



Is Outsourcing the Solution?

October 6, 2011

Agenda

- Influences in the industry.
- Why outsource?
- What are the risks?
- Mitigate the risks.
- Questions and answers.



Influences in the Industry

- Industry challenges.
 - High denials.
 - Low reimbursement.
 - Increasing A/R.
 - Mergers and acquisitions.
 - Payer requirements.
 - An evolving industry.
 - System conversions.
 - Inadequately staffed.
 - Outdated technology / lack of automation.



Influences in the Industry

- Money is scarce, both on reimbursement and for allocation of overhead and proactive advancement. Many MDs are seeking out hospital “employment”, a trend opposite from the ‘90s, when hospitals were seeking physicians.
 - Malpractice rates, risks of being alone, and overhead are driving MDs, particularly specialists, into hospital payrolls.
 - Overhead and costs of “doing business” have many MDs’ heads underwater and seeking ways to limit and/or eliminate costs.
 - Hospitals are doing a better job making themselves, and the comforts of the larger facilities, appear much more attractive and safer than practice life.



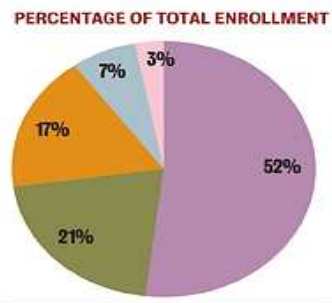
Influences in the Industry

- Why are hospitals taking on physicians?
 - More stable staff.
 - In-demand specialties are profitable.
 - They need to protect profitable service lines.
 - Government programs are forcing more physician cooperation to maximize cash and limit liability.
 - To save financially strapped practices.



Influences in the Industry

- Paperwork , paperwork and more....



Washington -- Roughly 750,000 physicians in the Medicare program soon will be asked to revalidate their individual enrollment records during a massive anti-fraud effort required by the health system reform law.

By [Charles Fiegl](#), amednews staff. *Posted Aug. 29, 2011.*



Influences in the Industry

- Accountable Care Organization (ACO) impacts?
Who knows yet?
 - Looking toward changes in payments, will hospitals partner with physicians to bring about ACOs?
 - No matter the final look of ACOs , they will inevitably mean change.
 - How will physicians be employed, what will the structure be?
 - More managed care should equate to less admissions, less reimbursement.



Influences in the Industry

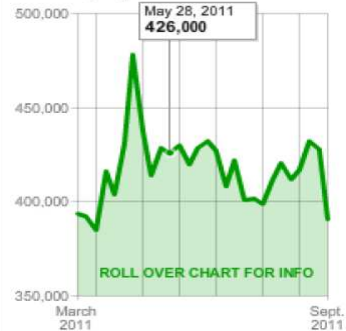
- Other industry impacts and pressures.
 - Capital access is scarce.
 - Credit access declining.
 - More jobs lost.
 - More uninsured patients.
 - Foreclosures.



Influences in the Industry

Weekly unemployment claims

Weekly initial jobless claims
Unemployment insurance weekly claims,
seasonally adjusted:



Source: Labor Department
By Juan Thomassie, USA TODAY

The Labor Department says weekly applications dropped 37,000 to a seasonally adjusted 391,000, lowest since April 2. It's the first time applications have fallen below 400,000 since Aug. 6.

Applications typically need to fall below 375,000 to signal substantial job growth. They haven't been that low since February.

USATODAY.com



Why Outsource?

- Partnering with the right people.
 - Plan and results.
 - “Experts” to manage the complete client revenue cycle process (doing it better and for less).
 - Increase reimbursements.
 - Decrease your internal costs.
 - Improve your technology and automation.



Why Outsource?

- Prime technology built into your premium.
 - Someone else;
 - Pays for the technology.
 - Implements upgrades.
 - Stays on top of industry trends.
- More experts working for you because they are working for themselves.



Why Outsource?

- “Nominal health spending in the United States grew 4.0 percent in 2009, to \$2.5 trillion or \$8,086 per person. This was the slowest rate of growth in the 50-year history of the National Health Expenditure Accounts (NHEA).”

(Source: CMS Issues Annual Report on National Health Spending, Centers for Medicare and Medicaid Services, January 6, 2011)



Why Outsource?

- Customizable solutions.
 - Functionality.
 - Full or partial.
 - Choose level of support.
 - Where do you want service to start.
 - Performance improvements.
 - Another set of eyes assessing revenue cycle affecting performance.
 - The truth without politics – a partner will tell you what is wrong and what is right.



Why Outsource?

- Staffing.
 - Less for you to manage.
 - Cost of recruiting and hiring.
 - Cost of retention.
 - Less risk.
 - Flexibility in decision making at a strategic level.



Why Outsource?

Effects of the economic recession	2010 rank	2009 rank
Improve billing, collections, and/or denial management processes	1	1
Decrease in revenue	2	3
Increase in uninsured patients	3	2
Postpone capital expenditures	4	4
Operating budget cuts	5	5
Staff salary freeze	6	12
Reduction in wellness, preventive and other elective visits	7	6
Renegotiate or eliminate low-paying commercial payer contracts	8	9
Enhance appointment-reminder activities	9	10
Staff hiring freeze	10	7

MedPracToday2010-Effects-Comparison-2009-2010[1], 10/2/2011, Page 1 of 1
 Copyright © 2010. All rights reserved. Medical Group Management Association.
 Contact: James W. Margolis, jwm@mgma.com



Why Outsource?

- Performance improvements.
 - The truth without politics – a partner will tell you what is wrong and what is right.
 - Your partners should be experts in workflow, the revenue cycle, and have already implemented the most profitable processes.



Why Outsource?

- Industry coverage.
 - Insight into payer challenges.
 - A partner who understands the industry trends through a wider scope.



Why Outsource?



Commonwealth
of Massachusetts

Deval L. Patrick
Governor

Timothy P. Murray
Lieutenant Governor

JulyAnn Bigby, M.D.
Secretary
Executive Office of Health
and Human Services

Seema Perumal Carrington
Acting Commissioner
Division of Health Care
Finance and Policy

Massachusetts Health Care Cost Trends

Price Variation in Health Care Services

Key Findings

- Prices paid for the same hospital inpatient services and for physician and professional services vary significantly for every service examined. There was at least a three-fold difference for every service and for most, a variation of six- or seven-fold.
- A comparison of median prices⁷ paid across hospitals reveals that for inpatient stays such as cesarean deliveries, the highest paid hospitals receive payments that are typically more than double the lowest paid hospitals. For other services such as knee and lower leg procedures, the range is significant but narrower with payment to the highest paid hospital that is 61 percent above the lowest paid hospital.



Why Outsource?

- Reporting / business intelligence.
 - Access to true business intelligence tools.
 - Access to ad hoc reporting.
 - Standard month-end financial statistical reporting.
 - Productivity reporting of key revenue cycle functions.
 - Analysis of service, payment, and denial trends.
 - Your profits are your partner's profits.



Why Outsource?

Key Performance Metrics - Dashboard

2011/Jul

	Compared to prior month	Trend	Compared to six month avg.	Trend	Compared to same month prior year	Trend
Charges	-19.7%	●	-13.9%	●	-5.5%	●
WRVUs	-18.0%	●	-12.9%	●	-2.6%	●
Payments	-6.2%	●	-4.6%	●	-7.6%	●
Expected Variance For Above	-9.1%		-7.0%		-4.8%	
Note: Expected Variance due to variance in number of business days						
# of Days in Current Month:	20.0					
# of Days in Previous Month:	22.0					
# of Days in 6 Month Average	21.5					
# of Days in Same Month Prior Yr:	21.0					
	Compared to prior month	Trend	Compared to six month avg.	Trend	Compared to same month prior year	Trend
A/R	-3.2%	●	-1.5%	●	4.2%	●
Days in A/R	1.2%	●	-1.2%	●	-0.1%	●
GCR	4.9%	●	3.4%	●	-0.8%	●
Payment Per WRVU	14.4%	●	9.5%	●	-5.1%	●

Why Outsource?

- Creating a close relationship, a true partnership.
 - Healthcare professionals working with you to ensure optimal practice performance.
 - Managing the partnership at the executive level.
 - More industry expertise within revenue cycle management.
 - Another “expert” to drive operational and financial improvements.
 - Provide feedback and focus on key performance indicators.



Why Outsource?

- A compliance partnership.
 - OIG’s guidelines for third party billing companies.
 - Include all of the key elements set forth in this guide.
 - Designated compliance officer and committee.
 - Formalized company code of conduct.
 - Established policies and procedures including on-going compliance education.
 - Confidential hotline for reporting potential compliance concerns.



Why Outsource?

- Trust.
 - “I don't want to be just a voice on the phone. I have to get to know these guys face-to-face and develop a sincere relationship. That way, if we run into problems in a deal, it doesn't get adversarial. We trust each other and have the confidence we can work things out.”
[Wayne Huizenga](#)

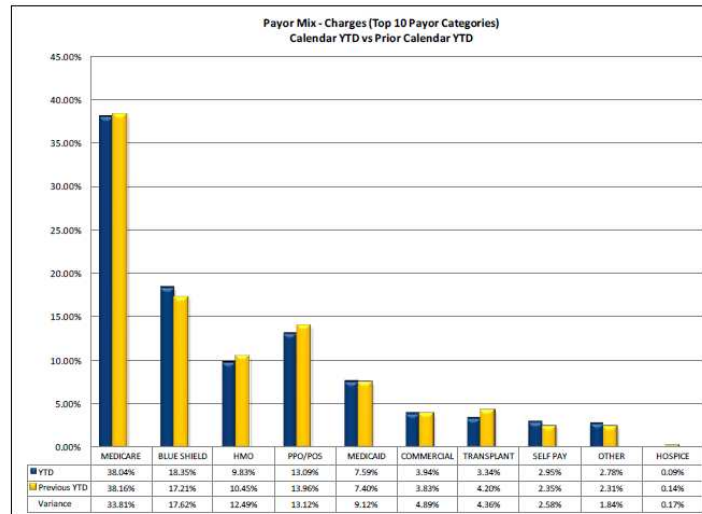


Why Outsource?

- Contract management and insight.
 - Contract reimbursement by payer.
 - Your partner's broader base will offer incredible insight into industry standards.
- Detailed analysis of payer trends and any potential industry issues in reimbursement.



Why Outsource?



What are the Risks?

- Choosing the right partner.
 - Trust is a long road.
- How do you choose the right one?
- What should your contract be?
- What clauses do you need to have written in?
 - Performance.
 - Compliance.
 - Rates.

What are the Risks?

- Technology limitations.
 - Are you going backward?
 - Is your IT really as bad as you think?
 - The devil you know.
 - Lost control over advancements and risks.

What are the Risks?

- Are you getting what you pay for?
 - Good fences make good neighbors, great contracts make good partners.
 - Is there really more money to be collected?
 - Understand your position going in.
 - Make sure your partner does the same.
 - Research and check references of your potential partner.
- Baseline your options, court several to select the right one.

What are the Risks?

- Staffing issues you can not affect.
 - You no longer have the responsibility or the human resources risks, nor do you have the control.
 - You do not select and hire the talent.
 - You no longer directly influence performance.
 - You need to learn to manage performance expectations at a higher level – Service Level Agreements.

What are the Risks?

The Medical Group Management Association (MGMA) tracks employee turnover rates in group practice in the annual [MGMA Performance and Practices of Successful Medical Groups](#) survey report. The 2006 survey report data indicated turnover rates of:

- 25 percent for receptionists and medical records staff
- 16.59 percent for nursing and clinical support staff
- 10 percent for billing/collections and data-entry staff
- 1.56 percent for nonphysician provider staff

What are the Risks?

- Accessing your own data.
 - Reports take time, and now you have to ask.
 - Data integrity.
 - How good is the business intelligence (BI) tool?
 - Current technology?
 - Any lags in data?
 - Quality assurance.
 - Who has access to the data? (Can you now control perception?)

What are the Risks?

- Less control of the revenue cycle.
 - You will not have access to everything.
 - Back logs and overstocked inventory.
 - Are charges and payments processed timely?
 - Are rejections (zero payments) being processed?
 - Are you applying what you learn to the process? More importantly, is your partner?

What are the Risks?

- The sins of your partner?
 - Their compliance is yours.
 - Mistakes affect both bottom lines.
 - Are you being told what is wrong (or what is right)?
 - Are there lumps under the rugs?
 - Is the relationship honest and direct?

Mitigate the Risks

- Selection process.
 - You must first agree, as an organization, on what you are looking for.
 - Full or partial?
 - Performance measurements.
 - Research what an outsourced relationship really means.
 - Understand clearly who within your organization will be responsible for the partnership.
 - Talk to your peers, those in your industry who have already participated in this type relationship.

Mitigate the Risks

- Have full disclosure on technology.
 - Where is your partner currently?
 - Where are you, can you be successful in the above framework?
 - See your potential partner's technology plan, five years into the future.
 - Understand the capital expenditure to technology, is it sufficient?
 - Meet those who will be managing this essential part of the relationship.

Mitigate the Risks

- Contracting.
 - Set and sign for clear, defined levels of performance.
 - When in doubt, have it written.
 - Contract for growth, plan for it.
 - Set and document potential "needed" escapes.
 - DO NOT ASSUME.

Mitigate the Risks

- Ensure compliance is in the forefront of your partner's company.
- Understand the human resource structure of the partner.
 - Who are the key managers?
 - Who and how many will be working for your account?
- Make sure business intelligence is just that, technologically advanced, stable, and focused on delivery.
 - Actionable reporting is the goal.

Questions & Answers

Sean A. McDonagh
Executive Director of Client Services
Springfield Service Corporation
Smcdonagh@s-s-c.com
8151 West 183rd Street
Suite B
Tinley Park, IL 60487
617-777-4298