

Optometry Coding & Billing Alert

Billing Basics: Benchmark Your Way to Billing Bliss

Self-analysis can boost your bottom line

If you're not paying attention to how the billing and collections activity in your optometry practice changes, you could be missing key indicators that make all the difference to your success.

That's why medical offices should conduct "benchmarking" activities, in which they compare themselves against either national or local norms, or against themselves.

The latter is the most useful approach, says **Frank Cohen**, senior analyst with Medical Information Technology Systems in Clearwater, Fla. "The problem with external benchmarking is that we're trying to compare ourselves against standards for an industry that by its very nature doesn't have standardization," he says. It's much more beneficial for a practice simply to compare itself against itself, he says. Doing so can help you spot downward trends (such as sagging referral patterns), or will alert you to any red flags your practice might be sending up (such as a sudden unexplained increase in level-five visits, for example).

In an ideal world, billing data would be used to "verify and quantify changes" that the practice's management noticed, says **Gregory Kusiak, MBA**, president of California Medical Business Services in Arcadia, Calif. "However, in [the real] world, it may well be that the 'first alarm' is sounded by someone looking at the billing data."

So what should you be looking at, exactly? Kusiak points to three key areas:

1. output (that is, the volume of work your physicians are producing)
2. cash receipts per unit of work
3. how long it takes to turn work into cash.

Practices can measure output in terms of the number of examinations they're billing, Kusiak says. But "while this can be useful for comparing [similar] procedures, it is weak or useless for comparing unlike procedures," he says. To accommodate differences in procedures, look at how many procedures your physicians perform, and also take relative value units (RVUs) into account. "A monthly report on RVUs by referring physician can signal changes in referral patterns," he says.

Evaluate your cash receipts in terms of dollars per RVU, Kusiak says. This will give you a good snapshot of what's happening within the practice, he says. You can use cash receipts to monitor the payment performance of a particular payer or payer class.

Your best bet for monitoring how long it takes your practice to get cash in hand is a "zero balance" report, Kusiak says. "This looks at all claims that have been fully paid or adjusted within a given time period, and it is used to determine the true, collectible value of the accounts receivable at any point in time." (Turn-around time for a claim to paid could be from 15 to 60 days, depending on the carrier.)

Benchmarking can also help you identify physician-specific problem areas, Cohen says. That is, you can look at the amount of revenue a physician brings in compared to his total charges. "So if I have 12 physicians in the practice, what they generate in revenue compared to what their total charges are ranges anywhere from 30 to 70 percent," he says.



Once you have those numbers, you can identify the physicians on the lower end of the spectrum and figure out why they aren't bringing in as much revenue as their colleagues. Often it's a coding or billing problem that can be corrected, Cohen says.

Many practice-management software packages produce reports that practices can use to conduct this kind of benchmarking activity, Cohen says. And even if you don't have the capability to churn out complicated reports and thoroughly analyze them, simply being aware of how you're doing over time is helpful, he says.

"If you ask a practice on a scale of one to 10 how they're doing," the number they give you is extremely valuable, Cohen says. Then the practice can look at areas it thinks could be improved on, and make a concerted effort to improve.

"Three months later, ask the practice where they are now. If you look at the internal numbers, you'd be surprised at how close their assessment of where they are relates to the improvement or lack of improvement you find in the numbers," he says. So while formal benchmarking is certainly useful to a billing office, deliberate self-awareness can often be every bit as valuable.