

## In-Network vs. Out-of-Network

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## Recession Joke

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## INN vs. OON

ASCOA Averages

	INN	OON
% Cases	82%	18%
% Revenue	54%	46%
Rev / Case	\$1,120	\$4,359

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## INN vs. OON

### EBITDA as % of Revenue

In-Network 35%

Out-of-Network 51%

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## INN vs. OON

Is the center's profit higher with a given insurer if you accept a contract?

Profit per Case X Total Cases

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## Case Costing

- Meter Time-in and Time-out.
- Cost per Minute =

$$\frac{\text{Total Cost} - \text{Supply Cost}}{\text{Total OR Minutes}}$$

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## Case Costing Example

- Cost = Revenue - Supplies - Dist. - Debt Service
- Cost = \$300,000 - 77,000 - 75,000 - 40,000
- Cost = \$108,000
- Total OR Minutes = 6,000
- Var. Cost / Min. =  $\frac{\$108,000}{6,000 \text{ Min.}} = \$18 / \text{Minute}$

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## Case Costing Example: Supplies

- Physician A      29881 - Knee Arth.  
     Supplies      \$145  
     OR Time      32 Minutes @ \$18  
     **Total Cost      \$721**
- Physician B      29881 - Knee Arth.  
     Supplies      \$355  
     OR Time      32 Minutes @ \$18  
     **Total Cost      \$931**

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## Case Costing Example: Supplies

- Physician B was opening all disposables at beginning of case regardless of whether or not they were needed.

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## Out-of-Network Analysis

<u>In-Network</u>	<u>Cases</u>	<u>Charges</u>	<u>Revenue</u>	<u>Rev / Case</u>
Closed Accounts	272	2,355,204	390,044	1,434
Open Accounts	54	501,942	51,896	N/A
Grand Total	326	2,857,146	441,940	1,356

**Projected Annual      326      467,479**

<u>Out-of-Network</u>	<u>Cases</u>	<u>Charges</u>	<u>Revenue</u>	<u>Rev / Case</u>
Closed Accounts	92	1,087,565	366,564	3,984
Open Accounts	30	407,536	39,630	N/A
Grand Total	122	1,495,101	406,194	3,329

**Projected Annual      122      486,096**

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## Out-of-Network Analysis

	<u>INN</u>	<u>OON</u>
Cases	326	122
Revenue	467,479	486,096
Marginal Costs	-223,649	-102,366
Profit	\$ 243,830	\$ 383,730

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## Out-of-Network Trends

“Interferon is the drug of the future...and always will be.”

- Herb Kaufman

“Out-of-Network will not be around in five years.”

- Me  
1997, 2002, 2007, 2011

## Insurance Barriers

Wildly high deductibles.

Must consider matching the in-network deductible.  
(Ask your lawyer.)

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## Insurance Barriers

Calling Patients

Must explain reimbursement process. Extra time and effort for billers & collectors.

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## Insurance Barriers

Threatening Physicians

Insurers are beginning to contact doctors about their scheduling practices.

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## State Barriers

Ex. New York

No deductible matching since 2008.

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## Going In-Network

Southwest Florida Contract

	Initial Offer	Final Contract
Rev / Case	\$2,293	\$6,391
Annual Revenue	\$256,816	\$715,792

8 months of negotiation

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## Going In-Network

New York Center

	2007 - OON	2009 - INN
Cases	3,102	5,209
Revenue	6,528,020	9,136,980
Rev / Case	2,104	1,754
Distributions	2,810,000	3,261,000

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## Summary

- OON represents a small portion of cases but a large portion of revenue and profit.
- There is increased pressure from payers to reduce OON billing. It won't be around forever.
- Going in-network can be beneficial, but you must evaluate total profits INN vs. OON.

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## Doctor Joke

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## YOU FIX PATIENTS WE FIX SURGERY CENTERS

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