

# TOP 10 SOURCES OF REVENUE LEAKAGE IN PHYSICIAN REIMBURSEMENT



Revenue cycle management (RCM) is very complex and difficult. There are literally hundreds of ways to lose reimbursement, a little loss here and a little loss there, all adding up to the point where almost all practices feel financially pressed, all the time. Reimbursement rates have been dropping for years, while all other costs – rent, staffing costs, medical supplies – keep going up. So the only way for a medical group to maintain its net margins is to control costs and minimize lost reimbursements. Here are the top 10 sources of lost revenue and cost drain (leakage) for medical practices, in reverse order:

### 10 | Payer Contracting Issues

Reimbursement rates are bad enough, but if you don't track underpayments properly, you can't respond to this source of revenue leakage.

#### Solution

Make sure your billing staff is identifying and responding to all short payments, filing appeals with payers. And as a safety net to those efforts, a month-end report should identify short payments that were missed. It is especially important to catch short payments with your higher-volume CPT codes. That can add up to a lot of "revenue found".

### 9 | Unbilled Claims

It's easy to lose a charge if no reconciliation process is in place to match patient encounters to submitted claims. And those missed charges can add up to a high percentage of a practice's net profit.

#### Solution

Make sure your appointment schedule is kept up-to-date by your staff with appointment changes, cancellations and no-shows. Then you can run an "unbilled charges report" from your practice management (PM) system to located missed charges and bill for those claims. If your PM system can't run an "unbilled charges report" then consider having that report programmed for you. More revenue found if you do.



### 8 | Fee Schedule Problems

Setting a proper fee schedule (price) for each and every procedure you provide can be daunting. Setting your fees too low will result in lost revenue. Setting your fees too high can be negatively perceived by patients. Setting fees not consistent with any benchmark will make it hard to keep overall tracking of your fee structure in a way that makes sense.

#### Solution

Set your fee schedule as a percentage of the current year's Medicare rates, usually between 2 and 3 times the Medicare allowable for each procedural code for primary care physicians and a higher multiple for specialists. Make sure you run monthly reports that will highlight if your fees are being paid at 100% of your gross charge by any payer. If so, your fee schedule is likely too low, at least for that payer.

### 7 | Credentialing Issues

Provider changes in a practice can create denied claims with long lead times to fix. And it can be a nightmare to manage provider enrollment across multiple payers, all with different forms to fill out and rules to follow. Once all providers are properly credentialed, you aren't done, because time flies and it is easy to miss annual re-credentialing deadlines. When that happens, you find out you have a problem when claims start denying and then it's often too late.

#### Solution

Outsource credentialing management to a credentialing professional that has all the forms, knows all the payer rules and has software that can track your re-credentialing dates. Like any outsourcing decision, you need to pick the right company to manage your credentialing for you, but otherwise the value proposition for doing so is substantial.



### 6 | Poor Patient Balance Management

Long gone are the days when a provider can make ends meet by “taking only what insurance pays” on submitted medical claims. Patient balances make up an increasing percentage of total claim reimbursements for all providers. And the trend toward high-deductible benefit plans continues. So every medical practice needs to manage and collect patient balances due as an important component of overall revenues.

#### Solution

Implement an effective patient statement and delinquency letter protocol, with effectively designed workflows, moving to electronic statement/texting and incorporating patient payment portal and credit card payment functionality. It is very important to also provide for a high level of customer service - taking patient phone calls to answer billing questions - and providing for payment plans for patients struggling with medical bills. Outbound calls to patients who don't respond to patient statements and delinquency letters can cost-effectively bring in additional reimbursements. And finally, a professional collection agency should be engaged to work unpaid patient balances that are not otherwise converted.

### 5 | Deficient Software Systems

No software is perfect but bad software can cost you money in many different ways. Clinical (EHR) system issues are usually more apparent to providers because they are using that software continuously. But practice management (billing system) software issues can be harder to diagnose. Sometimes the problem is hardware or network related. If your systems are running slow or if it seems like it takes too much labor to get the work done, then your software might be contributing to the problem.

#### Solution

Get your computer hardware and network checked out and upgrade old equipment if necessary. Confirm that your internet bandwidth is sufficient, especially if your software systems are hosted. If you aren't upgraded to the most current version of your existing software, you might be missing some important functionality. And if your software systems are old and outdated, consider making the investment in a new system. At least have a review made and the return on investment analyzed. Old, slow, legacy software and hardware never makes any sense in supporting a dynamic practice.



### 4 | Poor Claim Denial Management

Everyone knows it's hard, labor-intensive work pursuing denied claims, and therefore costly. So very often the work just doesn't get done, or done well. And that's more costly. Most claim denials at the clearinghouse level are worked in most billing settings. Most initial EOB denials (zeroes) are also worked in most billing settings. But claims for which there is no payment or denial by payers, and appeals filed on denied claims without a timely payer response – these claims often result in write-offs and significantly affect a practice's cash flow.

#### Solution

Dedicate specific staff resources to denial management and develop detailed protocols for managing this aspect of the revenue cycle. And then measure performance of the staff devoted to this key metric. Also consider that this is where outsourcing can greatly assist in cost-effectively capturing lost revenues. Start by reviewing the scope of the problem in your medical group and then take action.

### 3 | Front Desk Staff Issues

Problems at the front end of any sequential process can create havoc downstream. And your front desk staff is at the front end of your revenue cycle. They take patient appointments, they enter patient demographics and most importantly, they enter and update patient insurance information into your PM system. Very often the correct insurance payer is identified but the wrong insurance plan for that payer is attached to a patient account. Or patient insurance in the system is not updated correctly because it takes some discipline at the front desk to continually check patients' insurance for changes. All of these issues can result in claim denials and lost revenues.

#### Solution

Review and update your front desk policies and procedures with downstream revenue cycle implications strongly considered. Simple straight-forward fixes up front can greatly impact your bottom line. Once improved, front desk performance should be monitored empirically by RCM dashboard reporting. Denials (unpaid claims) that are caused by front desk errors and omissions should be consistently tracked to make sure that this aspect of revenue cycle leakage is permanently fixed.



### 2 | Deficient Reporting

It's incredibly destructive to have no way to measure ongoing business performance and that's what happens when timely reporting is absent, deficient or misleading. Without accurate reporting it's impossible to know what issues are causing problems and therefore how to fix those problems. You might sense that your practice can do better but your guesses as to how to improve results are just that – guesses...

#### Solution

See what reporting can be produced from your software system. Usually a monthly reporting “package” produced at month end is ideal so long as all the requisite content is included. A revenue cycle management consultant can provide the expertise to know what information you need to have and how to structure your reporting to be most useful. And if your software system can't produce what you need, it is often possible to program a customized set of reports or a program a monthly “data extract” from your software database, dropping that data into a dashboard system for your use.

### 1 | Billing Staff Issues

It doesn't matter how good your PM software may be if your staff (or your billing company) can't use that software effectively to get results. Poor RCM execution will defeat good software systems every time. And a mediocre (average) billing staff performance could lose you thousands of dollars each month compared to the excellent staff performance your medical group deserves. Revenue leakage occurs in multiple places, a little bit here and a little bit there. Revenue cycle management is difficult and complex, so it is easy to be defeated by the magnitude and multitude of best practice RCM processes. Often times the losses are not intentional. A staff can work hard and be committed to its work but still come up short because of ineffective protocols, inefficient workflow and poor process execution.

#### Solution

Make a commitment to evaluate the processes, the software, the protocols and the staffing resources committed to your practice's revenue cycle. Determine whether or not your RCM staff is maximizing your reimbursements, net of costs and within compliance guidelines. If you identify staff that is not being effective with any particular part of the revenue cycle process, immediately commit to resolving the issue. Your medical group can't afford not to engage the very best staffing resources possible to manage your revenue cycle. Your financial health depends upon a regular, optimized cash flow, without undue reimbursement loss.

Make your medical group practice financially stronger and better able to serve patients. And if you need Precision's help to optimize revenues at your practice, please give us a call at **314-881-5208**. You can also learn more about Precision and our capabilities at **[www.PrecisionPractice.com](http://www.PrecisionPractice.com)**.

