How to Conduct an Old Fashioned Practice Assessment
Why The Need For An Assessment

- No such thing as the “perfect” medical practice
- Need to improve the bottom line
- Need to improve physician compensation
- Need to improve practice efficiencies and processes
- Always time for a “tune up”
First Step: Number Crunching (Numbers Don’t Lie)
The Numbers

- Gross Collection Percentage
- Net Collection Percentage
- Days in A/R
- A/R Ratio
- A/R in excess of 90 days old
- Clinical/Procedure/Ancillary Encounters
- Provider Work RVUs
- This Year Better Than Last Year
More Numbers

- Charges by Payor Last 3 Years
- Collections by Payor Last 3 Years
- Payor Collections by Physician
- Referring Physician by Physician
  - Don’t forget the bottom portion of the report
More Numbers

• New to Established Patient Ratio
  – Closer to zero means you rely on established patients for revenue
  – Prepare for practice and for each provider

• Average Wait Time in Reception Area
  – If not tracked by the practice, spend some time in the waiting area
More Number Crunching

The Revenue Cycle
More Numbers: Revenue Cycle

- Front desk collections
  - Copayments
  - Patients with A/R balances
- How quickly visits/procedures are billed
- How long does it take to get paid by payors
- Accounts Receivable
  - A/R aging – credit balances only
  - Unpaid Claims Report
  - Electronic Claim Exception Report
  - Charge denial report (or EOB review)
- How many and why
Next Step
Analyze the Revenue Cycle
Revenue Cycle

Have the Practice Walk You Through Its Entire Revenue Cycle Process Currently in Place

(Flowchart It)
Revenue Cycle
Revenue Cycle

- From appointment; to
- Check in; to
- Exam room; to
- Check out; to
- Billing; to
- Payor collection; to
- Patient collection
Sample Questions for the Revenue Cycle

• What are patients told at time of appt?
• When are demographics entered in to the computer?
• When is insurance verified?
• Does practice collect monies from patients who have an A/R at time of appt?
• When does practice begin following up on unpaid claims?
• What is the process to follow up on unpaid claims?
  – Recommend review of billing notes
• What is process to collect patient pay A/R?
Sample Questions for the Revenue Cycle

• How are charge denials handled
  – Review sample appeal letters
• Does the practice bill every day
• Does practice make deposits every day
• When do statements go out
• Does practice use collection letters
• When does an account go to collection
• Does practice collect surgical deposits
Next Step
Coding Review
Coding Review

- E/M coding review
- Review CPT frequency report
- Review use of modifiers
- Are all services being billed
- Importance of EOB review
- Review charge ticket (CPT & ICD-9)
- Review internal CPT education activities
  - Review Medicare newsletters
  - Ongoing CPT training
  - Ongoing meetings with billing/collection staff
### E/M Coding Review

<table>
<thead>
<tr>
<th>CPT Code</th>
<th>Dr. Mason Jr. # of Times</th>
<th>%</th>
<th>Dr. Leitner # of Times</th>
<th>%</th>
<th>Dr. Morgan # of Times</th>
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<th>Dr. Russell # of Times</th>
<th>%</th>
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Next Step
Balance Sheet/Overhead Analysis
Practice Financial Statements

• Balance Sheet
  • Review aging of accounts payable
  • Is debt on the books “strategic debt”?

• Income Statement
  – Compare revenue to posting payments in billing system
  – Compare revenues and operating overhead to prior 2 years
  – Review operating overhead % and compare to industry benchmarks
  – Review individual expense categories and compare to benchmarks and prior year – Look for spikes
Practice Financial Statements

- Income Statement
  - Review vendor relationships
    - When was last time prices were bid out?
  - Review inventory control
  - Personnel review
    - Too many or not enough?
    - Make organizational chart
    - Review overtime pay
  - Review internal controls
    - Revenue cycle
    - Accounts payable
Next Step
Get Employee Input
Employee Input

• Employees see the “day to day” and can provide great input
• Simple employee survey
  – What works well in the practice
  – What does not work well in the practice
  – For those things that don’t work well, how would you fix it
• How to conduct the survey
Next Step
Review of Managed Care Performance
Managed Care

- Review charges/collections by payor
- Payor assessment
  - Gross collection percentage
  - Days in A/R
  - A/R aging
- Analyze reimbursement rates
  - Compare rates to Medicare rates (what % Medicare)
  - Compare rates to other payor rates
- Make a list of the payor hassle factors
- Are there any incorrect reimbursements
- Are any allowables being paid at 100% of billed charge (EOB review)
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<tr>
<th>Health Plan</th>
<th>Gross Charges</th>
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<th>Collection Rate</th>
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*NNOTE: Service issues are rated on a five point scale, with 5 being the best.*
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Managed Care

- Can contracts be renegotiated?
- Find the leverage points
  - Size
  - Geography
  - Patient Volume
  - Only Ballgame in Town
  - Practice Brings Something “Special” to the Network
  - Quality and Outcomes
    - Clinical
    - Financial
Next Step
Review Regulatory Compliance
Regulatory Compliance

- Stark
- HIPAA
- OSHA
- Contracts with hospital
- Other
  - Where is the compliance plan
Any Other Assessment Issues to Address?