to collect.

As such, it makes sense to take dates of service for the last few months, track the specific receipts from those procedures and determine the actual dollars received per RVU — total RVUs, not just the work RVU component — that you performed. Your income is determined by payers based on the total RVUs.

By monitoring cash per RVU at a high level, you will notice major trend changes. By taking it another step and having reports that show the payer trends in cash per RVU received, you have a powerful tool to assess (a) whether payers are not paying you what they have contracted to pay you, and/or (b) where your billing process may have gone awry. Most importantly, you will have a tool that monitors performance in a matter of one to two minutes.

Consider a variety of procedure-volume-based metrics to provide data elements that reveal high-level perspectives on performance and trends, including:

- Gross charges billed
- CPT units performed
- Total RVUs performed
- Average gross charge per procedure

Summary of accounts receivable activity

This is a 30,000-foot view of your entire billing-related financial activity. It starts with the period's beginning accounts receivable (A/R) balance. It

Figure 1. Executive summary of monthly finances

	2015	2016
Total cash received	$5,810,442.92	$5,908,315.37
Current receipt per procedure	$40.97	$41.43
Current receipt per RVU	$44.11	$43.34
These averages are calculated by dividing the actual payments received to date for dates of service from six months back to 12 months back by the number of exams performed or the number of RVUs performed during that time.		
Gross charges performed	$17,875,624.86	$19,018,721.84
CPT units performed	138,643	142,975
Total RVUs (by service date)	129,192.35	136,663.82
Average gross charge per procedure	$128.93	$133.02
Accounts receivable summary (by posting date)		
January 1 balance:	$1,452,423.19	$1,480,490.90
Charges:	$17,980,183.07	$18,814,480.09
Adjustments:	$12,141,672.44	$12,733,396.48
Payments:	$5,810,442.92	$5,908,315.37
December 31 balance:	$1,480,490.89	$1,653,259.15
Days in A/R to collect	**28.8**	**33.7**

increases when charges are billed and decreases as a result of payments and adjustments. By monitoring this balance monthly and comparing it to prior periods, major irregularities can be observed and questioned.

Days in A/R to collect

Days in A/R is a metric that tells you how quickly (or slowly) your money is coming in. On average, you should receive your receipts in 30 days or less. (Many receipts will come in within 14 to 21 days, while trailing receipts for denied claims that need to be reworked, workers' compensation claims, patient payments, etc., can take much longer.)

Figure 1 is a high-level executive summary that begins to capture some of these metrics. Included here is a substantial amount of detailed monthly data that provides specific analysis. But even if you only have this highest-level report, you're well-positioned to be able to effectively monitor your practice's financial condition.

Sadly, some practice managers and billing entities aren't transparent with their activity and performance. If your billing process isn't managing every claim — accounting for it to the penny and reconciling the billing system to your bank account — there likely will be irregularities. It is very easy to mask not following up on denied claims, missed deadlines and write-off activity that otherwise should be collectible.

It's essential to have a reliable billing process that provides validation of charges and production. It's important to have direct access to the above metrics and report them. Too much is at stake to not have a handle on the large sums you manage annually. ■

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