

## SA-VIT COLLECTION AGENCY TIPS OF THE MONTH ARCHIVES



January 2010

### How Are We Doing?

"How are we doing?" is a question doctors frequently ask their billing and collection staff. Another question is, "Are our collections versus charges going up, down or about the same?"

There are variables that affect the answer to these questions, e.g., insurance pays 30 to 60 days after the services were provided; doctors take vacations at different times; there are more holidays in some months than others; and staff members are out of the office at different times for a variety of reasons. Then how can we determine the true financial trend of the practice?

This can be accomplished simply by plotting a 12-month moving average of charges versus payments by month over a 12-month period. Starting with January 2009, record both charges and payments for the month. Do this for February, March, etc., through December 2009. Next, add up the total charges for all 12 months in 2009 and do the same for the payments. Now, divide the total payments by the total charges. The result is the 12-month moving average for December 2009.

At the end of January 2010, take the totals from 2009, subtract the charges and payments for January 2009 and add those for January 2010. You now have the 12-month figures for January 2010. Again, divide the total payments by the total charges that now include February 2009 through January 2010, which gives you the 12-month moving average for January 2010.

The 12-month moving average is the best way to remove the month-to-month variables in a practice. These results can be plotted on a graph paper with the 12-month moving average up the left side of the graph and the individual months along the bottom. This graph will show you how collections versus charges are trending during the year. You can now answer the question, "How are we doing?" with confidence.

If you would like a sample of this calculation and graph, please provide your email address or if you prefer your fax number and we'll be pleased to forward the information to you. Send your request to [help@savit.com](mailto:help@savit.com) or call us at 800-491-5757 and ask for Pat Mutchler, Customer Care Coordinator.