

White Paper

# Measuring FQHC Performance: Evaluating Billing and Collection Services



It is estimated that [95% of healthcare providers](#) purchase new technologies to improve productivity or reduce labor costs. Citing revenue cycle management (RCM), patient intake, clinical systems, and telehealth, providers invest in areas where these technologies benefit their practices, patients, and returns.

Billing and collection services play a critical role in the [financial health of Federally Qualified Health Centers](#) (FQHCs). In the rapidly evolving healthcare landscape, understanding and optimizing these operations is vital for maintaining the stability and efficiency of FQHCs. Many health centers are faced with the challenge of rising costs and declining reimbursement. This trend is not just an issue for the FQHCs; it also profoundly affects their patients.

FQHCs operate in and serve low-income populations, including underinsured and uninsured patients. Because of this, FQHCs are mission-focused and not primarily driven by profit, which creates unique challenges and issues regarding billing and collection services. In order to best serve their communities, FQHCs need the revenue from services provided, which makes accurate and efficient RCM essential to their financial sustainability.

A comprehensive system for measuring performance is essential to ensure that these centers maximize their revenue potential through proficient billing and collections practices and effectively serve their communities. To better understand the challenges of establishing efficient billing and collection services, we must first delve into the key performance indicators (KPIs) and benchmarks for assessing the effectiveness of billing and collection services in FQHCs.

# Measuring Provider Billing and Collection Performance Through KPIs

[Tracking KPIs](#) allows providers to analyze performance while giving insight into performance trends and areas for improvement. Based on industry trends, organizations can use KPIs to determine if it's performing at an acceptable level, improving, or underperforming. These can be used within the context of other data points to create meaningful insights into how well billing and collections services are being managed and utilized. Some of the most important KPIs that can be used to measure billing and collection performance:



**Days in Accounts Receivable (AR)** represents the number of days it takes for an organization to collect payment after delivering services. This metric provides insight into the efficiency and speed of the billing process.

**Benchmark:** A lower number is typically better. Most providers aim for a Days in AR metric of less than 30 days. However, standards might vary based on multiple factors, including payer mix and the types of services provided.

**Collection Rate** denotes the percentage of the total charges that were successfully collected. It helps to assess the effectiveness of the billing and collection process.

**Benchmark:** The closer the collection rate is to 100%, the better. However, FQHCs may encounter unique challenges, such as serving more uninsured patients. As a result, aiming for a collection rate between 90% and 95% might be more realistic for many health centers.

**Denial Percentage Rate** is the percentage of claims payers deny upon first submission. A high denial rate can indicate problems with the billing process, such as coding errors, incomplete documentation, or not meeting payer-specific requirements.

**Benchmark:** While industry standards from sources like [HFMA](#) suggest aiming for a denial rate of less than 5%, the average denial rate in the industry is between 5-10%. However, each FQHC should analyze trends in the reasons behind denials and continuously work towards reducing this rate.

**Net Collection Percentage** reflects the percentage of potential revenue (after contractual allowances and other adjustments) that the facility successfully collects. It paints a clear picture of the efficiency of the collection efforts.

**Benchmark:** A 95% or above net collection rate is considered strong for most healthcare organizations, including FQHCs.

**Bill Lag** This metric tracks the time elapsed between the date of service and the date the charge is entered into the billing system. A reduced charge lag can accelerate the revenue cycle.

**Benchmark:** Aim to keep the bill lag between 24 to 48 hours to ensure timely billing and faster revenue realization.

**Credit Balance** arises when overpayments occur. Monitoring credit balances helps FQHCs identify and rectify these situations promptly.

**Benchmark:** FQHCs should regularly review and address credit balances to maintain financial accuracy and ensure regulatory compliance.

The importance of accurate and efficient billing and collection processes in FQHCs cannot be overstated. By utilizing the critical performance metrics outlined above, FQHCs can assess their current systems and identify areas for improvement. Continuously monitoring, analyzing, and adjusting based on these metrics ensures that FQHCs remain financially viable and continue to serve their communities effectively. However, it's essential to understand the in-house RCM challenges that providers and patients can face.

## In-House RCM Challenges



### For Providers

**Personnel Challenges:** Managing a comprehensive in-house RCM requires significant resources. The costs of recruiting, training, and retaining specialized personnel can be substantial. The demand for office space, human resources, and time can lead to out-of-control operational costs. If a provider cannot allocate

enough staff to RCM, this can compel care providers to divert attention from their primary

roles, potentially diminishing the quality of patient care. With RCM tasks being repetitive and mundane, it can be a significant cause of disengagement and [burnout for staff](#), leading to high turnover rates and inconsistent service quality.

**Operational Disruptions and Increased Accountability:** Fluctuating reimbursement regulations, constant technological shifts, and complex medical coding can disrupt day-to-day operations. This can be incredibly challenging for smaller providers because they often lack the financial resources to invest in technology and staff training. In addition, when billing rules or governmental regulations change or new technology is introduced, it can take time for healthcare providers to adjust and implement those changes.

**Mismanaged Accounts:** Inefficient billing procedures can lead to accounts being wrongly coded or neglected, leading to losses. Failure to properly manage accounts can directly lead to lost collections, having a detrimental effect on the provider's financial well-being. Account mismanagement can also expose providers to increased scrutiny in the form of audits or regulatory repercussions.

### For Patients

**Billing Errors:** Human error and inaccurate billing can lead to overcharges for patients or insurance claim rejections or delays.

**Delayed Care:** Payment disputes or misunderstandings can delay crucial medical procedures or treatments, aggravating medical conditions and leading to worse health outcomes for patients. Also, delayed care or lingering financial disputes can cause stress for patients.

## Benefits of Outsourcing RCM for Providers



While outsourcing RCM to a trustworthy medical billing company can be an upfront investment, it alleviates many issues FQHCs experience with in-house billing and collections. The potential benefits, in terms of cost savings and efficiency, allow healthcare providers to focus on patient care, making outsourcing RCM

an attractive option for many institutions:

**On-Site Operating Cost Reduction:** FQHCs can avoid the cost of hiring, training, and maintaining an in-house team, saving on the space and funds needed for RCM operations. If the practice grows, RCM partners can scale their services to meet the demand without the FQHC needing to onboard additional personnel or invest in more on-site resources.

**Healthcare Providers Can Focus on Their Competencies:** Without the burden of RCM tasks outside their field of expertise or interest, healthcare providers can focus more on their calling – providing quality patient care.

**Medical Coding Expertise and Specialization:** Medical coders' functional scope focuses on medical coding and billing. By understanding the nuances of the RCM process, the experts can reduce billing and coding errors, resulting in higher claim acceptance rates and revenue.

**Compliance and Up-to-date Knowledge:** Medical billing companies stay updated with the ever-changing regulations in the healthcare industry, ensuring that billing and coding are always compliant, reducing the risk of legal complications or penalties.

**Reduced Collection Times:** Using an RCM company to perform billing and collection tasks can accelerate the entire process, leading to faster reimbursements and more consistent cash flow for healthcare providers.

**Analytics and Reporting:** RCM companies provide detailed analytics and reports, giving healthcare providers insights into their revenue cycle, areas of improvement, and financial health.

## Benefits of Outsourcing RCM for Patients



When RCM is managed efficiently and expertly, patients experience clear communication and fewer billing-related errors or issues. There are many other advantages, including:

**Improved Care from Healthcare Providers:** When healthcare providers aren't concerned with RCM process burdens, they can focus all their energy on

patient care, improving outcomes and patient experiences and increasing trust between providers and patients.

**Accurate Billing and Clear Communication:** With specialized companies handling the billing process, there is a reduced chance of errors, which ensures patients are billed correctly for services, minimizing disputes and denials.

**Faster Resolutions when Issues Occur:** If errors are found within a bill or insurance claim, they will likely be resolved quickly, reducing delays.

**Enhanced Bill Transparency and Clarity:** RCM providers often offer billing details that allow patients to track their bills and understand itemized charges, leading to increased transparency in the billing process.

**Data Security:** Trustworthy medical billing companies implement stringent security measures to protect sensitive patient information, reducing the risk of a data breach.

**Digital Account Access:** Many RCM providers offer portals allowing patients to manage their accounts, view billing information, and make payments.

**Reduced Out-of-pocket Costs:** Efficient RCM processes ensure that all billable items are correctly charged to insurance providers. This could mean reduced out-of-pocket expenses for patients if everything that can be covered by insurance is billed to them.

## Case Study: Revitalizing Revenue Collection at North Shore Community Health Center

When North Shore Community Health Center faced dwindling returns from its internal Revenue Cycle Management operations, a strategic decision was taken to outsource its medical billing to CPa Medical Billing. This single decision transformed the financial health of the health center and drove almost \$18 Million in additional revenue over six years.

### Client Background

North Shore Community Health Center is a Federally Qualified Health Center (FQHC) in Massachusetts that accommodates 80-90k encounters annually. Like many health centers, they lacked internal capacity and grappled with the complex nuances of FQHC Medicaid billing. The result was massive amounts of revenue being left unclaimed, and the organization was on the brink of a financial crisis. This led to the realization that they

needed to outsource Medicaid billing operations by finding an experienced partner to handle the complex workload.

## **The Challenge**

Upon analysis, it was found:

- Only about 70% of billed claims were being collected.
- Approximately \$2.5M was left unclaimed due to neglected or improperly worked denied claims. Denied claims would be incorrectly processed or neglected until they were denied for timely filing.
- In-house RCM personnel lacked the expertise to handle the unique issues found in FQHC billing, leading to millions of dollars in lost revenue annually.

## **The Solution**

In an act of strategic foresight, North Shore Community Health Center decided to outsource their billing to an experienced partner with expertise in the unique challenges they were experiencing. Then, they found CPa Medical Billing. Under the leadership of Carmen, the President of CPa, the transformation began:

- Collection efficiency soared to 98-99% within just six months.
- CPa obtained timely filing waivers from MassHealth and HSN, recovering ~\$2.4M of \$2.5M+ legacy claims that were assumed beyond retrieval.
- A staggering \$2.4M of the \$2.5M+ legacy claims were recovered.
- Personnel issues, including staying up-to-date on codes, training, and turnover due to billing frustrations, vanished.

## **Performance Highlights**

**Boost in Per Encounter Revenues:** Revenue rose significantly over six years, from an increase of ~\$20 per encounter in the first year to ~\$70 per encounter by the end of year six.

**Increased Additional Revenue:** Over six years, this resulted in almost \$18 million in additional revenue.

**Collection Rate Surge:** With CPa Medical Billing guiding RCM operations, the collection rate leaped to an outstanding 99+%.

## **Outcome and Benefits**

**Significant financial recovery:** By switching to CPa, not only did the health center recover lost revenue, but they also boosted their revenue streams.

**Operational efficiency:** Outsourcing resolved personnel, training, turnover, management, and space issues related to in-house billing.

**Peace of mind:** Billing went from being the number one concern for North Shore to the least, allowing them to focus on patient care and other core operations.

ROI Truly Paid Off: While Northshore invested \$150K more annually for CPa's services vs. in-house capability (not including overheads), the ROI was a clear and substantial improvement over in-house collections.

### **Conclusion**

The strategic decision to collaborate with CPa Medical Billing turned around the financial trajectory of North Shore Community Health Center. The results speak for themselves, making the case for such partnerships a "no-brainer" for any health center in a similar situation. With the right partner like CPa, health centers can turn around their financial trajectory and focus on their goal of providing high-quality care. The best way to ensure that health centers can focus on their patients rather than financial concerns is by providing them with the necessary means to do so. By partnering with CPa Medical Billing, North Shore Community Health Center was able to turn around its financial trajectory and focus on providing high-quality care for the patients in its community.

### **Endorsement**

Marc Bourassa, CFO at North Shore, is a testament to this success story. He is eager to share his organization's success with parties interested in the transformative work Carmen at CPa Medical Billing can offer.



## Why CPa's Expert Services Result in a Better Return for FQHCs and Their Patients

The healthcare environment is continually evolving, and within FQHCs, there is a great need for precise billing and collection services. These health centers play a crucial role in the healthcare sector, addressing the needs of some of society's most marginalized and vulnerable patients. FQHCs are searching for new ways to ensure that they can continue providing crucial, high-quality care at manageable prices. Amid their unique challenges, financial stability is of the utmost importance, and achieving it hinges mainly on efficient billing and collections processes.

Often, the complexity and resources needed to maintain in-house RCM are too much, stretching budgets and employees too thin. By partnering with dedicated external experts like CPa Medical Billing and continually monitoring key metrics, healthcare centers can ensure operational efficiency and enhanced patient trust and satisfaction.

[Averaging a net receipt increase of 45% for FQHCs](#), CPa Medical Billing has consistently demonstrated its prowess and persistence in assisting FQHCs to navigate the intricacies of medical billing, blending accuracy in billing with effective fund recovery. Health centers can use key performance metrics to strategically assess and refine their services, ensuring peak outcomes.

In a world where precision, compliance, and efficiency are essential to operational and financial stability, federally qualified health centers deserve a partner who understands the intricacies of billing and has a proven track record of maximizing revenues and streamlining processes. Key performance metrics offer a strategic tool for these centers to assess and optimize these essential services. Their dedication and expertise are evident in the heightened patient trust and satisfaction experienced by their partner institutions. The way forward is clear for FQHCs intent on refining their billing and collection framework.

If achieving excellence in your billing and collection services is a priority, it's time to take the next step. Contact us today at [cpamedical.com](http://cpamedical.com) to learn how to elevate your FQHC's financial performance and, ultimately, improve the patient experience.