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10 must-have metrics

There's no shortage of metrics available to your business today. In fact, the challenge can be that you try using too many and end up with analysis paralysis.

But we won't let that happen. In fact, there are 10 must-have metrics that we recommend providers like you use to make sure you're able to track, monitor and manage your business efficiently and effectively.

Metrics to uncover hidden money

At the end of the day, business comes down to margins. And for our industry, we've seen those margin shrink. One sure-fire way to combat this is finding hidden money within your operations and processes. These first four metrics show you how.

1 Outstanding sales orders days

Outstanding sales orders represent the money that's not yet in AR and can't be billed until documentation is complete. These are the number of days' worth of orders in your open orders bucket.

What it tells you:

This metric indicates if intake processes are optimal. It shows if your confirmations are keeping pace with new orders or if there's a backlog, and it's essential to monitor by product and payer to prevent missed revenue opportunities.

How to calculate:

Sales order outstanding allowable ÷ Created dollar amount x Number of days in the month

Benchmark: You have significant room for improvement if you have an average of 30 days or more in unconfirmed sales. Brightree's RCM services customers average 10 days in unconfirmed sales orders. This can vary based on product and payer mix.

2 Held AR days

Held AR is the amount of a company's accounts receivables that is comprised of invoices on hold. In other words, it's the number of days of allowable billing tied up in your on-hold AR, creating non-billable revenue.

What it tells you:

The metric indicates that you have front-end documentation process issues, like incomplete or inaccurate certificates of medical necessity (CMNs), authorizations and prescriptions during the intake process. The biggest concern with held AR are claims that will result in untimely filing write-offs if not resolved properly.

How to calculate:

Held days = Total held ÷ Monthly average allowable billing x Number of days in the month

3 Denial rate

Denials rate represent the percentage of claims or invoices that have been denied.

What it tells you:

This metric indicates different challenges some of which are documentation problem within your workflow process, incorrect modifiers being used, process bottlenecks resulting in timely filing issues, etc. It's critical to review each denial to understand the root cause of the issue and proactively mitigate similar denials to avoid untimely filings in the future.

How to calculate:

Denial rate = Total claims denied by payer ÷ Total claims billed

4 90+ and 120+ AR aging

90+ and 120+ AR represents the sum of AR that is aged past 90 days and 120 days from the invoice open date.

What it tells you:

This metric indicates whether your cash is coming in the door or just continuing to age. High AR aging can indicate process resulting in adjustments and write-offs.

How to calculate:

90+ (or 120+) AR = Sum of all aging buckets over 90 (or 120) days ÷ Total ar balance

Benchmark: Most providers aim for an unpaid claims amount of less than 10%. At Brightree RCM, we often see customers stop working aged AR because they don't have enough staff to work on it; however, monitoring and responding to denials in a timely manner is critical.

Metrics to boost financial performance

The ultimate business goal is getting claims out the door cleanly so that you get paid faster rather than spending money on the labor it requires to rework denied claims. By identifying continuous improvement in your operations – including correcting bottlenecks within your processes – you can catch issues before they can actually hit your cashflow or P&L. These remaining six metrics show you how.

5

Net revenue collection ratio

The net revenue collection ratio accounts for any credit adjustments, adjust allowable and balance transfers for a more accurate representation of your revenue.

What it tells you:

Monitoring this metric by product and payer are essential to accurately track and forecast real revenue numbers and cash projections, and it's important to make adjustments for price table discrepancies and billing errors.

How to calculate:

Net revenue collection ratio = Payments ÷ (allow amount - adjust allowable - credit adjustment - balance transfer)

Benchmark: Providers that have a net revenue collection ratio above 95% are performing well. These ratios can vary by product, payer and geography.

6

Days sales outstanding (DSO)

DSO is the average time it takes to receive payments after service has been provided.

What it tells you:

This metric is an indicator of how well your AR balances are being managed.

How to calculate:

DSO = Total AR balance ÷ Average daily allowable amount

Benchmark: This metric can easily be skewed if you aren't maintaining accurate AR; therefore, at Brightree, we only use this metric if you're following all processes in a timely matter. This can also vary based on product and insurance mix.

7

Aging bucket day roll

Aging bucket day roll helps you determine the ratio of clean claims leaving the system. It also determines how effectively your team is processing and resolving denials and aged accounts receivable.

What it tells you:

This metric indicates how clean your claims are when they go out the door and how effective you are in following up on aged accounts receivable.

How to calculate:

90-day roll = Dollar amount in current month 90-120 day open ar bucket ÷ Dollar amount in the 0-30 day open ar bucket 3 months prior

When you use this metric you are calculating how much of your current Open AR is not resolved in 90 days. 90 day roll is calculated by taking the $ amount of the current month 90-120 day Open AR bucket and dividing that by the $ amount of the 0-30 day Open AR bucket 3 months prior. For example, if you are reviewing January 90 day roll, you will take January 90-120 bucket and divide that by Oct 0-30 bucket.

Benchmark: Ideally you want to be below 10%. Providers in the 10%-15% range are doing okay, but at the 15%-20%, there's room for improvement. Anything over 20% indicates that there's a great deal of room for improvement.

8

Write-off ratio

Write-off ratio is the percentage of allowable billed adjusted from AR each month resulting in bad debt. Bad debt is AR that you should have been able to collect but failed to; for example, claims submitted without prior authorization.

What it tells you:

This metric tracks the AR you should have been able to collect but failed to and provides visibility into broken processes.

How to calculate:

Write-off ratio = Total write offs ÷ Total allowable billed

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Adjustment ratios

Adjust Allow is the difference between your price table allowable & the actual allowable from the paid Explanation of Benefits from the payor. Credit adjustments represents billing errors. These two adjustments as a percentage of Allow Amount are your adjument ratios.

What it tells you:

This metric identifies areas for improvement within your processes. You will want to ensure that the total ratio of adjustments month over month should be under 10%. Manual adjust allowables occur when you don't have a price table for the payor OR the price table needs to be updated. Credit Adjustments typically mean there was a billing error; for example you billed Medicare instead of billing the patient's HMO. Improving these ratios will result in reduced touches within the system and reduction in operational cost.

How to calculate:

AA Ratio = Adjust allow ÷ Allow amount
CA Ratio = Credit adjustment ÷ Allow amount

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Electronic utilization ratio

For both operational efficiency and financial gain, it's important to review manual transmission of claims and convert them to electronic transmissions. Within the Brightree system, you have the option of sending claims electronically & receiving ERN's

What it tells you:

This metric indicates what percent of your claims are electronic. In turn, this is a good indicator for how many claims are being manually sent to the insurances and work effort to manually post denials and payments. Providers who partner with RCM to complete their enrollments average greater than 90%.

How to calculate:

Electronic utilization ratio = Count of system generated payments ÷ Count of total payments

At Brightree, our revenue cycle management services look at all of these must-have metrics – and more – to manage our customers. If you're not doing the same for your business, you should know that your competitors probably are.

For more information or to request a demo **brightree.com/consult 1.833.916.1554**

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