Coping with the ACA: Issues and Strategies

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Educational Objectives
• Identify potential problems arising from the implementation of the Affordable Care Act (ACA) and develop strategies and processes to succeed in this new environment.
• How will the ACA impact our revenue cycle?
• Our pricing structure?
• Premium services?

Executive Summary
• ACA Highlights
• Expanding Patient Volume
• Strengthen Balance Sheet
• Revenue Cycle Management
• Physician Compensation
• Human Resources

Financial Disclosure
Steve Sheppard is a Managing Principal with Medical Consulting Group, LLC and acknowledges a financial interest in the subject matter of this presentation.

Kevin J. Corcoran is President of Corcoran Consulting Group and founder of Corcoran Compliance Connection and acknowledges a financial interest in the subject matter of this presentation.

ACA Highlights
• Bars health plans from:
  • Denying coverage because of pre-existing medical conditions
  • Dropping the coverage of people who become sick
  • Charging higher premiums because of health issues
• Requires large employers to:
  • Provide health insurance, or be subject to potential penalties

ACA Highlights
• Encourages small employers to:
  • Provide coverage in exchange for tax credits
• Requires individuals to:
  • Obtain health insurance or pay a penalty, unless they qualify for certain exemptions
• Allows parents to:
  • Extend their health insurance to children up to the age of 26
Executive Summary

- ACA Highlights
- Expanding Patient Volume

Demand: The Short Story

- The baby boom means more people will need eye care
- Eye disease will increase
  - AMD
  - Cataract
  - Glaucoma
- ACA increases number of insured
  - ≥30 million
- New technology creates more eye care
  - Lucentis, Avastin, Eylea, Jetrea

US Population Growth

Aging Population

- 44 million Medicare beneficiaries (2005)
- 75 million baby boomers (1946 to 1964)
  - In 2011, the first baby boomer enters Medicare
  - In 2010, 13% of US population will be ≥65 y/o
  - In 2030, 20% of US population will be ≥65 y/o
- Longer life expectancy

Sources: US Census Data, CMS enrollments

Executive Summary

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- Strengthen Balance Sheet

Strengthen Balance Sheet

- Increase capital
  - Strong cash position
  - Manage financial assets
  - Attend to accounts receivable
  - Improve credit worthiness
  - Increase credit line and borrowing power
  - Grow retained earnings
### Executive Summary
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- Revenue Cycle Management

### Basic Parameters of Qualified Plans
- Mandated coverage levels
- Four tiers – the "metals"
- The "silver" plan is dominant
- Not based on quality of care, but "actuarial value"
- Plans must qualify or face penalties
- Must meet coverage and affordability requirements

### Does Insurance Mean Access?
- Higher deductibles
- Lower co-pay percentages for patients
- Increased out-of-pocket maximums
- Typical silver plans features
  - $2,000 deductible
  - 70%/30% co-payment percentage
  - $6,000+ individual maximum out-of-pocket

### Impact on Collections
- Patients will face higher financial obligations
- Needed focus on pre-certs and up-front collections
  - Right team
  - Timely confirmation calls
  - Alternative payment mechanisms
- New tools may include:
  - Credit/debit cards
  - Factoring agencies
  - Internal financing

### Impact on Collections
- Beware of “grace” periods
- Impacts on ASCs may be magnified
  - Alternative payment arrangements
  - Minimum up-front payments
  - Consider cancelling non-emergent cases
- Limited network plans
  - Need to maintain access
  - High cost providers, e.g., teaching hospitals excluded

### What About My Practice/ASC?
- Employer sponsored group plans must comply with the ACA "market reforms"
  - No dollar limit on "essential health benefits"
  - Must provide 100% coverage on certain preventive services
- Note that there are different obligations for small, medium, and large employers
- Beware the definition of Applicable Large Employer
- Largest negative impact on the young and healthy
**Caution!**

- Employee payment plans are **prohibited**
- Reimburse or pay premiums for individual plans
- Fine up to $100 per day per participant
- Similar restrictions for HRAs and FSAs **unless** integrated with a qualified group plan
- The rules are complex and changing
- Consult a qualified broker

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**Executive Summary**

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- Revenue Cycle Management
- Physician Compensation

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**Classic Compensation Model**

- Salary + benefits + bonus
  - Bonus – based on individual collections
  - Bonus – based on collections and expenses
- Additional consideration for owners
  - Dividends based on profitability and shareholder equity
  - Management duties
  - Other enterprises

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**Exclusions from Physician Compensation**

- Supplies (e.g., punctum plugs, grafts)
- Prosthetics (e.g., IOLs, shunts, keratoprostheses)
- Injectable meds (e.g., Lucentis, Eylea, Jetrea)
- Items / services covered by Stark Law

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**Productivity Bonus**

- Threshold based on 3 x (salary + benefits)
- Bonus = $0.30 per $1.00 collected over threshold

<table>
<thead>
<tr>
<th>Example:</th>
<th>Quarter</th>
<th>Annual</th>
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</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$27,500</td>
<td>$110,000</td>
</tr>
<tr>
<td>Benefits</td>
<td>12,500</td>
<td>50,000</td>
</tr>
<tr>
<td>Threshold</td>
<td>120,000</td>
<td>480,000</td>
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<tr>
<td>Collections</td>
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<td>700,000</td>
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<tr>
<td>Bonus</td>
<td>16,500</td>
<td>66,000</td>
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</table>
Productivity

- **STRENGTHS**
  - Strong motivation
  - Physician centric
  - Grows revenue
  - Builds procedure volume
  - Emphasizes surgery

- **WEAKNESSES**
  - To detriment of other goals
  - Ignores teamwork
  - Neglects profitability
  - Encourages overutilization
  - Overlooks patients

Modify Physician Compensation

- Increase amount of expenditures, but reduce that amount as a percentage of revenue

Modify Physician Compensation

- To attract new physicians
- To retain existing physicians
- To support new priorities
- Link compensation to goals

Reward System

- Productivity (RVUs, Dollars)
- Patient satisfaction (Surveys)
- Growth (Referrals, volume, collections)
- Efficiency (Overhead)
- Compliance (Chart review)

Patient Satisfaction

- Goal – high level of patient satisfaction in all areas
- Measure – score on patient satisfaction surveys
  - Range 0 (low) to 5 (high)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Satisfaction</th>
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<tbody>
<tr>
<td>50%</td>
<td>≤2</td>
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<tr>
<td>70%</td>
<td>≤3</td>
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<tr>
<td>85%</td>
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<td>100%</td>
<td>&gt;4</td>
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</table>

Growth

- Goal – increase total practice revenue over prior year
- Measure – percentage growth for the practice

<table>
<thead>
<tr>
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<th>50%</th>
<th>70%</th>
<th>85%</th>
<th>100%</th>
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<tbody>
<tr>
<td>Growth</td>
<td>&lt;1%</td>
<td>1-4%</td>
<td>5-9%</td>
<td>≥10%</td>
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### Efficiency

- **Goal** – reduce overhead expense
- **Measure** – overhead ratio (as % of net revenue)

<table>
<thead>
<tr>
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<th>50%</th>
<th>70%</th>
<th>85%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>&gt;59%</td>
<td>&gt;57%</td>
<td>&gt;55%</td>
<td>&gt;53%</td>
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</table>

### Compliance

- **Goal** – high level of coding and charting compliance
- **Measure** – score on chart review in dollars

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<th>50%</th>
<th>70%</th>
<th>85%</th>
<th>100%</th>
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</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>≥7.0%</td>
<td>±5-6.9%</td>
<td>±3-4.9%</td>
<td>±0-2.9%</td>
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### Incentive Bonus

<table>
<thead>
<tr>
<th>Goal</th>
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<tbody>
<tr>
<td>Efficiency</td>
<td>Poor</td>
<td>Fair</td>
<td>Good</td>
<td>Excl’t</td>
</tr>
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<td>Poor</td>
<td>Fair</td>
<td>Good</td>
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### Incentive Bonus

<table>
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<tr>
<td>50</td>
<td>25.0</td>
<td>35.0</td>
<td>42.5</td>
<td>50.0</td>
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<tr>
<td>20</td>
<td>10.0</td>
<td>14.0</td>
<td>17.0</td>
<td>20.0</td>
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<tr>
<td>15</td>
<td>7.5</td>
<td>10.5</td>
<td>12.8</td>
<td>15.0</td>
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<tr>
<td>100</td>
<td>50.0</td>
<td>70.0</td>
<td>85.0</td>
<td>100.0</td>
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### Example

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<td>15.0</td>
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<tr>
<td>100</td>
<td>50.0</td>
<td>70.0</td>
<td>85.0</td>
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</table>

Total: 85 points

Incentive Bonus

<table>
<thead>
<tr>
<th>Points</th>
<th>Bonus</th>
<th>Points</th>
<th>Bonus</th>
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<th>Bonus</th>
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<tbody>
<tr>
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<tr>
<td>74</td>
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<td>75</td>
<td>0.10</td>
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<td>0.30</td>
<td>95</td>
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<tr>
<td>76</td>
<td>0.12</td>
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<td>0.32</td>
<td>96</td>
<td>0.52</td>
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<tr>
<td>77</td>
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<td>0.34</td>
<td>97</td>
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<tr>
<td>78</td>
<td>0.16</td>
<td>88</td>
<td>0.36</td>
<td>98</td>
<td>0.56</td>
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</table>

Bonus: $0.xx per $1.00 individual bonus

Additional Bonus

- 85 Pt Bonus = $0.30 per $1.00 individual bonus
- Example:
  - Quarter: $27,500
  - Annual: $110,000
- Salary: $27,500
- Benefits: 12,500
- Threshold: 120,000
- Collections: 175,000
- Individual Bonus: 11,000
- Added Bonus: 4,950

Modified Compensation Model

<table>
<thead>
<tr>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus (goals) 9%</td>
</tr>
<tr>
<td>Bonus (LWYR) 20%</td>
</tr>
<tr>
<td>Benefits 22%</td>
</tr>
<tr>
<td>Salary 49%</td>
</tr>
</tbody>
</table>

Revise Shareholders’ Agreement

- Return on investment for owners/investors
- Consistent with capitalization
- Comport with leadership and executive duties
- Provide additional investment opportunities
Executive Summary

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- Human Resources

Expand Human Resources

- Experience
- Certification
- Credentials
- Professionalism
- Retention
- Ongoing training

Expand Human Resources

- Certified ophthalmic technicians
  - Certified ophthalmic assistant (COA)
  - Certified ophthalmic technician (COT)
  - Certified ophthalmic medical technologist (COMT)
  - Certified orthoptist (CO)
  - Certified retinal angiographer (CRA)
  - Certified ophthalmic photographer (COP)

Expand Human Resources

- Certified staff
  - Certified medical scribe specialist (CMSS)
  - Certified professional coder (CPC)
  - Certified professional medical auditor (CPMA)
  - Certified electronic health records specialist (CEHRS)
  - Registered Health Information Administrator (RHIA)

Expand Human Resources

- Strengthen management team
  - Board of Directors
  - Administrator
  - Operations manager
  - Finance officer
  - Information technology officer
  - Human resource manager
  - Marketing manager
  - Compliance officer
  - Medical director

Ophthalmologist Trends

Sources: DHHS Physician Supply and Demand Projections to 2020
Optometrists Trends

Sources: White, A.J., Workforce Projections for Optometry, Abt Study, 2000

Expand Human Resources

- Add licensed physician extenders
  - Physician Assistant
  - Nurse Practitioner

Physician Assistant

- Potential capabilities
  - Assistant surgeon (e.g., oculoplastics)
  - Minor procedures (e.g., intravitreal injections)
  - Intravenous injections (e.g., IVFA)
  - Chronic disease management (e.g., diabetes)
  - Pre-op history and physical
  - Orthoptist
  - Weekend call, triage

Additional Steps

- Strengthen bargaining position – size helps
- Improve market visibility; increase market share
- Diversify to reduce risk; integrate ASC, optical, other
- Assess and improve customer service levels
- Reduce overhead expenses proportionately

Questions Or Concerns?

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or
(417) 889-2040

More help…

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or
www.CorcoranCCG.com