Net to Cash: The Ultimate Revenue Cycle Measure

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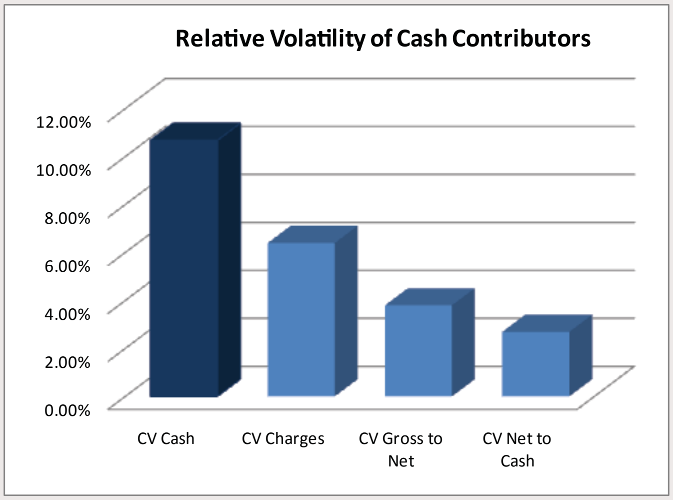
The ability to measure a process correctly is crucial to a successful outcome, regardless of what you're making. From baking a cake to manufacturing a semiconductor in a cell phone, precise and accurate measurements are what ensures the best possible end result. If the measurement is off, the cake might not rise or have the right texture and a faulty semiconductor means your iPhone is as functional as a paperweight. But what about your hospital's revenue cycle?

Healthcare has traditionally measured revenue cycle performance through accounting metrics such as Days in A/R or Cash as Percent of Net. The problem with these metrics is that they are simply not precise enough and there's too much measurement variation. Factor in significant accounting decisions such as Bad Debt Reserves and Lookbacks combined with changes in business mix and volume and there's little chance traditional metrics will enable revenue performance improvement. What's even more problematic is that Days in A/R can be made to look really good by writing-off collectable revenue in order to make the number lower.

Coefficient of variation (CV) is degree by which points in a data series vary from one to another. Monthly cash collections have a coefficient of variation of 10%. The graph below breaks this down showing the biggest impact is from charges (volume & services), followed by Gross to Net (mix), and finally Net to Cash (revenue cycle performance).

This tells us that if monthly cash collections are down, then the first thing to look at is volume, followed by business mix. What this also tell us is that we need to isolate revenue cycle performance. This is done by calculating Net to Cash™ which stands for Net Revenue to Cash Conversion or simply NTC™. NTC is calculated at the patient account level with each liability being scored by determining the cash performance as it relates to the actual liability that was generated by the provider organization, determined by the contractual agreement with the payer.



NTC does not factor in historic performance, reserves, or financial classifications and is inclusive of denials, underpayments, and patient liabilities. It represents a precise, exact measure of revenue cycle performance.

When NTC data is combined with empirical and comparative analytics, it becomes the anchor of a modern revenue cycle management system that aligns all revenue cycle functions towards the highest level of performance, leading to precise liability recognition and improved revenue to cash conversion.

Discover your organization's Net to Cash number and learn why traditional metrics are masking your financial opportunities.