How Do You Know Your Revenue Cycle is Efficient?

Presented by Jeff Grant
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Financial Disclosure

- I have the following financial interests or relationships to disclose:
  - I provide consulting services to Compulink Business Systems, Inc. and many of their software users.
  - I have a personal financial interest in the subject matter of my presentation:
    - My company (HCMA) provides revenue cycle management services to ophthalmology practices.

Who am I?

- Over 20 years Practice Management, Operations, Revenue Cycle Management & HIT Consulting with nearly 1,000 practices
- Speaker at AAO/AAOE, ASCRS/ASOA, Hawaiian Eye, Vision Expo, & State Associations
- Articles in Administrative Eyecare, Ophthalmology Management, Ophthalmology Times, Premier Surgeon, Ophthalmology Business, & Advanced Ocular Care
- Assisted dozens of practices with EHR selection & implementation
- Revenue Cycle Management Services for ophthalmologists
Trust me

• [http://www.youtube.com/watch?v=nPOjyzV0zIg](http://www.youtube.com/watch?v=nPOjyzV0zIg)

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**Diminishing Reimbursements**

- Cataract 6x Reimbursement Cut
- Multiple Test Payment Reduction
- SGR Cuts
- Sequestration Cut
- RAC Audits
- MU Penalties
- PQRS Penalties
- Value-based Payment Modifier
- Diminishing reimbursements will make or break practices in the coming decade.

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**More Regulations & Compliance Issues**

- HIPAA (random security audit program / first fine for breaches that affected less than 500 patients)
- PQRS (now mandatory / penalties)
- Value-Based Payment Modifier
- Affordable Care Act (ACA) – Health Exchange Plans
- ACO’s
- RAC Audits (more years)
- EHR Incentive Audits
More Regulations & Compliance Issues

- Federal Regulations & Compliance concerns strain a practice’s resources, stress owners, and stress administrators.

How do you stay profitable and provide excellent patient care?

- Pay attention to overhead.
- Pay attention to critical operational and financial metrics to ensure optimum performance.
- Pay attention to relationships / contracts with payers.
- Become more efficient and do more with less staff by embracing technology.

How do you stay profitable and provide excellent patient care?

- What is the result of my RCM?
- How much do I pay for the result?
An ounce of prevention

- **Financial Controls**
  - Must be *written*.
  - Must be readily available to *all employees*.
  - Must be strictly enforced.
  - Must be consistently applied.

An ounce of prevention

- **Documented RCM Processes:**
  - Patient insurance entry and verification
  - Eligibility and Benefit verification
  - Charge posting
  - Claim submission
  - Working denials and rejections
  - Patient Billing

An ounce of prevention

- Prevent collection problems by clearly communicating your *Patient Financial Policies* and do it several times:
  - When the appointment is booked. Remind the patient that money will be due at the time of their visit and tell them the payment types you accept.
  - When you confirm the appointment.
  - When they arrive for the appointment.
Another way to prevent collection problems is to collect all patient co-pays, co-insurance and deductible amounts when they checkout. This has added benefits:
- Lower A/R
- Improved cash flow
- Fewer statements

How Do You Know Your Revenue Cycle Is Efficient -

Ensure you have accurate fee schedules:
- This makes it easier to collect patient payments accurately at checkout.
- It isn’t possible to have a fee schedule for every insurance company and plan.
- At least for your major payers and plans.

Use (and build out) Claim Edits:
- Catch common problems before the claim leaves
- Unique to your area and your plans
Some practices are approaching 50% of revenue from patients.

Managing Patient Receivables

- **Higher and higher deductibles**
  - Health Exchange plans
  - Some practices are approaching 50% of revenue from patients

Managing Patient Receivables

- **Collect as much as you can at the time of service**
  - Communicate your policies
  - Verify eligibility and benefits
  - Accurate fee schedules (allowed amounts, codes, and modifiers)
  - Post charges before patient leaves
  - Collect $$ from the patient
Managing Patient Receivables

- Collect as much as you can at the time of service
  - Send refunds instead of statements
  - Strive to send fewer and fewer statements

Managing Patient Receivables

- Shorter Collection Cycle:
  - Statements every week / 21 day grace period
  - Statement generation more manageable
  - Balance transfer to the patient gets billed much sooner
  - Payment processing balanced throughout the month
  - Patient phone calls balanced throughout the month

Managing Patient Receivables

- Shorter Collection Cycle (sample process):
  - Statement #1 (max. 6 days after becoming patient balance)
  - 21 days later, Statement #2
  - 21 days later, Payment Overdue #1 letter and phone call
  - 15 days later, Payment Overdue #2 ("nasty") letter and phone call
  - 15 days later, Payment Overdue #3 (final) letter
  - 15 days later, to Collection agency
  - 87 days from statement #1 to being turned over to collection agency
Managing Insurance Receivables

- **Use EDI Tools**
  - **2013 US Health Efficiency Index** (May 7, 2014)
    - Electronic claim submission had the highest rate of adoption (91 percent) in our study.
    - Claim status inquiries showed increased use of automation in our study, but the number of telephone calls related to these transactions is static or falling only slightly.
    - For electronic eligibility and claim verification, estimates indicate that providers could save more than $3 per transaction.
    - Over 40 percent of claim payments continued to be made by paper checks. Healthcare providers have been relatively slow to adopt electronic funds transfer (EFT), but use is expected to grow rapidly.
    - Electronic claim remittance advice (ERA) and posting and receiving of payments showed the lowest level of adoption in our study (53 percent).
    - For electronic funds transfer and remittance advice, the 2013 Index estimates that providers can save $1-50 per transaction.

- **Electronic Patient Statements**
  - Why would you continue to print, fold, stuff, lick, stamp?
  - Review statements before sending? What is the time / value of this?
Managing Insurance Receivables

- Use EDI Tools
  - Ensure that you are billing all claims (nearly all) electronically
    - Primaries
    - Secondaries
    - Worker’s Comp
    - Claim attachments
Managing Insurance Receivables

**Use EDI Tools**
- Electronic Remittance Posting
  - Post $20,000 checks in less than a minute
  - At least for your largest payers / plans
  - Understand the settings for ERA

Managing Insurance Receivables

**Use EDI Tools**
- Electronic Remittance Posting
  - % of Insurance Revenue Posted via ERA = At least 50% and preferably closer to 70% or 80%

Managing Insurance Receivables

**Use EDI Tools**
- Clearinghouse tools for working & analyzing rejections
Managing Insurance Receivables

- **Use EDI Tools**
  - Real-time Eligibility & Benefit Verification
    - Is the patient covered?
    - What is their copay amount?
    - What is their deductible? How much is remaining?
    - Collect what you can while the patient’s in the office

- **Monitor Adjustments:**
  - Are adjustments reasonable?
  - What are my adjustments as a % of my gross production?
  - Staff being too aggressive in order to meet your expectations?
  - Can my adjustments help me with claim rules or other process changes?
Managing Insurance Receivables

- **Monitor ERA’s & EOB’s**
  - Denials on EOB’s can help you create claim edits and help you implement process changes.
  - Invalid Modifiers
  - Unique requirements
  - Amounts on EOB’s can help you build out fee schedules.
  - Allowed amounts that equal your billed amounts indicate you could bill more.
  - Is the carrier paying what is expected / contracted?

Managing Insurance Receivables

- **Regular Review of Payer Contracts**
  - Review regularly / Renegotiate as necessary
  - Too many practices are working under poorly negotiated contracts.
  - Too many practices are working under old contracts that no longer reflect the practice’s operations and expenses

Accounts Receivable Metrics
Accounts Receivable Metrics

- Days Sales Outstanding (DSO) or “A/R Days” or “Days in A/R”
  - A measure of the number days of your average daily production that is outstanding.
  - \[ \frac{A/R}{\text{Collections / 365}} \]
  - Healthy Range = 25 - 30 Days
  - Note: Based on expected amount.

Accounts Receivable Metrics

- Collection Ratio
  - Net Collections / Adjusted Charges (chgs – adj)
  - Healthy Range = 98 – 100%
  - You can have periods where the rate exceeds 100%

Accounts Receivable Metrics

- A/R Buckets & Over 90
  - 0 Days – 30 Days: 40% - 60%
  - 31 Days – 60 Days: 15% - 25%
  - 61 Days – 90 Days: 5% - 15%
  - 91 + Days: 5% - 15%
  - Note: Based on expected amount.
Accounts Receivable Metrics

- Generally, Insurance Receivables Over 90 days should be at or below 10%
- Strive for $0.00 / 0% Patient Receivables Over 90

Accounts Receivable Metrics

- If Over 90 is greater than 10%, where is the problem?
  - Compare Patient A/R & Insurance A/R amounts to Total AR
  - Compare Patient A/R Over 90 Days to Insurance A/R Over 90 days
  - Are the problems related to patient collections?
  - Are the problems related to insurance collections?
  - Do you have a problem in both areas?

Accounts Receivable Metrics

- Paper Claims % (2%)
- % of Insurance revenue posted via ERA (at least 50%)
 Accounts Receivable Reporting

- **Total Receivables** (insurance portion based on "expected" not the "billed" amount)
  - % Over 90
- DSO
- Collection Ratio
- **Total Insurance Receivables** (based on "expected" amount)
  - % Over 90
  - Primary Insurance receivables (21 – 31 days after billing)
  - Secondary Insurance receivables (51 – 61 days after billing)
- **Total Patient Receivables**
  - % Over 90

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Accounts Receivable Reporting

- % of Revenue Patient vs. % of Revenue Insurance
- # of Claims & $ Value of Claims Billed Weekly & Monthly
- # of Accounts & $ Value of Accounts Turned Over to Collection Agency Monthly
- % of Claims on Paper
- % of Insurance Revenue posted via ERA

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Staff Production

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Staff Production

- **Claims Per FTE**
  - A fundamental work unit in healthcare RCM offices
  - Billing vision plans online can skew the numbers

Staff Production

- **Transactions Per Hour = 20 – 30 per hour**
  - Too many transactions per hour leads to mistakes
  - Too few transactions per hour means you aren’t getting the work done cost-effectively
  - Some PM’s show “Transactions” via Financial Audit Trail report

Staff Production

- **Collections per FTE = $1.0M - $1.5M**
  - Higher in some cases
  - Higher in some sub-specialties
Staff Cost vs. Production

- Staff Expense to Revenue Ratio = 3% - 4%
  - Staff Expense (Fully Burdened Expenses for all RCM FTE’s)
  - Tightly related to “the result”
  - Willing to pay more for excellent result

Staffing Level & Staffing Expense vs. Revenue & Results

- What is the result of my RCM?
  - DSO (<30)
  - % of A/R Over 90 (<10)
  - % of Claims on Paper (<2)
  - TOTAL = 42
- How much do I pay for the result?
  - RCM Staffing Expense Ratio (<4% of Revenue)
  - Cost / Claim Ratio (<9)
  - TOTAL = 13

Staffing Level & Staffing Expense vs. Revenue & Results

<table>
<thead>
<tr>
<th>Billing Expense</th>
<th>Billing FTEs</th>
<th>Annual Claims</th>
<th>Exp/Claim Ratio</th>
<th>Revenue</th>
<th>DSO</th>
<th>Over 90</th>
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<tbody>
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<td>15,200</td>
<td>7</td>
<td>$1.1M</td>
<td>63</td>
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Revenue DSO Over 90
How do you stay profitable and provide excellent patient care?

- Pay attention to overhead.
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Questions?

Thank You!

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