



## 5 Key Financial Metrics Physicians Should Analyze Every Month

*Michael T. Finch, CPA*



In my business of helping medical practices, I create metrics for a very broad set of measurable values early on, and as time goes by we are able to determine which are the most valuable. Some metrics are ALWAYS valuable, but not as often used.

**1. Net Collection Ratio:** This figure is the percent collected of allowable charges. A good billing office should collect 95% of allowable (contractually collectible) charges, including amounts that were written off. If you don't include the amounts you write off, the number is higher (98% or 99%), depending of course on your write-off policy. This is a much superior method of measuring your AR collections than an AR-Days calculation. First, you must determine the period over which you intend to measure – for instance, are they collecting 95% of collectible charges when given six months to collect, or twelve months? Most of the time, this is measured after a six-month period. Knowledge of this factor will lead to the question of “where is the rest of the money?” With this metric, you know exactly what is being left behind, whether it is a consistent level, and then you have the opportunity to dig deeper and surgically address the issues you find.

**2. Percent Collected Each Month of Specific Month:** More simply put, how much did your billing office collect this month that you billed in June? July? Etc? This should be measured as a percent of allowable charges. You will find that a good billing office collects somewhere around 30% to 35% of the allowable charges in the month billed. The following month is higher – somewhere around 40% to 45%. Then the drop-off is considerable – 8% to 10%, then 5%, then a trail of <1% to 2% months. Figure out your baseline and measure your billing office on a monthly basis compared to new goals.

**3. Patients Seen per Day – Each Physician:** Rare is the office of several physicians who actually see the same number of patients each day across the group. Usually, when asked, a group will say they are the exception. Analysis finds discrepancies that were unknown, and is a valuable tool for beginning the conversation to determine the reason – and a course outlining corrective action if appropriate. Among certain practices, it is also valuable to measure the number of procedures or tests that each physician orders per patient. It may be that certain physicians do not understand the approved criteria for valuable procedures, and they will show up as outliers in this measurement. Measure and report this monthly, and I promise the result of this analysis will surprise you.

**4. Percent of Total AR due from Patients:** The level of “patient responsibility” AR in your total balance is always going to be high, but there are many ways to manage the figure. The problem with the many ways to manage patient AR is that they are usually





cultural – your practice is either tough about it or not. Diligence and discipline are required to keep these processes going, or they will quickly become legacy practices. Set a level to target as your percent of AR from patients, and keep waving the flag to your staff, or they will happily quit pestering your patients to pay their portion of the bill. “What is not measured is not enforced.”

**5. Total Professional Staff Hours per Physician:** In the constant struggle to determine the appropriate level of staffing for a practice, I have come to the conclusion that there is not a magic number or ideal benchmark. You practice the way you want to practice and with the support levels you prefer. However – that does not release you to allow your staffing to just “run its course.” It must be measured, benchmarked internally and managed. The Professional Staff FTE per Physician is not particularly manageable on a constant basis because you do not hire and fire staff monthly (at least most people don’t). You can, however, measure and manage the number of hours your staff works. Without laying off staff, you can furlough or you can offer part-time positions to full-time employees. By choosing to manage your staff costs this way, you can truly manage this monthly and even adjust for seasonality without layoffs.

*Michael T. Finch, CPA is Principal of Black Watch Medical Capital & Consulting. He has consulted to more than 150 medical practices. He can be reached at [www.blackwatchllc.com](http://www.blackwatchllc.com) or [mfinch@blackwatchllc.com](mailto:mfinch@blackwatchllc.com).*

