

THE BULLETIN

September 2008

Journal of the Monroe County Medical Society • Seventh District Branch, MSSNY



Paying for Healthcare

Getting the important numbers right

Benchmarking process may serve to improve your bottom line

By Lisa Smith

Are you billing the right rates? Are you sure? With a couple of hours of time you can be sure. A local practice management company discovered that a number of their customers had not fully updated their fee schedule this year. And most payers will reimburse the lesser of your billed rate or their fee schedule. Therefore if you are billing less than the payer fee schedule, the payer will reimburse you less than their fee schedule.

Here is an example: if we assume the following for a level 4 office visit (code 99214):

- your rate (also referred to as your usual and customary fee), based on your charge master is \$110.00
- one local payer's fee for a level 4 office visit is \$108.05
- a second local payer's fee for a level 4 office visit is \$116.16
- and Medicare's fee for a level 4 office visit is \$85.75
- you have signed a Participating Provider agreement with both local payers and Medicare

Then the following would be true:

Payer	Your fee 99214	Payer's fee	Payer's reimbursement*	Money lost per service
Payer #1	\$110.00	\$108.05	\$108.05	\$0
Payer #2	\$110.00	\$116.16	\$110	\$6.16
Medicare	\$110.00	\$85.75	\$85.75	\$0

**Note this simplified calculation ignores any patient co-payment or deductible. A patient co-payment or deductible will change where the money is coming from the payer or the patient, however it will not change the total.*

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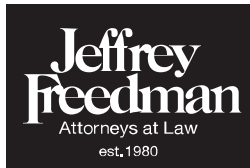


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What is the impact of this scenario? If you were billing Payer #2 a level 4 office visit ten (10) times a week then you would be losing \$61 per week and \$3,200 per year.

How can you check for this in a couple of hours? First you need to know the codes/services you bill most frequently. The biggest impact will be for the top 20-30 codes/services you bill most often. You may also choose to look at the codes/services which have the highest reimbursement if they are not also the codes utilized most frequently. Then create a list similar to the above grid and identify and codes/services where your fee is less than the Payer's fee.

A caution, your fee should be rea-

sonable based on the cost of providing that service. If you have any questions or concerns about this, you should consult your accountant and/or legal advisor.

You may recall from a previously published article that this is one component of a benchmarking process. In the manner described above you are benchmarking your fees to the payers. This information can be valuable and make a difference to your bottom line.

Here is how to benchmark with fees in mind:

1. Determine what is critical to your organization's success-
Billing the right rates
2. Identify metrics to measure-
frequently billed codes/services
3. Determine the source of the benchmark
Payer's fee schedules and your chargemaster/fees
4. Measure your performance\ *create the grid comparing fees*
5. Diagnose and determine if you need to take action
If fees are lower than the payers and higher fees can be justified, change them!
6. Return on Investment (ROI)
Frequency billed times the difference in reimbursement
7. Implement changes
8. Do it again!

This important benchmarking process may improve your bottom line.

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"The Work/Life Balance"
In the November/December
issue of *The Bulletin*

..... REMINDER

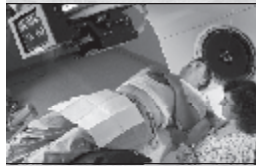
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