The Contribution of Data Visibility to Profitability and Productivity

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Billing data are an important resource for evaluating profitability and monitoring employee performance. Labs should be mindful of the broad utility of the information contained in this system when selecting a service provider and platform.

Financial Performance

A lab's billing system provides a wealth of data that can be used to guide overall business and track performance over time. Labs can use the data in the following ways to evaluate profitability:

Cost per test performed. Labs can see how well they are doing by calculating cost per test performed. Volume and payment collection, as well as the costs associated with errors, can inform labs on simple ways to improve revenue. For example, incorrect diagnosis codes or insurance information may result in insufficient or delayed payment, suggesting that labs need to better educate providers on how to complete the requisition form.

Managed care contracts. This information is especially helpful once payers are under contract and adherence to payment terms can be more readily tracked. Labs can also use internal data to compare the terms of the contract with models of likely reimbursement with no contract terms.

Forecasting. Assessment of test volume and payment can help labs forecast revenue with more granularity, thereby more accurately informing customer targeting efforts and resource allocation. For example, low payments by certain payers can focus a lab's payer marketing strategy. Or higher test volume in certain parts of the country may prompt a revision in resources for sales teams by geography.

Financial Reporting

Once strategic elements of the data are identified and prioritized, reports can be generated to measure key performance indicators (KPIs), understand the company's financial integrity, and determine if legal requirements are being met.

For KPIs, reporting capabilities need to be in real-time, dynamic and flexible ensuring the right information to measure success can be exported from the application. While most labs capture similar data, how executives analyze the data may differ. This could include cash aging reports, days sales outstanding, zero balance accounts, and more. Being able to trend this information provides a strong, actionable picture of performance.

Every solution should be able to run financial reports in accordance with generally accepted accounting principles (GAAP) ensuring financial integrity. Being able to run bad debt reports, write-offs, and adjustments helps ensure the income statement is correct.

Additionally, profitability is equally important. Understanding the impact of client contracts and performance, pricing and expected reimbursement, actual net revenue taking into consideration your costs, are all critical in case an audit were to occur. An application providing analytics by type of service, payer type, patient responsibility, etc. makes submitting financials simple.

Legal requirements, such as timely filing, are easier to track when the application has powerful reporting capabilities. As the Centers for Medicare & Medicaid Services (CMS) and other governing bodies continue to change, update, and evolve billing and reimbursement requirements, it is imperative laboratory executives have a clear, complete picture and the ability to track this data with confidence.

Employee Productivity

Billing data can also be used to assess how well staff are performing, as setting performance targets can drive revenue collection, an obvious and easily quantifiable way to measure employee productivity. The billing application should provide the means to track employee performance metrics specific to their job tasks such as:

- **Front-end demographic team productivity.** These easy-to-track production metrics include the success in obtaining missing information and eligibility requirements as well as measurement of the average amount of time it takes to complete each task.

- **Productivity tracking related to customer calls.** These metrics include the primary reasons for patient calls, actions executed subsequent to a call, and comparison of such activities against call center application for average call times.

- **Cash posting and refund productivity.** These measures set and track remittance, correspondence, and refund activity completed by designated staff.

- **Productivity metrics for claim follow up.** These include goals related to claims worked per day per employee and supporting metrics, such as how long it takes to send out a claim, how long it takes to get paid, and success rates for appeals. These calculations allow labs to assess total team capacity to handle outstanding accounts receivables. With this information, labs can see how much revenue gains may be offset by the number of full-time employees required to achieve revenue goals or inefficiencies in the billing process.

The measurement of these activities is critical to understanding how productivity impacts the bottom line. A more accurate depiction of where employee time is spent gives labs the opportunity to reevaluate and optimize staffing.

Becky Foster is an independent consultant to diagnostic labs, biotechnology manufacturers, and digital health companies. She has spent over 20 years working on managed care and reimbursement strategy and policy. She is experienced in creating and implementing strategies for obtaining coverage from payers and developing billing and coding plans.

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