

# THE BOTTOM LINE

Information and insight to advance the financial performance of your practice.

## The Growing Case For Outsourcing



A recent cover story in the *Journal of the Healthcare Billing and Management Association*, Ted Stack of Falcon Capital Partners stated that two of the largest trends in the medical billing industry are hospitals outsourcing their physician revenue cycle and the acceleration of independent medical practices outsourcing their billing and practice management functions.

Stack bases his observation on changes in Medicare and Medicaid reimbursement, the rise in shared risk models like Accountable Care Organizations, the onset of American Recovery and Reinvestment Act reimbursement, 5010 and ICD-10 preparation requirements, the need to implement EMR systems and control of operating costs.

By any measure, it is a tremendous amount of change to manage for even the most sophisticated health systems and medical practices. Hospital and physician leaders now recognize that expert help is needed, particularly in physician revenue cycle management.

The decision to outsource must be weighed carefully. Potential outsourcing partners should bring more to the table than you can do internally. They must be experts on revenue cycle management and employ the latest software systems and processes so they can lead you to better financial, operational, and clinical performance as this drives outcome-based reimbursement models. They also should perform at or above standards set forth by professional organizations like the Medical Group Management Association (MGMA).

In the adjoining story, you'll see that outsourcing can save up to 30% of what you currently spend on physician billing (estimated at 9% of total revenue). Whether you're a medical practice or a hospital, this can be a significant amount. The money saved can be directed to other areas or to the bottom line.

Outsourcing physician revenue cycle management and other practice management services is a business and personal decision. We welcome the opportunity to discuss it with you. Contact MedOptima President Eric Beier at 260.969.1950 ext. 101 or [ebeier@MedOptima.net](mailto:ebeier@MedOptima.net). Or, visit [www.MedOptima.net](http://www.MedOptima.net) for more on our outsourcing services.

## HOSPITALS: Create a High Performance Physician Billing Engine through Outsourcing

According to the MGMA, the internal cost of billing is typically up to 9% of net revenue for physician practices, an expense that's hard to stomach when every dollar toward the bottom line counts.

This begs the question, "Do hospitals really want to be in the physician billing business?" If the answer is "no" or "I'm not sure," it's time to explore the options.

collections, saving you as much as 30% on billing costs.

- **You plug revenue leaks.** Our clients typically make more money on the same patient volume due to highly efficient, highly effective billing processes.
- **You get your money quicker.** We are accurate (99% first pass clean claims) so there's little need for re-filing.

### What's Physician Billing Costing Your Hospital?

Hospital Billing FIXED COST	MedOptima Billing VARIABLE COST
7 to 9% of Net Revenue	2.1 to 6.5% of Net Revenue
Staff Salary & Benefits	Included in fee
Staff Training	Included in fee
Staff Recruiting & Retention	Included in fee
Office Space	Included in fee
IT Hardware & Software	Included in fee
Postage & Mailing	Included in fee
Electronic Claims/Remits	Included in fee
Patient Eligibility Verification	Included in fee
Patient Payment Portal	Included in fee
Denials Mgmt. Software	Included in fee

Outsourcing physician billing is increasingly attractive to hospitals interested in reducing billing associated costs and generating more revenue from owned or affiliated medical practices.

MedOptima offers several options for large and small hospitals, from total outsourcing of all physician billing (coding, credentialing, claims submission, collections, and financial reporting); outsourcing the billing of specific medical specialties like emergency medicine; outsourcing targeted billing functions such as accounts receivable management; and outsourcing payer performance tasks like data mining, analysis and reporting.

The advantages are significant. Take a look:

- **You get experts in physician revenue cycle management;** medical practice billing, coding, and collections are all we do.
- **You spend less money on billing.** We charge a small percentage of

• **You get more data.** We employ the latest data mining software to identify revenue opportunities, threats and trends.

• **You get a motivated partner.** We are so confident in our results that we put performance assurances into our contract.

Outsourcing all or part of physician billing can be a short-term or long-term solution. In the short-term, MedOptima can help hospitals get newly acquired medical practices quickly up to speed and producing revenue. Over the long-term, hospitals no longer have to worry about the time and expense of recruiting, retaining, training, and managing physician billing staff or acquiring and maintaining costly billing software. This can be a real challenge for hospitals in small and rural hospitals.

**To explore your outsourcing options, contact MedOptima President Eric Beier, MD, MBA, at [ebeier@MedOptima.net](mailto:ebeier@MedOptima.net) or 260.969.1950 ext. 101.**



**Richard L. "Dick" May, MBA**  
**HuTech Resources**  
**Integrated Healthcare**  
**Associates**

*Dick May is president of HuTech Resources (www.HutechMgmt.net), an Illinois-based medical practice management firm founded in 1995. He also is founder of Integrated Healthcare Associates.*

*Dick has more than 30 years of healthcare practice management, administrative and consultative experience. He assists medical practices in identifying problems, developing solutions and improving financial results*

## Small, Independent Medical Practices Are Alive and Well

Two females physicians came to me in 2005 with a simple question: could they be successful as a two-doctor practice? After developing a proforma for them, I answered, "Yes, you can, but..."

They drew in their breath, "But what?"

"You need to invest in an electronic health records system," I replied, "and that's going to cost you."

Not to be deterred, they asked, "What if we share the system with physicians in other practices?"

Now that was an "Ah-hah!" moment, one that led to a creative solution. We soon identified other small medical practices in the community that were willing to collaborate and share resources like electronic health records and practice management systems, claims management, staffing and benefits administration, and other business functions. The ability to run successful, small independent medical practices was not only preserved, it was improved.

**This is counter to the current thinking on the long-term viability of small medical practices.** Pundits suggest that the time of small medical practices is over. Physician-hospital integration is urged on nearly every front.

However, the truth is that physicians in geographically diverse areas practicing in groups of five and fewer continue to deliver the bulk of health care in America. It's estimated physicians in small practices provide as much as 75% of all healthcare. To me this says small, independent medical practices are alive, well, and very much needed in communities across the country.

Independence does come at a price. Physicians in small practices have little time for much else than patient care. Current tax laws make it difficult to accumulate cash reserves, making investments in information technology difficult. Without the funds to hire an experienced business manager, small practices rely on office staff to "mind the store." None of this leads to optimal financial results. So what are physicians to do?

### **Managed Service Organizations (MSO) are a growing and increasingly attractive option for physicians.**

Despite external pressures to sell their practices, many physicians are maintaining control of their financial destiny and independence. Yet these same physicians see the value of being part of something larger than their own practice. That option is a Managed Service Organization (MSO).

MSOs, including the "co-op" model, are an increasingly attractive option because they empower physicians through collective action. As members of an MSO, they:

- Collaborate, cooperate, and communicate with other physicians with common goals and ideals.
- Participate in technology improvements without shouldering the entire burden of cost, maintenance and training.
- Share expenses such as legal services, health coverage, and professional liability insurance.

- Reduce operational/administrative expenses.
- Gain more leverage in payer negotiations.
- Appropriately share patient information to provide better ongoing care and management of chronic disease.
- Participate in federal incentive programs like demonstration projects with earmarked funds.

### **Managed Service Organizations (MSO) are also attractive to hospitals, particularly those in small or rural communities.**

Physicians aren't the only ones feeling the pressure to affiliate. Hospitals are being pushed to acquire medical practices, a resource-intensive endeavor. While urban health systems may see it as a cost of doing business, smaller community and critical access hospitals stressed by declining reimbursements and rising operating costs don't always have the financial wherewithal to buy medical practices and hire the additional billing and management personnel to run them. MSOs serve as a way to affiliate with physicians and deliver high value services without the expense of acquisition.

### **Stop looking at change as a bad thing and see it as the opportunity that it is.**

Independence is a valued commodity in America. We need to encourage the motivation and enthusiasm physicians get from working in their own environments. We can improve our healthcare system by providing alternatives to the status quo that will allow doctors to continue to care for patients in independent environments and earn incomes commensurate with their work output.

My advice is for physicians and hospitals to come together and discuss the options. Look for ways that fit the needs of your community, your patients and each other. I am sure that if you welcome open communication, and are willing to cooperate and collaborate, a meaningful, mutually beneficial solution will be found.

### **MedOptima and HuTech Resources to launch a new Managed Service Organization (MSO), MedAlliance.**

The two companies are formalizing plans and hope to make a formal announcement soon. MedOptima President Eric Beier says that medical practices and hospitals have expressed interest in the MSO concept. "With the recent reimbursement challenges, providers must reduce operational costs to ensure they can continue to meet community care needs while preserving their own financial health. MedAlliance will offer opportunities to share services and reduce costs, while maintaining overall control and independence for the physician."

**To learn how MedAlliance can benefit your medical practice or hospital, contact MedOptima President Eric Beier, MD, MBA, 260.969.1950 ext. 101 or [ebeier@MedOptima.net](mailto:ebeier@MedOptima.net).**

# Data Dive with ClariteeBI: Physician Performance

*Data Dive is a new column that explores the powerful data aggregation and analysis capabilities of ClariteeBI, MedOptima's advanced healthcare business intelligence tool.*

What if you knew exactly how many patients you or your physicians saw each day, their demographic profile, the services provided, what was billed and what was paid?

What if you could quickly compile this information for the past week, month or year? How would that affect how you market, approach payer negotiations, and determine physician compensation? The insight would be phenomenal, enabling you to make more informed decisions about your practice.

MedOptima's advanced healthcare business intelligence software, ClariteeBI, gives you the power to capture comprehensive physician performance data with a few keystrokes. Reporting and analysis that used to take hours, even days, can now be done in minutes. You can also set up specific dashboards and key performance indicators that are then updated automatically. All data is updated daily.

**Here's what ClariteeBI can tell you by physician:**

- Patient volume
- Patient demographics
- Procedures by patient
- Numbers and types of procedures
- Code patterns
- Charges and payments
- Productivity through RVU analysis
- Payment accuracy by contract

The information is helpful on a number of levels such as physician compensation, potential issues with coding and/or reimbursement, and opportunities to target specific patients/procedures that are more profitable.

MedOptima has implemented ClariteeBI with our clients and offers it to medical practices and hospitals on a consulting basis. The main things clients appreciate is having better insight into their practice, the speed and ease of getting data, and the ability to make data-supported decisions.

**For more on ClariteeBI, contact Melissa Doepke, Vice President, Client Services, 260.969.1950 x118 or [mdoepke@MedOptima.net](mailto:mdoepke@MedOptima.net).**



## How Hard Has the Recession Hit You?

### Highlights from MGMA's 2010 Physician Compensation Survey

*The Great Recession has touched everyone. However, according to the Medical Group Management Association (MGMA), some physician specialties felt the pinch more than others. The MGMA's 2010 Physician Compensation Survey\* collected data from nearly 60,000 providers representing more than 110 medical specialties. Here's what they found:*

#### GAINERS

- Dermatologists' income rose by 12.2% due to cosmetic procedures and ability to collect the full fee at time of service.
- Ophthalmologists' income rose by 7.7% due to elective services like laser refractive surgery.
- Primary care physicians saw median compensation rise by 2.8%.

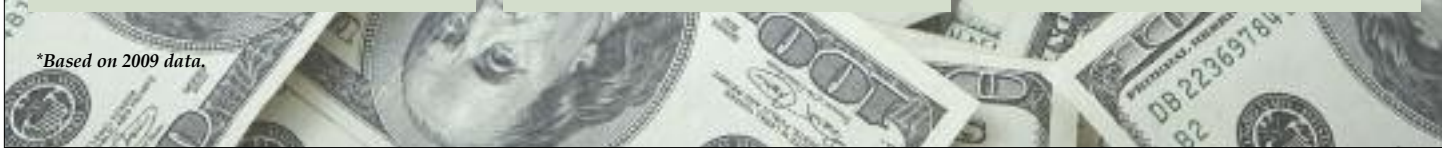
#### LOSERS

- OB/GYN experienced a 1.1% decline in compensation.
- Invasive cardiology dropped by 0.2%.
- Hematology/Oncology was flat, with a mere 2.2% increase since 2005.

#### HOSPITAL OWNED

- Median compensation for independent specialty physicians was 25.5% higher than their hospital-owned colleagues. However, hospital-owned groups reported greater compensation per work RVU, suggesting the differences in compensation may be the result of production.
- The difference in compensation for independent versus owned primary care physicians was less than .04%.

\*Based on 2009 data.





## THE BACK PAGE

### MedOptima Counters Payer Denials With New Denials Management Software

There's nothing more frustrating than denied claims. They take time to resolve and interrupt cash flow. With the economic downturn, insurance companies have picked up the pace on denials and are more stringent than ever in what they'll cover.


To ensure our clients continue to enjoy optimal revenue, MedOptima has implemented a new Denials Management Software solution from Allscripts that accomplishes the following:

- Automatically identifies and places in queue denied claims so re-work can begin immediately;
- Helps practices recover more money faster;
- Identifies which payers deny claims the most and on which codes so that future denials can be avoided if at all possible; and
- Provides detailed reporting of denials trends

MedOptima's Director of Software Applications, Amy Eavey, reports that all MedOptima clients were live on the Denials Management Software by late April. "Over the last year we have seen payers become much more aggressive in their denials, which in turn affects our clients. The Allscripts Denials Management software allows us to immediately begin the appeal process so we can collect every dollar we can for our clients," she says.

Eavey says MedOptima has taken other steps to combat the surge in denials. "We now have people on staff who are dedicated to denials management. Our goal is to resolve issues promptly and get clients' claims paid as quickly as possible."

**If you have questions about MedOptima's new Denials Management software, contact Amy Eavey at [aeavey@MedOptima.net](mailto:aeavey@MedOptima.net) or 260.969.1950 ext. 102.**



Want to Boost Patient Payments at the Point-of-Service?

#### Have a Collection Script.

The patient has seen the doctor. The last stop is the checkout window. Some patients will happily pay their deductible or co-pay. Others are just as happy to leave their balance unpaid. To boost point-of-service collections, have your staff ready and scripted.

Here's what to do. Instead of asking **IF** the patient would like to pay today, have staff ask them **HOW** they'd like to pay. This makes it clear you expect payment for the balance now, rather than in the future. It's also helpful to offer patients the option of using a credit card or for those who can't pay now, a payment plan.

### HFMA's Southwestern Ohio Chapter Taps Beier to Speak on Revenue Optimization, Hospital/Physician Integration



Dr. Eric Beier

In these turbulent economic times, the top question on many providers' minds is how to keep revenue flowing smoothly given the challenges of integrating medical practices into health systems, declining reimbursements, and large numbers of uninsured and underinsured patients.

MedOptima President Eric Beier, MD, MBA, will share his strategy for hospital/physician integration success with hospital and physician finance and billing executives at the Southwestern Ohio HFMA May Institute on May 18 at the Shaker Run Golf Club near Cincinnati. Additionally, Dr. Beier will demonstrate how data-mining technology, operational re-engineering, and outsourcing can boost financial performance and reduce costs.

For more information on the HFMA-Southwestern Ohio May Institute, visit [www.swohfma.org](http://www.swohfma.org).

If you would like a copy of Dr. Beier's presentation, contact Marilyn Rufner at 260.969.1950 x114 or [mrufner@MedOptima.net](mailto:mrufner@MedOptima.net).

