

Understanding your revenue cycle performance

By Angela Mattioda, Vice President of Revenue Cycle Management Services, Surgical Notes RCM

If you consider everything that must occur for an ASC to receive a timely, correct payment for a procedure, it's rather remarkable. Contracts must be negotiated with payers. Patient demographic and insurance information must be gathered. And then there are all of the processes physicians and staff perform before, on the day of, and the days following the procedure, including chart preparation, operative note dictation, transcription, coding, billing, patient and payer collections, payment posting, and any required management of the account until it's closed.

Each of these processes plays an essential role in the ASC revenue cycle. When the processes are completed appropriately and efficiently, an ASC will typically collect what it is owed within a reasonable timeframe. But when even small problems with any of these processes occur, the effects can range from payment delays to, in worst-case scenarios, lost payment and possibly compliance issues. Furthermore, successful collections become incrementally more difficult when mistakes and failures happen early in the revenue cycle process, leading to trickledown challenges affecting later steps.

Fortunately, ASCs have multiple avenues through which they can achieve effective oversight of their revenue cycle, identify and resolve problems, and implement lasting improvements.

Keep a finger on the pulse

One of the most effective ways to identify revenue cycle shortcomings that contribute to ASCs leaving money on the table is through ongoing monitoring of key performance indicators (KPIs) and pointed efforts to at least meet, if not exceed, target benchmarks (where applicable). Here is a selection of ASC revenue cycle KPIs worth tracking and their corresponding benchmarks.

Days to bill/charge lag – Monitoring the average days to bill each month helps ensure cases are billed promptly and payments are received in a timely manner. Higher or inconsistent lag days make it more difficult to ascertain revenue estimation. Lengthy delays could lead to denials, lost payments, and increased days sales outstanding. The standard benchmark is less than two days.

Days to pay – This KPI indicates how long it takes for an ASC to receive primary insurance payments. As with days to bill, payment delays can negatively impact the bottom line. ASCs should trend this metric by payer or financial class. Since days to pay varies by payer, the benchmark will vary by ASC. A "sweet spot" to target is 45 days overall, 18 days for Medicare, and up to 55 days for workers' compensation cases.

Specialty volume trending – For multispecialty ASCs, trending the case volume of each specialty will help determine

potential scheduling issues and future (projected) revenue. A center may be in line with its total projected monthly volume, but if the volume of a higher paying specialty is lower than projected, net revenue will be negatively impacted. Since specialty types vary by center, so will benchmarks. ASCs should trend the percent of total billed charges to each specialty and compare this to the percent of revenue for each specialty.

Payer volume trending – Similar to specialty volume trending, this KPI requires ASCs to trend the volume of each of their payers or financial class. Doing so will help determine potential scheduling issues and future revenue. A center may be in line with its total monthly payer volume, but if the volume of a higher reimbursing payer is lower than projected, net revenue will be impacted. Since payer types vary by center, so will the benchmark(s).

AR greater than 90 – Tracking accounts receivable (AR) greater than 90 days is an effective means for early identification of payer issues. The total AR percentage over 90 days should be below 15% of AR. ASCs should break this benchmark down by financial class at a minimum or go deeper and segment it by specific payer. Omit personal injury and litigation cases from this percentage as they can take years to resolve and would significantly impact the figure.

Days to dictate – Tracking this KPI helps determine whether providers are completing their dictation in a timely manner. Identification of slow dictation completion time will necessitate corrective action discussions. The standard benchmark is one day, with dictation preferably completed the same day as the case is performed.

Denial rate – If denials are not addressed in a timely fashion, they will negatively affect the majority of a center's KPIs. The standard benchmark is less than 5%, although a rate as low as 1% is achievable.

Other KPIs – Examples of other KPIs ASCs should consider monitoring include the following:

- Days in AR
- Clean claim percentage
- Percentage of collections for cases greater than 90 days
- Write-off percentages
- Revenue per case
- Bad debt adjustments

Receive unbiased insight

Ongoing monitoring and benchmarking of KPIs can help ASCs

gain better control over their revenue cycle performance, but these efforts should be supplemented by a revenue cycle assessment. This assessment takes a deep dive into an ASC's revenue cycle metrics and processes to discover issues negatively affecting cash flow. But finding problems is only part of an effective revenue cycle assessment. The other: identifying how to fix those problems, boost metrics, and streamline cash flow.

As we previously noted, ASCs should closely monitor their own revenue cycle performance. A revenue cycle assessment, on the other hand, should be conducted by an experienced third party with ASC expertise. Such an organization will have the tools and knowledge to most effectively – and objectively – review a surgery center's performance.

How does a revenue cycle assessment work? It's completed through the assessment of a random selection of around 20 patient cases. Taking a randomized approach helps ensure a variety of accounts undergo scrutiny and increases the likelihood of identifying issues impacting cash flow.

Following completion of the assessment, an ASC should receive a detailed report that provides a findings summary, an analysis of its revenue cycle metrics and how they measure up with industry standards, and a breakdown of each assessed account's findings and other details.

Undergoing a revenue cycle assessment is important whether an ASC performs billing in-house, contracts with an outside billing service, or has its billing completed by a management company partner. External services are not devoid of problems. Even if the assessment demonstrates that the service used is functioning well, it's beneficial to receive this confirmation.

If an ASC is experiencing cash flow problems, a revenue cycle assessment is critical. Issues will likely magnify and become more difficult to address with each passing day. If an ASC believes its revenue cycle is performing effectively, it's still worthwhile to schedule an annual assessment. At a minimum, the assessment may confirm these beliefs. However, it's likely that the assessment will find at least some opportunities for improvement.

Finally, consider undergoing the assessment in conjunction with a coding audit to receive a more detailed picture of revenue cycle performance and areas for improvement. Coding is vital to ensuring correct payment for services rendered. While a revenue cycle assessment can point to potential coding problems hurting cash flow, a coding audit will identify those issues with greater specificity.

Take a load off

Revenue cycle management is a complicated business critical to the financial health of an ASC. Considering its complexities,

coupled with the ever-growing, ever-changing challenges facing surgery centers today, an increasing number of ASCs are outsourcing their revenue cycle services. An ASC revenue cycle management company can ensure a center is paid promptly and correctly while minimizing claims rejections, eliminating revenue leakage and bad debt write-offs, and significantly reducing business office staff responsibilities.

Here are some quick tips to help ensure ASCs select an appropriate partner:

- **Request an account audit.** This will reveal a company's ability and knowledge to determine current weaknesses and plans to recover lost revenue, increase cash flow, and improve processes.
- **Inquire about follow-up processes.** Ask about established processes to ensure cases are followed up timely and aggressively. Collectors should have ASC experience across payer types and specialties and understand options available to help ensure claims are adjudicated timely and correctly.
- **Learn approach to patient balances.** Ask how a company addresses outstanding patient balances and contacts patients to ensure they are always treated with the utmost respect.
- **Ask about coding philosophy.** Learn how coding is performed. Does a company code specific to payers and contracts? Are coders familiar with state regulations? Are they continually educated about regulatory changes?
- **Inquire about approach to performance measurement and transparency.** Find out how a company identifies areas of improvement. Does it offer comprehensive analytics and provide monthly reports that trend KPIs?
- **Be wary of unusually low rates.** With revenue cycle management services, the adage "you get what you pay for" applies. Companies advertising very low rates will often not offer the services critical to ensuring optimized cash flow and may lack ASC expertise. They will also likely outsource services – often overseas.
- **Ask for references.** Inquire about access and communication with the vendor. Ask for an example of an issue the center faced and what steps the company took to resolve it.

It's of critical importance that ASCs perform due diligence before choosing a revenue cycle management partner. Companies vary greatly in the types and quality of services provided. The partner selected should be well-equipped with the ASC knowledge and experience required to provide significant, sustainable revenue cycle improvements. ■

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