

The Standard of Excellence in FCE and Musculoskeletal Testing

Fall 2011

Enhancing Financial Viability: Revenue Cycle Management

Procedures and services which generate revenues are the life blood of any healthcare organization. In these troubled times, enhancing access to the services and maximizing the collection of revenues for the services is a challenge that demands extra executive attention to keep the organization financially viable.

Healthcare providers traditionally spend a much higher percentage of revenues on collecting for the services provided than occurs in any other industry. Part of this high cost is attributable to the coding, documentation and legislative requirements and statutes that must be met to submit a clean claim for payment.

Given the tight credit markets, the continuous downward pressure on reimbursement and the higher cost of collecting for their services, providers must be extremely vigilant in managing the revenue cycle if they are to maximize the payment for services provided.

The Revenue Cycle as defined by Quest Medical Group, Inc. (QMGI) is shown on the lower half of Page 4. To increase financial cash flow and enhance financial viability of the organization, each phase of the revenue cycle must be effectively managed

Scheduling & Registration: The start of the revenue cycle occurs when a patient or physician office staff member calls to schedule an appointment for services. At this phase in the revenue cycle, it's critical that all required patient demographic data be collected and accurately recorded. Insurance coverage verification must occur

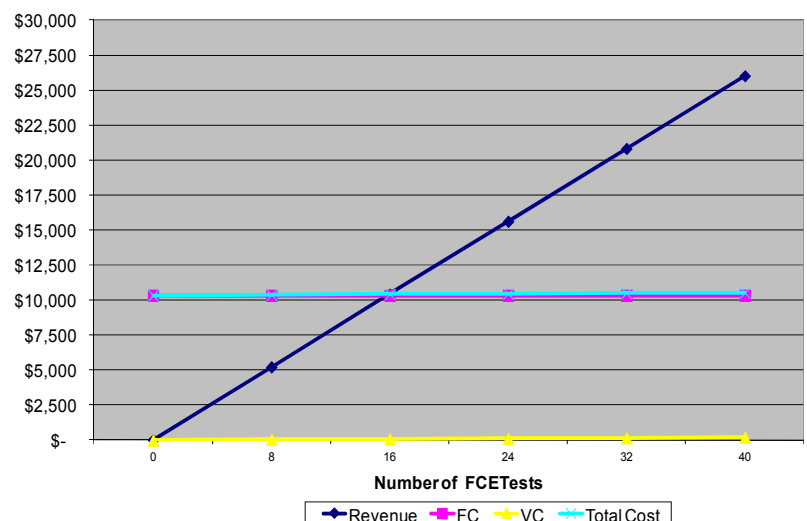
with any changes in insurance plan coverage, carrier or benefits being updated. Obtaining accurate patient registration data is critical to downstream revenue cycle activities. Once all patient information is accurately collected, insurance verification and pre-certification efforts should take place. Ideally, the scheduling and initial registration processes have enough lag time before the patient encounter occurs that insurance verification and pre-certification for services can occur.

Co-payments and deductibles are collected at this phase of the revenue cycle. Any outstanding

Quest's New Fall Prices Make Owning the TBS Equipment Easier

Quest has lowered the prices on all TBS FCE Equipment and Software packages making the customer approved, court tested equipment and software more affordable than ever! For example, our TBS Optimum FCE Package now has a breakeven of less than one test daily as shown in the break-even chart below. Included in the breakeven calculations are the staff, supplies and marketing expense associated with an active FEC program. Call Quest for new pricing!

Monthly Breakeven Volumes



balances should be collected prior to new services or procedures being performed. Financial counseling, in this phase, can also improve the revenue cycle performance.

Service Provision/ Case Management: As stated previously, the provision of the services or procedures is the life-blood of the revenue cycle. Without the provision of services, no revenue is generated. Providers need to make sure that the services they provide are cost effective. Traditionally, providers have little, if any, idea of the true cost of providing the services or procedures. QMGI recommends that providers perform a Procedure Cost Analysis for each procedure and service to understand the true costs associated with the provision of the services. Although common, using RCCs (Ratio of cost to charges) to determine service cost is not a wise decision in today's economic environment. Providers must know the true costs of providing services to become financially viable and long-term solvent.

Case management that utilizes "best practices and evidence-based clinical treatment protocols" should be utilized to effectively manage supply and operational costs.

Supply Chain Management: Effectively managing the supply chain can produce substantial savings and thus increase bottom-line revenues. QMGI recommends that all vendor contracts be reviewed periodically and that any new supply contract be sent to multiple vendors for bidding. Even though many hospitals are part of GPOs, the actual supplies delivered by the vendor should be regularly monitored to ensure that the quality and cost of the supplies are appropriate and in agreement with the GPO contract terms. Implementation of just-in-time inventory arrangements reduces inventory carrying costs and affects cash flow.

Clinical Charge Capture/ Medical Records: Charge capture provides the basis for the billing and claim submission process and determines the payment amount for the services provided. Documentation of the services provided occurs through the medical records. The

adage: "If it's not documented, it wasn't performed" is true with charge capture. Educating providers on the accurate and complete documentation of the services they provide goes a long way in improving revenue generation through clinical charge capture.

Coding Compliance/ Editing: Submitting a clean claim for payment is crucial for timely payment for services provided. Accurate coding compliance with the Correct Coding Initiatives is a must. Claims editing software can streamline this process and improve the accuracy of the claim submitted. Coders should annually attend a coding class for the specific area they work to ensure that they are current in their coding skills. This will be extremely important as the new ICD-10 codes are implemented.

Contract Management: Providers must be aware of each payer's contract terms for each of the services provided. QMGI recommends that a Payer Payment Analysis sheet that lists all appropriate CPT, HCPCS, APC and DRG codes and the amount reimbursed by each payer be developed and monitored regularly. Understanding the procedure and service costs and the payment amount by payer can help providers more effectively manage the revenue cycle and maximize revenues. EOB Analysis should occur regularly to ensure that payment terms to include amount and timeliness factors are being met by payers.

Billing/ Collections: The actual billing and claim submission should occur ASAP following the provision of the services. An EOB Analysis can help identify problems in this area. In addition, QMGI recommends that patients be sent billing statements every month, even with third-party payment pending. By doing so, providers keep the patients aware of the total bill for services provided and what they are obligated to pay should the third-party insurance payer not pay the claim.

Claims & Denial Management: If the preceding phases have been carried out with accuracy, the amount of work required for processing claim denials is greatly reduced. Any resources and

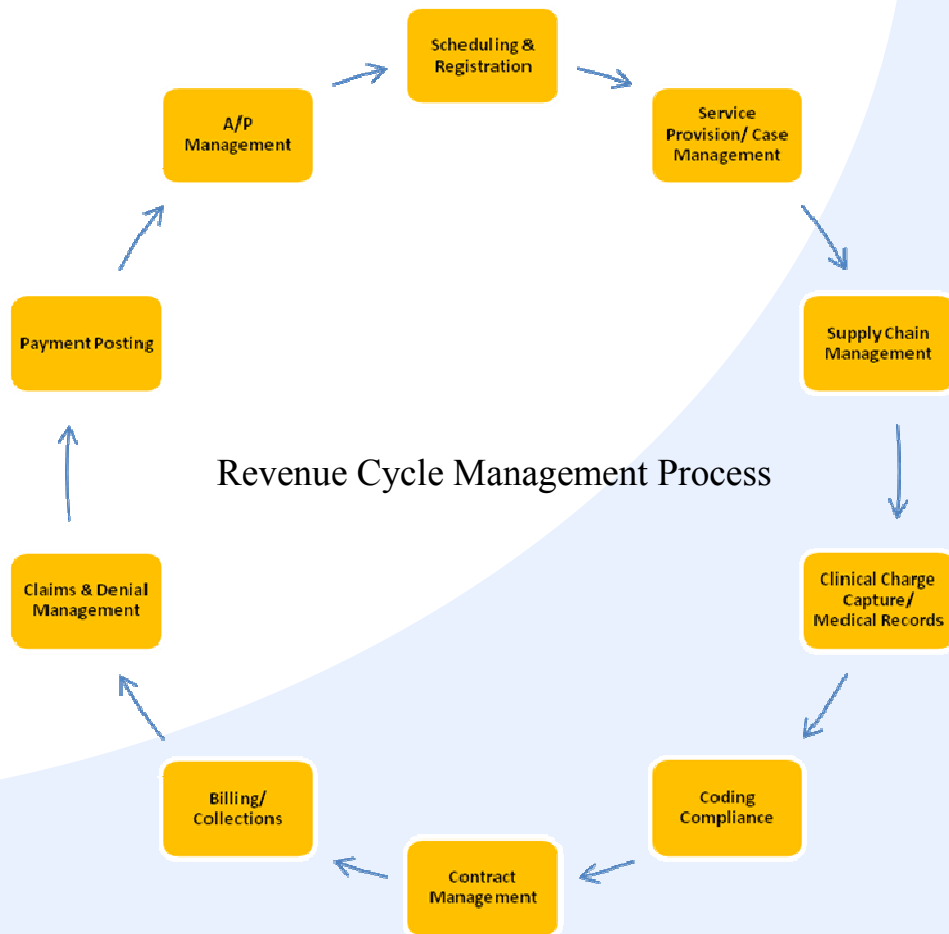
staff allocated to the front-end of the revenue cycle process, i.e., registration, pays big dividends in this phase. Having enough staff to work through each of the claim denials within a specified period is crucial. QMGI knows of situations where the practice policy is to start each month working claim denials for accounts whose patient names begin with “A” and working through the alphabet. The unintended result is an exorbitant amount of denied claims for persons with names starting with “Rs” and beyond going un-worked. The net result is higher accounts receivable balances with longer days outstanding and missed opportunities to collect. One practice we worked with that had this policy ended up with a write-off of nearly \$100,000 due to the age of the AR accounts due to poor claim denial management policies.

quickly as possible with the funds deposited into the organization’s bank account the same day they are posted. Time is money and the quicker the payments are posted and deposited, the better the cash flow to the organization. Cash flow is king!

Accounts Payable Management: Although not traditionally included in Revenue Cycle management, effective management of the AP can improve cash flow. Negotiating favorable payment terms with vendors for supplies and equipment can greatly improve cash flow by extending the time that accounts must be paid.

Effective Revenue Cycle management is the key to improved cash flow and the long-term financial viability of the entity. QMGI recommends that providers review their revenue cycle processes at least annually to assess the effectiveness and identify areas for improvement. ♥♥

Payment Posting: The posting of payments to the patient accounts should be done as





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What's inside:

- **Enhancing Financial Viability: Revenue Cycle Management**
- **Quest Announces New Pricing on TBS FCE Equipment and Software Packages**
- **Example: All TBS Basic FCE Software Packages purchases will be upgraded to the Optimum Suite which includes the Static, MyoTest, JobTask, DOT and DTM testing and reporting modules—a \$4,500 savings!**



FCE Advisor

The Standard of Excellence in FCE & Musculoskeletal Testing



Quest Medical Group's overriding goal is to help physical, occupation and rehabilitation therapists, sports medicine and orthopedic specialty providers do more in less time with the most accurate results reporting available in the market to improve theirs and their patients lifestyles. We seek to provide the highest quality and most accurate data capturing and outcomes reporting of musculoskeletal strength, mobility and flexibility measuring equipment that is client approved and court tested.

At Quest, we understand the economic realities facing not only the healthcare arena but the individual providers. We seek to provide the highest value for providers and their patients/clients in the following areas:

- Functional Capacity Evaluation (FCE)
- Pre- & Post- Offer Employment Testing
- Industrial Rehabilitation

- Work Hardening Assessment and Planning
- Ergonomic Design Assessments
- Athletic Performance Evaluations
- Job Task Definition and Job Analysis
- Workers Compensation Reviews

In an effort to provide more value to our customers and help them improve their revenue cycle management, **Quest announces new pricing on all TBS Equipment and Software Packages through the end of October!** For example, the System and MyoRom Interfaces and Software Packages are price reduced to make owning the Industry Standard for client approved, court tested TBS FCE equipment and software more affordable than ever. Please visit our website or call one of our expert sale staff members today to find out about other offers.