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Four Steps to Improve Your Revenue Cycle – Independent of Billing Systems or Claims Clearinghouses

By Jim Hammer

The threat of a 10.6 percent Medicare payment reduction captured the attention of many therapy practices this past summer. Ultimately, the payment reduction was voted down, but the bill had an unanticipated impact on the industry. It prompted many practices to evaluate how they could maximize existing revenue streams and better prepare for future financial challenges.

One innovative approach recently implemented at many therapy practices focuses on analyzing electronic remittance advice (ERA) to reduce denials and underpayments. Using ERA data, as opposed to data posted in the billing system or culled from the clearinghouse, gives therapists greater insight into denial rates, by payer, as a means of recouping reimbursement. This wise approach allows therapy practices to:

1. Pinpoint reimbursement bottlenecks
2. Benchmark findings
3. Efficiently track and work denials to recoup revenue
4. Monitor payer contract adherence

Focusing on these four key components of the revenue cycle helps practices find missing and overlooked reimbursements, while helping them with timely and efficient collection. Most importantly, ERA data analysis allows practices to gain an understanding of why a payer denied a claim so they can prevent future denials. The resulting analysis gives power back to therapists for dealing with payers, and allows them to develop the best possible processes to ensure the full reimbursement they are allowed with the lowest cost of collections.

The power of Web-based applications makes this type of analysis possible, even for the smallest of practices. Subscription-based services allow practices to upload their ERA data to a Web application, where tools are available to analyze the data. By leveraging Web-based applications, practices do not have to hassle with licensing, implementing and maintaining software and hardware.

Pinpointing Reimbursement Bottlenecks

Optimizing the revenue cycle depends on identifying reimbursement bottlenecks, such as tracking the average payment delay by payer, or documenting if above-average delays tend to result when specific procedure codes are used in claims. Identifying bottlenecks provides therapists, billing and collection staffers with valuable information as to where they should focus their efforts and modify processes to reduce delays. From a manager's desktop, numerous probes into the practice's data offer new ways to trend and measure bottlenecks that impact the revenue cycle, such as tracking:

- Claim summaries by reason code and/or procedure
- Denial rates by procedure
- Days sales outstanding (DSO) by procedure
- Claims summary by reason code/procedure
- Average payment lag by procedure
- Aged claims
- Patient lag by procedure

Benchmarking Findings

Much of the value in pinpointing bottlenecks is that it allows practices to benchmark their findings for comparisons against other peer organizations locally, regionally or nationally. Leading Web-based analytical tools will provide benchmarking data as part of the subscription service. Benchmarking reports allow practices to get answers to questions, such as how long does it take a practice vs. peers to get paid for specific codes, and how often does a payer deny claims for specific procedures?

Tracking and Working Denials to Recoup Revenue

Part of the challenge for today's therapy practices is tracking denials, rather than letting them slip through the cracks and lose reimbursement opportunities. Web-based solutions are available to help, and can include decision-support tools to assist with reworking claims for resubmission. Actual customer experience shows that the average time to rework a claim is 45 minutes and typically costs about \$73. Applications that can expedite this process immediately reduce operational costs.

Monitor Payer Contract Adherence

Each practice loses \$30,000 on average per year due to underpayments. Practices that can systematically track payer compliance have an opportunity to substantially increase reimbursement. To accomplish this, practices can load payer-specific fee schedules into Web-based systems to monitor payer compliance by comparing reimbursement to contracted amounts.

The capabilities of Web-based solutions tailored for therapy-based practices continue to advance. The best thing is, with no new software, hardware, long-term maintenance contracts, or lengthy implementation projects, therapists can quickly drive more cash to their bottom lines with these new tools. And, unlike relying on billing systems, these new-generation Web-based tools are looking at payer-generated remittance files – analyzing data that never even makes it into the billing software.

In this day of cutting costs and maximizing productivity, it pays to look at simple, Web-technologies to augment investments, instead of creating more capital expenditures. It's anticipated that future generations of these solutions will even be able to provide practices with tools to determine the expected profitability of specific procedures based

on patient diagnosis. These solutions provide practices with powerful tools to avoid lost revenue opportunities and identify processes that can be modified to support long-term profitability.

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