



**5+ Numbers You
Need To Know**

5 Metrics You Should Know

- 1 Charges\Receipts
- 2 RVUs
- 3 ARs\Days in AR
- 4 Charge lag
- 5 Denials

Why do you need to know these numbers?

Without understanding these concepts, you will not understand the value of the services that you provide

1. Charges

- 🌐 **Gross charges - total amount of charges**
- 🌐 **Represents total work in a perfect world**
- 🌐 **Guess what? It ain't a perfect world!**

1. Receipts

- 🌐 Money collected for your services
- 🌐 Easier to collect money at POS, costs \$30 every time you try to collect an account >6mo
- 🌐 **Net receipts = Gross receipts – Refunds**
- 🌐 ***Most important number to know***

1. Charges

- 🌐 **Gross collection % =
Collections\Charges**
- 🌐 **Example: \$750,000
(payments)\\$1,000,000 (charges)= 75%**
- 🌐 **Compare with previous month,
quarter, and year**

1. Charges-using data

- 🌐 Why a decrease in gross collections?
- 🌐 ? increase in Medicaid
- 🌐 ? increase contractual write offs
- 🌐 ? increase staff turnover

1. Charges-Net collection percentage (NCP)

- 🌐 NCP= $\text{Payments} \div (\text{charges} - \text{adjustments})$
- 🌐 Example: $\$750,000 \div \$1,000,000 - \$200,000 = 93.77\%$
- 🌐 **Well-run practice should be >97%**
- 🌐 Used to compare your practice today to your practice yesterday

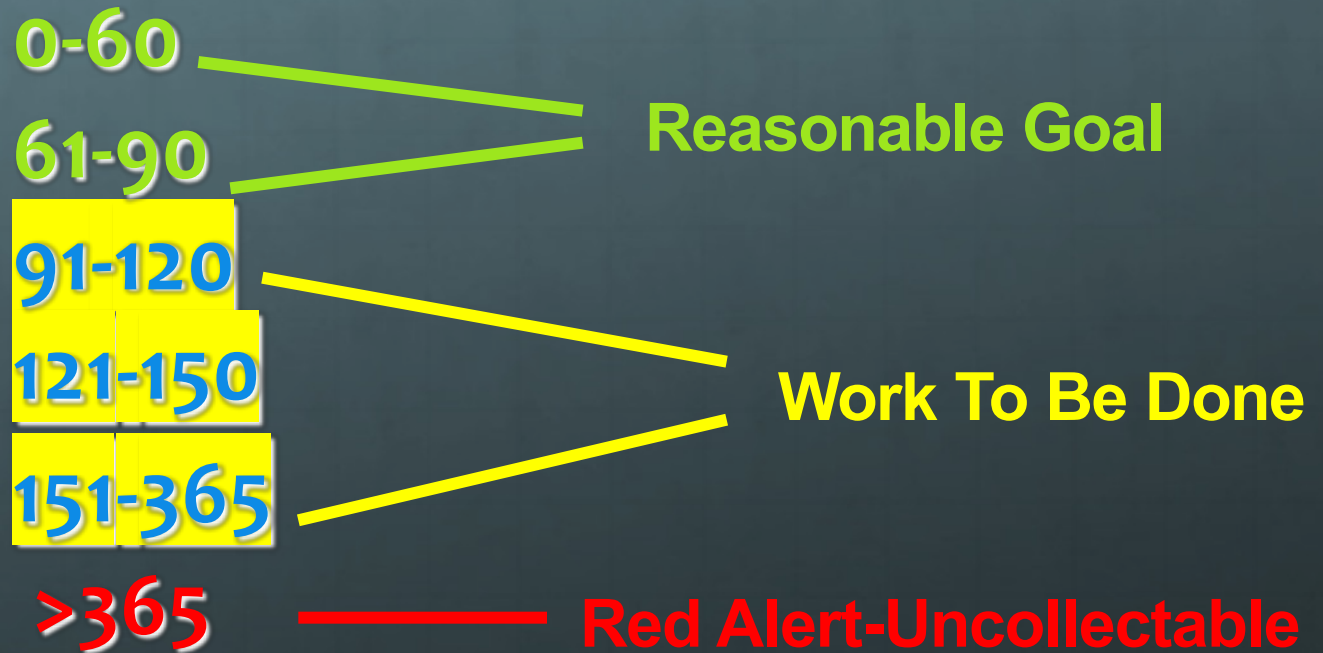
2. RVUs

- Measures physician productivity across time periods-used to calculate compensation
- Also useful for negotiation with hospitals and insurance companies
- Calculation-complexity, time to do the work, labor, materials, supplies, malpractice
- CMS-RVUs for a CPT X “Congressional Factor”
- 2013 CF was \$ \$34.0230

3. Accounts Receivables (ARs)

- 🌐 **Gross AR = Charges – receipts**
- 🌐 **Net AR = Charges – Contractual allowances – Receipts (what you are really likely to collect)**
- 🌐 **ARs determines good management from poor management or a failed PMS**

3. Aging of ARs



3. Days in AR

- 🌐 **Days AR = Total AR \ Average Daily Charges**
- 🌐 **ADC = quarterly charges \ 90 days**
- 🌐 **Metric on the efficiency of the practice**
- 🌐 **Average number of days to collect for a service**
- 🌐 **Greater the Days in AR, less efficient the practice**
- 🌐 **Rising Days AR-? delay by doctor, staff, or payor**

3. AR ratio

- 🌐 AR Ratio = $\text{AR} \div \text{average monthly billings}$, using most recent 3 months
- 🌐 Example: last month's AR = \$448,000 unpaid bills
- 🌐 Prior 3 months billings \$396,000 or divide by 3 = \$132,000 for average monthly billing
- 🌐 $\$448,000 \div \$132,000 = 3.4$ or 3.4 months of work or 102 days of work
- 🌐 AR Ratio of 3.4 represents 3.4 months of business due to your practice

3. AR Ratio

- 🌐 Goals: Primary care 1.5-2.5
- 🌐 **Ob-Gyn practice <2.0-3.0**
- 🌐 More expensive procedures, more insurance you will have to collect and the higher will be the AR ratio

4. Charge Lag

- 🌐 Average between date of service and date that charge is posted
- 🌐 Should ideally be “0”
- 🌐 One day is acceptable

5. Denials

- 🌐 Claim must be *perfectly* accurate-”clean”
- 🌐 10-15% of claims are denied due to errors
- 🌐 50% of denied claims are never re-filed!
- 🌐 90% of denials are preventable
- 🌐 Significant denials use a scrubber
- 🌐 Scrubber-available on billing programs

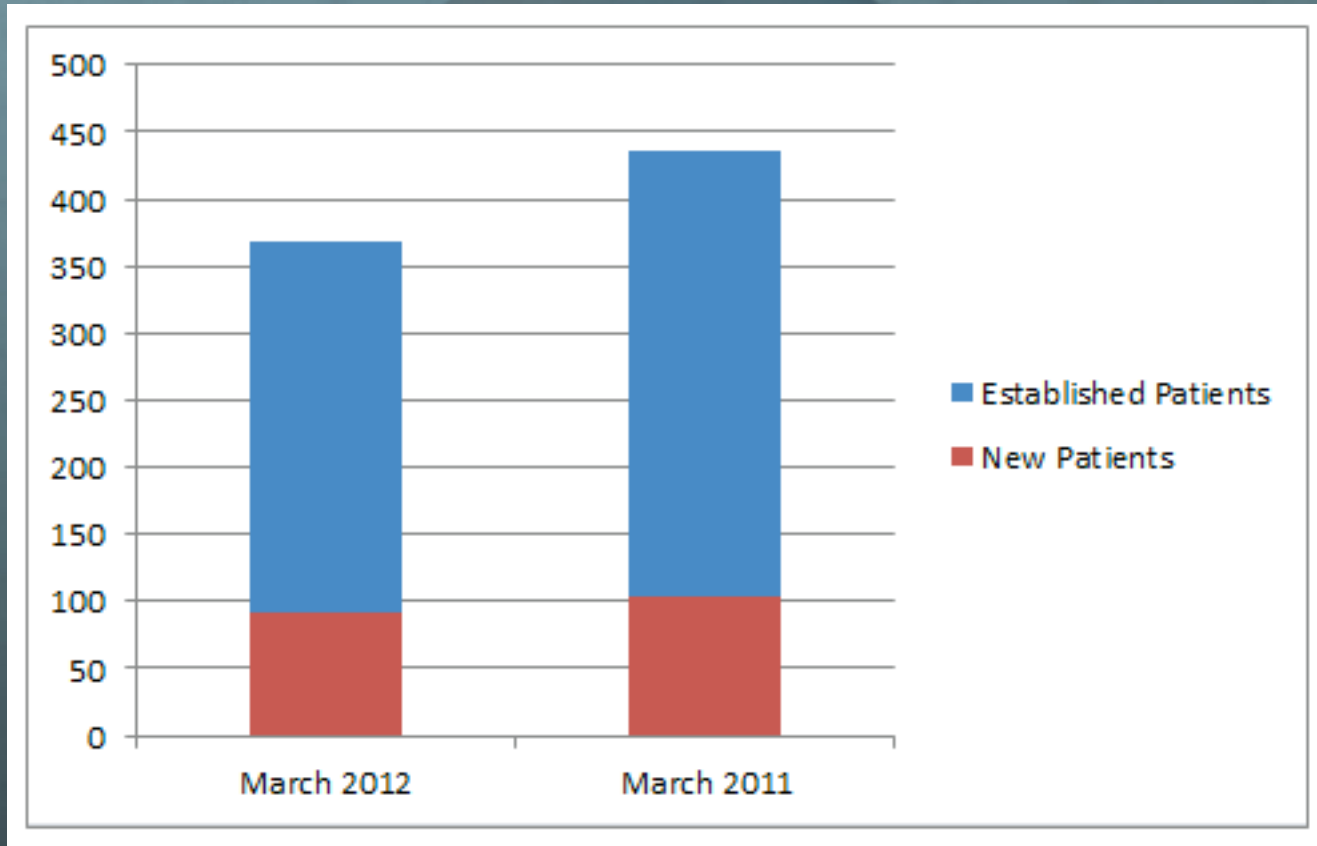
5. Denials

- 🌐 Repeated denials due to “no referral” or “incorrect ID number”
- 🌐 Front office is lax about getting pre-authorization or copying plan membership cards on EVERY visit
- 🌐 Use automated eligibility checking before patients arrive

Additional Metrics To Consider

- Ratio new vs. established patients
- Appointment cancellations\no shows
- Operating expenses
- Referral statistics
- Payor Mix
- Physician compensation

Number of New Patients



Ideal- 10-20% of total patients

New Patient Percentage

- 🌐 Percent of new patients is barometer of success of the practice
- 🌐 Primary care: 20%
- 🌐 **>25% for Ob-Gyn practice**
- 🌐 More new patients, more procedures you will do
- 🌐 THM: a healthy practice has a healthy number of new patients!

Key Performance Indicators (KPI)

- 🌐 **DAR <35 days**
- 🌐 **Net collectable percentage – 95-98%**
- 🌐 **ARs >120 days-<10% (60% in 0-30 days)**

Another Metric

- 🌐 How much do you want to make?
- 🌐 \$500K-need to collect \$1M
- 🌐 Work 60hr\week for 50 weeks = 3000 hours\yr
- 🌐 $\$1m \div 3000 = \$333 \div hr.$
- 🌐 **Must collect \$333\hr** to achieve goal

Bottom Line

- 🌐 **The Minimum Metrics:
Charges\receipts, RVU, AR\days
in AR, charge lag and denials**
- 🌐 **Look at these numbers and
trends monthly**
- 🌐 **Remember the “buck” starts
and stops with the doctor!**

Summary

- 🌐 Gyns *must* become involved with the business of their practices
- 🌐 There is a minimum that you need to know
- 🌐 You will be more successful and enjoy your practice if you understand the basics of business

Like it or not, ~~urology~~ gynecology is a business

Sifting through the data that came out of *Urology Times*' recently released "State of the Specialty" survey, it's clear that the issues most concerning to urologists relate to the business side of practicing medicine. Nagging concerns about falling reimbursement, government regulations, the Affordable Care Act, and increasing overhead are what keep urologists up at night.

Richard R. Kerr



Kerr is group content director of *Urology Times*.

The survey questionnaire, which lists a variety of potential problem areas and asks urologists to rate their concern about them, once listed clinical issues like "keeping abreast of evolving drug therapies" and "the shift from primarily surgical therapies to minimally invasive and pharmacotherapies." I dropped those items from the survey several years ago when so few respondents indicated much concern about them, at least compared to business and policy issues. (Back in 2006, one-third of urologists reported

**For a Copy of My White Paper on
“Numbers You Need to Know”**

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