



The Economics of Outsourcing Billing, Collections, and Contracting

Tom Chirillo

President & CEO

HealthCare Business Solutions





Goals of Today's Presentation

- Establish how important Billing, Collections, and Contracting (BCC) is to the success and profitability of your center
- Help you determine what you do well and where you can improve – Benchmarks
- Economics of Outsourcing



BCC – How Important is it Really?

- How important is it to maintain and/or increase revenue in your center?
- How can you increase revenue in your center?



Typical Opportunities to Increase Revenue

- Add more cases from current partners and “users” of your center
- Add new procedures to existing surgeons
- Add new specialties and new surgeon partners or “users” to your center
- Increase revenue per case
- Other?



Put People,
Resources, and
Action Plans in Place
to Pursue All of
These Opportunities



Let's Discuss Revenue Per Case

- What can you do to increase revenue per case?
 - Accurate, optimal, compliant, coding that insures you get the maximum appropriate reimbursement.
 - Negotiate and secure the best reimbursement from every payor possible.





Accurate, Optimal Compliant Coding That Insures You Get the Maximum Appropriate Reimbursement

- Do you have experienced, certified coders?
- Do you provide necessary training and support to keep them up-to-date on the constant industry changes?
- Do you have an outside audit every six months or at least once per year?
- How do you insure that you don't underbill or overbill?
- Do you allow your team to focus on BCC?
- Are your people managed by goals or objectives?



Negotiate and Secure the Best Reimbursement From Every Payor Contract Possible

- Do you:
 - Have a managed care strategy?
 - Know your case mix?
 - Know your payor mix?
 - Know how much business each payor represents?
 - Know your cost per case?
- Can you access the value of a contract?
- Do you know when to say “Yes”, when to say “No”, and what that means for your ASC?



Why Do ASC Management Companies Hire Outside Experts?

- Better payor contracts can be the single most important factor in increasing revenue per case
- You have to understand payor's perspective, issues, and what data drives their decisions

The Complexity and Opportunity Sometimes Demands It!



What The “Experts” Can Do – Example of Contract Administration & Management Services (CAM)*

- Payor Due Diligence
- Business Assessment
- Financial/Reimbursement Modeling
- Contract Review and Negotiation
- Business Office Management, Training, and Contract Compliance
- Ongoing Contract Management Services





Payor Due Diligence

- Identify required and desired contracts for negotiation
- Evaluate payor payment methodology options and determine opportunities to maximize revenue through changing methodologies





Business Assessment

- ASC eligible volume evaluation
- Case mix analysis
- Evaluate Opportunities for expanding specialty services
- Payor mix analysis
- Operating Statistics and Analysis
- Identification of case cost to determine net revenue targets for contracting
- Provide fee schedule that is designed to maximize revenue from contracts with consideration to market and cost structure





Financial/Reimbursement Modeling

- Net Revenue analysis by payor
- Develop financial models necessary to expedite contract negotiations
- Develop financial models to analyze and access the business
- Access financial value of contract proposals
- Develop counter proposals and negotiation strategies to achieve financial targets





Contract Review and Negotiation

- Oversee contracting process from inception through final implementation on initial contracts as well as re-negotiations
- Review contract terms, and make recommendations for modifications and/or legal review
- Serve as contract liaison and manager of negotiation process with payors
- Negotiate financial and language terms of contract
- Coordinate credentialing requirements for execution of contracts
- Coordinate final execution of contract and implementation of effective dates





Business Office Management, Training, and Contract Compliance



- Develop business office training guidelines and reference materials to ensure contract compliance and understanding of payor payment policy, terms and methodologies
- Provide on-site training to the business office, and staff pertaining to managed care/insurance contracts, reimbursement methodologies, and compliance as needed
- Implement contract compliance tools to ensure accuracy of negotiated allowed amounts



Ongoing Contract Management Services



- Perform reimbursement audits to confirm payments comply with negotiated contracts
- Monitor regulatory environment for impact on reimbursement methodologies
- Serve as initial point of contract for all payor contracting communication
- Administer contract re-negotiation schedule
- Monitor contract compliance efforts to ensure revenue maximization



Sophisticated financial modeling, interpretation of complex reimbursement methodologies, and economic analysis are keys to success with payors.

Effective payor relations – regional and nationwide – are essential

Experience and expertise can lend to meeting or exceeding the financial goals of your center

Can Your Center Benefit From Some or All of These Services?



How Do You Determine What You Do Well and Where You Can Improve?

Ambulatory Surgery Center Association

2007 ASC Financial Benchmarking Survey

www.ascassociation.org

\$395 member
\$495 non members

MGMA Ambulatory Surgery Center Performance Survey

2007 based upon 2006 data

www.mgma.com

\$195 member
\$355 non member

2008 survey available soon

Intellimarker

VMG Health LLC
Financial and Operational Benchmarking Study

Based on 2007 analysis of over 230 licensed freestanding ASCs and over one million cases.

www.VMGHealth.com

Benchmarks!



Benchmarks Sometimes Need to be Adjusted to Reflect Specific Issues Unique to Your Center

- Regarding A/R – if you are primarily out of network; litigation cases, etc.
- Many consultants and management companies have developed their own
- You can too!



2008 VMG Health Intellimarker Statistics on Surgery Center Accounts Receivable*

- 49.4% of ASCs average A/R aging of 0-30 days
- 16.6% of ASCs have an average A/R aging of 120 days
- 19.7% average 31-60 days
- 9% average 61-90 days
- 6.4% average 91-120 days
- Overall average A/R days outstanding (net) is 43 days





Regional Differences

- Northwest ASCs have the highest regional percentage (56.7%) of facilities averaging A/R aging of 0-30 days; Midwest ASCs have the lowest (47%)
- Midwest ASCs have the highest regional percentage (17.4%) of facilities averaging A/R aging of more than 120 days. West ASCs have the lowest (12.4%)
- Southwest and Southeast ASCs average the lowest A/R days outstanding at 38; Midwest ASCs average the highest at 51





Typical Benchmarks

- Days A/R less than 45
 - If high concentration of Medicare could be 35-40
- Insurance verification 3-5 days before date of service
 - Provides ability to discuss and handle patient responsibility
 - How does my dentist handle this?
- Transcription – 24 hours
- Coding – within 48 hours





Typical Benchmarks cont.

- Billed – 24-48 hrs with some exceptions
- Follow-up within 21 days
- Denial Rate 1-2%
 - Determine issues and address them
- Cash as percent of net revenue
 - Goal is 100% - strive for it!
 - 96-99% is typical benchmark
- Aged A/R plus 60 days less than 25%
- Bad debt less than 2%





How Does Your Center Compare?

- Some ASCs do a very good job of billing and collecting
 - They invest in the right people and systems and maintain a commitment to training
 - Many seek experts on portions of the task
- Few ASCs do a good job on payor analysis and contracting. They typically do not have people with the experience and expertise necessary to do it well



Economics of Outsourcing Billing and Collections

- If your center is currently meeting your financial goals and compares favorably to the benchmarks we discussed you may not need to outsource – Congratulations!
 - Make sure you conduct outside audits at least once a year

If This Is Not the Case, Consider Outsourcing...



Benefits of Outsourcing

- A billing company has people and resources a single center typically couldn't afford
- Fees are tied to percent of collections, creating a “partner” who will focus on driving results
- Staff, space, coding, billing, and collections experts are no longer necessary
- Employee turnover and training are no longer a concern
- Reduced days in A/R
- Increased cash flow



Costs of Outsourcing as a Percent of Collections In-house vs. Outsourcing

- Typical ASC spends 1.5 percent to 3 percent of collections
- Most billing companies charge 4 percent to 6 percent of collections





Cost of Outsourcing – Billing & Collections

- The obvious question becomes – “Can a billing company get better results while decreasing your administrative and staff costs too?”
- More and more centers are answering “YES!” and enjoying increased reimbursement and faster payments



Economics of Outsourcing - Contracting

- What if you were able to increase your revenue per case by 5%, 10%, 15% etc.
 - What would that mean to your center?
- Given the resources and data the payors have can a single ASC compete favorably?
- What if you had a TEAM of experts who did the analysis, financial modeling, and negotiation on your side?





In Conclusion

- Effective billing, collections, and contracting is vital to your center
- Benchmarks can help you compare how well you are doing
- The opportunity cost of not outsourcing these functions can far outweigh the initial expense



Thank You

Tom Chirillo

708.250.6313

tjchirillo@yahoo.com