



Leveraging the Power of Revenue Cycle KPIs

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CAH Conference 2025

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This Presentation is Nimble!

Starters:

- The “Why” behind the “what” of KPIs
- How to get your team invested
- Logics of Tracking KPIs (Who, When, How)
- System Dashboards
- Dive into KPIs



**Someone really smart
once told me....**

**“KPI data has the power to
completely transform an
organization’s Revenue Cycle
Performance”**



Knowledge is **Power**

The Ability to
Effectively Transfer Knowledge
and
Inspire Performance
is a
SUPER-POWER



A series of approximately 15-20 arrows of various colors (purple, teal, pink, orange, green, and grey) pointing upwards and to the right, creating a sense of dynamic movement and growth. The arrows are of varying lengths and are clustered together, with some overlapping.

**When Revenue Cycle KPIs
are understood by everyone**
*(and I mean **EVERYONE**)*

the whole **WORLD changes!**

Tracking Revenue Cycle KPIs

**Achieve
Revenue Cycle
Excellence**

TALK ABOUT THE DATA
Celebrate, raise an
eyebrow, ACT
Let the data drive SMART work

Understand the Data!

SHARE the data!

Track the KPIs!

The Steps

1. Shift the “Ownership” of KPIs to Revenue Cycle Leadership
2. Select, Create, and backfill the KPI Reporting Tool
3. Educate Leaders & Team
4. Roll out to ALL Revenue Cycle Team Members
5. Watch the Magic Happen



Shifting the Ownership



Who?

Revenue Cycle Leadership



Why?

Accountability & Empowerment

Buy-in at all levels

Professional Growth as a Revenue Cycle
Professional

Driving Smart Work

Who “owns” the Data is the most Intimate
with the Data



How to Get There?

Educate! Educate! Educate!

Establish Expectations



KPI Reporting Tool

- **Targets to Benchmark Data**
- **Ease of Creation**
 - Automation vs. Manual Entry
 - One Stop Shop
 - Time Commitment
- **Ease of Analysis**
 - 5 Minute Review
 - Ability to Drill Down
- **Less is NOT More- More is Best**
- **My Personal Favorite**

MEET THE STOPLIGHT!

Our NorthStar

Keeping us honest

Measures	Target	Feb-23	Mar-23	Apr-23
Gross Days in AR	42	41	42	46
Gross Open Claim Days	30	32	33	37
Gross Self Pay Days	8	9	9	9
Net Days in AR	38	37	38	42
AR Aging > 90 days	13%	14%	16%	16%
AR Aging > 180 Days	7%	9%	9%	12%
Ins > 90 days	7%	7%	9%	11%
Ins > 180 days	3%	5%	5%	6%
Cost to Collect	3%	2.9%	3.2%	3.0%
Credit Balance as % of Gross AR	1%	0.8%	1.3%	2.2%
Charity \$ as % of Total Pt Svc Rev	1.60%	1.5%	0.6%	1.3%
Bad Debt as % of Total Pt Svc Rev	3.00%	0.7%	1.9%	0.8%
Cash as a % of Net Rev	100%	100.60%	101.20%	98.80%
DNFB	7	6.3	10.5	9.8
Coding Days	3	2.0	5.0	2.0
Clearringhouse Days	0.5	0.4	0.2	0.9
Charges on Time %	99%	98.50%	95.20%	98.60%
Open Denial Days	1	0.4	0.6	1.1
Open Denial %	1.5%	1.2%	0.9%	1.8%
Clean Claim %	98%	97%	97%	96%
Preventable Denial Adjustments	0.5%	1.7%	0.4%	0.7%

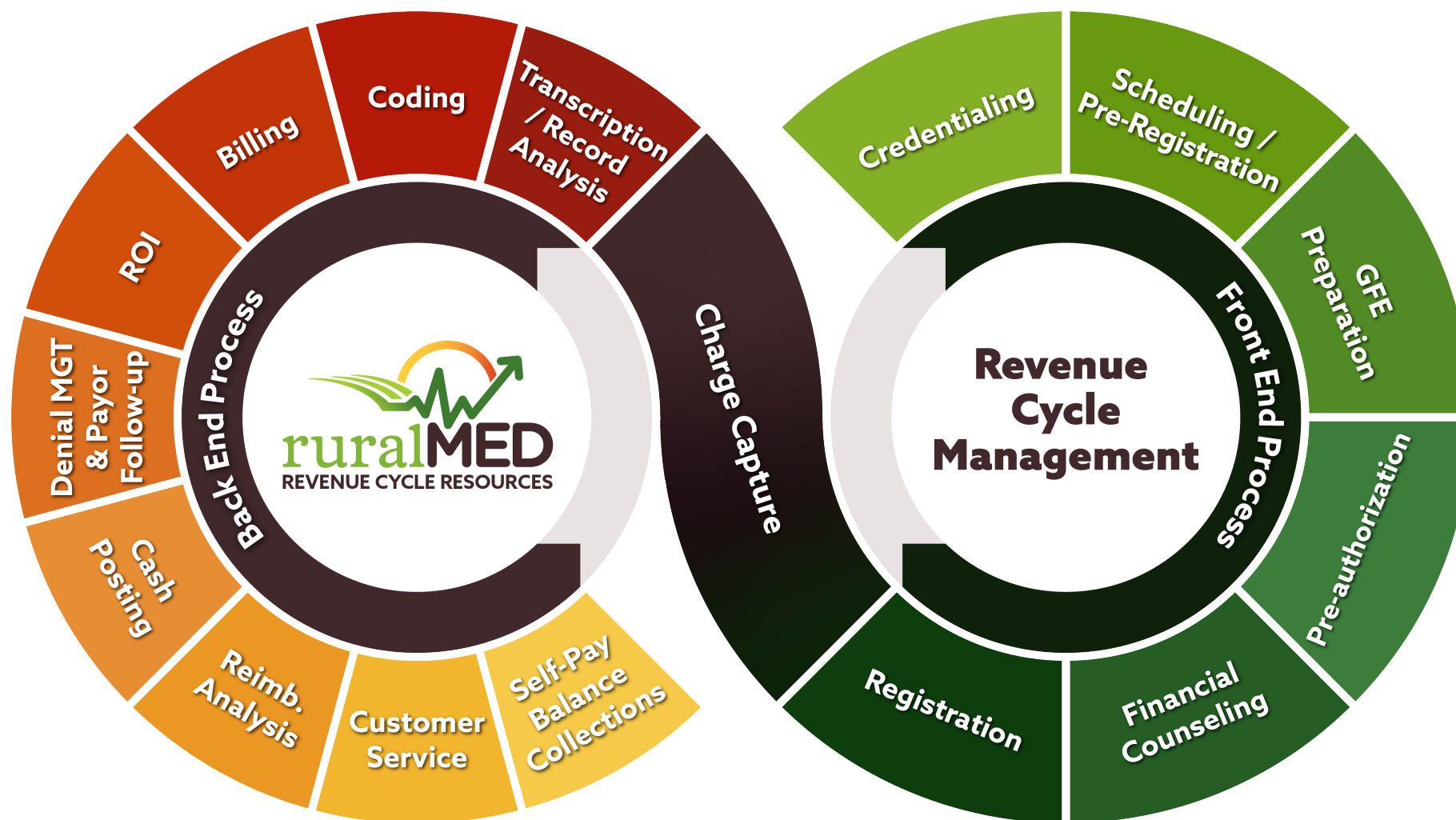
I DONT KNOW HOW TO PUT THIS BUT...



WE'RE KIND OF A BIG DEAL...

quickmei

The Cycle



The Car Analogy

Why is it important?

THE REVENUE CYCLE
IS THE GAS THAT MAKES
the **CAR GO!**



BUILD THE CAR

- Credentialing
- Scheduling
- Admissions
- Charge Capture
- Authorizations/Notifications
- GFE Preparation
- Financial Clearance





START THE CAR

HIM

- Analysis
- Coding
- Charge Entry
- Claim Scrubbing
- Documentation
- Physician Warden



DRIVE THE CAR

- **Billing**
- **Collections**
- **Cash Posting**
- **Denial Management**
- **Self-Pay Collections**
- **Financial Assistance**



Now..... Drive the Car Efficiently!

How? I'm so glad you asked!



REVENUE CYCLE PERFORMANCE

Legit Question:

How do you know if you are performing well?

Knowledge is POWER!

- AR DAYS- Discover the MAGIC numbers!!
- Dashboard Indicators
- Meet the Stoplight Report!



Let's Dive into AR Days....

*This will change the way you think
about things. Forever.*

ABOUT PERFORMANCE ...

Gross AR Days

HOSPITAL	NAT'L AVERAGE	HIGH PERFORMERS	BEST IN CLASS
	48	41-44	34-40
CLINIC			
	30	25 – 27	18-22

“Continued growth is in our future,
and we need the Revenue Cycle to
continue to be amazing to do that.”

- Said every CFO ever....

SET GOALS!

Hospital	GOAL	STRETCH GOAL
	?	?

Clinic	GOAL	STRETCH GOAL
	?	?

REFUSE
== TO BE ==
Average

Revenue Cycle KPIs

HFMA Map Keys

- **1. Patient Access Metrics**

- Percentage of Patient Schedule Occupied
- Pre-registration Rate
- POS (Point-of-Service) Cash Collections
- Conversion Rate of Uninsured Patient to Third-Party Funding Source
- Service Authorization Rate (IP, OP, Observation)
- Insurance Verification Rate

- **2. Pre-Billing**

- Days in Discharged Not Final Billed (DNFB)
- Days in Discharged Final Billed Not Submitted (FBNS)
- Days in Total Discharged Not Submitted to Payor (DNSP)
- Total Charge Lag Days

HFMA Map Keys

- **3. Claims Processing**

- Clean Claim Rate
- Late Charges as a Percentage of Total Charges

- **4. Account Resolution**

- Aged A/R as a Percentage of Total Billed (Total & By Payor Group)
- Aged A/R as a Percentage of Total A/R
- Remittance Denial Rate
- Denial Write Offs as a Percentage of Net Patient Service Revenue
- Bad Debt
- Charity Care
- Net Days in Credit Balance

HFMA Map Keys

- **5. Financial Management**

- Net Days in Accounts Receivable (AR Days)
- Cash Collection as a Percentage of Net Patient Service Revenue
- Uninsured Discounts
- Uncompensated Care
- Case Mix Index
- Cost to Collect (Total & by Functional Area)

Accounts Receivable Days (AR Days)



The beauty of AR Days:

- Universal Industry Standard Measurement of effectiveness
- Understanding them provides the tools to work efficiently
- How the “magic number” changes perspectives
- Targets drive results

Cautions:

- Gross vs. Net
- Cash vs Write Offs

- Step 1 Calculate ADR

Previous Month Revenue + Current Month Revenue / *Days in Period* $\frac{2 \text{ month Revenue}}{\text{Days in Period}}$

- Step 2 Calculate Days in AR

Divide Accounts Receivable (AR) by ADR $\frac{AR}{ADR}$

- Example Step 1

June Revenue \$3,000,000 + July Revenue \$3,400,000 = \$6,400,000

June Days in Period 30 + July Days in Period 31 = 61

June/July Total Revenue \$6,400,000 / 61 = \$104,918 (This is ADR aka "Magic Number")

- Example Step 2

July Month End AR \$4,300,000 / ADR \$104,918 = 40.98 (41) Gross Days in AR

You did it!



AR Days Explained

It's all about the “Magic Number”(ADR)



Other KPIs

- **Open Claim and Self Pay Days**
- **Percent Over 90 & 180 Days**
- **Collection Ratio (Clinic)**
- **Cost to Collect**
- **Bad Debt/Financial Assistance Percentage**
- **Cash Collected as a Percentage of Net AR**
- **Drill Down to Financial Class**
 - AR Days
 - Percentage Over 90 & 180
 - Percentage Revenue to Gross (Payor Mix)
 - Collection Percentage

Insurance & Self-Pay A/R Days

Purpose:

Pinpoints to see if delays stem from insurance or self-pay

Calculation

Insurance A/R
ADR

Self-Pay A/R
ADR

Value:

Quickly identify performance issues and develop focused action steps



Self Pay Target: 8 days (*Top Performers: 5 days*)

Insurance Target: 35 days (*Top Performers: 32 days*)

CASH COLLECTION AS A PERCENTAGE OF NET PATIENT SERVICE REVENUE

Purpose:

Indicator of revenue cycle performance to convert net patient services revenue to cash

Value:

Indicates fiscal integrity/ financial health of the organization

Calculation



Total patient service cash collected
2-month average of net patient
service revenue



Target: 100% *with little latitude*

Cost To Collect

Purpose:

Measure of efficiency- shows how much is spent to collect each dollar of revenue

Value:

Can help optimize staffing, operational, and technology decisions

Calculation



$$\frac{\text{Total revenue cycle cost}}{\text{Total patient service cash collected}}$$



Target: <3%
(Can vary based on circumstance)

- **Include all expenses for Patient Access, Patient Accounting, and HIM**
- **Does not include:** IT “hard” costs: capitalized costs such as hardware, licensing fees, etc..., Lease/rent expenses, Physical space costs: utilities, maintenance, depreciation, Scheduling if performed in the service departments by service department personnel

Percent Over 90 & 180 Days

Purpose:

Trending indicator of receivable aging and collectability.

Value:

Indicates effectiveness of the revenue cycle in liquidating accounts receivable.

Calculation

$$\frac{>90 \text{ days A/R}}{\text{Total A/R}}$$

$$\frac{>180 \text{ days A/R}}{\text{Total A/R}}$$

- **Calculate for Total, Insurance, Self Pay, and Each Financial Class**

Collection Ratio (Clinic)

Purpose:

Determine how much of the clinic's total billed charges are being collected

Value:

Identify and address reimbursement leakage early

Calculation



Total Payments
(Payments +
Adjustments)

Total Payments
2-Month Average
Gross Revenue

- Find your “normal” RHC will vary from an independent clinic
- Everything starts over when you change charge amounts

Bad Debt/Financial Assistance Percentage

Purpose:

Indicator of the effectiveness of collection efforts and processes

Value:

Indicates organization's ability to collect accounts and identify payer sources for those who cannot meet financial obligations

Calculation



Bad Debt
Gross patient
service revenue

Financial
Assistance
Gross patient
service revenue



Target: < 3-5% for Combined Bad Debt & Financial Assistance

Discharged Not Final Billed (DNFB)

Purpose:

Indicator of ability to get claims to the payors

Value:

Indicated RC performance and can identify performance issues impacting cash flow

Calculation



Gross dollars in discharged
not final billed (DNFB)
ADR



Target: < 6 Days (*Top Performers: 2-3 Days*)

Drill Down to Financial Class

AR Days

% Over 90 & 180 (Date of Service)

Percentage Revenue to Gross

Collection Percentage



KPI DETAIL DRILL DOWN

Measures	Target	Mar-23	Apr-23	May-23
Days in Period		31	30	31
BCBS AR Days	27	21	30	30
BCBS > 90 Days	6%	4%	3%	7%
BCBS > 180 Days	2%	3%	2%	2%
BCBS Total Revenue		291,731	337,015	254,736
BCBS Revenue Per Day		10,445	10,307	9,701
BCBS AR		223,161	306,588	293,385
\$ > 90 Days		9,198	8,587	20,608
\$ > 180 Days		7,753	7,276	5,050
BCBS Payments		275,489	182,061	214,960
BCBS Adjustment		67,424	46,544	37,246
Collection %		80%	80%	85%
BCBS Mix %		9%	13%	9%

Self-Pay

- A/R Days
- Percentage Over 90 & 180
- Percentage Revenue to Gross
- Collection Percentage to Total Self-Pay A/R
- Agency Listings/Performance
- Collection Percentage True Self Pay & SP after Insurance
- Bank Loan Stats
- Point of Service Collection Percentage