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Improving a Practice's Bottom Line Getting Paid Every Penny Every Time- Even in 2008

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Session Outline

- The Economics of the Revenue Cycle
- Traditional & Non-traditional Revenue Enhancement Strategies
- Basic Revenue Cycle Measures & Math
- Advanced Revenue Cycle Management (RCM) Concepts
  - Automated Denial Management
  - Contract Compliance & Fee Schedule Management
  - Claims "Scrubbing"
- Practice Management Systems & Their RCM Capabilities
- Evaluating Your RCM Opportunity
- Example- Use RCM Measures & Math to Evaluate Practice Performance
- Other Revenue Maximization Strategies- These don't use math.
- Evaluating the Real Costs of a Practice's RCM Solution
- Wrap Up
- Take Questions

What's Causing Bottom Line Issues for Practices Today??

- Continually decreasing payer reimbursements - Market is generally at Medicare or some comparable rate for all specialties
- Increased payer claim edits and controls
- More complicated payment and authorization processes
- A need to recruit and retain a higher caliber office staff
- Public Sector Managed Care
- Skyrocketing overhead costs

"The physician billing cycle is one of the most, if not the most complicated revenue cycle in American business today." *Physician News Digest*

What To Do?

- *Increase New Revenues*
  - See more patients
  - Add new contracts
  - Provide additional and/or different services
- *Decrease Expenses*
  - Cut people costs
  - Cut operating costs
- *Maximize Existing Revenues*
  - Collect more on existing business

Maximizing Existing Revenues-Where's the Money?

"The single biggest management issue in most medical practices isn't high overhead or managed care contracts. Its collections. Physicians are not bringing in what they are owed."

Physicians Practice Magazine

Here's the Money!!!

Industry Estimates -

- More than 35% of claims improperly *denied*
- 25% of practice contractual allowances may be inappropriate *underpayments*
- Average Physician Practice loses $500,000+ over 3-5 year period as a result of improper *(or lack of sufficient) revenue cycle management.*

Revenue Cycle Measures You Need to Know

- ***Days in Accounts Receivable (AR)*** - Average number of days it takes to collect a claim from the time that a specific event occurs (typically either date of service or date billed).
- ***Day in AR*** - The average amount you collect a day
- ***Net Cash Collections Percentage*** - The difference between actual and expected revenues after all "appropriate contractual adjustments"
- ***Accounts Receivable Aging Distribution-*** The percentages of a practice's accounts receivable that resides in each of its monthly "AR buckets"

RCM Math

- DAYS IN AR - Total AR/((Total Charges/12)/30)
  Total Charges - 1,000,000
  Total AR - 125,000
  Days in AR = 125000/((1000000/12)/30) or 45

- DAY IN AR - ((Annual Revenue/12)/30)
  Total Revenue 500,000
  Day in AR = ((500,000/12)/30) = $1388.88

- NET CASH COLLECTIONS - Total revenue/(total chgs- total adjustments)
  Total Revenue 500,000 Total Charges 1,000,000
  Total Adjustments 200,000
  Net Cash Collections = 500000/(1000000-200000) = 62.5%

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Revenue Cycle Management Strategies
Terms You Need To Know

- ***Automated Denial Management*** - A process by which a practice regularly tracks, analyzes, trends its payer interactions and responses (positive and negative) and then makes operational changes as the result of its analytical activities.

- ***Contract Compliance*** – The process by which a practice compares actual payments by CPT and payer to those you contractually agreed to accept and then takes timely corrective action to recover underpayments and return overpayments.

- ***Fee Schedule Management*** – The process by which a practice systematically maintains its agreed upon rates by payer and CPT

- ***Claims "Scrubbing"*** - The use of "Bolt on" technologies which systematically identify required claims elements and incongruent claims data and sometimes apply either Medicare billing rules, payer billing rules or both so that a claim can be edited prior to being submitted to the payer

Denial Management

COMPONENTS

- Systematic Tracking - Does the practice have a system which allows it to identify:
  - Denials by type by payer
  - Specific reasons for adjustments
  - Differences b/t contractual adjustment and the inappropriately denied monies that still need to be worked
- Analyzing - Does the practice then understand why such denials/payment practices are occurring?
- Reporting - Does the practice review denial information at intervals?
- Acting - Does the practice use the results of its activities to make business decisions?

OUTCOMES

- Increased cash, faster cash
- Support for payer discussions and requests for action
- Informed management decision making

Contract Compliance

COMPONENTS

- Actual Reimbursement Data - Current, accurate payer specific agreed upon rates by CPT for some evaluation period
- Payments - By payer by CPT for evaluation period
- EOBs - Corresponding to payments
- Contract Specific Billing Rules - For payers in question

OUTCOMES

- Quantification of over/underpayments and potential net recoveries
- Identification of payer payment patterns (More discussion data)
- Comparative Data – Showing actual reimbursements by CPT by payer (Payer leverage?)

Claims Scrubbing

- THREE TIERS OF "Claims Scrubber" TECHNOLOGY
  - Tier One Systems – Identify basic claims field edits and blatant mistakes
  - Tier Two Systems – Utilize NCCI (National Correct Coding Initiative) edits in addition to tier one functionality
  - Tier Three Systems - Include tier one and two functionality but also address "payer specific" billing rules by specialty and CPT code

"About 50 percent of problems are due to registration. Coding is another 35 – 40 percent."

Physicians Practice Magazine

Evaluating The RCM Management Capabilities of A PM System

- **What "grade" system do you have?**
  - Basic, Intermediate, Advanced
- **Are you maximizing the RCM capabilities you have?**
  - Payer fee schedules loaded
  - Denial codes strategically designed and entered
  - Reports capabilities utilized

	Basic	Intermediate	Advanced
Fee Schedule Mgmt/ Contract Comp Capabilities	Can store reimb rates by payer and see online for pmt posting diffs	Can store rates. Users can chg them as pmts are posted	Multiple fee schedules can be linked to one payer. Fee hx kept and used.
Denial Mgmt Capabilities	Denials posted as notes.	Limited codes. Generally must be applied to all payers	Unlimited payer specific codes. .
Reporting	Very limited/no denial mgmt or cx compliance reporting	Cx - Reports by CPT of total pmts and volumes Not payer specific. Generally no auto comparison of expected to received. Denials – Can get general patterns but not payer specific.	Cx – Automated comparisons by CPT and payer Denials - payer specific Data drives AR methodology
Bolt On Capabilities	Maybe	Likely	Definitely

Systems Selections - Things to Think About

- Understand what RCM outcomes you want before you pick your system
- Pick your system assuming you will keep it
- If you won't use the functionality, don't buy it.
- Understand whether bolt on or integrated technologies will really help you.

"If you select, implement and use a practice management system wisely, you'll find you really can fill your practice piggybank."

Health Technology Management

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Revenue Cycle Management –Does it Work?

- Schneider-Maurer Foot and Ankle Associates – *"First time in 5 years….cash in the bank. Able to offer a retirement benefit to employees…all within 10 months"* Physicians Practice, *January 2008*
- St. Paul Radiology – "*Reduced our error rate for Medicare claims from 35% to less than 1%."* Health Management Technology, *January 2008*
- Morton Plant Mease Primary Care – "*Decreased errors by approximately 50%. Overall collections increased 5 – 10%." SageHealth.com*
- Internal Medicine group - *A/R dropped by 45%, cash flow increased by 23%* Internal Medicine/Peds - Denied claims dropped by 60%, cash flow increased by 19% *PMP Actual Client Results*

Evaluating Your RCM Opportunity- Dr. Practice- FY Statistics

- Annual Charges $ 2,376,888
- Annual Revenue $ 852,739
  Day $2,493
- Current Days in AR 78
  AR/(total charges/12/30)
- Ins. Net Cash Collections Percentage 95.04%
  total revenue/(total charges-total adjustments)
- Current AR $520,181
- Total Adjustments $1,432,419

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Dr. Practice- The Opportunity

	Benchmarks	Difference	Value
Days in AR			
Dr. Practice Actual	**78**		
MGMA Median	46	32	$ 79,776 (one time cash)
Net Cash Collections			
Dr. Practice Actual	**95.04**		
MGMA Median	97.60%	2.56%	$ 22,969 (ongoing cash increase)

Year One Potential Gain $102,745

The Initial Opportunity

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Practice Performance Profile

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PRACTICE PERFORMANCE PROFILE

Data Collected on: **October 14, 2005**

Summary for:

Current Financial Statistics	
Practice Charges	$ 1,406,933
Practice Revenue	$ 689,473
Average Monthly Charge	$ 117,244
Combined AR	$ [illegible]
Current Days in AR	44.75
Average Day in AR	$ 1,915
Adjustments	$ 278,377
Adjustments as Percentage of Charges	20%
Adjustments as Percentage of Revenue	[illegible]
Net Cash Collections Percentage	61%
Aging Data	
0-30	21%
31-60	36%
61-90	[illegible]
91-120	6%
>120	20%
Cost as % of Revenue	[illegible]

Billing Operations and Management	47.29
Reporting	1.40
Management Controls	2.50
Front Desk	2.00
Charge Entry	3.00
Claims Submission	3.80
Posting	0.85
Patient Collections	3.20
Customer Service	3.00
Billing Compliance	3.33
Denial Management Claim Repair	1.96

Financial Performance Assessment	28.3
Current Billing Costs	2.00
Cost percentage over (under) benchmark	(1.60%)
Revenue Cycle Performance	1.00
AR days compared to benchmark	9.84
Collection percentage compared to benchmark	(34.91%)
Aging Analysis compared to Benchmark	1.25
Incremental % over (under) benchmark	4.08%
% difference from benchmark	18.61%

Additional Assessments	2
EOB Analysis	**Y**
Fee Schedule Analysis	**Y**
Coding Comparison	**N**
Productivity Analysis	**N**
Potential Recoveries	
AR Days Reduction	$ 18,848.71
Increased Collection %	$ 240,671.72

Assessment scoring scale

Billing Operations and Management and Financial Performance are scored on 100 point scale

Sub category assesment are scored on a 5 point scale:

5 Exceptional
4 Very Good
3 Acceptable
2 Needs Improvement
1 Deficient

Other Revenue Maximization Strategies

- **Evaluate and monitor your revenue cycle management " driver processes"**
  - Registration and insurance verification

    "*Coverage related denials take two to three times longer to pay as non-denied claims and 30 to 40% longer to pay than claims denied for other reasons*"

    Physicians Practice, April 2006

- **Collect your "self pay" cash**

  "Enrollment in CDHPs grew by 25% in 2007 from 10 million to 12.5 million. Enrollment in HRAs, grew to 7.5 million."

  American Association of PPOs, 2008 Study

- **Pay attention to your practice's fee schedule**
- **Know your key payer relationships**

  -Track renewal dates, identify amendment/modification provisions and timeframes, frequent payer websites, don't wait for a problem to call your rep

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Understand Your True Revenue Cycle Management Costs

"Revenue cycle management is more than just technology; it is scheduling, charge entry, and claims processing, combined with full-service, billing, collections and claims management."

Group Practice Journal

Decreasing Practice Expenses

Average Small Practice's Current Annual Billing Expenses		
– Salary	$35,000	
– Benefits @15%	4,500	
– Software Support	1500	
– Electronic Claims Fees	1000	
– Postage, Paper	2800	
– Books, Supplies	200	
– Physician Oversight 1hr/wk	5200	($100/hr)
– TOTAL	$49,200	
Practice's Annual Revenue	$500,000	
Expense/Revenue	9.84%	
Industry Average	7-10.5%	

Final Thoughts

- Today's community practice must be run like a business if it is going to be viable long term
- There are business of medicine strategies and technologies that can be effective in combating market forces and impacting a practice's cash
- These strategies are time consuming to implement and maintain and sometimes require additional outlay in order to achieve ROI but they work
- A practice that does not understand its revenue cycle costs performance and what, if any, revenue maximization opportunity it has (or doesn't have) is taking a risk it doesn't have to take

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QUESTIONS???

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