Understanding 3 Crucial RCM Key Performance Indicators (KPIs) that Help Us and YOU Manage your Practice

You've partnered with OP RCM to help you manage your revenue cycle. In order to do so effectively, we monitor several key performance indicators (KPI) so that we can help protect and increase your cash flow. Although we have our eyes on these metrics, it's crucial that you understand what these KPIs are and how they impact your practice.

A/R Days [also known as Days in Revenue Outstanding (DRO)]

Definition: DRO is the average number of days it takes for a claim to be paid.

Why is this important? The faster your claims are paid, the sooner you receive your payments for the services your practice has provided.

DRO Calculation: [Total A/R Outstanding - Credits] / [Your Average Daily Gross Charges (Note: Average charges per day based on the last 90 days of charges)]

This number is affected when your daily charges drop dramatically, if you divide your total A/R by a lower number, it artificially increases your days in A/R. With the fluctuations due to COVID, this has caused fluctuations in this standard calculation that traditionally provides a stable way for us to evaluate your A/R. In order to understand if this is a true change in your days in A/R or just an artificial increase, we review your claims to ensure that they are getting billed and followed up on in a timely manner and check that your payments are getting posted in an acceptable time frame.

Imagine, for ease in calculation sake, that your total A/R outstanding is $110,000, your credits are $10,000 and your average daily charges are $4,000. 110,000-10,000 / 4,000 = 25 days in A/R. If your average daily charges drop to $3,000, your days in A/R increases to 33 days (110,000-100,000/3,000). Often organizations use a rolling 3 month average to avoid fluctuations in seasonality and volumes.

What is my target? Practices should aim for the industry benchmark of 30-35 days in A/R. It is important to keep in mind that Days in A/R is affected by your payer mix (the main payers that your families have) and the percentage of your families that have state programs like Medicaid. Some payers pay providers more swiftly than others. Since we manage many practices' receivables, we have a unique purview into how these insurance companies work and know what you should expect by payer and plan. This helps us to manage your receivables and manage your payments.

Net Collection Ratio (NCR)

Definition: NCR reflects how effective we are in collecting the reimbursements that you are allowed. We calculate NCR to see how much revenue is uncollected due to factors such as uncollectible debt or other non-contractual adjustments.

Why is this important? NCR shows how effective we are at collecting payments from payers.

NCR Calculation: [Payments / (Charges - Contractual Adjustments)] X 100%

What is my target? The net collection ratio should be in the 95-98% range after factoring in write offs. Keep in mind, the net collection rate may vary depending on your practice's payer mix.

Clean Claim Rate (CCR)

Definition: Percentage of claims paid upon the first submission to the payer without any rejections or denials.

Why this is important: CCR provides your practice with insight on the quality of the information captured at the front desk. Although OP RCM will assist addressing many of the rejections and denials, improving the CCR will not only result in reducing cost and improving the pace to collect, but also reducing your accounts receivable. To improve your CCR, it is important that your practice updates the patient demographic often, verify insurance eligibility, and ensure correct coding and modifiers usage.

CCR Calculation: Clean claims / Total claims submitted

What is my target? 95% or higher reflects a successful RCM strategy.

Summary

We track and measure these 3 critical Key Performance Indicators as well as several others. Should you have any questions about your metrics, your performance, or ways that we can work with you to increase your practice's performance, we'd love to hear from you.