WELCOME TO PMI’s WEBINAR PRESENTATION

Brought to you by:
Practice Management Institute®
www.pmiMD.com

MEET THE PRESENTER

Rose Moore
On the topic:
Revenue & Profitability Management
Welcome to Practice Management Institute’s Webinar and Audio Conference Training. We hope that the information contained herein will give you valuable tips that you can use to improve your skills and performance on the job. Each year, more than 40,000 physicians and office staff are trained by Practice Management Institute. For 30 years, physicians have relied on PMI to provide up-to-date coding, reimbursement, compliance and office management training. Instructor-led classes are presented in 400 of the nation’s leading hospitals, healthcare systems, colleges and medical societies.

PMI provides a number of other training resources for your practice, including national conferences for medical office professionals, self-paced certification preparatory courses, online training, educational audio downloads, and practice reference materials. For more information, visit PMI’s web site at www.pmiMD.com

Please be advised that all information in this program is provided for informational purposes only. While PMI makes all reasonable efforts to verify the credentials of instructors and the information provided, it is not intended to serve as legal advice. The opinions expressed are those of the individual presenter and do not necessarily reflect the viewpoint of Practice Management Institute. The information provided is general in nature. Depending on the particular facts at issue, it may or may not apply to your situation. Participants requiring specific guidance should contact their legal counsel.

CPT® is a registered trademark of the American Medical Association.
REVENUE & PROFITABILITY MANAGEMENT

Presented By:
Rose B. Moore, CMC, CMIS, CMOM, CMCO,
CCP, PCS, CEC, CERT, CMA-ophth
Faculty/Consultant, Practice Management Institute

• Agenda
  – Finance Basics
  – Revenue Cycle Monitoring
  – Reimbursement Improvement Strategies
Finance Basics
Basic Finance Literacy

1. Income and expenditure statement
2. Cash flow
3. Balance sheet
4. Budgeting
5. Assets
6. Liabilities
7. Capital

Some Core Issues

- Budget
- Accounting
- Cost Accounting
- Break even point
- Cost benefit analysis
- Cost reductions and containment
- Daily Operations
Revenue Cycle

Accurate Scheduling

AR Management

Patient Registration

Denial Management

Coding and Documentation

Payment Posting & Adjustments

Claims Processing

Guiding Principles for a Successful Revenue Cycle

Practice Assessment

Where we want to be

Assess strengths & weaknesses
Gap analysis & improvement plan
Understand Best Practices
Determine critical success factors

Where we are today
Benchmarking

- A strategic and analytic process of continuously measuring an organization’s products, services and practices against a recognized leader

- Challenges
  - Data
  - Sources
  - How to Apply Results

- Opportunities
  - Finds best processes already developed
    - Look at Other Practices
    - Adopt Best Practices
    - Move on to Greater Success

Types of Benchmarking

- Process Benchmarking: Investigates business processes to identify the best practices from other practices to benchmark cost and efficiency
- Financial Benchmarking: Performing comparative financial analysis to assess overall competitiveness and productivity
- Performance Benchmarking: Competitive analysis by comparing products and services against target firms
• Financial Benchmarking
  – Identify revenue-related trends and statistics
    • Reimbursement
    • Claim rejections and denials
    • Collections process
    • Payer trends

Identify Indicators to Benchmark

<table>
<thead>
<tr>
<th>Financial</th>
<th>Collections</th>
<th>Expenses</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Gross Charges</td>
<td>Percentage of various payers</td>
<td>Adjustments Percentage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross Collection Percentage</td>
<td>Net Collection Percentage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accounts Receivable Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Practice Expenses</td>
<td>Overhead Percentage</td>
<td>Operating Margin</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staffing ratio</td>
<td>Visits per week</td>
<td>Hospital visits per week</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>New patients per week</td>
</tr>
</tbody>
</table>
• **Important Measures**
  
  – Revenue / Cash Flow
  
  – Receivables / Days in AR
  
  – Bad debt / Write offs, Adjustments
  
  – Denials / Underpayments
  
  – Performance by payer / contract performance
Basic Practice Economics

“What gets measured gets managed”
Peter Drucker

Performance improvement, particularly within the revenue cycle, is dependent upon ongoing monitoring of KPI along with effective management that includes department accountability.

Understanding Practice Management Ratios

- Accounts Receivables Turnover Rate:
  - AR/Monthly Income

- Profit Margin Ratio:
  - (Monthly Income - Total Operating Cost)/Monthly Income

- Collection Ratio:
  - Monthly income /Monthly Charges

- Cost to Gross Charges Ratio:
  - Total Operating Cost /Monthly Charges
• Net Income to Gross Charges:
  – (Monthly Income - Total Operating Cost)/Monthly charges

• Denial Overturn by Appeals
  – Number of appealed claims paid /Total number of claims appealed and finalized or closed

• Cost Per Patient Visit:
  – Total Operating Costs/Office Visits

• Net Income per Outpatient Visit:
  – Income per OPV - Cost per OPV

• Overhead Rate per Outpatient Visit:
  – Cost per OPV/Income per OPV

• No Show Rate
  – No Shows /Appointments Scheduled

• Charge per Outpatient Visit
  – Monthly Charges/Office Visits

• Income per Outpatient Visit
  – Monthly Income/Office Visits
• **Benchmarking Accounts Receivable**
  
  – Accounts Receivable statistics are influenced by such factors as:
    
    • Type of specialty
    • Insurance contracts
    • Geographic location
    • Billing and accounts receivable system capabilities
    • Write off policies
    • Patient Satisfaction

• **Key Performance Indicators**

  1. **Net Collections Ratio**
     
     • Equation: Net Collections/Adjusted Charges
     • Purpose: Indication of a practice’s ability to collect
     • Benchmark: 95 – 99%

  2. **Days in Accounts Receivable**
     
     • Equation: Gross Accounts Receivable/Average Daily Charges
     • Purpose: Indicator of overall A/R performance
     • Benchmark: 40-50 days
3. Payor Mix Ratio
   • Equation: Individual Payor Receipts/Total Receipts
   • Purpose: The proportion of patients represented by each payor type which is particularly important in estimating provider revenue
   • Considerations: Requirements for success in servicing different payor types – Identify trends

4. Bad Debt Ratio
   • Equation: Bad debt/Gross Patient Service Revenue
   • Purpose: Indicator of the effectiveness of self-pay collections efforts & financial counseling
   • Benchmark: < 5% Gross Revenue

5. A/R Aging Analysis
   • Purpose: Identification of Collection Trends
   • Benchmark: Total A/R over 120 days should be less than 3 months of Gross Charges and less than 20%

<table>
<thead>
<tr>
<th>A/R Aging Category</th>
<th>Percent of A/R Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30 Days</td>
<td>40% - 60%</td>
</tr>
<tr>
<td>31 – 60 Days</td>
<td>15% -25%</td>
</tr>
<tr>
<td>61 – 90 Days</td>
<td>5% - 10%</td>
</tr>
<tr>
<td>91 – 120 Days</td>
<td>5%-10%</td>
</tr>
<tr>
<td>Over 120 Days</td>
<td>10% -20%</td>
</tr>
</tbody>
</table>
6. Overhead Ratio
   - Equation: Total Operating Expenses (Minus Provider Salaries/Benefits) / Total Collections
   - Purpose: Measures the practice’s ability to operate financially
   - Benchmark: varies, based on specialty

7. Denial Management
   - Equation: Number of zero paid claims denied / Number of total claims remitted
   - Purpose: Indicates practice’s ability to comply with payer requirements and payer’s ability to accurately pay the claim
   - Benchmark: 1 – 3% Net Revenue

• Interpreting AR Trends
  – Increasing AR
    • Staff not keeping up?
    • Payer having problems?
    • Volume increase?
    • Fee increase?
  – Falling AR
    • Staff collecting old accounts or writing off bad debt?
    • Volume decrease?
## Signs of Poor Controls/Performance

<table>
<thead>
<tr>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High volume of patient calls</td>
<td>Bad Debt as % of Billed Charges &gt; 4.5%</td>
</tr>
<tr>
<td>Low co-pay collection percentage</td>
<td>Excessive Credit Balances</td>
</tr>
<tr>
<td>High accounts receivable</td>
<td>High amount of money assigned to collection agency</td>
</tr>
<tr>
<td>Days in AR &gt; 50 Days</td>
<td>Processing Backlog &gt; One Day</td>
</tr>
<tr>
<td>Aged AR &gt; 90 Days &gt; 30 %</td>
<td>“Charge Lag” in Excess of 7 Days for Primary Care, 14 Days for Surgical</td>
</tr>
<tr>
<td>High Number of Rejected Claims</td>
<td>Compliance Audit: Poor Coding Practices</td>
</tr>
</tbody>
</table>
Putting it All Together

The Practice of the Future

- Quality Factor
- Patient Centered
- Virtual Technology
- Smart Sourcing
Revenue Cycle Control Points

- Patient Access
- Documentation
- Billing
- A/R Management
- Customer Service

Methods Used to Achieve Operational Efficiencies:

- Policies and Procedures
- Monitor scheduling
- Verify eligibility/benefits
- Improve collections strategies
- Review documentation
- Denial Management/Appeals
- Conduct a fee schedule analysis to increase fees
- Renegotiate contracts
- The patient experience
- Keep current on A/R elements
• **Accounts Receivable (A/R) Management**
  
  – Revenue Cycle Management
    • Know your fee schedules
    • Know your contracts
    • RVU Costing as a Financial Tool
  
  – Payer Analysis
    • How well and how quickly does this payer pay?
    • Does this payer cover my costs?
    • How much business does this payer represent?
    • What and how big are the “hassle factors”?
  
  – Collections discipline
    • How long it takes to get paid
    • How much you collect
  
  – Denial management

---

### The Most Common Reasons for Insurance Denials

<table>
<thead>
<tr>
<th>Reason</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing or invalid information</td>
<td>Lack of authorization or referral</td>
</tr>
<tr>
<td>Beneficiary not covered</td>
<td>Service provided not covered</td>
</tr>
<tr>
<td>Medical necessity</td>
<td>Not reasonable and necessary</td>
</tr>
<tr>
<td>Duplicate billing</td>
<td>Invalid date of service</td>
</tr>
<tr>
<td>Unbundled code</td>
<td>Missing or invalid modifiers</td>
</tr>
<tr>
<td>Diagnosis/Procedure code does not match service provided</td>
<td>Incorrect place of service</td>
</tr>
<tr>
<td>Procedure code does not match patient sex</td>
<td>Diagnosis is inconsistent with age, sex, and procedure</td>
</tr>
</tbody>
</table>
Tips, Tools and Techniques

- Establish Best Practice Standards
  - Develop a set of key indicators and graphs to communicate progress with revenue cycle improvements
  - Look at relationship between the indicators and the processes that affect the results
  - Performance Goals
    - Insurance verification rate 95%
    - Collection of co-pays prior to service 95%
    - Clean claims rate 95%
    - Overall denial rate <5%
    - Appeals overturned at rate of >80%

Benchmarking Resources

<table>
<thead>
<tr>
<th>Organization</th>
<th>Phone Number</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Group Management Association (MGMA)</td>
<td>(877) ASK-MGMA</td>
<td><a href="http://www.mgma.com">www.mgma.com</a></td>
</tr>
<tr>
<td>University HealthSystem Consortium (UHC)</td>
<td>(312) 775-4100</td>
<td><a href="http://www.uhc.edu">www.uhc.edu</a></td>
</tr>
<tr>
<td>Medical Economics Magazine</td>
<td>(973) 944-7777</td>
<td><a href="http://www.memag.com">www.memag.com</a></td>
</tr>
<tr>
<td>American Medical Association</td>
<td>(800) 262-3211</td>
<td><a href="http://www.ama-assn.org/ama">www.ama-assn.org/ama</a></td>
</tr>
<tr>
<td>American Medical Group Association</td>
<td>(703) 838-0033</td>
<td><a href="http://www.amga.org">www.amga.org</a></td>
</tr>
<tr>
<td>Practice Support Resources Inc.</td>
<td>913-897-3800</td>
<td><a href="http://www.practicesupport.com">www.practicesupport.com</a></td>
</tr>
</tbody>
</table>
QUESTIONS?

Thank you for attending!!

Visit us online:  www.pmiMD.com

Visit PMI’s Discussion Forum to get your questions answered:
www.pmiMD.com/pmiForums/rules.asp

You may contact me at:  rmoore@pmiMD.com

CONTRIBUTORS

Presentation developed by:

Audrey Coaxum, CHI, CMC, CMIS, CMOM, CMCO, CPC
Faculty, Practice Management Institute

Presentation revised and updated by:

Rose B. Moore, CMC, CMIS, CMOM, CMCO, CCP, PCS, CEC, CERT, CMA-ophth
Faculty, Practice Management Institute
Questions?

Post yours on PMI’s Discussion Forum:
– Click **Accept** to continue

---

Discussion Forum Walk Through

1) Go to [www.pmiMD.com](http://www.pmiMD.com).

2) Hover the cursor over “Practice Tools” which is the fourth button from the left on the top of the page. This will give you a dropdown menu.

3) Click on the second option listed: “Discussion Forum.”
-This will bring you to the Discussion
Forum Disclaimer page. You will click, “Accept.”

PMGHD.com Discussion Forum Disclaimer

This Discussion Board is a free service to our guests. Material posted herein can be accessed by any visitor to our website. As such you are advised that PMG does not control the postings on our website and therefore cannot be held accountable for the accuracy of postings. The Discussion Board is meant to show the thoughts, suggestions and comments of our visitors and not the owner of this website.

Advice given by professionals on our website should only be considered as general advice applicable to general matters and not applicable to any specific set of facts or for any particular course of action. The content of postings is the sole opinion of the persons providing it. PMG does not edit the postings. The content of the postings does not reflect the views of PMG.

This Discussion Board may not be used for advertising, or commerce or to solicit people in any way. PMG will endeavor to keep the website free of offensive material and if the Discussion Board is abused in any way, PMG reserves the right to take action the PMG deems appropriate. If the user finds any material offensive that user should reply PMG immediately.

By posting on the PMG website you agree that PMG can display, modify, transmit, distribute or delete your posting without the need of any permission from you.

PMG accepts no liability whatsoever for any postings on this website. PMG is not responsible for the content of posted comments or images. In no way will PMG be liable to you for any damages of any kind, including but not limited to, compensation damages, lost profits, lost data, physical injury or any form of special, incidental, indirect, consequential or punitive damages of any kind whether based on breach of contract or warranty (including implied warranties), lost (including profits), product liability or otherwise, even if PMG is informed in advance of the possibility of such damages.

Accept | Cancel

-After clicking on the “Accept” button, you will be guided to the actual discussion forum.
LOGIN OPTION 1

In order to Login to the Discussion Forum, please follow the following steps:

- In the Forum Home block located to the left, click on the “Login” option (this button will have a picture of a key next to the option).

- This will bring you to the “Forum Login” page.

- Enter your username and password

- You will be given the option of whether you will like to be kept logged in. This option is purely up to you.

- You will also be asked if you would like to be added to the active users list. You will want to click yes.