Coding and Its Impact on Revenue Cycle Metrics

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Revenue Cycle Success

Real Challenges...

• The heart of an enterprise’s financial success
• Complex
• Sagging bottom lines
Days in Accounts Receivable (DAR)

How long it typically takes for a service to be paid by all financially responsible parties (insurance and patient)
To calculate DAR:

- Divide total current receivables (net of credits) by your practice’s average daily charge amount.

\[
\text{DAR} = \frac{\text{TOTAL RECEIVABLES NET OF CREDITS}}{\text{(GROSS CHARGES / 365 DAYS)}}
\]

<table>
<thead>
<tr>
<th>Receivables</th>
<th>Credit Balances</th>
<th>Gross Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>$153,405</td>
<td>($9,873)</td>
<td>$965,430</td>
</tr>
</tbody>
</table>

DAR = 62
Percentage of A/R > 120 Days

The percentage of the practice’s total current receivables > 120 days old is a measure of a practice’s ability to get services paid in a timely manner.
A/R > 120 Days Formula

To calculate A/R > 120 days:

- Total amount of accounts receivables greater than 120 days old (net of credits) divided by your total receivables (net of credits).

Assuming this is your practice’s A/R (net of credits)

<table>
<thead>
<tr>
<th></th>
<th>0-30</th>
<th>31-60</th>
<th>61-90</th>
<th>91-120</th>
<th>121+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$895,000</td>
<td>$523,000</td>
<td>$297,000</td>
<td>$198,700</td>
<td>$239,420</td>
<td>$2,153,120</td>
</tr>
<tr>
<td>Percent</td>
<td>42%</td>
<td>24%</td>
<td>14%</td>
<td>9%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>
Collection Rate

What is your practice’s net collection rate?

A measure of a practice’s effectiveness in collecting all legitimate reimbursement that is owed.
Adjusted Collection Rate Formula

To calculate collection rate:

- Divide payments (net of credits) by charges (net of contractual adjustments) for a defined period of time.

\[
\frac{($467,250 - $12,975)}{(965,225 - 412,005)} \times 100 = 82\%
\]

<table>
<thead>
<tr>
<th>Practice Payments</th>
<th>Refunds</th>
<th>Total Charges</th>
<th>Total Write-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$467,250</td>
<td>$12,975</td>
<td>$965,225</td>
<td>$412,005</td>
</tr>
</tbody>
</table>

Collection rate in this example is 82%
Denial Rate

The percentage of claims denied by payers.
Denial Rate Formula

To calculate the denial rate:

- Total the dollar amount of claims denied by payers for a specified period of time. Divide the sum by the total dollar amount of claims submitted by the practice during that same period of time.

<table>
<thead>
<tr>
<th>Payer</th>
<th>Count of Claims</th>
<th>Denied Claims</th>
<th>Percent of Claims Denied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>637,239</td>
<td>43,317</td>
<td>6.8%</td>
</tr>
<tr>
<td>Anthem</td>
<td>250,070</td>
<td>11,546</td>
<td>4.62%</td>
</tr>
<tr>
<td>CIGNA</td>
<td>263,728</td>
<td>9,060</td>
<td>3.44%</td>
</tr>
<tr>
<td>Health Net</td>
<td>4,975</td>
<td>193</td>
<td>3.88%</td>
</tr>
<tr>
<td>Medicare</td>
<td>6,938,431</td>
<td>475,566</td>
<td>6.85%</td>
</tr>
<tr>
<td>UHC</td>
<td>1,127,691</td>
<td>30,177</td>
<td>2.68%</td>
</tr>
</tbody>
</table>
The Coder’s Role

**Points of impact:**

- **The revenue cycle needs you!**
  - Knowledge of a certified, credentialed, experienced coder
  - Ensure every patient claim is billed and coded correctly, on time and is paid accurately
  - Expert staff to provide quality, compliance, and efficiency
Your Spot at the Table
Revenue Cycle Key Metrics

For fewer denials, faster payments and greater profitability...

• “Watch” your revenue cycle by using these vital metrics.
• Utilize your coders to play a vital role.
Questions?

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