RCM Survey Report:

What's Happening Behind the Billing Office Door

NEXTGEN®
HEALTHCARE

In an effort to gain deeper insight into the current state of medical practice revenue cycle management, NextGen Healthcare recently conducted a survey among practices across the nation. Participating practices included NextGen Healthcare clients and non-NextGen Healthcare clients, across varying specialties, staff sizes, and locations. The survey results reflect the operational and financial metrics provided by each of them.

By examining a diverse cross-section of medical practices, NextGen Healthcare hopes to help practices everywhere better assess their own RCM metrics—and identify opportunities to make improvements and drive revenue. The following sections will delve into specific findings for the categories covered in the RCM survey.

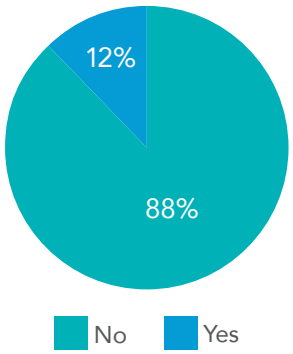
Basic facts about the practices surveyed

Representatives from several hundred practices responded to the NextGen Healthcare RCM Survey—from more than 40 states nationwide. Twelve percent of the respondents' practices were hospital-owned and 88 percent were not. The most popular specialties reflected within the survey results were:

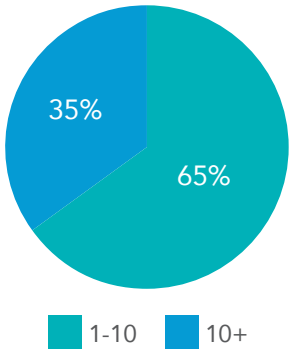
- **Ophthalmology**—accounting for 16 percent of surveyed practices
- **Primary Care/Internal Medicine/Family Medicine**—accounting for 10 percent
- **OB/GYN**—accounting for 4 percent
- **Cardiology**—accounting for just under 4 percent
- **Pediatrics**—accounting for 3 percent.

The number of providers within each practice ranged from one to 100, with the vast majority of participating practices—65 percent—reporting they had between one and 10 providers. Those with between 50 and 100 providers accounted for just 9 percent of the respondent pool.

Hospital-owned



Number of providers



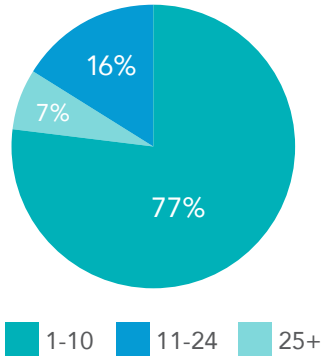
Billing office profiles

Though most practices—77 percent—reported having between one and 10 people working in their billing offices, 7 percent said they employed 25 or more across billing functions.

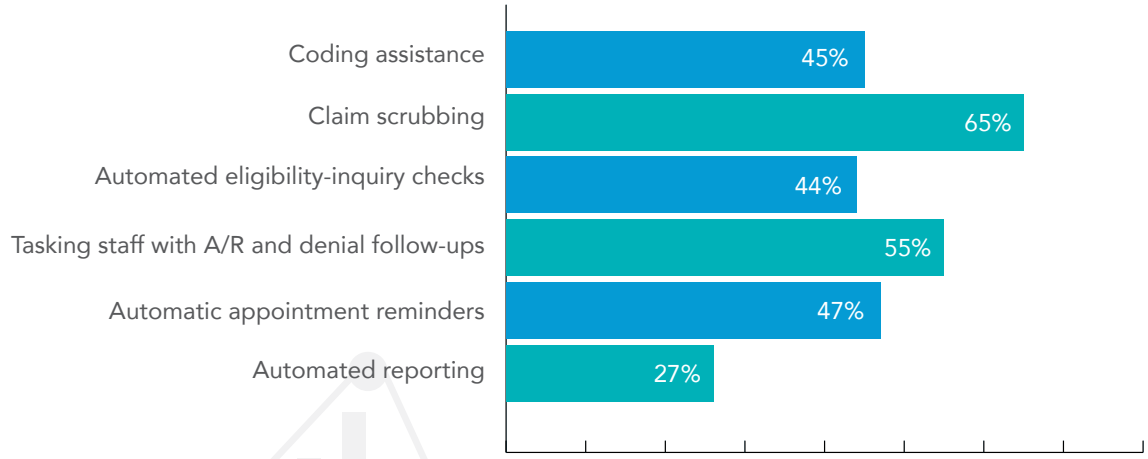
Among several of the top specialties, we saw similarities in the number of providers compared to the number of billing office staff. On average, practices with 1-10 providers had 1:1 provider/biller ratios. Those with 11-20 providers had 3:1 provider/biller ratios. And those with 21-30 providers had 5:1 provider/biller ratios.

Just over three-quarters of surveyed practices said they did not outsource any of their billing. Eleven percent said they outsourced all of their billing. Across both the practices that handled billing in-house and those that outsourced, the use of automation in the revenue management process was popular.

Employees working in billing office



Percentages of practices that automate various aspects of their RCM



The details of denial resolution

When it comes to denial resolution, nearly half of practices reported having just one person handling the process. Following closely behind that number, 45 percent of practices reported having 2-5 people working on denial resolution.

Among practices that outsource their billing, 31 percent said they still handled denial resolution internally; 59 percent have their billing provider handle denial resolution for them.

When asked to evaluate and rate the effectiveness of their denial follow-ups and resolution on a scale of 1-10, only 15 percent of those surveyed rated their practices' denial follow-up and resolution abilities as a "10" or "Excellent." Thirty-one percent of practices rated their abilities between 1-5.

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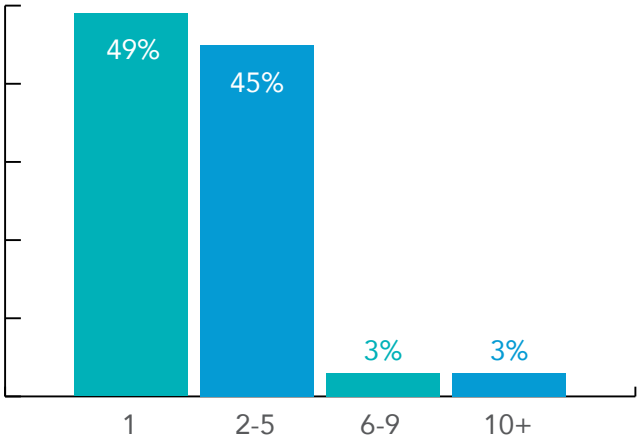
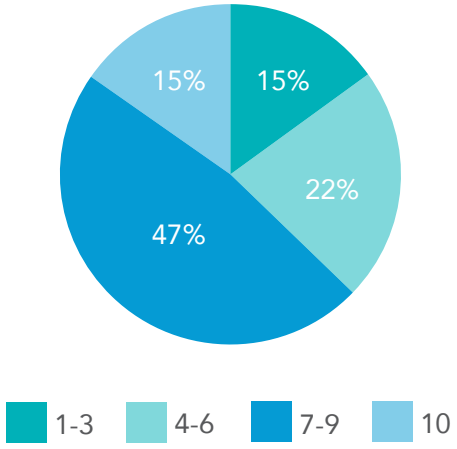
Full-time employees dedicated to denial follow-ups



Ratings for ability to follow-up and resolve denials
(10 being "Excellent")



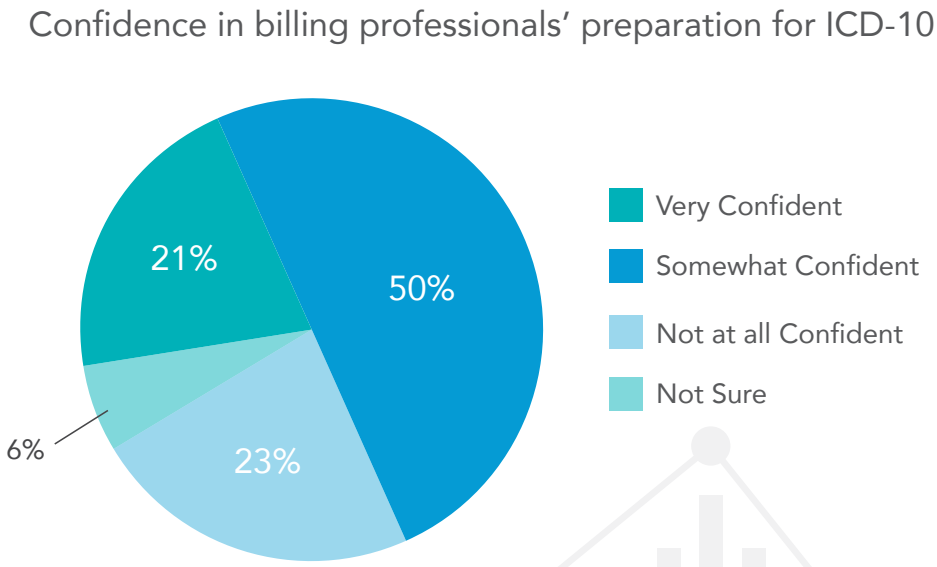
Staff capabilities and performance

On average, practices reported that their billing professionals could post 137 payments and adjustments each day. Of those payments, about 17 percent of practices said the electronic to paper payment ratio was 75:25—which is consistent with the estimated best practice ratio practices should try to achieve.

In terms of practices' confidence in billing office capabilities, the survey revealed that just 25 percent of practices would give a "10" or "Excellent" rating to their ability to ensure all electronically submitted claims make it to the carrier. The majority—49 percent—rated their e-submission abilities between 7-9, and 22 percent considered their abilities only worthy of the 1-5 rating.

Confidence in billing professionals' preparation for ICD-10 ranged dramatically between practices. Twenty-one percent of practices said they were "Very Confident" in their ICD-10 preparation, 50 percent were "Somewhat Confident" and 23 percent of practices were "Not At All Confident."

Billing issues or challenges accounted for anywhere between one and 40+ percent of practices' incoming phone calls from patients. On average, surveyed practices said 35 percent of incoming patient calls had to do with billing questions or problems.



A transactions snapshot

Although maintaining a credit card on file program has proven to be very effective for ensuring patient payment collection, only 35 percent of surveyed practices have implemented a credit card program. Sixty-five percent do not have a system for keeping patient credit cards on file.

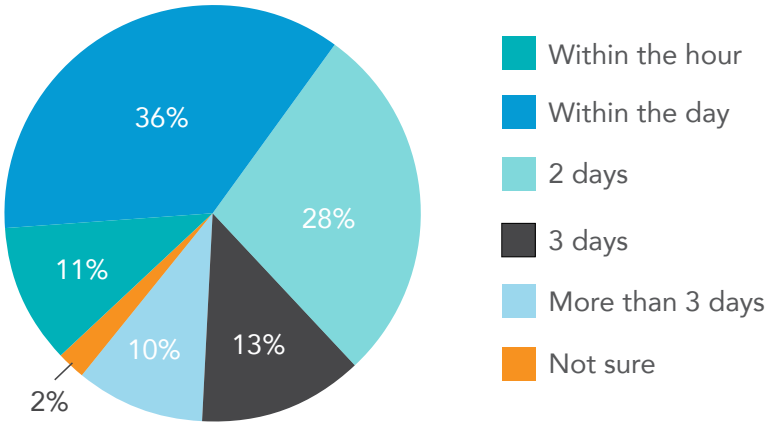
For a little over one-third of practices, charges are entered into the system within one day of patients' visits. Eleven percent of practices said they were able to get charges entered into the system within hours of the time of service.

To ensure that services rendered are billed, 15 percent of practices reported keeping safeguards in place that they rated as 10 or "Excellent." Fifty-five percent rated their billing safeguards between 7-9, and 23 percent rated them between just 1-5.

To ensure payment for all services according to payer-contracted rates, 10 percent of respondents reported having "Excellent" measures in place. Forty-two percent gave their payment-ensuring measures ratings between 7-9, and 37 percent believed their measures only deserved ratings between 1-5.

When asked to assign ratings to their processes for checking every EOB and every CPT code, 10 percent of practices rated their methods "Excellent." Thirty-five percent gave their processes ratings between 7-9, and 46 percent said their processes only deserved ratings between 1-5—leaving quite a bit of room for improvement in their procedures.

Speed at which changes are entered into the system after time of service



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Financial performance indicators

To gain a clearer idea of overall financial performance among practices, the RCM Survey investigated several high-level metrics:

Net Collection Percentages

For Net Collection Percentages, 46 percent of practices selected estimates in the 70-80 percent range. Twenty-four percent selected estimates in the 81-90 percent range, and 30 percent selected estimates in the 91-100 percent range.

Average Days in A/R

When examined as a whole, the overall average number for Average Days in A/R was 35. For practices with 1-5 people in their billing department, the average number of days was 36.5, while practices with 5 or more people saw a slight uptick of 36.9.

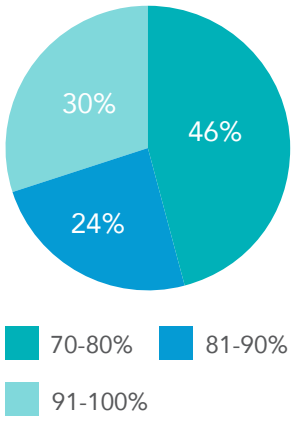
Five percent of all participating practices reported that their Average Days in A/R was 60 days. Among practices that said they handled billing internally, nearly 7 percent reported Average Days in A/R as 60. And of those practices that outsourced billing, only 2 percent reported 60 as their number of Average Days in A/R.

Outstanding Collections for 120+ Days

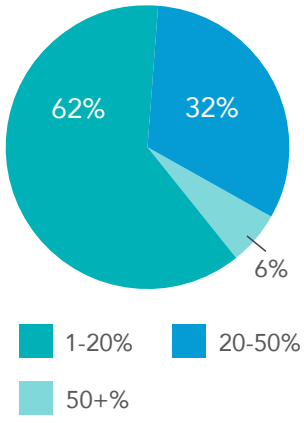
A majority of survey participants—62 percent—said that their practices' percentage of outstanding collections for dates of service older than 120 days fell between 1-20 percent. The overall average for percentage of collections over 120 days was 34 percent.

In addition, 6 percent of practices that handle billing in-house reported having 50 percent of collections with dates of service over 120 days—while just 4 percent of outsourced-billing practices answered with 50 percent as their metric.

Net Collection percentages



Outstanding collections for services older than 120 days



Financial performance indicators

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First Pass Clean Claim Rate

Though the ideal first pass clean claim rate for practices is 90 percent or above, nearly 35 percent of survey respondents reported having rates that fell between 70-80 percent. Forty percent of respondents said their first pass clean claim rates fell in the range of 91-100 percent.

How did some of the top specialties compare to these numbers?

- **Forty-four percent** of Community Health Center practices indicated first pass clean claim rates between 70-80 percent; 28 percent claimed rates of 91 percent or above.
- **Thirty-six percent** of OB/GYN practices indicated first pass clean claim rates between 70-80 percent; 27 percent claimed rates of 91 percent or above.
- **Twenty-eight percent** of Orthopedics practices indicated first pass clean claim rates between 70-80 percent; 40 percent claimed rates of 91 percent or above.
- **Twenty-two percent** of Ophthalmologist practices indicated first pass clean claim rates between 70-80 percent; 47 percent claimed rates of 91 percent or above.

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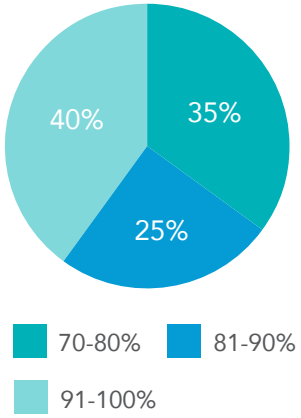
First pass clean claim rate



What it all means in the quest to drive revenue

When we examine even just a small cross section of the thousands of medical practices in our country, we can see that many of them are falling short of best practice benchmarks and potentially missing opportunities to optimize revenue.

Here are some key implications of the survey results:

Practices should work to optimize their processes.

Twenty-three percent of practices said it takes them at least 3 days, if not more, from the time of service to enter charges into the system. To help accelerate collections and improve cash flow, a best practice is to enter charges within 24-48 hours of time of service. The faster charges can be processed, the better.

Denial resolution is also a very important metric to improve, in order to keep revenue moving. By integrating denial resolution into daily, weekly, and monthly workflows—capturing, analyzing, and acting on information quickly—practices can identify and create workflows to correct the root causes of denials. Organizing denials by category, analyzing patterns, and considering bulk eligibility verification can also help to mitigate denials. The #1 cause of denials is eligibility.

Practices should work to make the most of technology and automation.

According to the survey results, many practices are not taking advantage of the automation resources available to them—and, in fact, over 7 percent aren't using any automation at all. Claim scrubbing is a good example of an area where automation can make a huge impact on practices' financial success. The survey showed that just 65 percent of practices used claim scrubbing technology to help prevent denials from occurring. The remaining 35 percent of respondents are missing out on a very easy way to improve cash flow throughout their practices.

Automation can enable practices to work smarter and faster, helping reduce missed appointments, ensure accurate coding, cut denials—and ultimately drive revenue. As a best practice, the automation examples referenced in the survey results should be used 100 percent of the time.

The #1 cause of denials is eligibility.

Another learning from the survey was that a large percentage of practices don't have a credit card on file program. Maintaining a credit card on file program can improve patient collections, eliminate bounced checks, reduce staff workload, and help keep cash flow steady.

Practices should work to achieve "Excellence" across the board.

Several of our survey questions asked practices to "rate" their performance. Responses to these questions showed that many practices may need to take steps to ensure excellence across various aspects of their business.

For example, only 25 percent of practices rated their abilities around electronic claims submissions as "Excellent." And only 10 percent assigned that rating to their ability to check every EOB and CPT code to ensure they're paid according to contracts. Practices can move the performance needle closer to "Excellent" by understanding and adopting operational best practices. Taking steps like implementing EDI services and merging payer contracts into practice libraries for more proactive monitoring can help practices operate in a more exemplary way.

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How to start making improvements

Seeking out operational best practices can help healthcare organizations quickly identify areas that need improvement. Getting familiar with financial benchmarks can similarly help practices pinpoint opportunities for improving their performance.

For example, by regularly measuring key billing and collections performance indicators, practices can compare their numbers to practices within their specialties and across the entire industry. For the best results, practices should monitor and quantify metrics month-to-month and year-over-year. This will allow them to consistently uncover—and remedy—any problems that may exist with payers and processes.

Here are some of the top benchmarks practices should use when assessing their performance:

- **Net Collection Percentage:** 90-95 percent, but even higher is ideal
- **Days in A/R:** 30 days or less, with some variance according to specialty, payer mix, and state
- **Clean Claim Rate:** 90 percent or higher is ideal
- **Percentage of Outstanding Collections for Dates of Service Older Than 120 Days:** 10-15 percent

How NextGen RCM Services can help

With a team of 900+ billing and practice management experts—including CPAs, MBAs, certified coders, compliance specialists, tenured billing staff and IT professionals—NextGen Healthcare can help practices optimize revenue and improve organization-wide efficiency.

NextGen RCM Services scale to meet the needs of any size business, and are designed to help practices manage and anticipate regulatory and payer changes, keep pace with value-based reimbursement models, identify and fix revenue leaks, and maintain cash flow. In addition, NextGen RCM Services were recently ranked #1 in Overall Performance.*

Working with a NextGen Healthcare account managers practices can more effectively:

- **Define best practices according to industry and specialty standards**
- **Monitor key performance indicators (KPIs)**
- **Analyze success metrics and stay on track to meet practice goals**

For additional information about how NextGen RCM Services can help your practice optimize revenue cycle management and improve financial performance, visit nextgen.com/rcm. Or contact us at 314-989-0300 or RCMservices@nextgen.com.

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