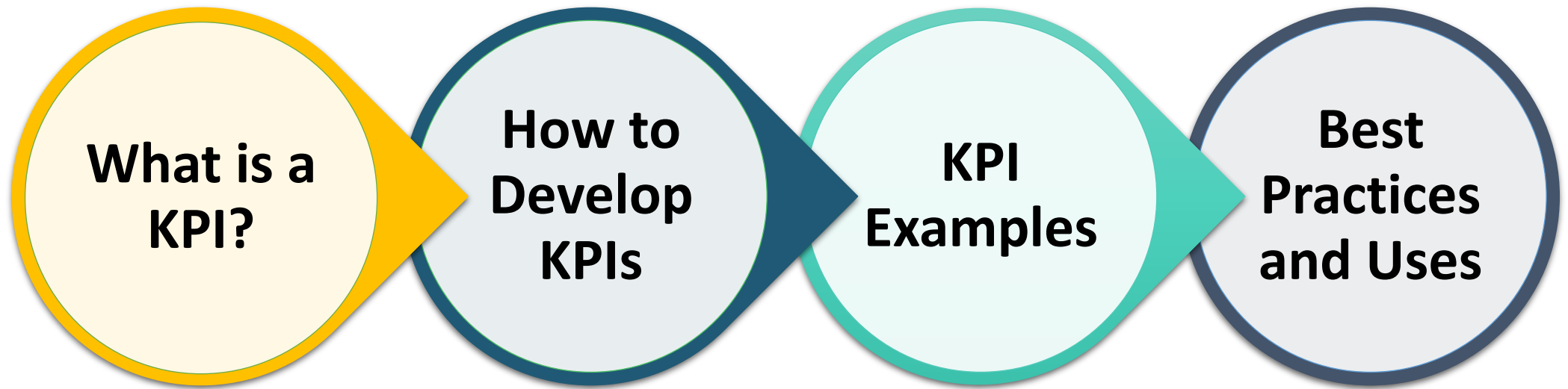# 2024 INDEPENDENT RHC INSTITUTE
MASTERING REVENUE CYCLE KPI DATA
Essential Strategies for Rural Hospitals

Amy Graham, Principal

Ryan Breneman, Consultant
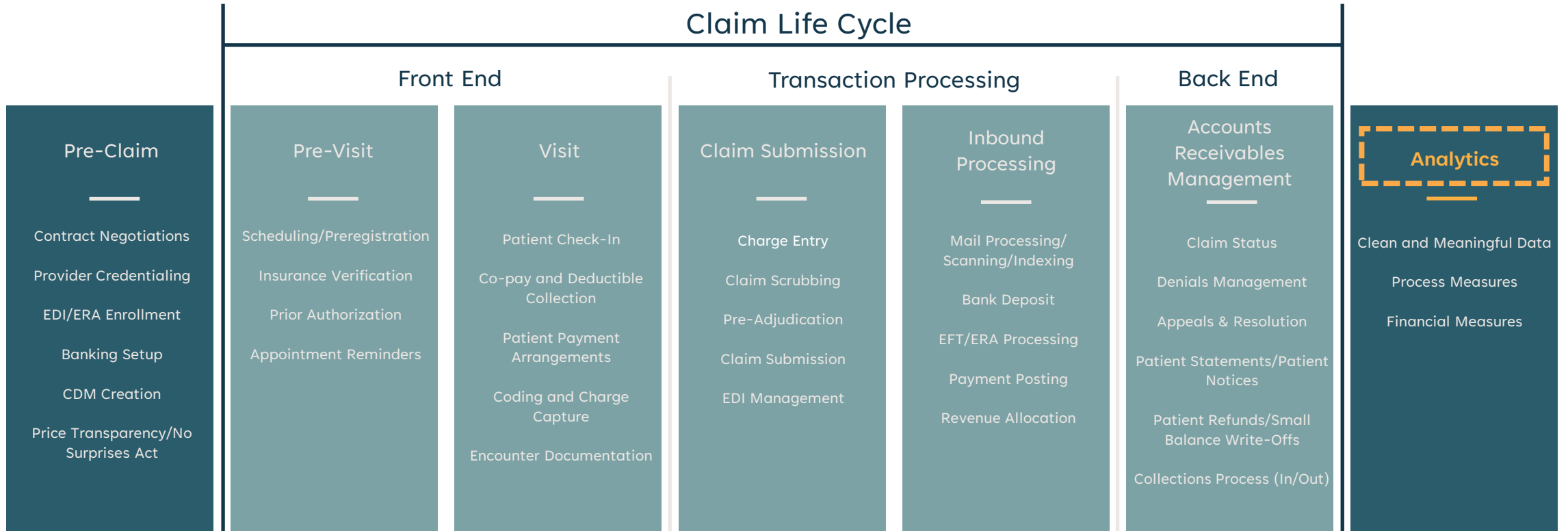
July 29, 2024

AGENDA

What is a KPI? → **How to Develop KPIs** → **KPI Examples** → **Best Practices and Uses**

THE BASICS

What is a KPI?

REVENUE CYCLE MANAGEMENT

Claim Life Cycle

	Front End		Transaction Processing		Back End	

Pre-Claim	Pre-Visit	Visit	Claim Submission	Inbound Processing	Accounts Receivables Management	Analytics
Contract Negotiations	Scheduling/Preregistration	Patient Check-In	Charge Entry	Mail Processing/ Scanning/Indexing	Claim Status	Clean and Meaningful Data
Provider Credentialing	Insurance Verification	Co-pay and Deductible Collection	Claim Scrubbing	Bank Deposit	Denials Management	Process Measures
EDI/ERA Enrollment	Prior Authorization	Patient Payment Arrangements	Pre-Adjudication	EFT/ERA Processing	Appeals & Resolution	Financial Measures
Banking Setup	Appointment Reminders	Coding and Charge Capture	Claim Submission	Payment Posting	Patient Statements/Patient Notices	
CDM Creation		Encounter Documentation	EDI Management	Revenue Allocation	Patient Refunds/Small Balance Write-Offs	
Price Transparency/No Surprises Act					Collections Process (In/Out)	

Claim Life Cycle

Month-End Closing	Cost Reporting	Compliance	Performance Management	IT & Quality

WHAT IS A KPI?

- Key Performance Indicator (KPI) is a measure of a specific item or objective over time
- Measures financial health, stability, and trajectory and gives value for further decision-making
- Metric tied to at least one business goal
- Actionable, Directional, Accurate, and Measurable

Monthly

	January	February	March

Charges, Payments, Adjustments, Denials

$0 $200,000 $400,000 $600,000 $800,000
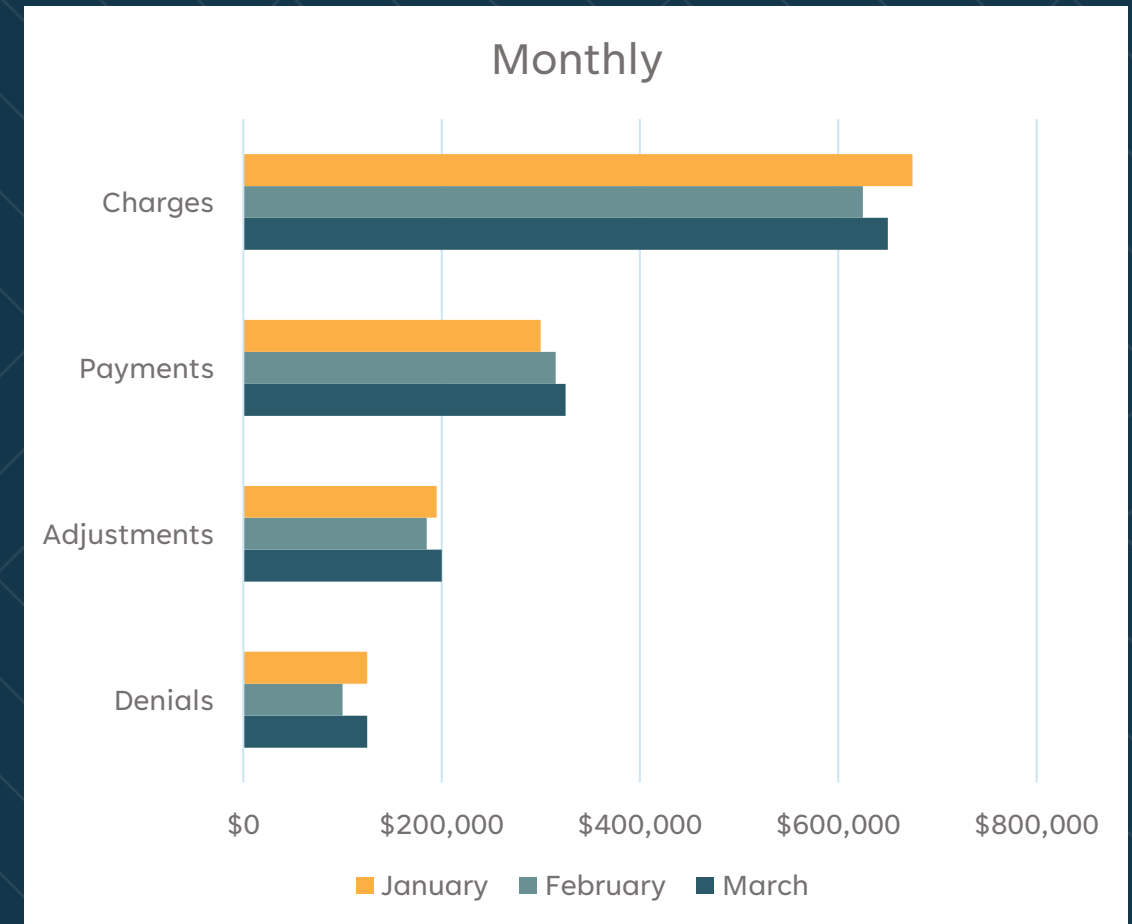
KPI VS. OKR

Key Performance Indicator

- Measure the present state of business (Days in AR last month)

- Top-down approach (high-level measures impact day-to-day decisions)

- Same basic KPIs used period over the period (net collections, denial %, etc.)

OKR (Objectives and Key Results)

- Goal setting that changes with overall organizational objectives

- Adaptive and frequently re-evaluated for new initiatives or objectives

- Reviewed quarterly or annually for alignment with overall organizational strategy

WHAT IS THE PURPOSE OF KPIS?

- Trend internal processes to show improvement or opportunity

- Create targets for teams to strive for and milestones to gauge progress

- Help leaders across the organization make better decisions backed by data

- Recognize process breakdowns or opportunities for improvement

THE POWER OF KPIS

Root Cause Analysis/Trend Identification

Payer Relations and Communication

First Line of Defense/Protect the AR
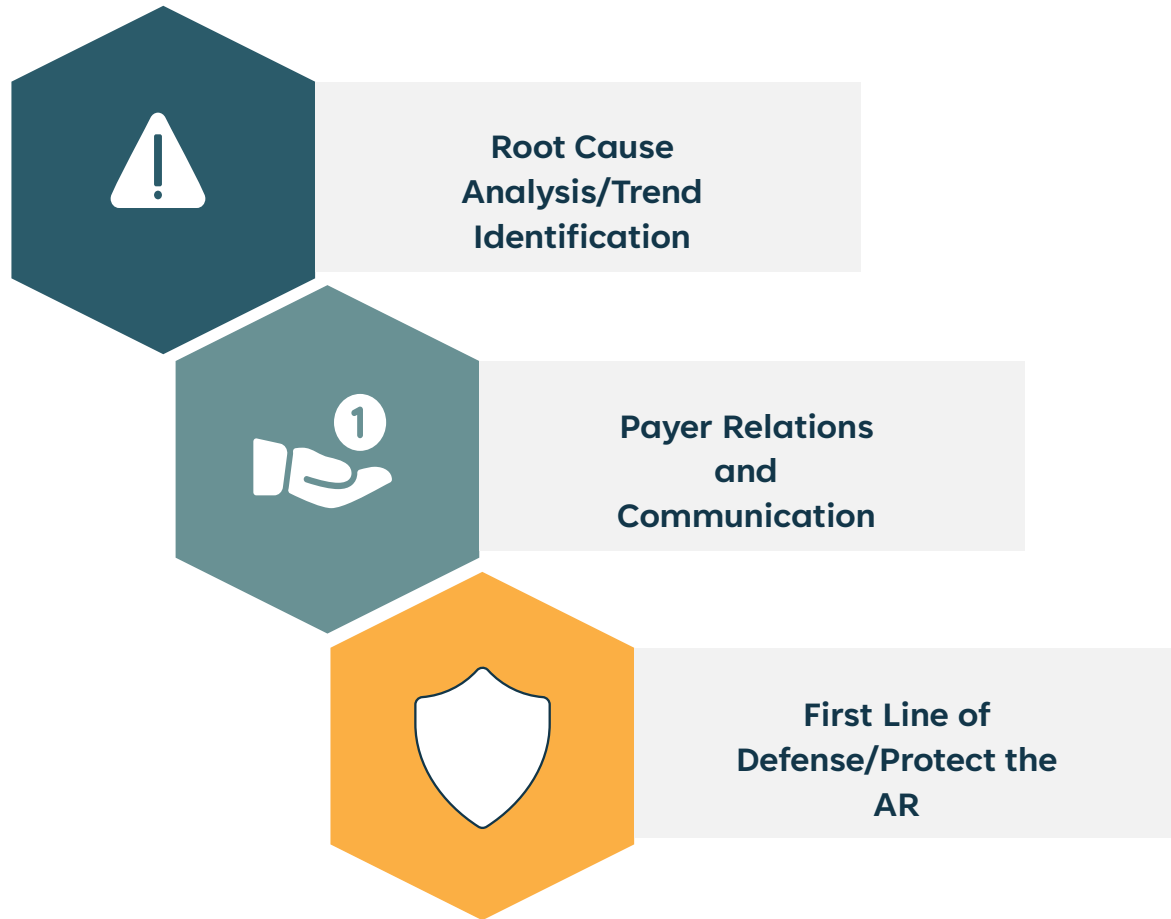
HOW TO DEVELOP KPIS

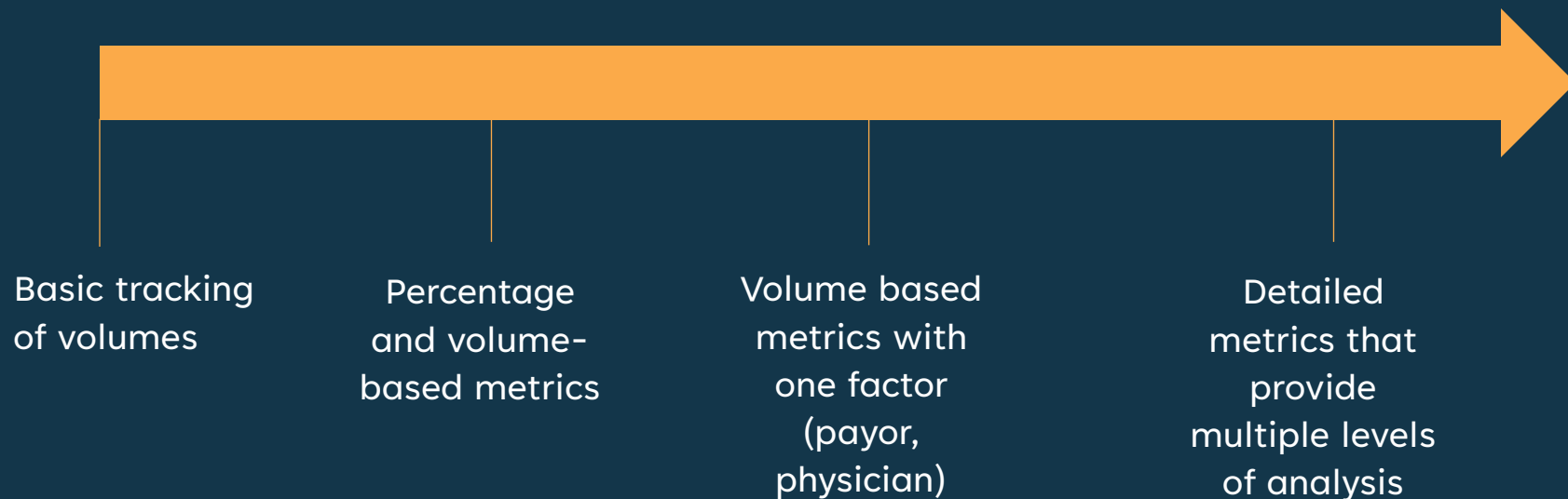Where to start and how to improve

DEFINING YOUR KPI

- Detail exactly what is being reported

  Example: Denial count: denied line items, denied invoices, total denial codes?

- Document how data is obtained: via a specific report or calculation

- Identify 1-3 KPIs for each functional area within your revenue cycle

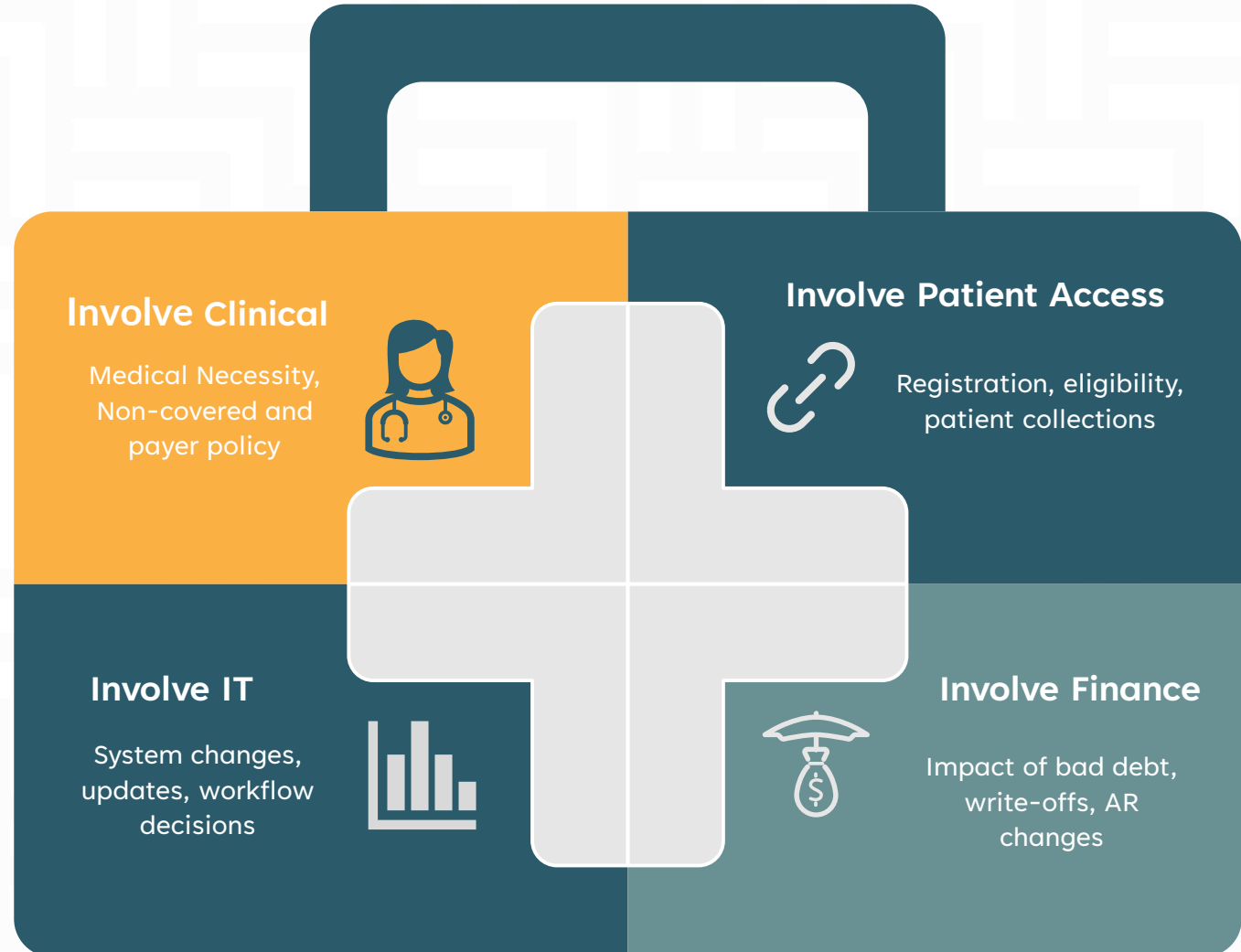- Choose KPIs that align with organizational goals
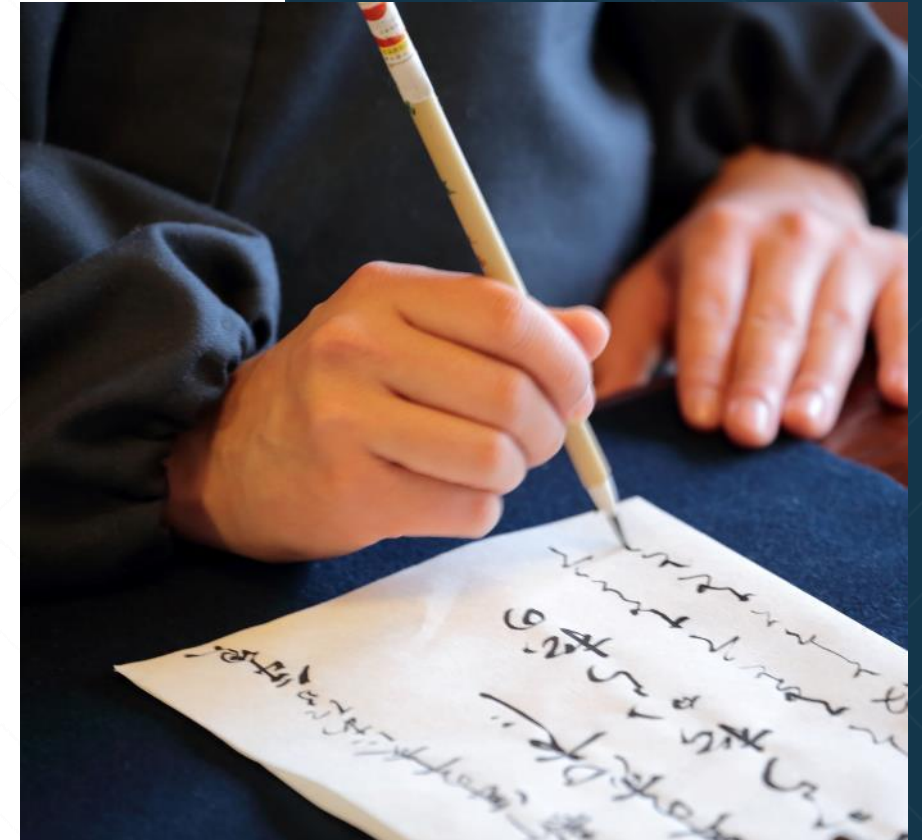
BUILDING KPI METRICS: START SMALL AND GROW

Begin with 4-7 Top Line indicators that give directional accomplishment (Example: Monthly Denials)

- Level one: overall monthly denials (quantity)

- Level two: overall monthly denied claims (percentage)

- Level three: overall monthly prior auth denials (percentage)

- Level four: overall Cigna monthly prior auth denials (percentage)

Basic tracking of volumes

Percentage and volume-based metrics

Volume based metrics with one factor (payor, physician)

Detailed metrics that provide multiple levels of analysis

DEVELOP A MULTIDISCIPLINARY APPROACH IN CREATING KPIS

Involve Clinical

Medical Necessity, Non-covered and payer policy

Involve Patient Access

Registration, eligibility, patient collections

Involve IT

System changes, updates, workflow decisions

Involve Finance

Impact of bad debt, write-offs, AR changes

KPI EXAMPLES

IMPLEMENT A KPI DASHBOARD

- Track What Matters

- Evaluate denial types, service lines, and payers

- Establish areas of concern

- Agreement on key areas to put focus

Clean Claims Analysis

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Total Claims for the period	5,712	5,998	6,297	6,612	5,290	4,232
Clean Claims	4,823	5,102	5,400	5,408	4,200	3,360
Clean Claim %	84.4%	85.1%	85.7%	81.8%	79.4%	79.4%
Denials	502	530	550	590	593	420
Denial %	8.8%	8.8%	8.7%	8.9%	11.2%	9.9%

Denial Write off Analysis

| Denial Code	Category	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	6 month Trend Low	6 month Trend High
CD	Coding	1.79%	1.80%	1.68%	1.69%	1.58%	1.59%	1.58%	1.80%
DC	Duplicate Claim	0.25%	0.25%	0.25%	0.25%	0.24%	0.24%	0.24%	0.25%
MN	Medical Necessity	1.06%	1.07%	1.00%	1.00%	0.94%	0.94%	0.94%	1.07%
NC	Non-covered	2.49%	2.50%	2.34%	2.35%	2.36%	2.38%	2.34%	2.50%
OT	Other	0.30%	0.30%	0.30%	0.30%	0.31%	0.31%	0.30%	0.31%
PA	Prior Authorization	2.60%	2.61%	2.63%	2.46%	2.47%	2.31%	2.31%	2.63%
Total		**8.49%**	**8.53%**	**8.20%**	**8.06%**	**7.89%**	**7.76%**	**7.71%**	**8.55%**

KPI DASHBOARD

- Data populated monthly
- Red/Yellow/Green Indicators of progress towards goal
- KPIs and goals established and published for the entire team to view
- Agreement on key areas to put focus

Sample Hospital Name						
	Goal	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Number of days in period		31	28	31	30	31
Cash Goal	100% of 3 mo pr net rev	$ 1,521,459	$ 1,642,907	$ 1,538,282	$ 1,391,683	$ 1,465,778
Cash Collections		$ 1,680,392	$ 1,489,575	$ 1,750,692	$ 883,753	$ 1,213,412
% of Cash Goal	100%	🟢 110%	🟡 91%	🟢 114%	🟡 64%	🟡 83%
Self- Pay Collections		$ 41,056	$ 30,111	$ 36,793	$ 38,555	$ 41,232
Total POS Cash Collections		$ 2,742	$ 8,920	$ 6,581	$ 7,256	$ 8,024
% of Total Self- Pay Collections	>15%	🟡 7%	🟢 30%	🟢 18%	🟢 19%	🟢 19%
Gross Patient Revenue		$ 14,227,967	$ 14,392,383	$ 15,564,350	$ 10,363,172	$ 12,582,223
Average Daily Revenue		$ 458,967	$ 514,014	$ 502,076	$ 345,439	$ 405,878
Total A/R (including inhouse and credit balances)		$ 26,355,787	$ 24,585,783	$ 20,033,445	$ 27,324,085	$ 24,631,255
Days in A/R - Gross	< 40	🔴 57.42	🟡 47.83	🟢 39.90	🔴 79.10	🔴 60.69
Insurance A/R $ > 90 Days		$ 5,109,800	$ 6,068,690	$ 2,826,451	$ 3,092,112	$ 3,109,442
% of Total A/R	< 15-20 %	🟡 19%	🔴 25%	🟢 14%	🟢 11%	🟢 13%
All A/R $ >90 days (includes Self-Pay)		$ 8,689,922	$ 8,710,464	$ 9,386,715		
% of Total A/R	< 20-25 %	🔴 33%	🔴 35%	🟢 47%	🟢 0%	🟢 0%
DNFB	< 5 Days	🟡 8.42	🟡 6.32	🟢 4.97	🔴 9.00	🟡 5.08
DNFC	< 3 Days	🔴 7.58	🟡 4.45	🟢 2.75	🟢 3.00	🟢 2.87
Gross Denials $ written off		$ 232,596	$ 97,506	$ 79,842	$ 65,525	$ 70,232
% of gross patient revenue	< 2%	🟢 2%	🟢 1%	🟢 1%	🟢 1%	🟢 1%
Bad Debt transfers		$ 789,093	$ 528,767	$ 759,585	$ 689,443	$ 712,357
% of bad debt gross patient revenue	< 8%	🟢 6%	🟢 4%	🟢 5%	🟢 7%	🟢 6%

HFMA MAP KEY INITIATIVE
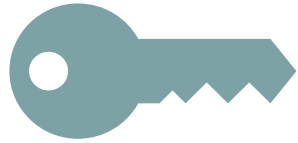
MAP Keys – Key Performance Indicators for Revenue Cycle Excellence

- Measure performance, apply evidence-based improvement strategies, and perform to the highest standards

- 5 Major Category Groups
  - Patient Access
  - Pre-Billing
  - Claims
  - Account Resolution
  - Financial Management

- 29 different benchmarks

For more information and Industry Standards, go to: https://www.hfma.org/tools/map-initiative/map-keys.html

KPI BEST PRACTICES AND USES

KPI BEST PRACTICES

- Hold monthly revenue cycle team meetings to review results

- Track and monitor Key Performance Indicators (KPI) that are actionable

- Benchmark against industry standards and internally to trend over time

- Develop an environment that is data-driven and open to improvements

BEST PRACTICES, CONTINUED

- Establish who, when, and how data is obtained
  - *"Employee X pulls metric Y from report Z at time B"*

- Establish reporting cadence
  - Daily
  - Weekly
  - Monthly
  - Quarterly
  - Yearly

- Stick to the established cadence
  - Some reports CANNOT be reproduced

HOW TO SPOT TRENDS AND ANOMALIES: INVESTIGATE

Ask questions

Who, What, When, Where, Why, How
> *Ask Why THREE times*

Look at the information differently

Aging buckets that are increasing or decreasing
> *Is there a specific payor that stands out?*
> *Is this an annual trend for the payor?*

Don't just focus on financial areas

Sometimes you need to look at the **entire** process to identify the root cause
> *Have there been operational changes?*

The first answer isn't the only answer

Multiple factors are at play which means there can be multiple answers

USING KPIS TO TRACK TRENDS AND ANOMALIES

Current Period vs Prior Period

Key Indicator	Jun-22	Jul-22	Variance	% Change
Net Days in Accounts Receivable	17	17	-	0%
Accounts Receivable (AR) >90 days as a % of Total AR	13%	13%	-	0%
Days in Total Discharged not Submitted to Payer	5	5	-	0%
Cash Collections as % of Net Patient Service Revenue	47%	40%	(7)	-15%
Bad Debt % of Net Revenue	19%	20%	(1)	-5%
Charity Write offs % of Net Revenue	13%	12%	1	8%

Current Period vs Current Period Prior Year

Key Indicator	Jul-21	Jul-22	Variance	% Change
Net Days in Accounts Receivable	18	17	1	6%
Accounts Receivable (AR) >90 days as a % of Total AR	14%	13%	1	7%
Days in Total Discharged not Submitted to Payer	5	5	-	0%
Cash Collections as % of Net Patient Service Revenue	38%	40%	2	5%
Bad Debt % of Net Revenue	13%	20%	(7)	-54%
Charity Write offs % of Net Revenue	15%	12%	3	20%

Current Period vs Prior Year End

Key Indicator	Dec-21	Jul-22	Variance	% Change
Net Days in Accounts Receivable	16	17	(1)	-6%
Accounts Receivable (AR) >90 days as a % of Total AR	21%	13%	8	38%
Days in Total Discharged not Submitted to Payer	6	5	1	17%
Cash Collections as % of Net Patient Service Revenue	32%	40%	8	25%
Bad Debt % of Net Revenue	15%	20%	(5)	-33%
Charity Write offs % of Net Revenue	13%	12%	1	8%

REPORTS TO MONITOR RCM KEY INDICATORS

Claim Life Cycle

Process Measures

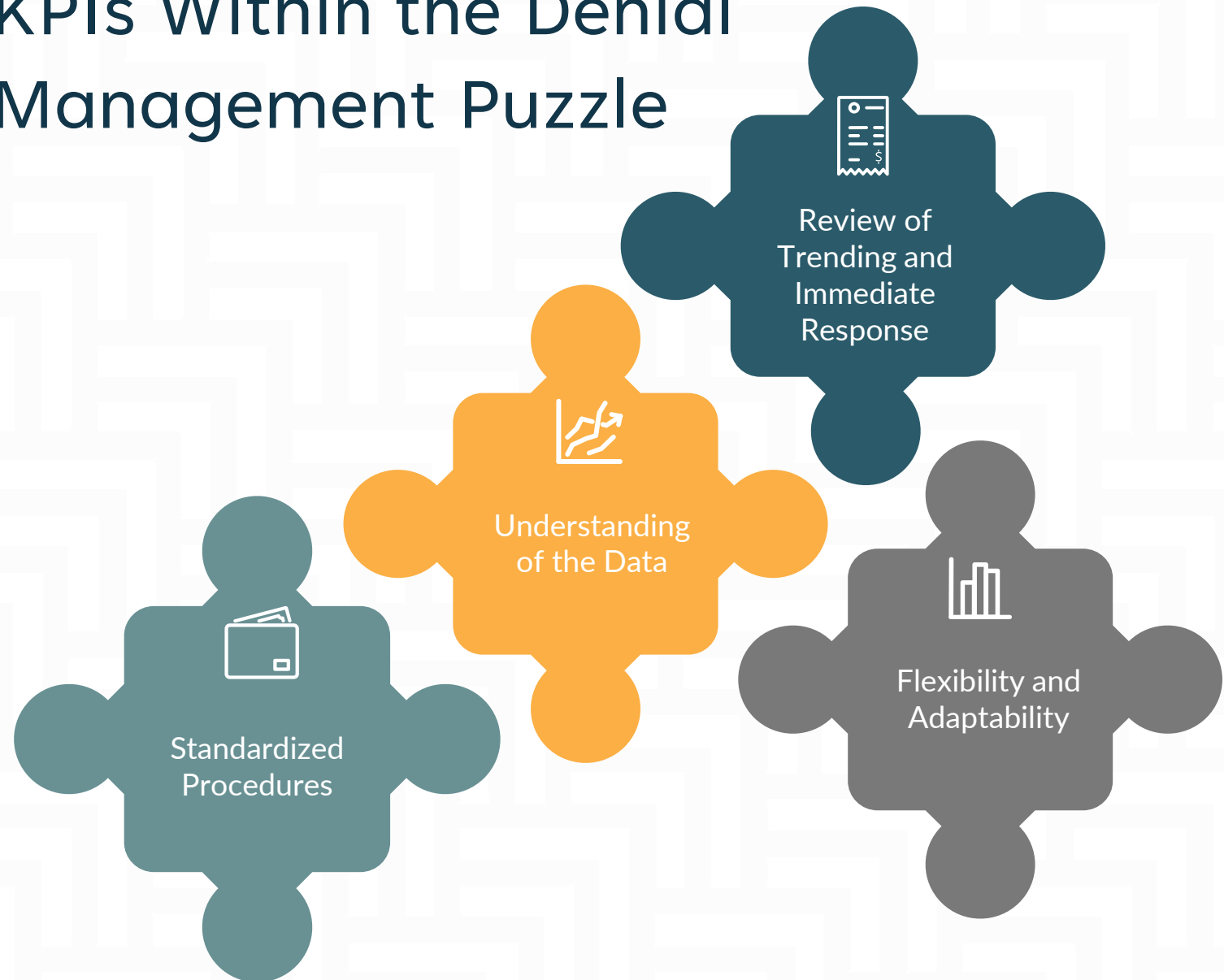› How is the hospital/ clinic AR process performing?

Financial Measures

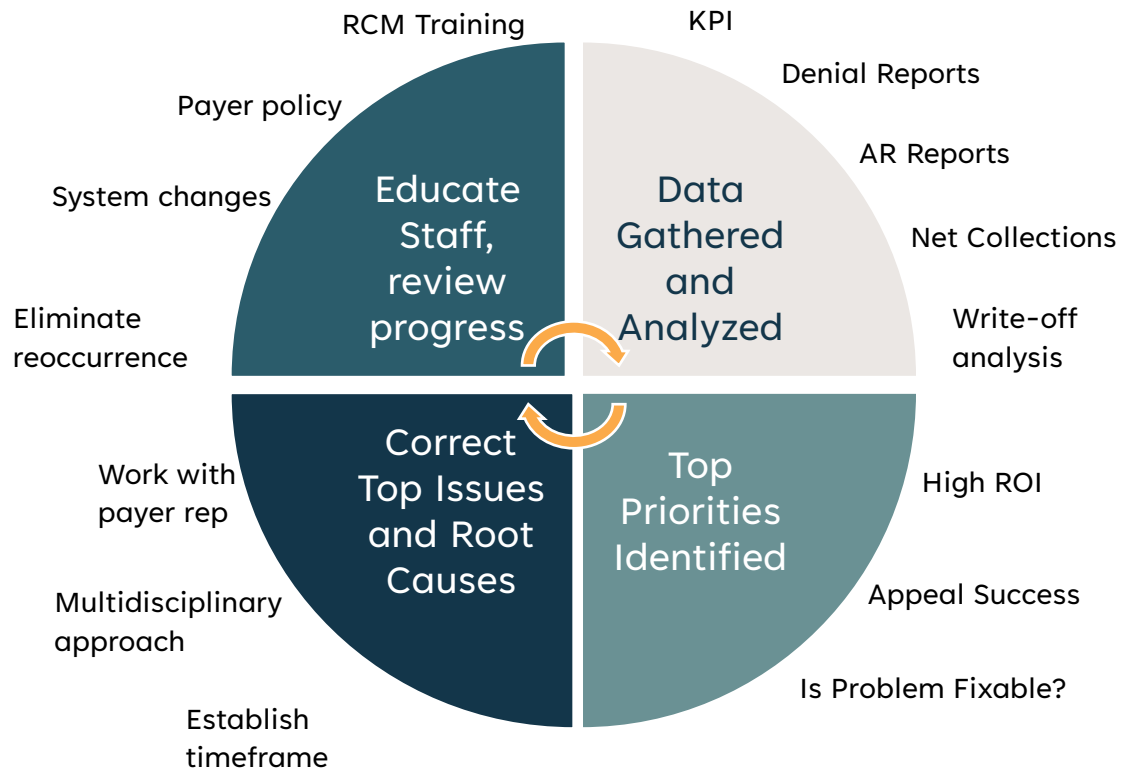› How is the hospital/clinic performing financially related to AR?

General Ledger/P&L

KPIs Within the Denial Management Puzzle

Review of Trending and Immediate Response

Understanding of the Data

Standardized Procedures

Flexibility and Adaptability

WORKING DENIALS REQUIRES CONTINUOUS IMPROVEMENT

RCM Training

KPI

Payer policy

Denial Reports

System changes

AR Reports

Educate Staff, review progress

Data Gathered and Analyzed

Net Collections

Eliminate reoccurrence

Write-off analysis

Work with payer rep

Correct Top Issues and Root Causes

Top Priorities Identified

High ROI

Multidisciplinary approach

Appeal Success

Establish timeframe

Is Problem Fixable?

- Track key metrics and establish top priorities

- Set short term goals for correcting of major issues

- Foster culture of continuous improvement

- Continuously train and educate revenue cycle staff on changes to payer policy or behavior

VENDOR INVOLVEMENT WITH KPI SUCCESS

Implement regular vendor performance reviews

Confirm vendor is meeting expected service levels

Establish timelines for deliverables

Utilize analytics to review leakage points

Focus on actionable data

Understand gaps in performance and corrective action plans

Enhance vendor oversight and accountability

Review vendor work, clarify expectations, and set up appropriate cadence of communication

Establish points of contact and anticipated staff involvement

What types of items require immediate escalation to staff?

What is the expected response time from the vendor and staff on all items?

VALUE OF KPI WITHIN PAYER CONTRACTING

Denial Reporting

* Dollar value to total billed
* Number of claims to claims submitted to payer

Medical Necessity

* Medical Records Requests
* Appeals Process
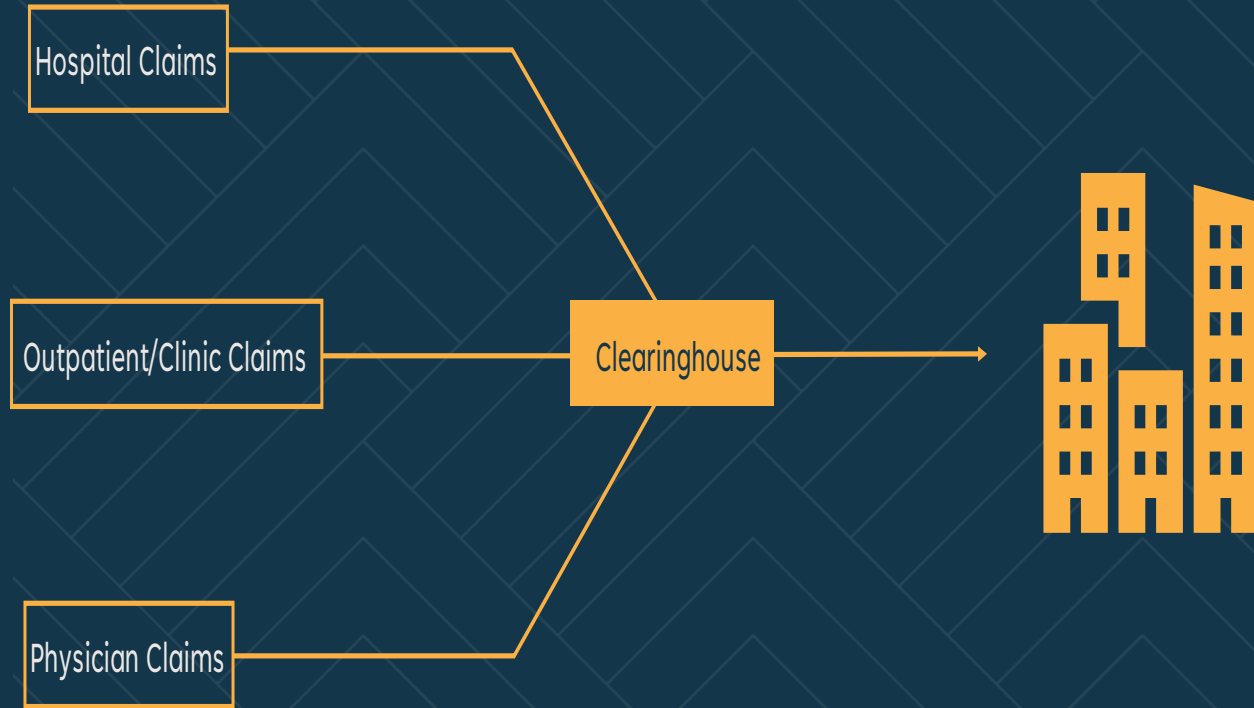
Prior Authorization

* Process, lag time, automation

Overall success of payer

* Financial Health of the contract

UTILIZING YOUR KPI TO DEVELOP A "DAILY RATE"

Claims Submitted

Claims Accepted

Claims Rejected

Pre-Registration Rate

Cash Collections

Hospital Claims

Outpatient/Clinic Claims

Physician Claims

Clearinghouse

CALL TO ACTION: IN SUMMARY

Track denials in detail and document your processes; bad inputs could impact output (posting, write-offs, appeal processes)

Use data and to help identify the best steps to take for a high ROI on your time and what to appeal

Inform other departments of their impact on RCM/denial management and partner to be most effective

Commit to continually learning and adapting to payer tactics and policies; what worked yesterday may not work tomorrow

Q&A

UPCOMING SESSIONS:

Office Hours
7/31/24

Join the Stroudwater Associates team for our designated office hours to ask specific questions related to your RHC.

STROUDWATER

COMMITTED TO INCREASING THE IMPACT OF RURAL AND COMMUNITY HEALTHCARE.

Our team of rural and community healthcare experts support the leadership of hospitals, health systems with a rural footprint, and the groups and clinics that form an essential care network across the 97% of the US that is defined as rural.

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REPORTS TO MONITOR REVENUE CYCLE FINANCIAL HEALTH (PRE-CLAIM THROUGH FRONT END)

Registration % correct

Clean claim rate (from Billing Editor)

Point-of-service (POS) collections

Claim acceptance rate

Pre-registration rate

Self-pay patients receiving financial counseling education

REPORTS TO MONITOR REVENUE CYCLE FINANCIAL HEALTH (TRANSACTION PROCESSING AND AR MANAGEMENT)

Gross (or Net) days in accounts receivables

Accounts receivable (AR) >90 days as a % of total AR

Cash collections as a % of net patient service revenue

Bad debt as a % of net revenue

Denial write-offs as a % of net patient revenue

Charity write-offs as a % of net revenue

CALCULATIONS

Revenue Cycle Financial Measures	Calculation:
Days in Gross Accounts Receivable	Total Gross AR / (Total Gross Revenue/# of Days)
Days in Net Accounts Receivable	Net AR / (Net Patient Revenue / # of Days)
Accounts Receivable > 90 Days	$ Value of AR>90 days / Total Gross AR
Gross Cash Collections to Total Gross Revenue	Cash Collected / Total Gross Revenue
Percentage of Unbilled Receivables	Gross Unbilled Accounts Receivable / Total Gross AR
Bad Debt % to Gross Revenue	Bad Debt / Total Gross Revenue
Charity % to Gross Revenue	Charity Care / Total Gross Revenue
Revenue Cycle Process Measures	**Calculation:**
Registration % Correct	1 - (Registration Errors / Patients Registered)
Clean Claims From Bill Editor	Clean Billed Claims / Total Billed Claims
Up-front Deductible and Co-pay Collections (Point of Service Collections)	Point of Service Collections
Claim Acceptance Rate	Dollar Value of Denials / Total Gross Revenue
Days in total discharged not submitted to Payer	Dollar Value of Claims Discharged but not Submitted to Payer / Average Gross Patient Revenue
Scheduled OP Services that are Pre-registered	# of Pre-Registered OP / Total Scheduled OP Patients
Self-pay Patients that Receive Education on Charity Care and Financial Counseling	Self Pay Pts Received Education on Charity Care and Financial Counseling / Total Self-Pay Patients