

REVENUE CYCLE MANAGEMENT 101

Core RCM Fundamentals & Performance Tracking for Practices

WHAT IS REVENUE CYCLE MANAGEMENT (RCM)?

Revenue Cycle Management is the entire financial life cycle of a patient encounter. It begins when a patient schedules an appointment and ends when the account balance reaches zero. Managing this flow correctly ensures a practice stays financially stable.

THE 8 ESSENTIAL STEPS OF THE REVENUE CYCLE

1. **Preregistration:** Gather patient demographics and core insurance card info before their visit.
2. **Eligibility Verification:** Confirm active benefits, copay or deductible tracking, and authorization rules in real time.
3. **Charge Capture:** Record all clinical services delivered during the visit as billable lines.
4. **Medical Coding:** Translate the provider's notes into standard ICD-10-CM codes and CPT procedural codes.
5. **Claim Submission:** Pass claims through an automated electronic "scrubber" to clean up errors before transmitting them to the clearinghouse.
6. **Remittance Posting:** Reconcile electronic payments and write-offs against actual bank deposits.
7. **Patient Billing:** Send clear, accurate statements out for any remaining patient out-of-pocket costs.
8. **A/R Follow-Up:** Contact insurance companies and track down past-due payments older than 30 days.

KEY RCM METRICS EVERY PRACTICE MUST TRACK

Days in Accounts Receivable (Days in A/R): Shows the average number of days it takes to collect payments due to the practice.

$$\text{Days in A/R} = \text{Total Outstanding Accounts Receivable} \div \text{Average Daily Gross Revenue}$$

Target: Keep this under 40 days. Anything higher than 50 days points to collection performance issues.

Clean Claim Rate (CCR): The percentage of claims that are paid on their very first submission without rejections.

$$\text{CCR} = (\text{Total Paid Claims on First Run} \div \text{Total Submitted Claims}) \times 100$$

Target: Aim for 95% or higher to minimize expensive manual rework.