veradigm® Revenue Cycle Services

Identifying the Right Metrics and KPIs for Your Practice

Today's healthcare organizations face numerous challenges to their financial performance, ranging from rising labor expenses and workforce shortages to an increasing rate of claim denials. The result? Every year, up to $125 billion is lost in unpaid and underpaid claims.

92% OF HEALTHCARE LEADERS REPORT DIFFICULTY ATTRACTING AND RETAINING SUPPORT STAFF

60% OF MEDICAL GROUPS REPORT HIGHER RATE OF CLAIM DENIALS IN THE FIRST MONTHS OF 2024 VERSUS SAME PERIOD IN 2023

ON AVERAGE, DENIALS INCREASED **18%** FROM 2020 TO THE FIRST 3 QUARTERS OF 2023

When a claim is denied, it costs your practice an average of $25.20 to rework—and 24% of claims requiring resubmission cannot be recovered. However, 86% of claim denials could potentially be avoided if practices proactively address front-end issues.

This is why increasing numbers of practices are looking for ways to revamp and improve their revenue cycle management processes. Effective revenue cycle management can significantly improve your practice's revenue collections.

Key Performance Indicators (KPIs) are crucial to improving your revenue cycle management processes because measuring and tracking the right KPIs for your practice will help you assess your revenue cycle's efficiency and effectiveness. KPIs are like health markers for your practice, helping you diagnose and address problems early. Let's look at some KPIs that will help you identify and mitigate potential issues in your practice's revenue cycle processes.

INSIDE THIS eBOOK

WHAT ARE KPIs?

KPIs, or Key Performance Indicators, are crucial metrics for determining the effectiveness and efficiency of your healthcare revenue cycle. To be beneficial, KPIs need to directly relate to your practice's goals. They should be specific and measurable and provide insight into how effectively your practice is attaining those goals.

It's possible to track KPIs for nearly any aspect of practice operations, but we will focus on KPIs that can help you evaluate your revenue cycle. Revenue cycle KPIs are specific, quantifiable metrics that will reveal whether your practice is achieving its financial goals and, if not, will help you identify areas to target for improvement.

THE VALUE OF KPIs

Most healthcare providers and practice managers are already busy trying to keep up with their practices' day-to-day operations—but your practice's success as a business is highly dependent on how well you monitor its financial performance. One of the top reasons practices lose money is a failure to consistently track financially relevant KPIs.

Only by monitoring and reporting on the right KPIs can you start to optimize your practice revenue cycle. With KPIs, you can identify areas of success and areas of concern. KPIs enable evidence-based decision-making for operational and strategic optimization. KPIs allow your claims, billing, and collections teams to identify which specific activities will lead to improvements; KPIs provide critical indicators of progress toward specific goals.

IN HEALTHCARE, KNOWING AND UNDERSTANDING YOUR REVENUE-RELATED KPIs IS ESSENTIAL FOR:

- **Monitoring progress toward long-term business goals**
- **Making adjustments and staying on track**
- **Solving problems and identifying areas for improvement or growth**
- **Identifying trends and patterns over time**
- **Optimizing operational efficiency**
- **Increasing profitability**
- **Benchmarking your revenue cycle's performance against industry peers**

KPIs provide actionable insights and enable data-driven decision-making for your practice revenue cycle.

THE RIGHT KPIs FOR YOUR PRACTICE IN 2024

It's essential to choose the KPIs that are the most relevant to your unique business situation, KPIs that align with your practice's specific goals. By choosing a limited number of KPIs to track, you can target specific factors influencing your revenue cycle. This, in turn, enables you to make operational and workflow changes to improve specific business targets.

CHOOSING THE RIGHT KPIs

How can you choose which KPIs to address when so many are available, even when focusing on the revenue cycle? Keeping these factors in mind will help you select the best revenue cycle KPIs for your practice's specific needs:

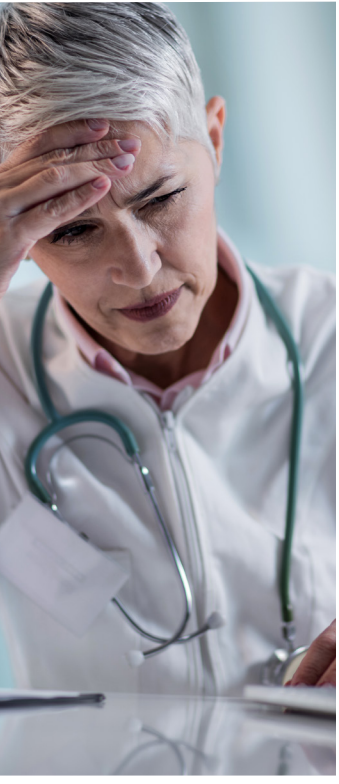
1. **What are your practice's most important revenue cycle-related goals or objectives?**
2. **Are there measurable KPIs you can use to assess progress on these objectives?**
3. **KPIs worth measuring and tracking should be crucial to your practice's success.**
4. **The selected KPIs need to be defined clearly enough that everyone in the practice can understand them.**

KPIs CRUCIAL TO YOUR PRACTICE'S FINANCIAL SUCCESS

Based on our industry experience here at Veradigm, we've chosen a subset of KPIs to focus on in this ebook, KPIs we've identified as crucial to your practice's financial success. These include both "Core" KPIs—revenue-related KPIs that are essential for any medical practice to track and monitor—and a selection of KPIs that are easy to overlook but can have a surprisingly significant influence on practice revenue stream. By combining these KPIs, you can gain an overview of your practice's financial health; the efficacy and efficiency of your revenue cycle management processes; and specific areas to target for intervention.

Regardless of which KPIs your practice selects, you need to track them consistently to identify trends—and use that information to compare your practice's performance versus that of your peers. Only with consistent tracking and reporting can you reap KPIs' value and learn the best ways to optimize your revenue cycle.

CORE KPIs: DENIAL RATE, CLEAN CLAIMS RATE, AND DAYS IN A/R



Denial Rate, Clean Claims Rate, and Days in A/R are 3 of the top 7 KPIs practices need to track, identified by the HFMA as a subset of their list of 29 metrics. Together, these 3 KPIs can provide an overview of your practice's financial health, as well as identifying specific practice areas that could benefit from optimization.

DENIAL RATE

Denial Rate is defined as the percentage of claims denied by payers over a specified period.

This KPI is a valuable tool to help you quantify the effectiveness of your revenue cycle processes. A low Denial Rate would indicate a healthy cash flow, whereas a high Denial Rate would indicate issues with revenue leakage. To calculate your practice's Denial Rate, add the total dollar amount of denied claims for a given period, then divide by the total dollar amount of claims submitted during this period.

For any KPI, it's important to benchmark your numbers against the industry standard for other medical practices of similar size and type. The Medical Group Management Association (MGMA) is an excellent source for many comparative figures.

DENIAL RATE = ($ AMOUNT OF CLAIMS DENIED) / ($ AMOUNT OF CLAIMS BILLED)		
Industry Average	**Desired Value**	**Unacceptable**
5% to 10%	**<5% is desirable 5% to 10% is acceptable**	**>10% indicates a need to analyze revenue cycle management processes for problem areas**

CORE KPIs: DENIAL RATE, CLEAN CLAIMS RATE, AND DAYS IN A/R

CLEAN CLAIMS RATE

Clean Claims Rate is defined as the percentage of submitted claims accepted on their first submission to the payer.

This KPI provides crucial insight into revenue cycle performance. Your practice's Clean Claims Rate can significantly impact practice profitability. When claims are not resolved on their initial submission, they require significant time and cost to rework. Tracking your Clean Claims Rate will help you assess the efficiency of your claim submission process and identify areas for claim management improvements, helping you reduce your number of denied claims. To calculate your Clean Claims Rate, divide the total number of claims submitted to payers and accepted without errors by the total number of claims submitted and multiply by 100.

CLEAN CLAIMS RATE = (# OF CLAIMS ACCEPTED) / (TOTAL # OF CLAIMS SUBMITTED TO PAYER) x 100	
Industry Average	**Desired Value**
95%	**98% or higher, according to Becker's ASC**

CORE KPIs: DENIAL RATE, CLEAN CLAIMS RATE, AND DAYS IN A/R

DAYS IN ACCOUNTS RECEIVABLE (A/R)

Days in A/R is defined as the average number of days it takes to collect payments for services provided. This KPI measures revenue your practice has generated but has not yet collected.

Many medical billing staff don't understand the relevant metrics and benchmarks for measuring A/R performance, making it challenging to determine whether your A/R is doing poorly, well, or above average. However, tracking Days in A/R is an easy way to gain insight into the state of your practice's accounts receivable. Like Clean Claims Rate and Denial Rate, this KPI provides insight into your revenue cycle's efficiency and overall performance and helps you identify revenue cycle issues. The lower this KPI, the faster your practice is getting paid—which directly impacts practice profitability.

To calculate Days in A/R, first calculate your practice's average daily charges for the past several months. For instance, add the total charges posted for the past 6 months and divide by the total number of days in this period. Next, divide the current total dollar amount in A/R by the average daily charge, which will yield Days in A/R.

For example, if your practice charged $250,000 in the past 6 months, which had 181 days, your average daily charges would be $1,381. If your current total A/R is $50,000, Days in A/R is 36.2—that is, it's currently taking an average of 36.2 days to collect payments due.

DAYS IN A/R = (TOTAL $ A/R) / (AVERAGE DAILY CHARGES) AVERAGE DAILY CHARGES = (TOTAL CHARGES PAST 6 MO) / (# DAYS IN PAST 6 MO)	
Industry Average	**Desired Value**
35[1]	**Between 30 and 40 days**

Since Days in A/R can be influenced by multiple factors, tracking Days in A/R according to individual financial classes (e.g., by payer or separating in-network vs. out-of-network claims) can be helpful. This can make it easier to identify potential problem areas.

[1]Note: This value will vary from practice to practice, as it depends on factors such as payer mix, percentage of out-of-network claims, outstanding litigation, and billing and collections staff performance.

CRITICAL—BUT OFTEN OVERLOOKED—KPIs FOR OPTIMAL FINANCIAL PERFORMANCE

CHARGE PER ENCOUNTER

The average Charge Per Encounter KPI is defined as the average amount charged for each treatment or service provided by your practice.

Knowing your practice's average Charge Per Encounter provides valuable insight into your practice's performance and financial health. Only by monitoring and optimizing this metric can you ensure your practice charges appropriately for services. This KPI enables you to identify specific areas in which to improve profitability; it also helps you make informed decisions about when and how to increase revenue. Knowing the Charge Per Encounter facilitates better decision-making about pricing and resource allocation; ensures compliance with pricing-related regulations; and helps your practice provide high-quality care at a reasonable cost. This, in turn, improves patient satisfaction.

To calculate the average Charge Per Encounter, identify the total revenue generated during a specific period, then divide that value by the number of treatments provided during the same period. (Note: The average treatment charge should be calculated separately for each treatment or service provided and at regular intervals to accommodate and monitor changes in pricing and overall financial performance.)

CHARGE PER ENCOUNTER	=	(TOTAL $ CHARGED FOR SPECIFIC TREATMENT/SERVICE IN TIME PERIOD) / (NUMBER OF TIMES TREATMENT/SERVICE PROVIDED IN TIME PERIOD)

Benchmarks for average treatment charges vary depending on your practice specialty and the specific treatments/services provided. Aim for your average Charge Per Encounter to follow a consistent trend that is increasing over time and, ideally, is somewhat higher than the industry's average charge for that service.

CRITICAL—BUT OFTEN OVERLOOKED—KPIs FOR OPTIMAL FINANCIAL PERFORMANCE

REVENUE PER ENCOUNTER

The average Revenue Per Encounter KPI is defined as the average amount your practice is paid or reimbursed per patient visit.

This KPI is valuable because it provides an easy method for comparing your medical practice to others in the same specialty. This KPI is also a valuable tool for tracking how revenue per patient changes throughout the year, to identify any slow months. This enables you to forecast future revenue and, if necessary, take preventive action to avoid potential cash flow problems.

Revenue Per Encounter can be calculated by dividing your practice's net collections during a specific period by the total number of patient visits during that period. This KPI should be trended from month to month to reveal potential revenue highs and lows.

REVENUE PER ENCOUNTER	=	(TOTAL REVENUE IN TIME PERIOD) / (TOTAL NUMBER OF PATIENT VISITS IN TIME PERIOD)

As for the previous KPI, Revenue Per Encounter will vary depending on your practice specialty, and is important to benchmark against other specialist groups in your field.

CRITICAL—BUT OFTEN OVERLOOKED—KPIs FOR OPTIMAL FINANCIAL PERFORMANCE

NON-COMPLETED VISITS

The Non-Completed Visits KPI is defined as the percentage of scheduled appointments patients miss. Note that this can include both patient no-shows and late cancellations. Although no-shows (when a patient fails to show up for a scheduled appointment without prior notice) differ from late cancellations (when a patient cancels their appointment within 24 hours of the appointment time), both generally leave your practice with an empty appointment slot that is very difficult to fill.

In a recent MGMA Stat poll, 49% of medical groups reported increased patient no-show rates; in another survey, practice leaders cited patient no-shows as the biggest appointment challenge in their medical practices. Patient no-shows have numerous impacts on your practice:

- Disrupt your practice's daily schedule, severely impairing practice efficiency
- Reduces access to care for other patients
- Negatively impacts patient care
- Reduces patient satisfaction

If this KPI is high, it can cause significant revenue losses; it's estimated that missed appointments cost the healthcare industry $150 billion annually.

However, tracking this KPI can provide valuable insights into the causes of missed appointments—allowing your practice to implement targeted strategies for improvement.

NON-COMPLETED VISITS	=	(TOTAL # MISSED APPOINTMENTS) / (TOTAL # SCHEDULED APPOINTMENTS) X100

Patient no-show rates can range from 5% to 30% or even higher; generally, less than 5% to 10% is an acceptable target for this KPI, whereas greater than 20% is considered poor. However, benchmarks for Non-Completed Visits vary depending on factors such as practice specialty, patient population, and location.

THE FOLLOWING ARE INDUSTRY STANDARDS FOR SOME OF THE MORE COMMON HEALTHCARE SPECIALTIES:

Dentistry: 15%

Optometry: 25%

Primary Care: 19%

OB/GYN: 18%

Pediatrics: 30%

Dermatology: 30%

Ophthalmology: 22%

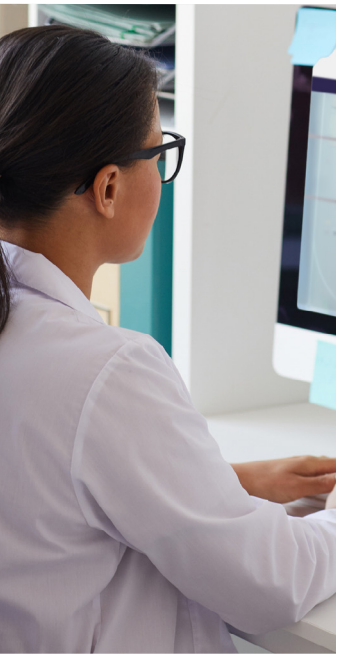
Neurology: 26%

Oncology: 25%

Endocrinology: 14%

Sleep Clinics: 39%

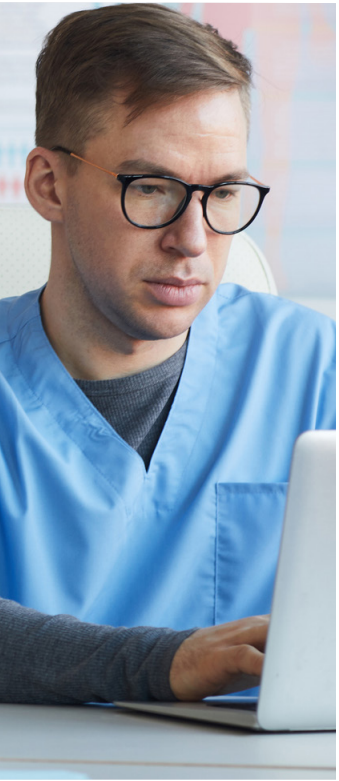
CONCLUSION



Your medical practice is in the business of providing quality patient care—but it's still crucial to remember that you are running a business. KPIs provide an essential tool for helping you ensure your business is operating efficiently and effectively. KPIs enable you to identify and correct potential problem areas, particularly in your revenue cycle.

Fortunately, tracking and monitoring these and other KPIs doesn't have to be difficult. The right technology solutions can provide robust tools for accurately tracking and reporting these vital practice metrics.

CONSIDER VERADIGM AMBULATORY SUITE WITH PREDICTIVE SCHEDULER AND VERADIGM REVENUE CYCLE SERVICES



VERADIGM AMBULATORY SUITE

Veradigm Ambulatory Suite is a collection of solutions designed to support the needs of busy provider practices. It helps you spend more time on your top priority—caring for your patients. Veradigm Ambulatory Suite includes Veradigm EHR, Veradigm Practice Management (with Predictive Scheduler), and Veradigm FollowMyHealth.

VERADIGM PRACTICE MANAGEMENT

A leader in practice management software technology, Veradigm Practice Management is one of the most advanced practice management systems available. This solution can help ensure the administrative and billing aspects of your practice operate seamlessly, allowing your practice to focus on delivering the best possible care to your patients.

Veradigm Practice Management can reduce your practice's administrative costs in both the front and back office. This solution enhances collections and profitability, delivering a 98% first-pass clean claims rate to our current clients.[2] Veradigm Practice Management will also help you to meet ever-evolving compliance and security mandates.

VERADIGM PREDICTIVE SCHEDULER

Veradigm Practice Management now includes the Veradigm Predictive Scheduler, a solution that uses artificial intelligence and predictive analytics to forecast which patients may have the most urgent needs—enabling your practice to prioritize these patient visits in your schedule while minimizing impact on already-scheduled patients.

Veradigm Predictive Scheduler also helps your practice manage open slots created by no-shows and last-minute cancellations.

[2]Veradigm internal data on file (2023).

VERADIGM REVENUE CYCLE SERVICES

Veradigm Revenue Cycle Services provides robust administrative and financial management solutions to help you solve your practice's operational challenges. Our professional billing experts collaborate with your team at every step of the revenue cycle to help ensure accuracy and efficiency.

Outcomes Delivered[3]

- **29,000+ providers**
- **$4.2B annual payments**
- **30+ years of experience**
- **98% first-pass clean claims rate**
- **98% net collections**
- **2% to 5% revenue improvement**

[3]Veradigm internal data on file (2023).

VERADIGM EHR

Veradigm EHR is the central pillar of the Veradigm Ambulatory Suite. Veradigm EHR is a comprehensive electronic health record system designed for modern ambulatory healthcare practices. Veradigm EHR can help you provide more informed patient care, streamline clinical workflows, improve operational efficiency, and stay abreast of regulatory changes.

- **Efficient: Veradigm EHR adapts to your practice's workflow patterns to provide you with the most efficient and useful EHR system possible.**
- **Intuitive: One-click visit templates enable you to populate patient information based on previous visits or circumstances while Smart Lists trend providers' and practice ordering patterns to access lists of what has been ordered most often for specific diagnoses.**
- **Individualized: Supports creating, defining, and tracking patient-specific care plans and goals.**
- **Flexible: Delivers specialty-specific content with hundreds of preloaded templates and protocols.**
- **On-the-Go Access: Provides mobile access to Veradigm EHR's most in-demand features via Veradigm EHR Mobile.**
- **Open Network: As a Veradigm Network solution, it provides open integration with other healthcare solutions.**

Veradigm EHR also provides integrated telehealth services, integration with state controlled-substance registries (the Prescription Drug Monitoring Program), and access to Prescription Price Transparency information via Veradigm RxTruePrice™ to help your patients locate medications they can afford.

VERADIGM FOLLOWMYHEALTH

Another element of the Veradigm Ambulatory Suite, Veradigm FollowMyHealth is a mobile-first patient engagement platform that meets patients on their terms. This cloud-based tool gives patients a single point of access to personalized content throughout their healthcare journey, enabling active participation in their treatment plan and wellness.

By improving patient engagement, Veradigm FollowMyHealth can help your practice to:

- **Protect and drive revenue**
- **Improve efficiency for front desk and clinical staff**
- **Promote better patient outcomes**

Engaged patients can help increase satisfaction scores, quality of patient care, and practice efficiency.

ABOUT VERADIGM

Veradigm is a healthcare technology company that drives value through its unique combination of platforms, data, expertise, connectivity, and scale. The Veradigm Network features a dynamic community of solutions and experienced users providing advanced insights, technology, and data-driven solutions—all working together to transform health insightfully.

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For more information, contact your Veradigm representative | veradigm.com