



Revenue Cycle Literacy

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One of the first lessons in practice ownership is Revenue Cycle Literacy. For those who are masters of budgeting, accounting, and finance analysis they learn that the skills of managing a practice's revenue cycle is altogether distinct.

The revenue cycle for a practice is defined as the sum of all processes that bring in the revenue. These processes include front desk management, accuracy measures, patient communication, billing and coding, payer relationship management, collections, reconciliation, and collaboration between the billing and accounting softwares.

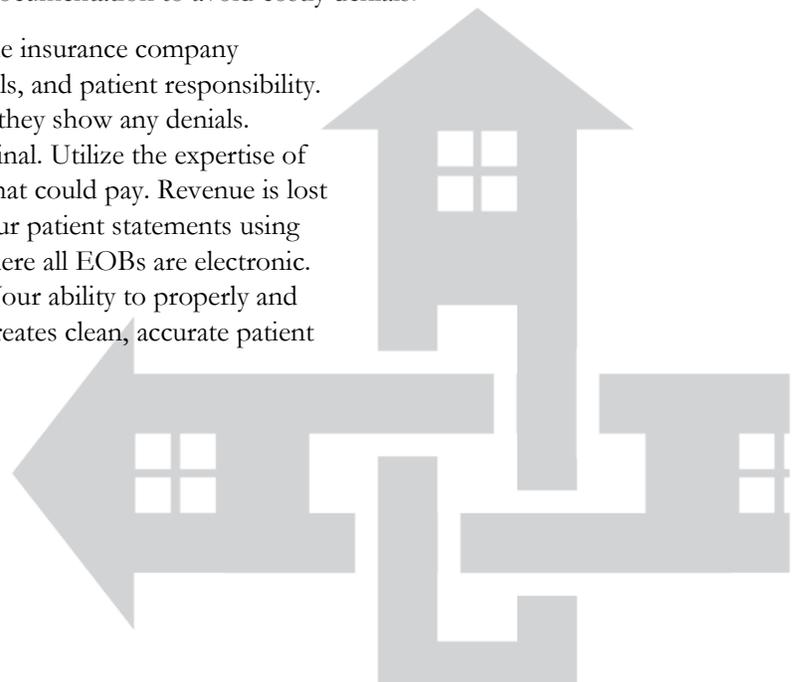
Typical financial health measures might have you looking at your Profit and Loss statement to see how much you're making, spending, and what's left over. That data helps you make decisions about where to cut costs, budget growth, and gauge performance. Or you may spend time on your Balance Sheet tracking your assets and debt. In product and service based businesses these financial measures are the bare bones basics. Many of your financial advisors or CPAs may try and help you in your business by relying on these standard reports.

But in a mental health practice you have to know how to read your money through the eyes of billing reports. And you must learn how to process documentation in a way that streamlines these numbers. The most basic items you must be comfortable reading are your Account Receivable (AR) report, EOBs, and payment reports.

Your AR report tells you who owes you money. Your billing software will likely allow you to run AR reports filtered by insurance company, patient, claim, or practitioner. Using the various filters helps you analyze trends and to make decisions about how you work. The AR report tells you how old the money is and who owes it to you. If you see a patient on January first and you do not get paid until March 1, your AR report on February 15 will show a claim that is 45 days old. The AR report is generally broken into several buckets based on age – 0-30 days, 31-60 days, 61-90 days, 91-120 days, and 120+ days. To have Revenue Cycle Literacy you need to know how to use the data in the AR report to make decisions and to take actions and not just see how old an outstanding claim is. Decisions like which insurances you will work with, patients you may need to stop working with, or how to evolve your documentation to avoid costly denials.

An EOB (explanation of benefits) is a statement from the insurance company detailing services allowed, contractual adjustments, denials, and patient responsibility. You need to know how to interpret these documents as they show any denials. Remember a denied line item on an EOB is not always final. Utilize the expertise of your biller (hopefully Red House) to work denied lines that could pay. Revenue is lost in practices who don't analyze EOBs. You will create your patient statements using EOBs as well. We recommend a streamlined practice where all EOBs are electronic. Electronic EOBs equates to faster velocity of revenue. Your ability to properly and punctually utilize the EOB increases your revenue and creates clean, accurate patient billing.

Lastly is the payment report. You should review this report monthly as a minimum. It shows everything you collected during the month. As you get comfortable maneuvering this report you will find trends in payment speed, reimbursement rates, and completeness. Remember payment reports don't match your bank statements naturally. This confuses a lot of CPAs and bookkeepers. Payments will post to your bank account





and not be communicated to your billing system electronically for days. Your billing system should post (or reconcile) that payment as soon as it comes in. But payments at the fringes of the month can be split across month lines. These reports help you also to double as a revenue report to function in conjunction with other billing reports. It is easier to compare AR and payment reports out of a billing system than to try to use P&L lines to compare with billing system reports. That should not worry you. It is a natural side effect of the purpose of each system.

Once you have mastered the basics, reach out to us to learn about more nuanced and faceted reporting based on code performance, practitioner efficacy, and payor relationship management.

You work hard and deserve to be reimbursed for your valuable services. The best chance of capturing the money owed to you is using these reports to maximize the stages of your revenue cycle. If this article drove only one thing home, it is that if you are managing a practice, you must make the time to become Revenue Cycle Literate.

