Monitoring Your Revenue Cycle

By Elizabeth Woodcock, MBA, FACMPE, CPC

Ensuring the health of your revenue cycle is like self-care for your medical practice – essential to prioritize so that you can serve your community for many years to come. It's a great idea to do a full physical on your revenue cycle every three to five years, but monthly monitoring helps keep guardrails on your practice's finances. Create a template for a dashboard to maintain the pulse of your revenue cycle, and report on these key indicators:

Revenue: Ultimately, your bank account reflects the monies collected by your practice, so it's a great idea to put the revenue for the month at the top of your dashboard. Calibrate the information by dividing revenue by physician days worked or work relative value units, to make sure that your revenue is tracking with effort.

Days in receivables outstanding: If your practice has a healthy revenue cycle, your receivables management should be in good shape. To gauge success, measure your days in receivables management. Calculate this indicator by dividing your practice's average daily charge into total current receivables (net of credits). The measure, which should be 25 to 35 days (unless you have a particularly challenging payer), gives you a great lens into the health of your revenue management.

Aged trial balance: Another excellent marker of receivables management performance is the aged trial balance, often referred to by its acronym, ATB. Typically displayed in a table format, the ATB reports the monies owed to your practice, by payer, based on 30-day time periods. If the information is too voluminous for the dashboard, consider reporting the percentage of receivables over 120 days. Compare this to the average of the previous year to ensure that it's not trending down.

First-pass clean claims rate: The addition of a revenue cycle predictor like the first-pass clean claims rate allows you to monitor your revenue cycle prospectively. Aim for a 100% pass-through rate, but recognize that insurance payers have complex, ever-changing rules that make this virtually impossible. Further, a lower-than-expected clean claims pass rate may not be undesirable. If your practice can catch problems before they pass into the payers' hands, your practice may be able to prevent denials. Consider reporting the first-pass clean claims rate, alongside the denial rate on your dashboard.

Payer mix: Unless your practice is off the (insurance) grid, and collecting directly from patients, the mixture of insurers deserves to be carefully monitored. Reimbursement from insurers represents your practice's revenue potential. For the dashboard, it's okay to keep it at a high level. Using a pie chart, report the percent of Medicare, Medicaid, Commercial Insurers, Self-Pay, and Other. Add other categories – Workers' Compensation, for example, if they contribute a high percentage to your payer mix. The key is to monitor changes, so display the current mix adjacent to the historical one. Changes to your payer mix may be the sole reason your revenue has slipped, regardless of how effective your revenue management efforts are.

There may be other receivables management indicators that you add on your dashboard but leave room for two other elements that can add value to your monitoring efforts: (1) benchmarks for your specialty, often available from your professional society or practice management association; and (2) a qualitative narrative from your director. The addition of a subjective review of the past month offers the opportunity for management to explain the performance. The tangential benefit is that it forces directors to thoughtfully draw upon their insights – to analyze and assess concisely with intention.

The best dashboard is one that offers both a quantitative and qualitative perspective, not surprisingly given the incredible complexity of the revenue cycle.
