PRACTICE & LIABILITY CONSULTANTS, LLC

A R Ratio Explanation

The Monthly A/R ratios contained in this report should be calculated and reviewed by the Manager and Physician(s) on a monthly basis.

GROSS COLLECTION %

Gross Collection %
Collections
Charges

The gross collection percentage measures collections to charges. This ratio can be higher or lower depending on where the physician sets fees as a percent to Medicare. If the doctor sets fees close to Medicare rates, the percentage will be high. If the doctor sets fees at 300% of Medicare, this ratio will be low. This ratio does not measure the abilities of the biller or billing service.

ADJUSTED COLLECTION %

Adjusted Collection %
Collections
Charges – Adjustments

The adjusted collection percentage **directly** measures the ability of the staff to collect on monies, which can be expected to be collected after discounts and contractual adjustments. For example, if the billed charge is $100, but the contracted payment from the PPO is $75, then the adjustment is $25 or 75/100-25 = 75/75 or 100%. There is always some bad debt but the goal is as close to100% as possible. This ratio will fluctuate every month some months under 95% and some months over 100%. For example, if the doctor takes vacation in June, yet May was a high production month, monies will still be flowing in during June even though it is a low billed charges month. The importance is to catch trends early before they become a negative trend.

This ratio should between 95% -100% cumulative over at least a six month to one year period. This demonstrates good patient and payor collectability and cash flow for the practice. Ratios above 100% can either indicate that production or charges are decreasing in this period or it can also mean that additional adjustments are being taken above the norm and the billing service or department should be reviewed. A physician wants to make sure the billing staff knows the contracted rates, not just what the EOB shows as allowable and assures the insurance companies are paying the doctor the contracted rate. They should also be filing appeals and denials and not just write off too many balances.

ACCOUNTS RECEIVABLE TURNOVER RATIO:

Accounts Receivable Ratio
Total $ in A/R
1/12 Annual Charges

With most specialties, this ratio should be 1.5 or less which indicates that accounts receivable are turned over or collected at an average of 1.5 months. A lower ratio is desirable for cash flow.

AGING:

Current **ORTHOPEDIC SURGERY -**	**0-30**	**31-60**	**61-90**	**91-120**	**120+**
MGMA Cost Survey - 2012 **% to Total A/R**	54.74%	16.39%	8.47%	5.60%	14.79%

Most medical specialties can achieve less than 15% in the 120 days and over category. Specialties with a high percentage of Medicare can have less than 10% in 120 days and over. The goal is to have less than 15% in the 120 days and over category. If the 120 days and over is less than 1%, this usually means billers are writing off more than they should.