Part B Insider (Multispecialty) Coding Alert

How to Benchmark Your A/R

Some rules of thumb for knowing when your A/R are out of hand

You may know you have a problem getting paid, but without being able to measure the problem, it's hard to come to grips with it. The answer is to find objective numbers to compare with your accounts receivable.

Consultants surveyed by PBI say the number-one source of benchmarking data is the Medical Group Management Association's annual cost survey. "It's the only source I know of that ages practices' A/R by physician specialty," says **Gary Matthews** with Physicians HealthCare Advisors in Atlanta.

The only drawbacks to the MGMA sample are the sample size and the fact that it's limited to the major specialties, Matthews adds.

Another source of data mentioned by many consultants: the Society of Medical and Dental Management Consultants' annual survey. Both the MGMA and the SMDMC surveys "present numerous A/R statistics, in total and by region," says **Thomas Ruberg**, an accountant with VonLehman & Co. in Fort Mitchell, Ky.

While you're looking for the best data to benchmark against, there are a few rules of thumb you can also apply.

"The 'ballparks' that I use are 10-15 percent of your A/R should be over 120 days," says **Elizabeth Woodcock**, director of knowledge management with Physicians Practice Inc. Most of your A/R should be at 50-60 days, and your bad debt should be 3-5 percent of all debts. "Alarm bells" should start ringing when 25 percent of A/R is over 120 days, A/R is at more than 75 days, and bad debt exceeds 5 percent.

Matthews says current A/R should be about 40 percent of the A/R balance, and roughly 15-20 percent should be at 30 days, 10 percent at 60 days, and 30 percent or less should be at 90 days or more.