

A SIMPLE GUIDE

# Financial and Operational Analytics

*Drive Better Business Decisions*

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**Financial and operational analytics provide insights based on data. These insights help you:**

- Evaluate business performance and identify areas for improvement
- Make better-informed decisions
- Take steps to make sure your medical practice maintains stability and can continue to grow when the healthcare economy changes

Knowing that your decisions are based upon data will give you confidence in running your practice. **Highly data-driven organizations are three times more likely to report significant improvements in decision-making.**<sup>1</sup>

**In the business of healthcare,  
if you can't measure it, you  
can't manage it.**

This e-book shows you how you can optimize financial and operational analytics—and improve practice performance.

<sup>1</sup> "How best to leverage your enterprise data to drive business-intelligent decisions? Delivering complete analytics for informed and confident decision-making," PwC, <https://www.pwc.ch/en/publications/2020/how-best-to-leverage-your-enterprise-data-web.pdf>, 2020.

# THE GROWING HUNGER FOR BUSINESS INTELLIGENCE

Medical practice executives, administrators, and providers are hungry for business intelligence. They want to know how to work smarter. They want tools that will help staff become more knowledgeable about their business.

## Forces causing change

A fresh appreciation for analytics is related to the emergence of value-based care. **Medical practices are being asked to do more and better with less.** Payers expect medical practices to give more back to people and communities by expanding access, increasing services, and being more efficient. To meet these demands, medical practices need business intelligence from financial and operational analytics.

When the COVID-19 pandemic first hit, many medical practices found themselves unprepared for the swift changes that followed. They faced lockdowns, appointment cancellations, a rapid transition to telehealth, and responsibility for triaging essential care from non-essential care. These unexpected demands **reinforced the need for a foundation in data and analytics to navigate through uncertain and unpredictable times.**





# GRASP THE INSIGHT—FASTER

Analytics is different than standard financial reporting. In financial reporting, information is presented as raw, uninterpreted data. By contrast, analytics is the presentation of data that has been filtered or processed so you can interpret it more readily.

Financial and operational analytics offer quick and easily accessible insight contained within rows of numbers. Many times, using analytics eliminates the need to run reports or create Excel spreadsheets and spend hours analyzing data.

## Seeing is understanding

Visual presentation is an important aspect of data analytics. It's easy to get lost in line-by-line data often provided in reports. Visualization guides your attention to see trends quickly. You can see immediately if you meet established benchmarks.

Because trends are understood more readily, executives, administrators, and providers may find it easier to take action. Financial and operational analytics can support continuous improvement in how you run your medical practice.

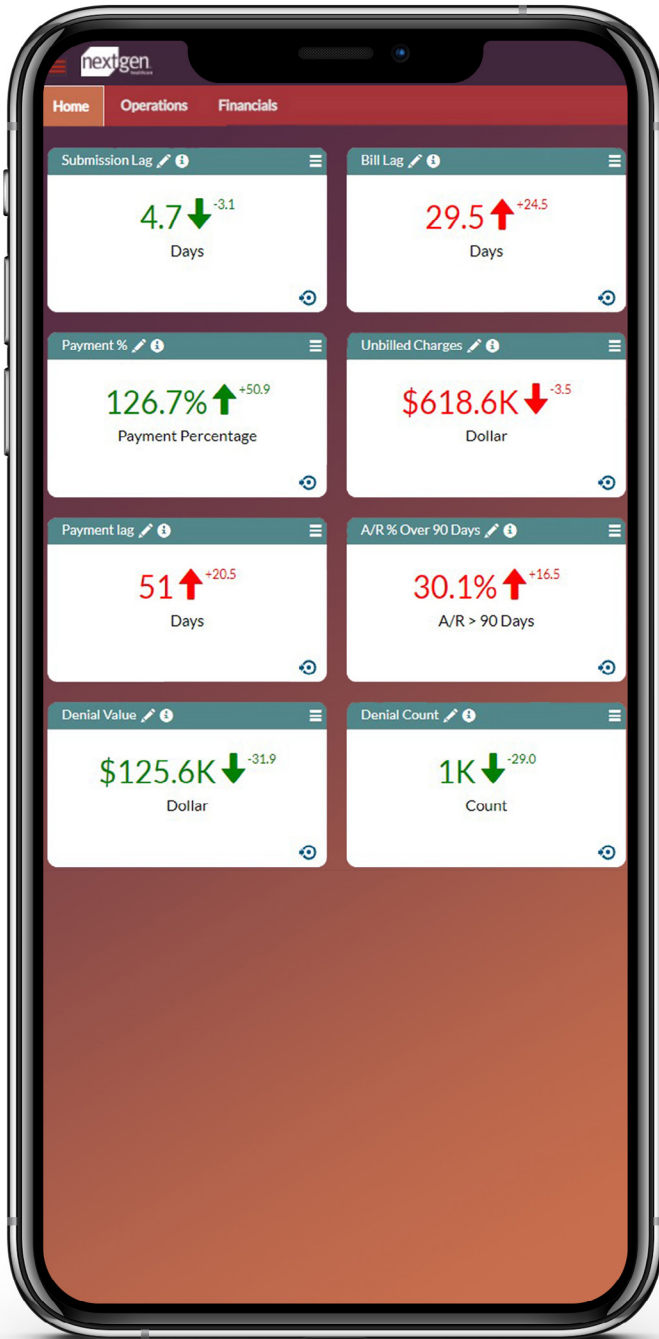
## Early warning signs

Having easy, timely access to reliable information is key. If financial trends are negative—for example, claim denials are increasing—it's better to know as soon as these trends first appear. **The faster you address the root cause, the better for your bottom line.**

## Quantify your goals

Metrics, also known as key performance indicators (KPIs), can be used to express your practice's goals—the targets that you want to achieve. Use financial and operational analytics to monitor your progress toward meeting these targets.





## Drill down to get a closer look

You may want to dig deeper, look at underlying data, and explore the root causes of underlying trends. Financial and operational analytics provide this drill-down ability. For example, if you want more information about unbilled charges, you can use the drill-down function to see all your practice's unbilled charges broken down by provider, payer, date of service, and amount. The information you uncover may help explain why claims aren't being sent out in a timely manner.

## Build a central source of truth

Financial and operational analytics give your practice the ability to disseminate meaningful information for a variety of audiences, from C-suite executives to office staff—all from a single, centralized source.

The examples that follow show how analytics help to track, trend, and identify opportunities for ***improved practice performance.***

## PATIENT APPOINTMENTS

“Our medical practice isn’t utilizing available slots for patient appointments effectively. At least that’s what I suspect. I have a sense we should be seeing more patients and generating more revenue. How can I know for sure?”

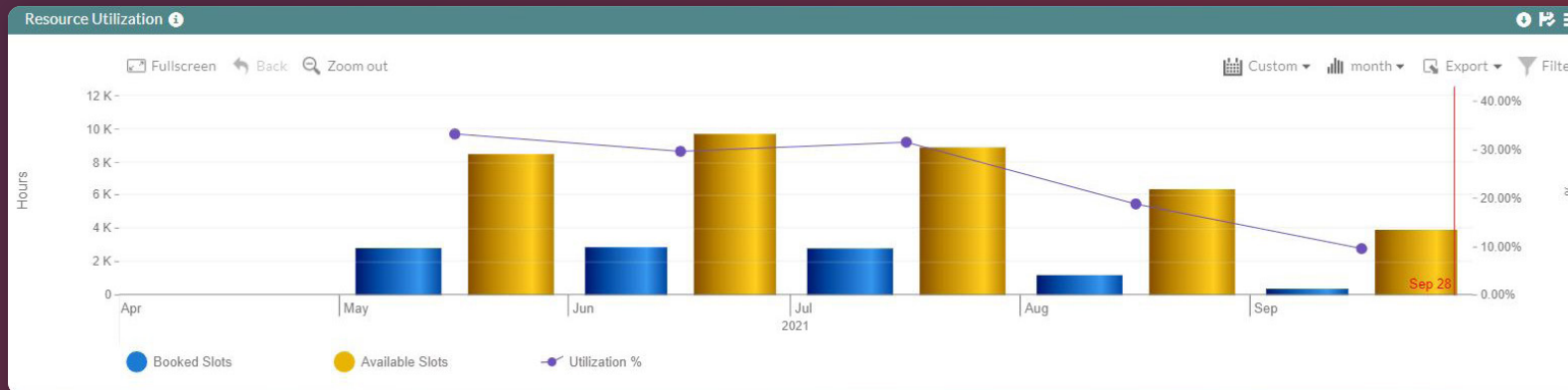
### NEXT STEPS

Use operational analytics to **determine if appointment times are optimally utilized**. Compare booked slots with available slots over time to spot trends. Also check utilization rates for specific time periods.

Drill down to determine whether there are specific days or times that may need to be more proactively booked by front office staff. Low utilization rates may also suggest the need to market services more aggressively.

### OUTCOME

You increase your bookings and optimize your schedule to accommodate more patients.



### Appointment resource utilization

This chart shows a comparison of a practice’s booked vs. available slots, with a trend line showing utilization percentage. Note that utilization rates are relatively low and declined in July, August, and September. This practice may need to take action to increase scheduled appointments, such as proactively marketing its services to the community.

# LAST-MINUTE CANCELLATIONS AND NO SHOWS

“Many people aren’t showing up for their appointments. They cancel at the last minute or just don’t bother to show up. No shows are affecting our bottom line.”

## NEXT STEPS

Use operational analytics to **gain insight into patterns in patient cancellations and no shows**. You can compare scheduled, kept, and no-show appointments. Drill down to identify the practice locations, appointment types, and providers most often affected by no shows. Once problem areas are identified, develop a plan to implement a cancellation policy more favorable to your practice.

## OUTCOME

Areas of practice in which no shows are most problematic are identified. Staff who support providers with high no-show counts are asked to discuss cancellation policy with patients. People who continue to consistently miss appointments after these discussions may be charged for the visit or possibly be dismissed from the practice.



### Kept vs. no show appointment comparison

This visualization shows trends in no show appointments over the course of a year, displaying both the number and percentage of no shows compared to kept appointments.



# MARKETING

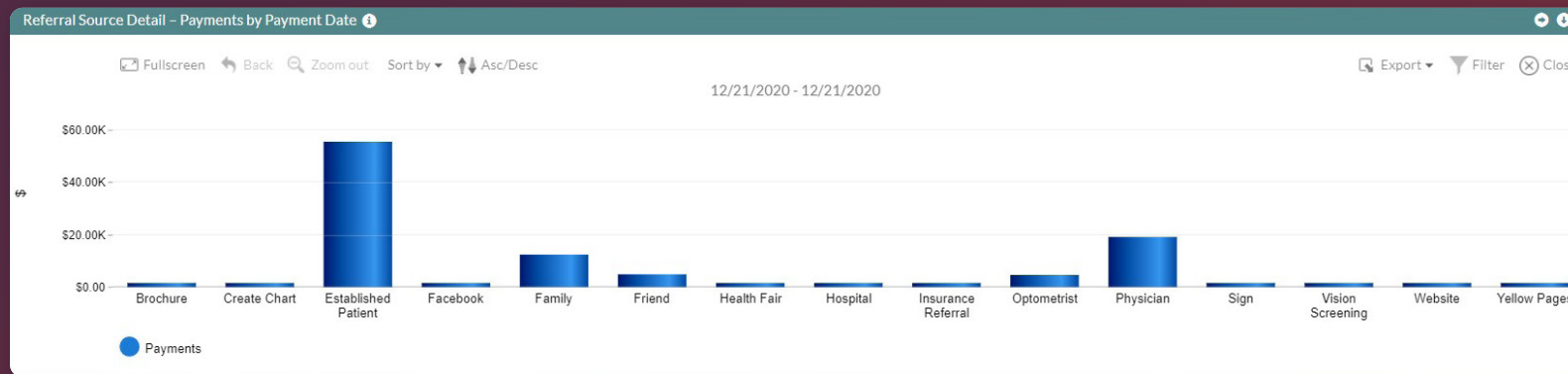
“I don’t know where to invest my marketing dollars. My budget is limited. I need to know which marketing channels are most effective for building my business: TV, radio, online and social media, or something else? Should I focus on contracting with more insurance companies? What providers are bringing me the most referrals? Is it worth it for my practice to advertise?”

## NEXT STEPS

Use operational analytics to **identify the most important marketing channels for your practice**, in terms of both numbers of patients and payment generated.

## OUTCOME

The most effective marketing channels are identified—both in terms of bringing in patients and increasing revenue. This information enables you to develop a marketing plan based in data. Marketing dollars are allocated more effectively.



### Payments by referral source

This chart shows the amount of revenue collected for each marketing channel.

# COPAY COLLECTION

“The front office staff is not collecting copays at the time of the appointment. We are spending too much time and effort after appointments to collect copays.”

## NEXT STEPS

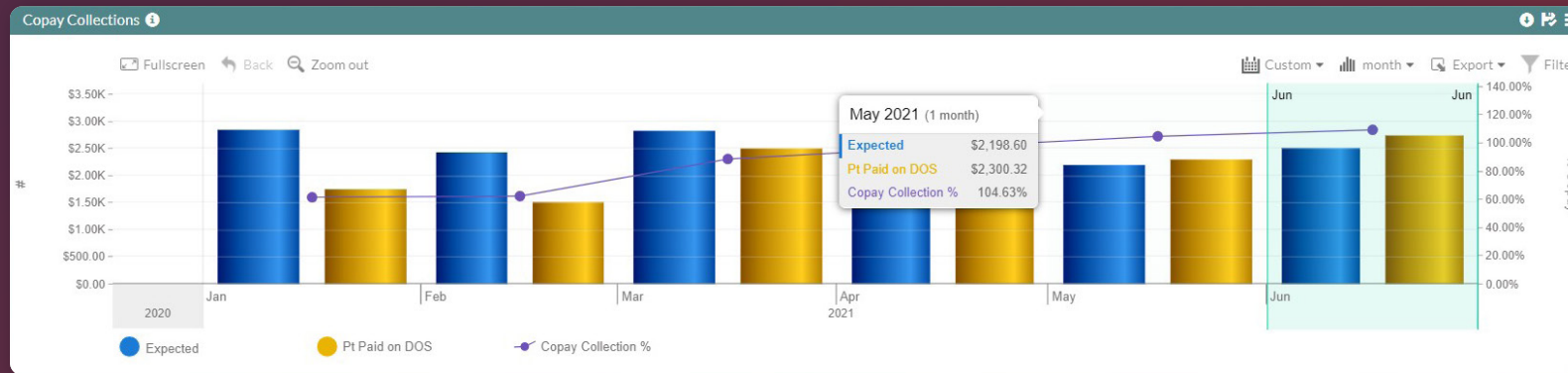
Copay collection at the time of service improves a practice’s bottom line by reducing the need for future collection. Use analytics to **gain better insight into how often copays are collected** in a timely manner.

Once you identify problem areas, you can more easily assess the underlying issues. Do staff need to be trained to collect the co-payment upfront? Do patients understand their obligation to pay the copay? Do they need to be reminded to bring necessary funds before they arrive?

A well-run practice should not incur billing expenses to collect a \$25, \$10, or \$5 copay. The cost to send a statement to collect copayment after the patient walks out the door is high—especially in light of the low dollar amounts returned.

## OUTCOME

Patients are informed of their obligation to pay the copay. Staff accurately and consistently collect copayments, thereby increasing the practice’s cash flow.



### Copay collection: Expected vs. actual

This visualization shows the expected copays compared to the amount actually collected on the date of service, on a month-by-month basis. It provides dollar amounts, percentages, and an overall trend.

The examples that follow show how analytics can help track, trend, and identify opportunities for ***increased cash collections and better overall financial performance.***

## CLAIMS AND BILLING

“It’s taking our practice too long to get paid.”

### NEXT STEPS

Financial analytics can help you **determine if charges are being entered and billed efficiently**. How long does it take from the date of a patient encounter to process all charges? How long does it take for the claim to be sent out? Getting answers to these questions is the first step in revenue cycle management (RCM).

With attention focused on payers, many practices fail to consider the possibility that their staff may struggle with billing procedures, practice management (PM) software, or both. It could be that PM software isn’t set up properly or staff needs more training on how to use it.

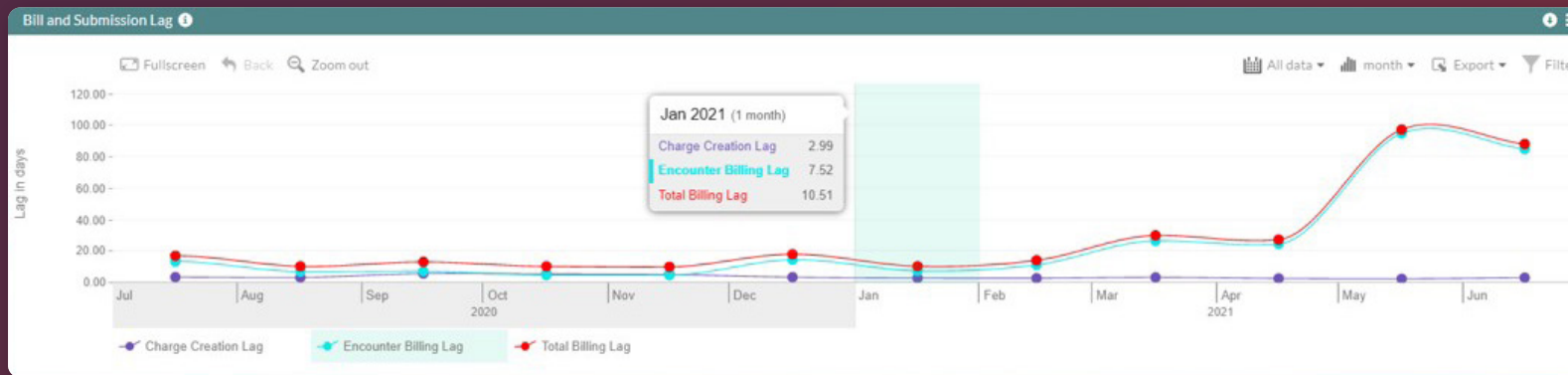
### Three things that are necessary for a PM system to run efficiently:

1. Collect complete and accurate patient demographic and eligibility information upfront
2. Get charges coded and entered into the PM system
3. Send out claims

For most practices, the goal is to get charges entered and billed in under five days. The sooner you get claims sent out, the sooner you will get a response from the payer, which means more time to act upon that response.

### OUTCOME

Identify trends that affect unbilled charges.



### Billing and submission lag time

This visualization shows the total billing lag over the course of a year, with a sharp uptick in this KPI occurring in mid-April, May, and June. A sudden change indicates the need for further investigation. Charge creation lag is the time between the patient visit and when the first charge for the encounter is entered into the PM system. Total billing lag is the time between the patient visit and when the initial claim is billed.



# PAYMENTS AND PAYER ANALYSIS

“I want to predict cash flow more accurately. To start, I need to understand which payers pay quickly and which more slowly.”

## NEXT STEPS

Use financial analytics to better **understand your payer mix, a source of business insight.** For example, if payer mix is weighted toward Medicare and Medicaid, reimbursement will be lower compared to commercial payers. A shift toward Blue plans suggests collections may increase. With an increase in self-pay, expect payment delays and less-predictable collections.

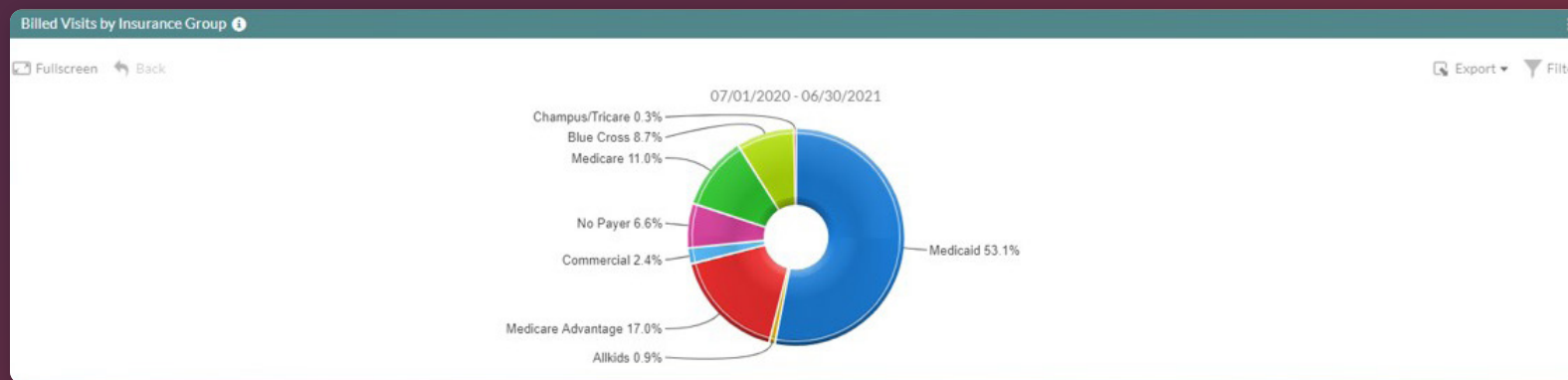
To increase collections, a practice with a large proportion of government payers may set a goal to contract with more commercial payers.

Understanding your payer mix can help you get a better grasp on cash flow. For example, suppose your patient population is mostly Medicare-based. You know it takes you four days to send out a claim and 14 days to receive payment from Medicare. Use this information to predict monthly collections.

Analytics is also helpful for renegotiating payer contracts. For example, a review of payment patterns may reveal a commercial payer’s payments remained unchanged despite increases in Medicare rates for the same services. Use this data to point out that payment for your services should increase to match the Medicare rate.

## OUTCOME

A good grasp of the current payer mix and payer behavior enables the practice to predict cash flow more accurately and establish meaningful goals for growth.



### Patient visits by financial class

This visualization provides at-a-glance insight into a medical practice’s payer mix.

# DENIALS

“My denial count is going up. What can I do?”

## NEXT STEPS

Consider a situation where A/R days are increasing. You’ve already looked at your billing process to assess whether charges are entered and claims sent out in a timely manner. As a next step, **get a better grasp on payer behavior by using analytics to understand denial patterns.**

First look at whether denials are going up or down month-by-month. Then drill down to understand which types of denials have the greatest effect on your practice’s financial performance.

Assess your most common reasons for denials—coding errors, errors in patient demographics, failure to obtain proper preauthorization, noncoverage by the insurance plan, lack of medical necessity, or one of many other possible reasons.

Individual denials must be addressed on a case-by-case basis. However, understanding denial trends can help improve policies and educate staff. Share information on denial volume and root causes within your practice to minimize repeat errors.

## OUTCOME

Recurring root causes for denials are identified and addressed through staff education. Denial trends are better managed. A plan is put in place to prevent future claim denials.



### Gross denials by reason

This chart shows denial counts and values broken down by underlying reasons; for example, missing information, coding errors, non-coverage of services, erroneous or missing claims data, eligibility issues, or timely filing concerns.

# DAYS IN A/R

“Our days in A/R are increasing. Why? What can we do about it?”

## NEXT STEPS

An increase in days in A/R indicates it's taking your practice more time to receive payment. This metric is a critical indicator of business performance. Financial analytics can help you **understand your A/R trends and uncover underlying reasons for increases in days in A/R.**

Consider payer behavior. How long are payers, private and government, taking to reimburse your services? Can you identify payers that are withholding payment for longer time periods?

Consider areas where your practice may not be as efficient as possible. As examples: Does your staff understand and follow guidelines in your payer contracts? Do they consistently obtain appropriate authorizations? If not, your practice may be receiving increased denials, which can adversely affect days in A/R.

## OUTCOME

The practice is able to make informed decisions regarding the best way to reduce days in A/R. This may include reducing bill creation and submission lag times and improving coding and claim accuracy.



### Total days in A/R by payer

This chart breaks down total days in A/R by payer, both government and commercial. You can quickly see which payers take the longest to pay. Identifying problematic payer behavior is a key aspect of managing A/R.

## **NextGen® Financial and Operational Analytics gives you the insights you need to make better business decisions. Use this solution to:**

- Measure your practice's financial performance using KPIs, benchmarking, and comparative analytics
- View financial and operational trends across your enterprise—with the ability to drill down to the transaction level
- Manage billing, A/R, and denials—and help prevent future denials
- Analyze payment patterns from patients and third-party payers
- Manage cost and improve revenue





# HOW CAN WE HELP YOU?

Contact us at 855-510-6398 or [results@nextgen.com](mailto:results@nextgen.com)

**NextGen® RCM Services** offers a combination of advanced automation and specialty-based, professional RCM expertise to help you manage your revenue cycle. We offer better technology, better processes, and people who know how to make it work. Let us help you prevent denials, increase net collections, improve velocity of collections, reduce days in A/R, and enhance the experience of your patients.