



## Physician Financial Concerns in Turbulent Times

**H**ealthcare spending continues to rise at the fastest rate in history. Some factors that are causing the exorbitant increase in negligible healthcare waste are unnecessary administrative expenses, price inflation, and inappropriate care. These and many other causes are driving the cost of care and health insurance to sky rocket. According to the National Coalition on Health Care, total national health expenditures were expected to rise 6.9 percent- two times the rate of inflation. In 2007, total health care spending represented 16 percent of the gross domestic product (GDP).

In these chaotic times, physicians are the most affected. A 2006 MGMA survey reports that operating costs for multi-specialty groups increased 7.4 percent while revenue rose a mere 1.8 percent. Physicians are also being tormented by the constant threats to cut Medicare reimbursement. Whether you are a provider in a large multi-specialty group or a solo practitioner, you are being affected by the constant cutbacks, underpayments, and inflation.

*Avisena, a revenue cycle management solution provider, uses advanced technology, to deliver comprehensive practice and revenue management services to healthcare organizations in order to help providers like you improve their bottom line.*

The statistics below represent industry averages taken from the MGMA. Based on these statistics, this report will demonstrate how Avisena can ultimately help you collect more, spend less and live better in this unstable economy.

## Industry Averages

Claims Rejected on 1st Submission	<b>30 %</b>
Underpaid Claims	<b>20%</b>
Gross Collection Rate	<b>&lt; 60%</b>
Preventable Denials	<b>90%</b>
Denials that are Recoverable	<b>67%</b>
Average days in A/R	<b>52.32</b>
Cost per claim	<b>\$5-\$7</b>
Cost per FTE physician	<b>\$30,000-\$60,000</b>
Cost of billing operations	<b>18-22%</b>
Cost of Billing Personnel	<b>58-62%</b>
Cost of Technology/ Practice Management Solution	<b>18-22%</b>

## How Can Preventing Rejected Claims Increase My Bottom Line?

According to the statistics above, the average number of rejected claims for a medical practice is 30 percent. Only 50 percent of these claims are ever resubmitted. This can represent a huge sum for some physicians who are unaware of their billing offices lack of control over

claim submissions. The MGMA states that it costs \$25 - \$30 to work the average denial. Now calculate the expense tied with each claim, which includes staff compensation, staff benefits, hardware, office supplies, and space, and you can be spending well over 10-15 percent of your earnings on billing alone.

Your wasteful costs can come from a number of sources including your practices inability to track underpayments, ignored and denied claims. In addition, the lack of control and supervision among office members can result in lost superbills and even embezzlement. Below par training, poor collection tools, and inadequate software can all lead to a practices redundant spending.



Avisena's rules engine and denial management software proactively work to eliminate denials before they happen. By researching payer and industry sources, the software identifies future changes and creates rules in the system today that prevent billing errors, claim submission problems, and denials, keeping the denial management software current and up-to-date. The combined resources of Avisena's technology and knowledge could ultimately reduce denials by more than 70 percent.

Considering all associated costs, the Avisena system could ultimately increase a physician's collections by 15-20 percent. This extra income can be reinvested into: staff training, hiring a second physician's assistant, new equipment, or saving it for future use.



Below are statistics taken from the MGMA that refer to an average medical practices back-end billing costs:

<b>Billing Office Costs</b>	<b>Practice</b>
Hardware/Software	<b>\$75,000</b>
Claims/Statement Processing	<b>\$72,000</b>
Staff Compensation	<b>\$220,000</b>
Staff Benefits	<b>\$50,000</b>
Office Supplies	<b>\$15,000</b>
Space	<b>\$30,000</b>
Telephone/Communications	<b>\$9,500</b>
Miscellaneous	<b>\$2,500</b>
Space	<b>\$30,000</b>

## **How Can Reducing My DSO Help Me Get through Hard Times?**

According to the MGMA, the average medical office has 52.32 Days Sales Outstanding (DSO). Unfortunately, once an account supersedes the 90-day category, there is only a 50 percent recovery rate of the gross charge. The average medical practice has over 20 percent of their A/R balances 120 days past due. More DSO translates to increased A/R balances. This in turn affects the cash-flow of the practice.

The easiest step any medical practice can take is to submit their claims electronically. According to the American Health Insurance Plans (AHIP), 98 percent of claims are processed within a month of receipt if they are submitted electronically. They are also less costly to process than paper claims. The use of technology can make this entire process more affordable and faster. In order to make the process work effectively, software must have real-time adjudication, claim scrubbing, coding updates, and other similar tools.

A practice should be aging all receivables on a daily basis. This helps identify problematic receivables at the earliest opportunity. Your software should be able to create an automated response to these problematic claims, such as a resubmission, or an electronic claim status report.

Since Avisena posts all responses from third-party payers, any insurance receivable that does not have either a payment or a denial posted against it after a pre-defined amount of time, is deemed a “no-response” receivable. In most practices, no-response receivables, are the most likely to be ignored by billing staff. Most medical practices pursue denials, but cannot keep track of these “misplaced” or “no-response” claims. The Avisena system is able to track these claims, and immediately begin working on them once they appear as a “no-response.”

Submitting claims properly simplifies the process so claims go out consistently and frequently. Keeping track of problematic receivables, is the first step to decreasing DSO. This in turn brings more cash into the practice by adding more days worth of cash-flow to the balance sheet. Extra cash flow can help maintain any practice through difficult economic times. You are saving time, resources and money.

## How Can Breaking the Code Help You in the Long-run?

Excerpt from a mock payer letter:

*We are unable to identify current procedural terminology (CPT).*

*Patient underwent an out-of-network 99355 at your office. An 94001 and 88099, were performed at your location of business. Additional tests, 93001, 93002, 85146, and 85405 were also administered in a different location. 87980 and 87983 were also performed. A 99324 was then done. The provider, Dr. John Doe, then counseled the patient to undergo a 66221, 66411-rt, 44200-lt-50, 74440, 54500-rt, 54500-lt-50 with 89264 and 59679-63, all under 89999.*

*Payment was denied for all but 54500-50.*

This looks all too familiar to many practitioners. Half the battle is to decipher what the payers are saying, and then be able to accurately respond to their demands. According to the American Billing Association, payers are using data mining to make revisions in order to deny your claims. One of their methods is to apply changes to some providers and not others. They also choose to deny claims based on a patient's history rather than the status quo.

It's possible to end the battle with the payers. Avisena has a team of specialty-specific certified coders that are constantly researching payers to identify future changes before they happen. The coders then enter the new rules into the Avisena system in order to help scrub out problematic claims. Avisena professionals coupled with artificial intelligence are able to analyze the entire network in order to discover specialty-specific, payer-specific, or other types of trends. New rules are then created to help you decrease your denial rate on first submission.

## How about just Reducing Your Expenses, Effectively?

Reducing expenses doesn't have to mean trading in your car, or moving to a smaller practice. How you are spending your money, is the important question. Trivial expenditures should be pinpointed and either outsourced or discarded. According to the MGMA, practices spend over \$75,000 on hardware and software alone. This does not entail overhead to run the hardware/software, plus consistent upgrades to the system.

In today's times, it's alarming to see so many physicians are still paying an absurd amount of money for hardware/software that will be outdated and obsolete within the year. The provider is then dependent on an archaic system that is quickly losing money. Even the greatest hardware/software depreciates in value as soon as it's purchased.

With Avisena's web-based service, expensive hardware/software becomes a thing of the past. There are never any user fees, upgrade fees, or maintenance costs with Avisena's medical billing management solution. All you need is a computer and internet connection (internet browser and a standard DSL connection).

### Conclusion:

It all comes down to the infamous adage "a penny saved, is a penny earned." When identifying ways to lower expenses, increase revenue and improve quality control, the most feasible solution is to go with an all-encompassing service. Avisena's web-based approach to revenue cycle management can increase your revenue, provide you full visibility and transparency into your revenue cycle, and give you piece of mind. Collect more, spend less, and live better with Avisena.



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