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Meet the Presenter…

On the topic:
Reducing Lost Charges & Payments in the Medical Practice

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What is Revenue Cycle Management (RCM)?

HBMA (Healthcare Billing and Management Assoc.) defines RCM as the process that manages claim processing, charge and payment generation.
Revenue Cycle Management

- RCM is the management and efficiency of claims processing, charges and payments
- RCM uses technology to keep track of a claim at every point of the claim’s life
- RCM is producing a steady stream of collections based on charges
- Time management and efficiency play large roles in RCM

Goals of RCM

1. Minimize lost charges
2. Minimize lost payments
Write Offs

- Insurance contract adjustments
- Discounts
- Bad Debt

Charge and Payment Example

$100  Charge
-$50  Insurance contract adjustment

$50  Insurance allowed
-$10  Patient’s 20% deductible
-$25  Patients $25 co-pay

$15  Expected payment from insurance

$35  Expected payment from patient
Charge and Payment Example

$35 Expected payment from patient
$3.50 10% patient discount
$31.50 Net due from patient
$15.00 Net due from insurance
$46.50 Total collections
46.5% Collection ratio

Revenue Cycle Management (RCM)

1. Credentialing
2. Front Office
3. Coding
4. Billing and Collections
5. Monitoring System
Credentialing

These steps can minimize revenue and collection losses:

1. Setting up the practice, each clinic and each provider on CAQH – Council for Affordable Quality Healthcare & CORE – Committee for Operating Rules for Information Exchange
2. Every 90 days re-attest each provider in CAQH
3. Setting up the practice, each clinic and each provider with each insurance company
4. Some insurance companies require each provider to be re-credentialed every year
5. Use your calendar as a reminder and tickler system
6. Negotiating and auditing insurance contracts; 90/10 Rule
7. A plan with a priority

Front Office

These steps can minimize revenue and collection losses:

1. Entering the patient’s complete and accurate information at each visit
2. Complete verification of insurance and benefits
3. Acquiring authorizations if required
4. Acquiring referrals if required
5. Collecting the appropriate patient balance (co-pay or deductible)
6. Scheduling follow-up visits
Striving for Excellence in Customer Service and Collections
(script examples)

• When a patient approaches the registration desk, stand up, greet them and if possible call them by their name.
• “Thank you for calling Sunshine Clinic. My name is Nancy. How may I assist you?”
• “May I please place you on hold? I will be right back.”
• “Thank you for holding. How may I further assist you?”
• “The person you need to speak with is currently unavailable. I can take a message and (he/she) will call you right back.”

Striving for Excellence in Customer Service and Collections
(script examples)

• “Your current balance is $95.95. The clinic accepts cash, check or credit card. How would you like to pay for your services today?”
• “If you cannot pay your current balance in full, Sunshine Clinic offers a patient payment plan. After today’s payment your remaining balance will be $65.95, $30.00 payable within 30 days and the balance of $35.95 payable within 60 days.”
Coding

These steps can minimize revenue and collection losses:
1. Use electronic software scrubs to verify match of CPT and ICD-10 codes
2. Review medical record documentation, CPT and ICD-10 codes for ancillary/surgical services
3. Recommend appropriate CPT and ICD-10 codes; if approved, have provider update patient’s medical record
4. Confirm medical record update before billing CPT and ICD-10 codes
5. Coder(s) provide monthly in-services to providers & staff
6. Periodically have coding verified by external coders

Billing and Collections

These steps can minimize revenue and collection losses:
1. Use electronic software scrubs to verify patient and insurance information
2. Set a goal for submitting 98% of claims (billed out within 24 hours)
3. After 30 days from submittal follow up on any unpaid claim and every 30 days thereafter until the claim is paid
4. Send out patient statements for patient balances on the date it becomes a patient balance and every 30 days thereafter until the account is paid in full (early out vendors)
5. Review credit balances monthly and recommend appropriate refunds
Billing and Collections (cont.)

6. Review bad debt accounts and recommend at least 5% of average monthly revenue be turned over to a collections agency or written off monthly.
7. Review your AR quarterly to catch any accounts needing additional work.

Monitoring System

These steps can minimize revenue and collection losses:
1. Establish controls and goals for the four major areas above (Credentialing, Front Office, Coding, Billing and Collections)
2. Monitor the four areas daily
3. Have staff members attend appropriate seminars on a regular basis
4. Weekly meetings with the staff to review if the goals have been met; share information on changes in their areas
5. Monthly meetings with the owner(s) to review RCM, department goals, collections and upcoming seminars
6. Communications
Revenue Cycle Management (RCM)

1. Credentialing
2. Front Office
3. Coding
4. Billing and Collections
5. Monitoring System

RCM GOALS
MINIMIZE LOST CHARGES
MINIMIZE LOST PAYMENTS

Six Sigma Process Improvement (DMAIC)

I. D - Define
   What is needed?

II. M - Measure
    Baselines and targets

III. A - Analyze
    Data and performance metrics

IV. I - Improve
    How do we optimize outputs?

V. C - Control
    Monitoring and controlling with assignment of accountability
Six Sigma Process Improvement (Define)

Revenue Cycle Check-up
1. Owner(s) – Managers – Staff
2. Policies – Procedures – Systems
3. Accounts Receivable Analysis
4. Accounts Receivable Study
5. Monthly Practice Payment Projection

Six Sigma Process Improvement (Measure)

1. Number of denials
2. Reason for the denials
3. Patient payments and timelines
4. Insurance payments by insurance company and timeliness
5. Collections
6. Charges
7. Accounts receivable totals
Six Sigma Process Improvement (Analyze)

1. Days in AR – Credit Balances
   * 30 days or less - Green
   * 30 - 60 days - Yellow
   * 60+ days - Red

2. Collection Ratio

3. Insurance Contractual Adjustment

4. Practice Write-offs, Bad Debts and Credit Balances

5. Refunds

Accounts Receivable Rule of Thumb

*Your practice accounts receivable should not be greater than 1.5x your monthly practice revenue.*

**Example**

Practice Monthly Revenue = $1,000,000
Your Accounts Receivable should be < $1,500,000

- My worst case was the practice monthly revenue was approx. $900,000 and the practice accounts receivable was approx. $5,000,000
- My best case was the practice monthly revenue was approx. $600,000 and the practice accounts receivable was approx. $500,000
Six Sigma Process Improvement
Lost Charges and Payments

All businesses have bad debt, on average 2-10% of their collections. In my review of over 100 medical practices, I have seen bad debt losses of 10-40% and average 25%. Why?

1. Focus on Patient Care
2. Limited Staff Training Compared to Insurance Companies
3. Lower Salaries Compared to Insurance Companies
4. Less Benefits Compared to Insurance Companies
5. High Turnover in Medical Practices

Example

A single provider:
Patients seen per day 20
Avg. Revenue (charges) per patient $ 300
Gross Daily Revenue (20 x $300) $6,000
Expected Collections (50% collection ratio) $3,000
Actual Collections (75%; lost 25%) $2,250

LOST Collections per day (lost charges and lost collections) $750.00
LOST Collections per year (251 days open M-F) $188,250/Provider
Six Sigma Process Improvement
(Overall Goal - Control)

1. To have consistent collections based on monthly practice charges
2. Experienced and passionate staff
3. Revenue Cycle Management system
4. Up-to-date electronic system
5. Management Monitoring Plan (MMP)
   * Daily-Weekly-Monthly electronic billing reports
   * Weekly billing meetings
   * Monthly owner(s) meeting

Six Steps to Improve RCM
(Six Sigma Process)

1. Receive owner(s) support for a RCM system
2. Define staff responsibilities, review written and oral policies
3. **Detailed review of one day of clinic charges**
4. Analyze data and performance
5. Meet with owner(s) to optimize findings and recommendations
6. Establish collection ratio, projected monthly collections and controls based on findings
Your Practice RCM

1. Is your practice GREEN (30), YELLOW (60), or RED (90)?
2. How many days does your practice take to collect 95% of your claims in full?
   * Select “a full day’s visits” to study. Request a computer printout of all patients seen that day
   * A detailed printout of charges, payments, adjustments, and computer notes
   * Request front desk sign-in sheet and payment log
   * Perform a detailed analysis of one day of charges

Next Generation of Reimbursement

- The Medicare Access and CHIP Re-Authorization Act (MACRA)
- $500 million bonus pool for eligible providers whose metrics exceed normative metrics
- $844 million in penalties for practices whose metrics fall below the normative metrics
MACRA

- Locks Medicare part B reimbursement rates at near – zero growth
- Creates two new payment tracks
  1. The Merit – based Incentive Payment System (MIPS)
  2. Advance Alternative Payment Models (APMs)

Exempt from MACRA

- Practices that have less than $10,000 per year in Medicare charges
- Providers in the first year of Medicare billing
- Medicare Part A
Two Value Based Payment Models

- MIPs based on quality, resource use, clinical practice improvements and EHR use
- APMs have more risk

Two primary groups
- Accountable Care Organizations (ACOs)
- Certified Patient Centered Medical Homes (PCMHs)

MIPS Reimbursement

- Quality 2019 50%..... 2021 30%
- Resource Use 2019 10%.....2021 30%
- Clinical Practice 15%
- Advancing Care Information 25%
### CMS Estimate Bonuses and Penalties

<table>
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<th>Number of Providers</th>
<th>CMS Estimates</th>
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<tbody>
<tr>
<td>• Solo</td>
<td>13% Bonuses 87% Penalties</td>
</tr>
<tr>
<td>• 2-to 9</td>
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<tr>
<td>• 10-24</td>
<td>40% Bonuses 60% Penalties</td>
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<tr>
<td>• 25-99</td>
<td>55% Bonuses 45% Penalties</td>
</tr>
<tr>
<td>• 100+</td>
<td>82% Bonuses 18% Penalties</td>
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### Future MACRA Implications

- Increased workload for IT, clinical and quality departments; May reduce in the long run
- Increased physician consolidation
- Small practices may stop taking Medicare
- Physician referral patterns may change
- Influence evaluation of providers by customers and private payers
Overview

• RCM is a process all clinics do every day to varying degrees in their practices
• Effective RCM management can minimize thousands of dollars in lost charges and lost payments
• The key to RCM management is to create an environment where staff and managers have the owner(s) support, passion and commitment to reduce loss charges and lost payments

Overview (cont.)

• See and think improvement opportunities
• Discuss with others
• Take action
• Monitor
• Follow up
• Adjust
• Don’t stop believing – you can make a difference
Your Challenge

• See challenges as opportunities to continually improve the quality of healthcare for your patients
• Passion – Commitment
• Embrace Change – Take Ownership

Improving Quality of Life

Ask yourself everyday “What can I do to improve clinic operations thereby improving the quality of life for our patients?”