



CASE STUDY

HOW ONE ASC IMPROVED COMPLIANCE, CASH COLLECTIONS AND REVENUE

Surgery Center is a freestanding, joint-ventured multi-specialty center. They are solely owned by seven physicians and the local hospital with the hospital owning 51%. The center had been open 14 months and is Medicare certified. The ASC was being self-managed by the Governing Body. The ASC does approximately 350 cases a month. The specialties served are ENT, GI, Ophthalmology, Orthopedics, Podiatry and Pain Management.

The center was experiencing a negative cash flow since opening and retained Source Medical Revenue Cycle Solutions (RCS) to determine if the center meets billing compliance guidelines and to evaluate business office efficiencies and make recommendations, specifically regarding the billing process.

A full financial and business office evaluation was performed by RCS to assess the revenue cycle and determine if there are billing compliance issues. The initial findings were determined from results of the on-site evaluation. The improvements are results obtained after twelve months of reimbursement management by RCS. At the time of the evaluation, the center was facing numerous challenges. Each problem was addressed separately with recommendations for correction. The following is a list of the key observations affecting revenue.

- Fee schedule far lower than normally seen in an ASC
- Managed care contracts low with unfavorable terms
- Improper billing/coding practices
- Managers and office staff with no ASC experience


Observation: Fee schedule

Fee schedule evaluation revealed that most fees were lower than Medicare/BCBS ASC allowances for the ASC's geographic locality. Fee schedule was based on physician DRGs rather than Medicare allowances for ASCs or cost per case. There was no consistency in fees – similar procedures had wide variances.

RCS recommended a complete review of the fee schedule and provided the center with a copy of Medicare allowances and showed them how to do a mark-up based on these fees. Also left them information about case costing.

Observation: Low Managed Care Rates

Managed care contracts with low rates and unfavorable terms for an area with little managed care penetration. Market standard in the area revealed rates based on percentage of billed charges. However, most of the ASC's managed care reimbursement was based on Medicare groupers. Some contracts were invalid as not voted on by Governing Body.



RCS recommended surgery center join local PHO and have them assist in recontracting for ASC. Cancel five major contracts whose reimbursement is based on Medicare rate.

Observation: Coding was not in compliance

Coding was being performed by an inexperienced coder. Findings revealed multiple coding errors which showed that no bilateral procedures had been coded; most multiple procedures were not coded, improper use of modifiers and insufficient billing for implants. Findings also revealed that inaccurate coding resulted in both over and under-charging of claims.

RCS recommended coding audit be performed by a certified coder and all inaccurate claims be rebilled to carriers with explanation and refund where necessary.

Observation: Billing is not up-to-date

Coder is also biller and often falls behind. All claims are being submitted on paper – no electronic filing. No cross check being done to ensure that all claims are filed.

RCS recommended that staffing be revisited to determine if back-up biller can assist when necessary. Also suggest that ASC apply for electronic billing with major payers and start billing electronically as soon as possible. Recommend using schedule to cross-check that all patient claims were filed.

Observation: No claim follow-up

There was no specific collector and no follow-up was being done following submission of claims. Payment poster did not have a copy of insurance contracts and payments were accepted as correct. Write-offs were adjusted to match what was paid and with no management pre-approval. Did not check for refunds due to third party payers or patients.

There is a large amount of unbilled revenue due to coding errors, not billing bilateral procedures and billing only from operative note title, therefore missing multiple procedures. Balance billing was not done for most claims as they were never transferred to secondary insurance or patient responsibility. Claims receiving no payment or incorrect payment were not followed up. Accounts receivable had a total of \$1,175,253.58 in accounts receivable with 37.6% or \$442,392.39 in over 150 days.

RCS recommended audit to determine what claims are within timely filing limits, what refunds are due to payers and/or patients and move forward immediately with resubmitting claims that have not been paid or paid incorrectly.

Observation: Scheduler has insufficient insurance information

Scheduler was not using a list of Medicare ASC allowed procedures when scheduling. She also did not have insurance information on center's contracts.

RCS recommended scheduler have a copy of the newest Medicare ASC approved procedure list to avoid scheduling non-ASC approved procedures. Scheduler should also be provided with a managed care matrix to determine if the center accepts certain payers. If changes to ASC software, insurance contracts and allowable fees can be loaded and available to scheduler.

Observation: Patient is unaware of financial responsibility prior to day of surgery

Patients were not notified in advance about deductibles and copays. Therefore, these were not collected in advance.

Medicare requires that patients are apprised of their financial responsibilities prior to the day of surgery and need to acknowledge that they have been informed with a written signature.

RCS recommended that all patients are called at least three days in advance and advised of how much their insurance will pay and how much will be due by the patient and asked to bring that copay and/or deductible amount with them on day of surgery.

Following the Evaluation

The Governing Body decided to accept the recommendations and make the necessary changes, including outsourcing their coding and billing to RCS.

Changes in Revenue – In the three months after RCS took over revenue cycle management, the surgery center was operating in the black for the first time. Gross charges tripled. Average gross charges per case doubled. Collections increased more than 250% and profit increased more than 400%.

Results – 18 Months Later

Under the direction of the RCS team, with assistance from ASC staff, the following results were accomplished:

Increase in gross revenue – Within 18 months the annual gross revenue increased from \$4,680,781 to \$13,224,387 indicating a 182% increase in annual gross revenue (see Figure 1 next page).

Increase in net revenue – During this same time period, the annual net revenue increased from \$2,067,246 to \$4,597,145 which indicates a 122% increase in annual net revenue (see Figure 1 next page).

Increase in cash collections –

Increase in cash collections – During this same time period, the increase in annual cash collections increased from \$1,549,008 to \$4,768,328 - a 208% increase in annual cash collections (see Figure 2 next page).

Elimination of billing backlog – RCS audited all previous billing for coding and billing errors. Where there were over-payments, refunds were issued through the ASC along with submission of a corrected claim. Where there were underpayments, claims were resubmitted. If timely filing was an issue, RCS filed an appeal to try and collect the claim due to new center problems. Some were successful, others were not. All claims were followed up on by collectors and resubmitted when the payer did not have a record of receipt. The accounts receivable was brought up to date with payments, refunds and approved write-offs. Going forward, all claims were submitted and followed on a timely basis.

Compliance in billing – RCS's certified coders and experienced billing staff reviewed all questionable claims and payments and made the necessary corrections and notified payers and patients.



To learn more about how Source Medical Revenue Cycle Solutions can improve your financial performance and eliminate administrative concerns and risks, please contact us via email at revenuecyclesolutions@sourceed.net, or call 866-889-7722.



Following are charts which reflect the improvements made in the centers results after the decision was made to partner with Source Medical Revenue Cycle Solutions to provide Revenue Cycle Management to the center:

Figure 1.

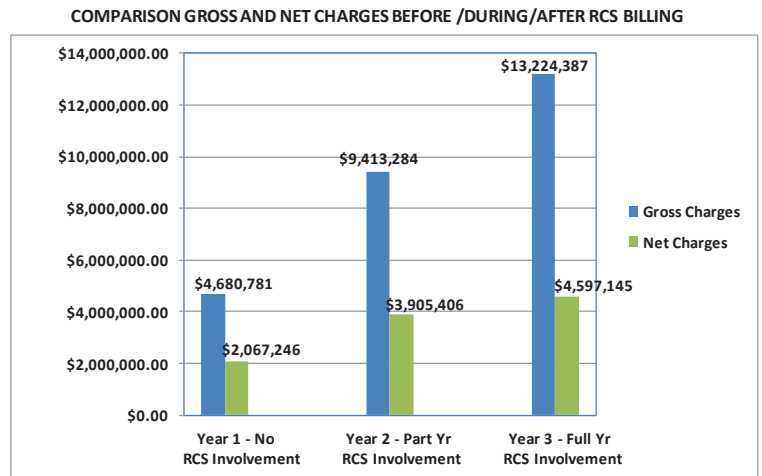
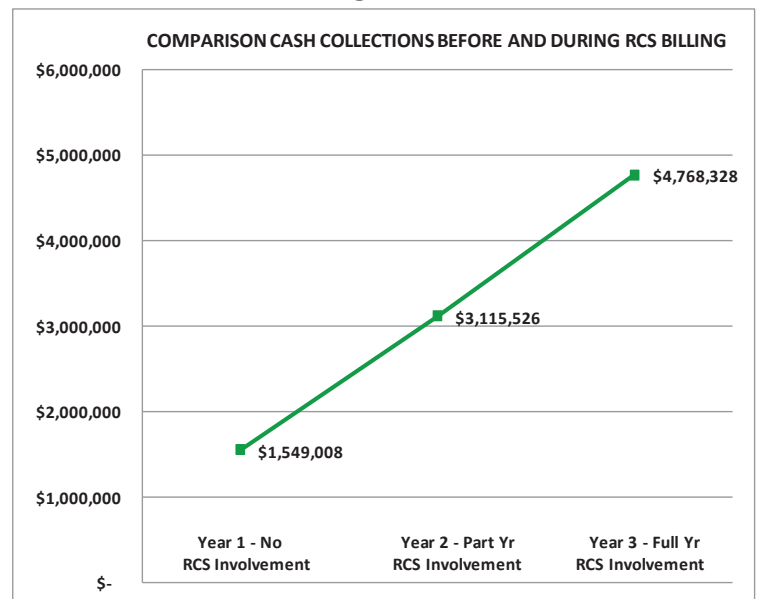


Figure 2.



About SourceMedical

SourceMedical is the premier provider of outpatient information solutions and revenue cycle management services for ambulatory surgery centers, speciality hospitals, and rehabilitation clinics nationwide. With a 30-year track record and more than 5,000 satisfied customer, SourceMedical is the trusted source for unique, end-to-end systems improve operational efficiency and cash flow while enabling healthcare facilities to deliver a higher quality of patient care.