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Key Performance Indicators: How Do You Measure Up?

There has been a lot of focus on clinical measurements and benchmarking lately, especially with the introduction the Quality Payment Program (QPP) within the Medicare Access and CHIP Reauthorization Act (MACRA). It is just as important to measure the financial health of your anesthesiology and pain practice through benchmarking and certain key performance indicators (KPIs). This Timely Topic covers a few measurements that may be useful for your practice.

Every part of your practice can be measured, so how do you determine which KPIs are most meaningful? First, examine the current state of your practice. Now is an opportune time to assess for specific areas of concern from 2017. As you review the prior year, you may identify positive operational trends that you want to continue in 2018. Identifying both strengths and weaknesses for your practice can help in establishing practice goals for the year. Continued tracking of specific KPIs will help you assess progress toward meeting those goals throughout the year.

There are several KPIs commonly tracked in the revenue cycle arena including:

- Days in Accounts Receivable (DAR)—demonstrates overall revenue cycle efficiency. A lower DAR means that it takes fewer average days to collect your accounts receivable. Calculate the DAR by first determining your average daily charges. Some use a six-month period for determining this number, dividing the total charges by the number of days in that period. Divide your total outstanding receivables by your average daily charges to calculate your DAR.

- Revenue Realization Rate (RRR)—demonstrates what percentage of every dollar billed is actually collected over a period of time.
  The RRR can be calculated based on gross charges or expected Net Revenue if you have analyzed your contracted fee schedules and payer mix. If calculating based on your gross charges, divide your total payments in a period by the total correlating charges.

- Clean Claims Ratio—monitors the number of claims that are paid on the first submission.
  A higher ratio means faster payments and lower cost in collecting your revenue.

- Denial Rate—quantifies the percentage of claims that are denying
  This metric and can be subdivided by denial reasons and used to improve practice operations. See our November Timely Topic Denial Management 101 for more recommendations on how to use this key metric.

- Bad Debt Percentage—identifies the percentage of patient balances determined to be uncollectible.
  You might also track separately adjustments for charity, which would monitor approved write offs due to financial hardships.

Independently, each of these measurements helps to monitor the effectiveness of specific revenue cycle management processes. However, monitoring all these particular KPIs provides a more complete assessment of the health of your revenue cycle. For example, a lower DAR is typically considered to be a positive indicator. However, a low DAR in conjunction with a low RRR might indicate a potentially overly aggressive write off approach in managing your accounts receivable instead of pursuing denied claims or other adjusted dollars. Including a review of your denials and bad debt ratios can help you determine if additional money is potentially collectible.

When determining which KPIs to track, consider these questions:

1. Is the problem/opportunity well defined and measurable?
2. How will the data be defined and measured to provide meaningful information?
3. How will the KPI be used or communicated to help meet the organizational objectives?

When considering how the KPIs might be communicated, you might also consider with whom. For example, if working on strategic initiatives affecting your hospital patients you may want to consider sharing these metrics with your hospital partner. The metrics can demonstrate your increasing value in terms of quality care and patient satisfaction and even be useful in renegotiating hospital stipends and medical directorships.

Most revenue cycle KPIs have published industry standards. These standards represent a benchmark against which you can measure your practice and rate your performance against other anesthesiology and pain management practices. Benchmarks can help you discern how well your revenue is being managed, target weaknesses in your processes and monitor the impacts from any process or team changes.

Identifying, clearly defining and monitoring the KPIs most pertinent to your practice and tracking your progress against published benchmarks will help you determine how your practice is measuring up among your peers and demonstrate your value added services with your business partnerships.