



key revenue cycle metrics

Today's healthcare revenue cycle remains as complex as ever. While cash is still and will always be king, and while the management and measurement of traditional "block and tackle" revenue cycle key performance indicators such as gross and net days receivable outstanding and percentage total accounts receivable over 90 and 120 days remain fundamental and valid business metrics, there is growing need for an additional layer of high-performance KPIs that seek to better exploit potential areas of new business opportunity as well as expose areas where bottlenecks, inherent risk, or lagging performance exists.

A combination of traditional and advanced metrics provides the best opportunity to drive real improvements in financial performance and efficiency. Selecting traditional financial metrics that are tailored to an organization's unique operating environment is essential. However, financial managers will benefit from tracking and measuring the following advanced measures of performance.

Days in revenue outstanding. One of the most dominant KPIs in the measurement of revenue cycle performance outcomes, DRO remains an effective efficiency ratio to determine overall collection effectiveness. To improve the decision-making value of DRO metrics, however, DRO should be stratified by major payer classification, contract type, or financial class, as well as by patient account representative/collector.

Cash as percentage of net revenue and cash as percentage of net collectible value. While cash receipts as a percentage of net revenue is among the top indicators of cash/liquidity performance, we recommend extending beyond traditional

outcomes-based analysis toward deeper and more value-rich metrics that provide insight into operational performance, such as final billed to gross revenue ratio, which is the correlative relationship between health information management movement of accounts into the active A/R and new gross revenue in the same calculation period. HIM coding ahead of new revenue correlates to strong cash performance, whereas HIM coding at less than 100 percent of new gross revenue allows for the immediate prediction of a cash shortfall in the subsequent period.

Conversion rate. This simple, daily indicator is one of the revenue cycle executive's most powerful allies in ensuring strong month-end outcomes. The idea is to showcase a metric that illustrates whether outstanding receivables are being resolved through receipts, adjustments, and transfers at a faster pace than the booking of new gross revenues. By developing a suite of conversion rate indicators at the major payer, financial payer class, and collector levels, leadership and staff can predict shortfalls, know when write-offs are at variance to target, and predict the outcomes of month-end through daily operational management.

Other advanced KPIs. Advanced KPIs serve to offer increased insight into specific operational and/or functional areas such as preregistration or discharged not final billed. Other indicators to consider include:

- > Denial rate on preregistered versus new registration accounts
- > Bad debt expense on preregistered versus new registration accounts
- > Bad debt expense on financial discharges versus nonfinancial discharges

TOOLS TO SHARE

If you have developed a useful tool that you'd like to share, please contact Carole Bolster, senior editor, at cbolster@hfma.org.



> Lost cash opportunity due to unbilled beyond suspense

and other internal and external factors affecting applicability. ●

These metrics are meant to serve as guidelines only; each organization should determine independently which metrics are realistic for it given organizational goals and objectives, state and regulatory payment requirements and constraints,

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KEY REVENUE CYCLE METRICS		
Key Revenue Cycle Performance Area	Relevant Metrics	Best Practice Target(s)/Range
Patient Access Quality	Physician authorization compliance Inpatient admissions error ratio Outpatient registration error ratio Point-of-service cash (self-pay and co-insurance/deductibles) % of preregistered accounts (inpatient) % of preregistered accounts (outpatient)	96-98% compliance <1-2% error <1-2% error Collect \$75 per eligible encounter (average) 40-50% 25-30%
Case Management	Payer acceptance of clinical treatment plan (based on authorization) Clinical denials overturn rate	95-97% acceptance 95%
Health Information Management Quality	Lost cash opportunity due to unbilled beyond suspense DNFB and HIM billholds - Awaiting coding - Awaiting dictation Charge capture quality	<1 GDRO × net revenue % <0.5 day in A/R <0.5 day in A/R 98% compliance
PFS/Patient Accounting (Cash Management and Liquidity Focus)	Gross days receivable outstanding GDRO for HMO/PPO on HMO/PPO revenue Net days receivable outstanding NDRO for Medicare on Medicare revenue % A/R over 90 days % A/R over 120 days	<52 days outstanding <45 days <48 days outstanding <22 days 17-20% 10-12%

Key Revenue Cycle Performance Area	Relevant Metrics	Best Practice Target(s)/Range
PFS/Patient Accounting (Cash Management and Liquidity Focus)	% A/R over 1 year Patient accounting cash receipts as % of net revenue Patient accounting cash receipts as % of net collectible value Credit balance A/R	<2% 101-103% 100% <1 A/R day
PFS/Patient Accounting (Billing Timeliness and Quality)	Billing turnaround % clean claims submission Secondary/tertiary payer billing Payer turnaround (average time to pay clean claim) - Electronic - Paper	5 days from DOS or discharge 97% 5 days from receipt from primary 7-10 days <30-45 days
PFS/Patient Accounting (Collections and Follow-up Quality)	Claim rejection turnaround High-dollar unpaid accounts worked Low-dollar unpaid accounts worked	10-15 days <5% over 60 days <10% over 60 days
Accounts Receivable Processing	Conversion rate Cash posting Contractual allowance posting Credit balance threshold Credit balance turnaround	>100% <24 hours from receipt by payer <24 hours from receipt by payer <1 A/R day 30 days from notification by third party
All Revenue Cycle Departments Net Revenue Exposure	Denial overturn ratio Underpayments overturn ratio Cash factor analysis (payment to gross charge ratio) by payer grouping	95-98% 95-98% 100% of expected
Other Performance Indicators	Cost-to-collect ratio Bad debt expense as % of gross revenue Bad debt expense as % of net revenue	<2.5% <4.5% <2-3%