

Part B Insider (Multispecialty) Coding Alert

ACCOUNTS RECEIVABLE: The ABCs of A/R--Learn How To Measure Your Payment Lag

All your questions about "days in A/R" answered below

Collections can be hard enough to manage without mastering all the jargon as well. But when people talk about -days in accounts receivable (A/R),- they're referring to a tool that your practice should be using. We asked some experts your toughest A/R questions:

What is -days in A/R-? This 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.

Why should you bother to calculate your days in A/R? Because you can benchmark that length of time against other practices. But also, because it's a number that may mean something to your doctor, says Matthews.

When you talk to your doctor about the hundreds of thousands of dollars people owe your practice it's difficult for him to relate to that large, abstract number,- notes Matthews. But if you tell your doctor, -If you do a surgery today, it's going to take you 60 days before you get paid,- that gives him a more tangible understanding, he says.

How do you calculate days in A/R? First you need to figure out your Average Daily Charge (ADC), says **Dawn Smith**, central service office manager with **Apex Practice Management** in Oklahoma City. 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- A/R you have outstanding.

What's a good number of days in A/R? It depends on many factors, including your payor mix and your type of specialty, say experts. 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, says Matthews.

Once you have the days in A/R number, what can you compare it to? The **Medical Group Management Association** has some data by practice, says Matthews. 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, notes Ocala, FL accountant **Barbara Colburn**.

When do you know if you have a problem? 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, says Matthews. But if your number is much lower than the median, that could be a sign of trouble too. 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 notes.

How do you deal with an A/R problem? -There's no silver bullet,- says Matthews. Often, the bulk of A/R will be patient accounts, such as copays and deductibles. -Nobody wants to collect patient accounts because they're tough- and labor intensive, says Matthews.

Also, any strategy has to fit with your physician's philosophy, notes Colburn: Doctors -hate patients complaining to them about strict or stringent billing policies.-

One solution: Hire someone on a temporary basis to come in and work all accounts over 120 days, Matthews suggests. 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 under 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, urges Smith. 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.