Define the Focus

- Mission – encompasses both the purpose and the vision for the organization. It is a broad statement that can be communicated to the staff and the general public.
- Vision – view of the future that management believes is optimum for the organization when it is accomplishing its purpose
Determine Practice Model

- Physician as Sole Owner
- Physician Partnership
- Physician owner with physician employees

Define Compensation Models

- Guaranteed salary
- Salary base plus production incentive
- Based fully on production
Select Care Model

- Interventional Pain Procedures Only

- Interventional Pain Procedures with Medical Assessment and Management
  - MD/NP/PA Model – key is more procedure room time
  - Billing “Incident To”

Care Model (continued)

- Multidisciplinary Model
  - NP/PAs
  - Rehabilitation (PT, OT)
  - Psychology
  - Chronic Pain Program
Identify Business Advisors

- Attorney
- CPA
- Practice Consultants
- Banker
- Benefit Broker

Define Corporate Structure

- Sole Proprietorship
- General Partnership
- Limited Liability Company
- Professional Service Corporation
- Nonprofit
Determine Location

- Population/Demographic
- Competitors
- Referral Base

Determine the Facility Type

- Clinic – SOS 11
- Ambulatory Surgery Center – SOS 24
- Hospital Outpatient Department – SOS 22
- Hospital Inpatient – SOS 21
Analyze the Venues

- Clinic v ASC v HOPD
  - Pros and Cons

- Lease v Buy
  - Pros and Cons

- Anticipate future needs

Do Financial Planning

- Develop a Proforma
- Determine capital needs
- Determine start up costs
- Cover operational costs for 18-24 months during business ramp up
- Obtain credit line – pay as you use it – term it out in 18-24 months
Initial Preparation

- Contract with payers
  (Medicare specialty designation 09)
- Apply for facility privileges
- Apply for DEA number for each site
- Determine billing process (Internal or External)
- Obtain Medical Malpractice Insurance
- Obtain Business Risk Insurance

Purchase

- General Liability Insurance
  (Business Risk Insurance)
- Business Protector Policy
- Commercial Auto
- Commercial Umbrella
- Commercial Crime
- Profit Sharing Bond Policy
- Employment Practices Liability
Purchase
Medical Malpractice Insurance

- Medical malpractice insurance covers doctors and other professionals in the medical field for liability claims arising from their treatment of patients
  - Cost has been rising in part by because:
    - Growing size of claims
    - Reduced supply of available coverage
    - Rapidly rising medical care costs
- Claims Made
- “Tail”

Understand
Workers’ Compensation

- Impacts medical practices as a provider
- Impacts medical practices as an employer
Select Communication Systems

- Phone system
- Technology connections
- Answering service
- Cell phones
- Pagers

Select/Develop/Implement Systems

- EPM
- EMR
- General Ledger System
- Payroll
- Pre-certification sites
- EDI (Electronic Data Interchange)
- Claims scrub
- Payment posting
Implement Technology Controls

- Positive control over source data
- Physical safeguards on devices
- Positive control over storage and data files
- Identification and authentication
- Password security
- Backup data process
- Business continuity plan (if system is down)
- Disaster recovery plan

Plan the Marketing

- Educate referring physician groups
  - Visit them – face to face
  - Ask them what they need

- Educate the community
  - Press release
  - Educational sessions
Explore Regulatory Considerations

- Stark and Stark II
- Medicare Compliance Program
- HIPAA – Health Insurance Portability and Accountability Act
- OSHA – Occupational Safety and Health Organization
- FLSA – Fair Labor Standards Act

Plan for Certification

- Medicare Certification – often done by state Department of Health
- AAAHC (Accreditation Association for Ambulatory Health Care)
- JCAHO (Joint Commission on Accreditation of Healthcare Organizations)
Determine Staffing Needs

- Administrator or clinic manager
- Business office manager
- Clinical staff
  - State defines scope of service (ie rad tech)
- Support staff
  - Receptionist
  - Scheduling
  - Business office

Understand Recruitment Process

- Know the rules related to interviewing
- Develop orientation and training plans
- Define expectations
- Hospital Mindset v Entrepreneurial Spirit
- (Personal opinion) Hire for Attitude – train for skill
Understand Importance of Retention

- Cost of replacement is high (estimated to be 25% of annual salary)
- Invest in your front line employees – ambassador for your practice
- Set expectations

Set Up Internal Business Structure

- Revenue Centers
- Cost Centers

(Both impact the bottom line)
Strive for Operational Efficiency

- Staff resources are the largest expense to the practice
- Maximize efficiency
  - Site layout for good work flow
  - Cross training for efficiency and flexibility
  - It is all about BALANCE - Don’t lose a procedure because you are short staffed
- Benchmark with other pain practices

Strive for Operational Efficiency

- Maximize the fixed costs
  - Space
  - Technology
  - Stagger shifts to allow maximum use of space
  - Meets the needs of the patient population
- Group Purchasing Plans
- Negotiate cost of supplies
- “Just in time” ordering
Manage the Clinical Aspect

- Algorithms for care
- Outcome measures
- Quality assurance measures
- Patient satisfaction surveys
- Referral satisfaction surveys

Manage the Business

- Negotiate your contracts
  - Educate your payers – they may be unfamiliar with pain care
  - Show them how you should be paid
- Understand the SOS concept and impact of SOS differential when negotiating
Understand the Coding Process

- Know the codes for your business
- Know the regulations at all levels
  - CMS
  - Region – impact change – get on the CAC
  - Local
- Stay Current
  - Medicare transmittals
  - CCI edits

Study the Coding Classification Systems

- ICD-9: International Classification of Diseases, 9th Revision, Clinical Modifications
- HCPCS: HCFA (Health Care Financing Administration) Common Procedure Coding System
Know the Fee Schedules - Medicare

- PPS (Prospective Payment System) – Inpatient services paid by DRG (diagnosis related group)
- HOPD (Hospital Outpatient Department) – Outpatient PPS is based on APC (Ambulatory Patient Classification Groups)
- Provider Professional Fees – RBRVS (Resource Based Relative Value Scale)

Set the Fee Schedule

- Two basic methods for determining your fees:
  - UCR (Usual, customary and reasonable)
  - RVU approach (Relative Value Units) based on Resource Based Relative Value System (RBRVS) – this system attempts to develop relativity between procedures based on resources necessary to perform the procedure
Evaluate
Reasonable and Customary

Two criteria must be considered in determining reasonable charge for a service:
- The customary charges for similar services generally made by the physician or other persons furnishing such services and
- The prevailing charges in the locality for similar services

Evaluate
Relative Value Units

The total RVUs of a service or procedure are made up of three components
- Work – reflects the skill, time and intensity of effort to furnish the service
- Practice – reflects the overhead costs and are split into two types (facility and non-facility)
- Malpractice – reflects the cost of professional liability
Evaluate Relative Value Units

Medicare further breaks the RVUs down by applying the Geographic Practice Cost Index (GPCI) to each component to reflect the value of each component for specific geographic areas.

Evaluate Payments

Understand your payer mix and the payment schedule for each payer. You will need this information to evaluate the following:

- Are you being paid what you are owed (check the EOB against the fee schedule)
- If you are being paid 100% of your asking rate – you may not be charging the Usual and Customary amount for your area – re-evaluate your fees
Understand Revenue Cycle

➢ Understand the Revenue Cycle
  ▪ Contracting and fee schedule analysis
  ▪ Credentialing
  ▪ Scheduling and registration
  ▪ Encounter description
  ▪ Charge posting
  ▪ Claim processing
  ▪ Accounts receivable and collections
  ▪ Special billing issues (ie: global)

➢ Manage the Functions

Manage the Functions

➢ Clean claims
➢ Impact of under-coding
➢ Prior authorization
➢ Lag time for submitting claims
➢ Collect what you are due
➢ Manage denials and appeals
➢ Manage the root cause of the problem
Audit Your Work

- Documentation and Coding audits
  - Do not Up Code (liability)
  - Do not Down Code (leaves money on the table)
  - Right Code – you deserve to be paid for the medically necessary services that you provide

Develop Financial Reports

- The content should be:
  - Understandable
  - Relevant
  - Timely
  - Reliable
  - Comparable
Select Accounting Method

➢ Accrual Method
   - Income is recorded when it is earned and expenses are recorded when goods or services are received

Select Accounting Method

➢ Cash method
   - Income is recorded when money is received and expenses are recorded when the invoices/salaries are actually paid
Select Accounting Method

- **Modified Cash Basis**
  - A third method that is often used in medical practices is know as the Modified Cash Basis which combines aspects of the cash and accrual methods.
  - With the modified cash method, the practice uses the cash basis for recording revenues and most expenses. Exceptions are made when cash is paid for assets with useful lives greater than one accounting period – for example – C-arm.

Set Up Financial Statements

- Financial statements are the central part of financial reporting.
- Basic financial statements are:
  - Balance Sheet
  - Income Statement (also know as the Profit and Loss statement)
- Financial statements are produced from information in the General Ledger.
Trace the Financial Data

- Source documents (payroll records, invoices etc) are recorded using a coding system called “chart of accounts.” The chart of accounts lists all account titles in numeric order for all assets, liabilities, owner’s equity, revenues and expenses.
- Journal is the book of original entry – it is here that the first formal accounting record of a transaction is made – it is known as a journal entry.

Set Up General Ledger

- General Ledger is the complete set of all accounts used by the business. The GL accumulates a complete record of the debits and credits made to each account as a result of entries made in the journal.
- Many medical practices do not have all of their business systems tied together – manual journal entries will be made to get all information into the GL to compile the financial reports.
Understand the Balance Sheet

- Balance Sheet – shows the business’ financial position at a point in time
- Items on the balance sheet are:
  - Assets – cash, accounts receivable, furniture and equipment
  - Liabilities – accounts payable, notes payable
  - Equity – retained earnings, stock
- Assets must equal liabilities plus capital

Understand the Income Statement

- P&L (Profit and Loss Statement - also know as Income Statement) reports the business’ operating activity for a period of time
- Items on the income statement are:
  - Revenue – monies generated from providing patient care
  - Operating Expenses – salaries, payroll taxes, benefits, supplies, rent
  - Other Income/Expenses – interest expense, interest income
- Revenue minus expenses = net income or (net loss)
Develop the Budget

- Budget is a financial plan
- It is the process of planning, in financial terms, the activities of the practice and the results of those activities

Understand the Budget Usefulness

- Budgets are useful because:
  - Planning requires revenue centers and cost centers to determine what is possible to achieve
  - Allows the business to make proactive decisions based on history and trends
  - Provides a benchmark to compare planned versus actual and make adjustments accordingly
Understand Budget Preparation

- **Budget Preparation**
  - Look at actual performance of past segments of time (quarters, year to date closing of past one to two years)
  - Define and quantify the changes you expect for the coming year
  - List any major equipment purchases planned for the next year
  - List any new services with associated costs

Understand Accounts Receivable

- **A/R (Accounts Receivable):** The dollar amount of outstanding (yet to be collected) charges for services that have been provided and billed but not yet paid

- **Days in A/R Formula =**
  - Gross accounts receivable divided by (gross receipts/365)
  - Note: Some practices use quarterly numbers rather than annual
Manage the A/R

- Management of Accounts Receivable
  - Know your contracts (fee schedule and adjustments)
    - Collect what you are owed
  - File clean claims in a timely manner
    - File electronically whenever possible
    - File frequently (electronically or paper) daily if possible
  - File correct insurance the first time
  - File secondary insurance in a timely manner

Understand the A/R Report

- Climbing A/R could mean
  - Increase in production
  - Increase in fee schedule amount
  - Late submission of old claims
  - Staff lagging in timely receipt payment posting
  - Inaccurate posting of adjustments
Understand the A/R Report

- Falling A/R could mean:
  - Decrease in production
  - Late or inaccurate write-offs on accounts
  - Collection of aged accounts
  - Writing off bad debt

Manage A/R on the Front End

- Collect insurance billing information from patient prior to the visit
- Prior authorize care and treatments when needed
- Verify insurance card information at patient check-in
- Collect co-pays and deductibles at time of service
- Submit charges as close to date of service as possible
- Be sure claim got to the payer
Evaluate the A/R

- Collection percentage – how do you know if it is good?
- A/R aging – what is acceptable?

Set Up Internal Controls

- Set up internal controls to reduce the possibility of innocent and planned problems
  - Determine “tie out” and balancing processes and monitor the reports on a regular, unscheduled basis
  - Separate functions and duties to reduce the risk (separate payment posting and A/R management)
  - Control passwords and access to data
Protect Your Money

- Separate the billing functions
- Tie out and balance
- Check your bank statements/cancelled checks

Understand Accounts Payable

- A/P (Accounts Payable) is the debt owed by the company for goods and services received.
- Track company obligations to ensure you have cash reserves to meet obligations.
- Terms of payment, ie. Net 30, means the amount is due to be paid 30 days from the date of the invoice
- Negotiate longer terms when possible
Manage the Inventory

- Negotiate best prices from suppliers – do cost comparisons
- Purchase Order system - track - what you ordered is what you received at correct price
- Negotiate contract “carve outs” to ensure payment for costly supplies
- Order supplies “just in time”
- Track billable supplies and submit charge when supplies are used

Wrap Up

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Questions
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Thank you!
Contact Information

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Additional Information
Advantages of Accrual Method

- Matches revenues and expenses more accurately because revenue is recorded in the month earned and expenses incurred in the same month are recorded against the revenue regardless of when payment of services is actually received.
- Evens out net income from month to month because both revenue and expenses are posted as the services are provided.

Disadvantages of Accrual Method

- May show high level of revenue due to large production month – but payments may not be received until two or three months later (or longer).
- More difficult to determine the amount of available cash.
Advantages of Cash Method

- Accurate reflection of how much cash is available
- Accomodates for “unpredictable” payment responses from various payers (you don’t spend cash that you don’t have on hand)
- Closing the books at year end

Disadvantages of Cash Method

- May show a misleading picture of long-term profitability. You may show a very profitable month because of a high amount of receipts received but the actual month gross charges are low – which will result in low receipts two months out.
General Liability Insurance

- **Business Protector Policy**
  - Property
  - Business Income - actual loss
  - Contents
  - Valuable Papers
  - Accounts receivables
  - Water back up of sewer/drains

General Liability Insurance

- **Business Protector Policy**
  - Forgery
  - Monies and Securities
  - Employee Dishonesty
  - Computer
  - Terrorism
  - Liability
    - Fire
    - Employee Benefits
    - Medical Expense
General Liability Insurance

➢ **Commercial Auto**
  - Liability
  - Comprehensive
  - Personal Injury Protection
  - Uninsured Motorist
  - Physical Damage
  - Collision

General Liability Insurance

➢ **Commercial Umbrella**
  - Bodily Injury
  - Property Damage
  - Personal Injury
  - Advertising Injury
General Liability Insurance

- **Commercial Crime**
  - Employee Theft
  - Forgery or Alteration

General Liability Insurance

- **Profit Sharing Bond Policy**
  - 401k is insured under ERISA – it may be more economical to purchase a bond - the limit needs to reflect 10% of the projected plan balance
  - Check your options
General Liability Insurance

- Employment Practices Liability
  - Wrongful termination of employment
  - Breach of written employment contracts
  - Violation of fed, state, laws that concern employee discrimination, sexual harassment, wrongful discipline, violation of FMLA, etc
  - Employee dishonesty

Coding Classification Systems

Coding Classification Systems


Coding Classification Systems

- **HCPCS – HCFA** (Health Care Financing Administration) Common Procedure Coding System. A uniform method for healthcare providers and medical suppliers to code professional services, procedures and supplies. Developed in 1983 by HCFA (now known as CMS).
WC Provider Perspective

- Workers’ Compensation is a no-fault system that allows workers to receive prompt medical attention for work-related injuries or illness.
- No-fault means the employee does not have to prove negligence on the part of the employer in order to establish liability.

WC Federal and State

- There are federal and state statutes that regulate WC coverage.
- The Federal Office of Workers’ Compensation Programs administers four major disability compensation programs which provide wage replacement benefits, medical treatment, and vocational rehabilitation.
Federal WC Programs

- Energy Employees’ Occupational Illness Compensation Program
- Federal Employees’ Compensation Program
- Longshore and Harbor Workers’ Compensation Program
- Black Lung Benefits Program

State Workers’ Compensation

- Covers all other work related injured employees
- Each state has specific compensation statutes
- Each state defines:
  - Types of injuries covered
  - Level of benefits available to employee
  - Procedure for filing, contesting and settling claims
The rules of coverage for the particular state in which the claim was filed follows the patient throughout their treatment. Provider will be subject to the rules of the state that covers the patient – not your own state rules. (There have been some cases that challenge this but cases have not been tested).

Not all states require prior authorization for services – however it is wise to check. Seek prior authorization for the exact treatment that you want to do – since not all states cover all procedures – even if there is a recognized CPT code for the intervention. Treatment standards vary from state to state. Some states require registration of the provider to receive payment for services.
WC – Employer Responsibility

- State Department of Labor and Industry defines the insurance coverage requirements under their state workers’ compensation law
- In most states, if the business employs one non-immediate family member WC insurance coverage is required
- Know your state rules