

## Timely Topics

### PAYMENT AND PRACTICE MANAGEMENT

July 2015

#### **The Vital Signs of Your Practice: Days in Accounts Receivable**

Knowing if your billing operation is performing effectively is a vital aspect of financial viability in an anesthesia or pain medicine practice. Just as it is important to monitor your patient's vital signs, it is also important to monitor the vital signs of your practice—one being days in accounts receivables (A/R). Monitoring your days in accounts receivable can provide an overview of how efficiently your revenue cycle is flowing. It can also help you determine factors that are disadvantageous to your finances.

Accounts receivable is money owed to your practice for services you have rendered *and* billed. Any payments due from patients, payers, or other guarantors are considered A/R. Days in accounts receivable is a common measurement of A/R. It is the average number of days it takes a practice to get paid by all financially responsible parties for all services rendered. In other words, it is a representation of the average time it takes your practice to collect a bill.

#### ***Calculating Days in A/R***

As described by “*Avoiding Common Anesthesia Errors*,” (Marcucci, Cohen and Metro) one method in calculating the number of days fee-for-service charges are in accounts receivable, also known as days in A/R, is as follows:

$$\text{Days in A/R} = (\text{Accounts Receivable}) / (\text{Average Dollars Charged in a Day})$$

There are several methods that can be used to calculate days in A/R. The Medical Group Management Association (MGMA) provides a formula sheet listing various methodologies, which is available for download at: <http://www.mgma.com/industry-data/all-data-resources/a-r-and-collection-percentage-calculations>.

Ultimately, the goal is to keep your days in A/R low. The lower the days in A/R number is, the more efficient the billing operation is in collecting the group's money. Factors that can increase your days in A/R include, but are not limited to:

- Delays in submitting charges for billing
- Delays in entering charges
- Delays in filing claims with insurers or patients
- Delays in payment by insurer or patients
- Denial of claims by insurers for not following billing requirements or meeting medical necessity requirements

## Timely Topics

### PAYMENT AND PRACTICE MANAGEMENT

Since accounts receivable is a measurement of charges not yet collected, a report of what has not yet happened is valuable information when properly used. From a practice management perspective, accurately tracking your accounts receivable and collections reports will help you identify problems with your receivables management process. Operationally, A/R reports can identify accounts that may require collection action. Managing and tracking your A/R days will also help long term in that there may be dips you can anticipate when monitoring your practice's performance in this area.

In summary, days in A/R is an important metric. If consistently measured and properly applied, this information can do much to increase the efficiency and efficacy of your revenue cycle management.

#### **References:**

**[MGMA: Accounts Receivable Dashboard](#)**

**[MGMA: Accounts Receivable and Collections](#)**

**[MGMA: The Physician Billing Process](#)**

Marcucci, Catherine, MD, et al. *Avoiding Common Anesthesia Errors*. Philadelphia: Lippincott Williams & Wilkins, 2008.