

# Key Revenue Cycle Metrics

With this issue of *hfm*, we introduce “*hfm* Toolbox,” a periodic department featuring practical information—a checklist, form, matrix, etc.—that you can tear out and use in your organization.

If you have developed a useful tool that you’d like to share, please contact Margaret Veach, senior editor, at [mveach@hfma.org](mailto:mveach@hfma.org).

Key Revenue Cycle Performance Area	Relevant Metrics	Best Practice Target(s)/Range
Patient Access Quality	Physician authorization compliance Inpatient admissions error ratio Outpatient registration error ratio Point-of-service (POS) collections  % of preregistered accounts (inpatient) % of preregistered accounts (outpatient)	95% compliance <3% error <3% error Collect \$45 per eligible encounter (average)  40% 20%
Case Management	Payer acceptance of clinical treatment plan (based on authorization) Clinical denials overturn rate	95% acceptance  95%
Health Information Management (HIM) Quality	DNFB and HIM billholds - Awaiting coding - Awaiting dictation Charge capture quality	<0.5 day in A/R <0.5 day in A/R 98% compliance  <i>continued on page 72</i>

## DOES YOUR REVENUE CYCLE MEASURE UP?

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Revenue cycle management is at the heart of hospital and health system initiatives to increase profitability.

To refine the revenue cycle, healthcare financial managers need new levels of analytical tools and actionable information. Every financial manager needs to ask: What are the immediate problem areas and bottlenecks? What monies are owed and for how long? Where can resources best be allocated immediately to mitigate risk and improve cash flow?

The backbone of revenue cycle improvement is a system of real-time revenue cycle metrics and business intelligence that provide an unobstructed view into revenue cycle performance throughout the organization. Real-time actionable information provides management with the strategic advantage of being able to respond immediately as business situations fluctuate.

To get the most comprehensive picture of revenue cycle performance and capitalize on the best opportunities for improvement, key performance indicators must be monitored and trended on an ongoing basis and at various phases of the revenue cycle. For performance metrics to be the most meaningful, it is important that they be updated in a near real-time environment and accompanied by root-cause drill-path analysis if possible.

The key revenue cycle metrics presented in the exhibit provide valuable insight into revenue cycle and overall financial performance. These metrics are meant to serve as guidelines only; each facility must determine which metrics are realistic for its own organization given organizational goals and objectives, state and regulatory reimbursement requirements and constraints, and other internal and external factors affecting applicability.

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Key Revenue Cycle Performance Area	Relevant Metrics	Best Practice Target(s)/Range
PFS/Patient Accounting (Cash Management and Liquidity Focus)	Gross days receivable outstanding (GDRO) Net days receivable outstanding (NDRO) % A/R over 90 days % A/R over 120 days % A/R over 1 year Patient accounting cash receipts as % of net revenue Credit balance A/R	<50 days outstanding <50 days outstanding <20% <10% <2% 99% + <2 days A/R
PFS/Patient Accounting (Billing Timeliness and Quality)	Billing turnaround % clean claims submission Secondary/tertiary payer billing Payer turnaround (average time to pay clean claim) - Electronic - Paper	5 days from date of service or discharge 97% 5 days from receipt from primary  7-10 days <45 days
PFS/Patient Accounting (Collections and Follow-up Quality)	Claim rejection turnaround High-dollar unpaid accounts worked Low-dollar unpaid accounts worked	15 days <5% over 60 days <10% over 60 days
Accounts Receivable Processing	Cash posting Contractual allowance posting Credit balance threshold Credit balance turnaround	<24 hours from receipt by payer <48 hours from receipt by payer <2 A/R days 7 days from notification by third party
All Revenue Cycle Departments Net Revenue Exposure	Denial overturn ratio Underpayments overturn ratio Cash factor analysis (payment to gross charge ratio) by payer grouping	95% 95% 100% of expected
Other Performance Indicators	Cost-to-collect ratio Bad debt expense – as % of gross revenue Bad debt expense – as % of net revenue	<2% <4% <2%

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**Questions and comments about this tool may be sent to Jim Quist at [jquist@medefinance.com](mailto:jquist@medefinance.com).**