

WHITE PAPER

Key Metrics for Effective Medical Billing Management

Introduction

In the dynamic and complex world of healthcare, effective management of medical billing processes is essential. As technologies advance and patient needs evolve, maintaining financial stability while providing high-quality care becomes increasingly challenging. *This whitepaper addresses this critical aspect by exploring key metrics essential for optimizing medical billing efficiency.* These metrics are vital for ensuring the financial health of healthcare providers and, in turn, impact the quality of patient care.

“Efficient billing practices are crucial not just for financial reasons but also for enhancing patient satisfaction and care quality.”

By focusing on these key metrics, healthcare providers can *streamline their revenue cycles, reduce administrative burdens, and devote more resources to patient care.* This whitepaper aims to equip healthcare professionals with the knowledge to refine their billing operations, striking a balance between financial stability and exceptional patient services in today's ever-evolving healthcare landscape.



Detailed Key Metrics,

Benchmarks, and Calculation Methods

■ Claim Denial Rates

Definition: The proportion of claims rejected by insurance companies.

Benchmark: Industry standards suggest an optimal denial rate should be below 5%.

Calculation Method: (Number of Denied Claims/Total Claims Submitted) ×100.

Importance: Reflects the accuracy of billing and compliance with insurer requirements.

Improvement Strategies: Enhance staff training on coding updates, conduct pre-submission claim reviews.

Similar to rejected claims, denied medical claims can be time-consuming and resource-intensive to appeal and manage. Moreover, lingering claims risk exceeding timely filing deadlines, after which insurers may not pay based on the service date. A high denial rate calls for a thorough review of your major payers' coverage policies and pre-visit patient eligibility verification to mitigate these issues.



■ Average Reimbursement Rate

Definition: The mean amount reimbursed by insurers for provided services.

Benchmark: A competitive rate varies by specialty but should align closely with regional averages.

Calculation Method: (Total Reimbursements for a Set of Claims/Number paid Claims for the set period) .

Importance: Key in assessing financial performance and in payer contract negotiations.

Improvement Strategies: Enhance staff training on coding updates, conduct pre- submission claim reviews.

■ Days in Accounts Receivable (A/R)

Definition: Average duration from providing service to receiving payment.

Benchmark: Ideally should be less than 40 days.

Calculation Method: Total A/R Amount/Average Daily Charges.

Importance: Longer A/R cycles can strain cash flows.

Improvement Strategies: Streamlining billing processes, proactive follow-ups on outstanding claims.

A higher than benchmark DSO might suggest slow or incorrect medical claim submissions, leading to rejections or denials, increasing staff workload and delaying payments. It may also reflect delayed patient payments, as over half of patients take more than 3 months to settle their bills, with only a third of patient balances collected successfully. To address this, consider implementing proactive measures like in-office patient payments or providing more convenient payment options.





■ Claim Submission Turnaround Time

Definition: Time taken from service delivery to claim submission.

Benchmark: Best practices indicate within 24-48 Hrs days post-service.

Calculation Method: Average time from service date to claim submission date.

Importance: Timely submission is crucial for maintaining healthy cash flow.

Improvement Strategies: Implementing efficient EHR and billing systems.

■ Cost per Claim Processed

Definition: Operational expense for processing each claim.

Benchmark: Aiming for a cost under \$10 per claim is considered efficient.

Calculation Method: Total Billing Operation Costs/Number of Claims Processed.

Importance: Signifies the efficiency and economic aspect of billing operations.

Improvement Strategies: Embrace automation, consider outsourcing complex claims, conduct process audits.



■ Patient Collection Rates

Definition: Percentage of patient financial responsibility successfully collected.

Benchmark: Striving for over 90% is deemed effective.

Calculation Method: (Total Collected from Patients/Total Billed to Patients) ×100.

Importance: Growing importance with the increase in high-deductible health plans.

Improvement Strategies: Clear communication on patient responsibilities, diverse payment options.

To achieve a high clean claim acceptance rate, thoroughness in claims submission is essential. Correcting and resubmitting rejected medical claims to insurance payers is a process that can be both expensive and time-intensive for you and your staff.

■ Coding Accuracy Rates

Definition: Precision of medical coding in claims.

Benchmark: Target for 98% or higher accuracy.

Calculation Method: (Accurately Coded Claims/Total Audited Claims) ×100.

Importance: Vital for compliance and proper reimbursement.

Improvement Strategies: Continuous coder education, frequent audits, employing certified coders

■ First Pass Resolution Rate

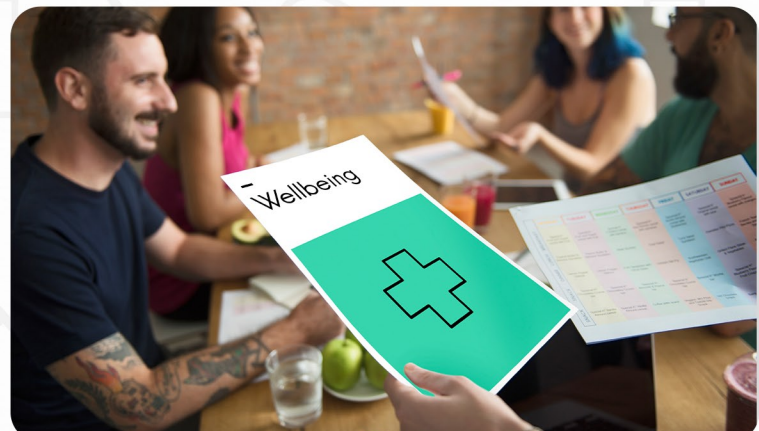
Definition: Claims paid fully on the first submission.

Benchmark: An effective rate is above 90%.

Calculation Method: (Claims Paid on First Submission/Total Submitted Claims) ×100.

Importance: Indicates billing process effectiveness.

Improvement Strategies: Accuracy in claim information, leveraging predictive analytics.



■ Revenue per Patient

Definition: Average revenue generated per patient visit.

Benchmark: Varies by specialty, but should trend upward year-over-year.

Calculation Method: Total Revenue / Number of Patient Visits .

Importance: A critical indicator of practice profitability.

Improvement Strategies: Reevaluate service pricing, optimize appointment scheduling, improve patient services.

■ Patient Satisfaction with Billing

Definition: Patients' contentment level with the billing process.

Benchmark: Aim for at least an 80% satisfaction rate.

Calculation Method: Analysis of patient survey results.

Importance: Affects overall patient experience and retention.

Improvement Strategies: Simplify billing statements, improve customer service, offer flexible payment plans.





Insurance Contract Performance

Definition: Evaluation of various insurance contracts' performance.

Benchmark: Aiming for 100% electronic submission is ideal.

Calculation Method: Assess aspects like reimbursement rates, denial rates, and payment delays.

Importance: Essential for identifying advantageous insurance contracts.

Improvement Strategies: Periodically review contracts, benchmark, negotiate strategically.

Electronic Claim Percentage

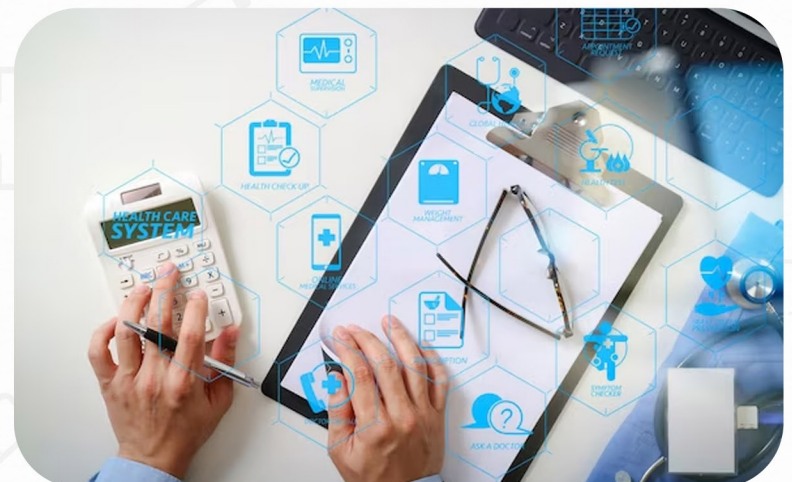
Definition: Share of claims filed electronically.

Benchmark: Aiming for 100% electronic submission is ideal.

Calculation Method: (Electronic Claims/Total Claims Submitted) × 100.

Importance: Enhances efficiency and accuracy.

Improvement Strategies: Upgrade to sophisticated electronic billing systems.



■ Net Collection Ratio

Definition: Proportion of total possible revenue collected.

Benchmark: Aiming for a ratio above 95%.

Calculation Method: (Total Payments Collected/Total Charges After Insurer Write-offs and Discounts) ×100.

Importance: Reflects the effectiveness of billing and collection processes.

Improvement Strategies: Ensure billing accuracy, reduce coding errors, bolster collection efforts.

A low net collection ratio means that your practice is leaving money on the table, and you may need to look into your denials, patient collections, or your outstanding A/R to improve the effectiveness of your collections.

■ Electronic Payment Posting Percentage

Definition: Share of insurance payments posted electronically.

Benchmark: Targeting over 85% is recommended.

Calculation Method: (Electronic Insurance Payments/Total Insurance Payments Received) ×100.

Importance: A measure of the payment posting process efficiency.

Improvement Strategies: Transition to ERA, engage with payers for electronic capabilities, update billing software.

Conclusion and Introduction to **Eternity Healthcare** A Partner in Excellence

As we wrap up this comprehensive exploration of key metrics for effective medical billing management, it's evident that achieving financial robustness and superior patient care requires specialized expertise and a strategic approach. This is precisely the arena where **Eternity Healthcare** excels, standing as your indispensable partner.



Eternity Healthcare is more than a medical billing company; we are your proactive ally in the multifaceted world of healthcare finance management. Our unwavering commitment to the metrics discussed in this whitepaper is coupled with a deep reliance on analytics and data-driven strategies, ensuring our solutions are not just effective but also intelligently tailored to the needs of your practice. Our services offer:

Enhanced Efficiency: Leveraging cutting-edge technology and best practices, we streamline your billing processes, effectively reducing claim denials and optimizing your revenue cycle.

Driven by Analytics and Metrics: At Eternity Healthcare, we are a highly analytics-aided and metric-driven organization. We use data analytics to inform our strategies, ensuring that our actions are aligned with your practice's performance goals and industry benchmarks.

Financial Health and Compliance: Our team of experts meticulously manages every aspect of medical billing, focusing on accuracy, compliance, and the maximization of reimbursements.

Understanding the uniqueness of each medical practice, Eternity Healthcare offers customized solutions that perfectly align with your specific billing requirements. Our dedication to metrics and analytics ensures that we not only promise but also deliver substantial improvements in both your financial performance and patient satisfaction.

Choose Eternity Healthcare as your partner and embark on a journey toward transforming your medical billing processes into a powerful asset driving your practice's success and sustainability. Let us navigate the complexities of healthcare billing for you, enabling you to concentrate on delivering the exceptional care your patients deserve.

Reach out to Eternity Healthcare today to discover more about how our analytics-aided, metric-driven approach can elevate your practice to new heights of efficiency and excellence.