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Recipe for Billing Success: Benchmark Your Payment Lag Against Other Practices ...quot; and Improve Your Cash Flow

But first, learn how to calculate your days in A/R

If the thought of collections and accounts receivable (A/R) processes gives you a headache, use these expert answers to your toughest A/R questions to ensure you're getting your money within an adequate time limit. Calculating your days in A/R is an important process for billers and the physicians they work for if you want to be sure your practice is working efficiently.

Get to Know the Basics of A/R

You've likely heard the term "days in A/R," but do you know what it means? Days in A/R is a single number that tells you on average how long it takes you to get paid after you provide a service, says **Gary Matthews** with Physicians Healthcare Advisors in Atlanta.

Calculating your days in A/R is a useful process because you can benchmark the time it takes you to collect for services compared to other practices. It also enables you to communicate with your physicians and let them know how long after a procedure or service they'll get paid.

First Step: Calculate Your ADC

To figure out your days in A/R, you first need to figure out your average daily charge (ADC). You get this number by dividing your gross charges by 365. Then you divide your total accounts receivable by your ADC to get the number of days in A/R you have outstanding.

Tip: If you have several claims in appeals, that will affect your A/R calculation. Depending on how you handle your appeals, they can make your A/R days higher, experts say. If you keep your appeals in your A/R, that can increase your days in A/R.

Also, the higher the proportion of nonparticipating arrangements your practice has versus participating arrangements, the higher your days in A/R may be. This is because payers often take longer to pay on nonparticipating claims than participating ones. Also, third-party payers may not honor assignments of benefits signed by the patient instructing the payer to pay the provider directly. Therefore, the third-party payer pays the patient instead of your provider, so you then need to collect from the patient.

Measure Your Success Against Other Practices

Just having a number of days in A/R isn't especially helpful. You have to determine if you have a good number. That depends on many factors, including your payer mix and your type of specialty, experts say.

Example: A surgical practice can expect to have more days in A/R than a primary-care practice because the individual charges are bigger and surgeons often don't bill until the patient is discharged from the hospital, Matthews says.

Compare: The Medical Group Management Association (MGMA) has some data by practice that you should compare your number of days in A/R to. For example, the MGMA site says family practices have a median of 1.19 months in A/R, but general surgeons have a median of 1.52 months in A/R. You may want to compare your figures to other practices in your geographic area, says Ocala, Fla., accountant **Barbara Colburn**.

Note: Keep in mind that the data in the MGMA information comes mostly from large practices. So if you're billing for a small practice and your numbers don't sync up to the MGMA numbers, that's not necessarily a cause for alarm.

What does it all mean? If your days in A/R are much higher than the median for your specialty, that's a sign that you need to work your collections process, Matthews says. But if your number is much lower than the median, that too could be a sign that you need to look at your processes.

Trouble spot: A super-low number could mean your staff is writing off too many accounts as bad debt, or sending them to a collection agency too hastily, Matthews adds. Be sure you're monitoring your write-offs as well, regardless of the reason for the write-off.

Tackle Problems in Stages

If you discover a problem with your days in A/R, the next step is to evaluate exactly where the problem lies so you're able to effectively fix it. Your A/R follow-up is divided into two categories: patient follow-up calls and insurance carrier follow-up calls. Often, a portion of A/R will be patient accounts, such as copays and deductibles, experts say, but another portion comes from "lost or delayed claims" from third-party payers.

Caution: Any strategy has to fit with your physician's philosophy, Colburn says: Doctors "hate patients complaining to them about strict or stringent billing policies."

One solution: Hire someone temporarily to come in and work all accounts over 120 days, Matthews says. This person can make phone calls and chase people down. Meanwhile, your staff can deal with the accounts that are 60 to 120 days old and learn better habits for dealing with these claims. At the end of a few months, you'll be rid of the older A/R. Plus, you'll have confidence that your staff can handle the cases that are less than 120 days old and feel comfortable sending over-120-day-old bills to a collection agency.

Another tip: Do a better job of collecting from the patient at the time of service, experts say. Make sure you verify the patient's insurance information up-front so you know exactly what to collect on the spot. Don't ever get stuck in a position of billing the patient for copays and deductibles.