Optimize Physician Practices’ Reimbursement with the Help of Electronic Coding, Billing and Reimbursement Solutions

TECHNOLOGICAL VIGILANCE ENSURES TOMORROW’S SUCCESS
Executive Summary

Today's health care system is a business in which only the savviest providers can navigate and flourish. Delivering care in an industry that bases reimbursement largely on correct and efficient medical coding makes preparedness crucial — a proactive approach can mean survival.

Absorbing cost increases and mitigating diminishing revenues are creating an uncertain cash flow for today's physician practices. A recent survey completed by the Medical Group Management Association (MGMA), “Cost Survey: 2005 Reports Based on 2004 Data,” documented the significantly shrinking margins of primary care medical group practices: annual decreases are as much as 5.5 percent for internal medicine single-specialty practices and 3.9 percent for non-hospital-owned primary care-only multi-specialty practices.

The one guarantee for physician practices is increasing government mandates for accurate medical coding. A Centers for Medicare & Medicaid Services (CMS) recent study, “FY 2004 Improper Medicare Fee-for-Service Payment Report,” determined that 95 percent of payment errors by the traditional Medicare program for services covered on a fee-for-service basis involved overpayments. These findings have prompted the government to take steps to reduce error rates. And, just as CMS will question each claim's relevancy, physician practices will continue to depend on the reimbursement the program can provide.

Yet, practices cannot afford to focus solely on submitting accurate, clean claims — they also face a paralyzing array of regulations by government and private payers. In order to keep abreast of these frequent changes, many are turning to electronic coding, billing and reimbursement (CBR) solutions as a way to cope.

This paper:
• Captures industry research and highlights key data from interviews conducted July/August 2005 with 38 industry experts and decision makers in large provider and payer organizations regarding the challenges of correct coding and reimbursement.
• Reviews findings from the interviews regarding the impact of electronic (especially online vs. software) coding, billing and reimbursement solutions used.
Securing Future Cash Flow with Electronic Coding, Billing and Reimbursement (CBR) Solutions

A physician practice’s survival is substantially linked to the accuracy and timeliness of medical coding and billing. An uncertain future of rising costs and falling revenue requires proactive implementation of key technologies that not only sustain, but prolong a profitable practice. By integrating electronic CBR solutions, participants in our research revealed that their practices were able to efficiently reduce costs, increase revenue capture, increase cash flow, optimize labor and improve process management.

Today’s reimbursement reality is a constant interchange of data that can help or hinder an organization’s ability to stay afloat. In order to file complete, accurate claims and receive proper reimbursement, providers turn to industry experts. Those experts include the American Medical Association (AMA), American Hospital Association (AHA), as well as market-leading organizations such as Ingenix, 3M, Channel Publishing, IDX, atheanahealth, Per Se and Emdeon. Providers search for technology solutions that will support their business goals and ultimately enhance profitability. Such solutions, used by participants in our research, include electronic coding, billing, reimbursement (CBR) and training tools, a combination that makes it easier to build efficiencies within physician practices.

The Challenges of Correct Coding and Reimbursement

Physician practices of all sizes struggle with accurate, timely coding and billing services. Payers, in turn, scrutinize claims to minimize costs and prevent unauthorized payments or fraud. This dynamic will certainly intensify with CMS’s recent implementation of recovery audit contractors (RAC) focused on ensuring accurate payments.1 By effectively streamlining coding and billing through electronic CBR solutions, the complexities a physician practice faces can be simplified, while generating additional capital.

“We’re in a time of declining reimbursement and expanding operating costs — the case for ROI [regarding electronic CBR solutions] is building because of tertiary points, such as the ability to more quickly meet governmental regulations, correct coding and faster claims submission. The initial investment will definitely pay off.”

—Robert Tennant, Senior Policy Advisor, Health Informatics, Medical Group Management Association

In our research, decision makers in physician practices indicated that their ultimate goal of

sustaining a healthy cash flow can be achieved through these objectives:

- Reduce claim denial or error rates to fewer than 10 percent.
- Expedite charge entries to a time frame of one to two days.
- Reduce days in accounts receivables.
- Increase the collection rate.

It is how these goals are met that decides a practice’s future.

Current Conditions

The lack of technology integration among physician practices presents serious limitations. Many physician offices are relatively small (most with fewer than 10 physicians), have limited administrative staff to help with coding, billing and other office management tasks and scarce technology resources. As a result, they are far less “connected” than hospitals or other parts of the health care system.

To offer a point of comparison, the hospitals’ investment in electronic CBR solutions is much higher, as shown in the following figure — and the resulting benefits are significant — a recent report to Congress by the Medicare Payment Advisory Committee (MedPAC) refers to research with preliminary results indicating that the longer the investment in technology (by hospitals), the greater the financial effect.

Lagging adoption of electronic solutions among physician practices is highlighted in a recent comprehensive study by the Medical Group Management Association (MGMA) Center for Research and the University of Minnesota of Public Health, “Medical Groups’ Adoption of

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Physician practices are far less “connected” than their health care counterparts.

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2 Shugoll Research, based on 600 phone interviews conducted August 2004-May 2005
Electronic Health Records and Information Systems. A national review of more than 3,300 medical group practices (three or more physicians) showed the adoption rate of EHR and other electronic coding, billing and reimbursement solutions increased with the size of practice; groups with six to 10 FTE physicians reported a 15.2 percent adoption rate, with groups of 20 or more FTE physicians having a 19.5 percent adoption rate. However, even in smaller physician practices, when electronic CBR solutions are adopted, the resulting benefits are clear. A recent study of 14 practices ranging in size from one to six physicians that had used EMR systems from 15 to 45 months showed that annual benefits per organization averaged $32,737 (the investment costs averaged $8,412). Most notably, as a result of the EMR system’s implementation, ten out of 14 practices derived most of these gains from increased level of coding (on the average, about 52% of total benefits.)

Slow Technology Adoption: Its True Costs

While it is known that claim denials and errors deplete a practice’s revenues, this fact becomes more acute for practices slow to adopt technology.

For instance, as electronic CBR solutions become a viable option for practices, computer-assisted coding (CAC) will become more common. While recent studies reveal CAC improved accuracy of rates between 57 percent and 98 percent, very few practices use it. As software improves and there is clearer information from other physicians’ experience with it, CAC is expected to gain popularity.

“Computer-assisted coding … enables a lot of the body of knowledge to be available right at the desktop, and that helps with the accuracy and completeness of coding, [which], in turn, would, of course, reduce denial rates.”

—Rita Scichilone, Director of Practice Resources, AHIMA

Practices lagging in technology adoption are also not seeing complete reimbursement benefits provided by electronic CBR solutions. For instance, many of the common errors that result in delayed/declined claims (as illustrated by an analysis of approximately 160,000 Medicare fee-for-service claims and almost 900,000 private-payer claims), can be avoided with electronic coding systems that check for basic information and use logic edits to ensure the codes used are properly supported.

Many electronic CBR solutions minimize common errors referenced below, such as those

5 Modern Healthcare, October 3, 2005, “Good news and bad news”, based on a Commonwealth Fund-sponsored study at University of California at San Francisco
8 HIAA, Results from a HIAA Survey on Claims Payment Process, March 2003, based on 968,000 claims.
9 CMS, FY 2004 improper Medicare Fee-for-Service Payment Report.
caused by insufficient documentation by offering official language for documentation, often supporting higher levels of coding. When it comes to medical necessity checks, electronic coding solutions currently available on the market (such as EncoderPro.com from Ingenix, used by a few of our respondents), compile all active Local Medical Review Policies, Local Coverage Determinations and National Coverage Determinations. Such applications display policies in their entirety and provide claim editing for procedures and diagnoses for each contractor and locality on the Part B side of the payment system.

The Solution: Electronic Coding, Billing and Reimbursement

Overall, study participants agreed on these specific benefits of electronic coding, billing and reimbursement solutions:

- Shorter bill processing time.
- Better revenue capture rates.
- Lower error or denial rates.
- Reduced time in A/R.
- Improved staff efficiency.
- Savings due to reduced need for print code books and reference guides.
- Improved ability to comply with new federal guidelines or regulations.
- Enhanced ability to analyze practice financials.

Internal efficiencies allow physicians to be proactive, resulting in future financial success.
Electronic coding solutions were also found to enhance coding accuracy since the staff has updated information at all times. In fact, our respondents indicated that, with the help of electronic solutions, denial rates were cut in half, at a minimum, and some reported even more dramatic results.

“It’s important to use [electronic] tools that can aid with documentation and correct coding. The additional reimbursement can be in the thousands each month.”

—Robert Tennant, Senior Policy Advisor, Health Informatics, Medical Group Management Association

Many such solutions are all-encompassing, with the ability to search across always-current ICD-9 CM, CPT® and HCPCS level II code sets simultaneously by using different terms, acronyms, abbreviations and reference lay descriptions, medical necessity notes and color coding.

“You can't bill and code without learning about the new changes. You can't bill without having the right tools — or expect to get paid by using a 2001 CPT® book or an ICD-9 book.”

—Chris Berger, Director, Billing Compliance, St. Louis University

“The claims are clean and they are correct, so our turn-around time is much faster. Our aged receivables have decreased because the coding is correct and the processing timely and fast.”

—Jane Darroch, Office Administrator, Arundel Medical Group, Inc., a 17-physician practice

Key Combination

Adoption of integrated computer systems, electronic practice management and coding, billing and reimbursement solutions in physician practices is still in its infancy, with speed of adoption based largely on budgetary constraints and individual physician practice comfort with technology. Yet, the adoption of such beneficial technologies is expected to accelerate due to government mandates and private payer requirements — factors that compel practices to transition to electronic claims submissions, opening the door to automated coding systems.

“Every dollar spent on technology is a dollar out of a physician’s own pocket, yet they’re finding that this is money well spent as the case for ROI increases.”

—Robert Tennant, Senior Policy Advisor, Health Informatics, Medical Group Management Association

A key link to the adoption of electronic CBR solutions is the use of personal digital assistants (PDAs). A recent study in the British Medical Journal of 54 U.S. generalists and internists

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showed in 2004 that close to a quarter of physicians currently use mobile devices; by the end of 2005, that figure should be up to one-half. The general consensus among the group of physicians is that handheld devices and other technologies are becoming ever-present in health care. According to the study, common uses for handheld devices include:

- Point-of-care assistance — drug information, clinical guidelines, decision aids, patient education
- Patient information — patient tracking, clinical results
- Administrative functions — electronic prescribing, coding, tracking schedules
- Research activities — data collection, participant education
- Medical education — lecture notes, presentations, photographs and diagrams

**Increased Compliance = Monetary Benefits**

In a recent study, the average rate of electronic bill submission from physician practices to private payers was at just above half, while electronic submission of Medicare was higher, averaging over two-thirds. The decision makers interviewed in the course of our research saw clear improvements in denial rates when switching to electronic submission, indicating that the ideal combination was electronic claims submissions paired with electronic (especially online) coding tools.

“`The denial rate was as much as 40 percent. Now it is 2 percent. That is the selling point [for electronic claim submission].”`

—Jane Darroch, Office Administrator, Arundel Medical Group Inc., a 17-physician practice

The positive correlation between electronic claim submission and increased accuracy noted by our respondents was also confirmed in a study by the Health Insurance Industry Association (HIIA), as shown in the following chart.

<table>
<thead>
<tr>
<th>Claims Processing Data</th>
<th>Paper Format</th>
<th>Electronic Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of claims submitted by physician practices</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>% returned due to errors or omissions</td>
<td>11%</td>
<td>3%</td>
</tr>
</tbody>
</table>

11 Shugoll Research, based on 600 interviews conducted August 2004-May 2005.
12 HIIA, Results from an HIIA Survey on Claims Payment Process, March 2003.
The Know-How

Increasingly, accurate claims facilitated by electronic coding, billing and reimbursement tools result not only in timely payment of A/R, but also less frustration within a physician’s practice. More specifically, about half of the practices surveyed for this report stated that electronic CBR solutions either helped reduce staff significantly or saved the time spent on the coding and billing process, allowing them to focus on higher priority issues.

“We’ve been able to maintain the same [staff level] over the last 5 years, yet our volume has more than doubled. We’ve been able to, through electronic [CBR solutions], keep up with the increases in volume without increasing staff.”

—Bryon Pickert, Director of Operations, Vanderbilt Medical Group, A 700-physician facility

Notable among electronic CBR solutions were online training tools. Online training allows for Web delivery when, where and precisely as it is needed. Online training can also be repeated on demand. Some of the additional benefits of online training, as noted by our respondents, included decreased training costs, convenience, ability to fulfill learning requirements and quick updates on the latest code changes for immediate application.

“Time is money and there is no reason for [staff] to be out of the office to attend a seminar when all they need to do is key in and go through the training at their convenience.”

—Jane Darroch, Office Administrator, Arundel Medical Group, Inc., a 17-physician practice

And, while online training does not affect staffing levels, it certainly does influence staff’s level of expertise, leading to increased competency.

“Our staffing levels are about the same, they’re just more efficient. We’re getting done faster and [the claims] are cleaner.”

—Janet Mills, Business Office Manager, Huntington Medical Group, a 36-physician practice

Capitalizing on the Technology

The message regarding electronic CBR and training solutions is becoming clear: A physician practice without such technologies will most certainly face higher error rates and less efficiency — an aggravation that adds uncertainty to their cash flow.

With the integration of such electronic solutions, a practice can now get to the source of the problems — for instance, are billing errors associated more often with specific coders or certain procedures, are outdated codes the root of the problem? Electronic solutions can also help management make key decisions about the types of businesses with which they want to collaborate, what services to provide, at what prices and which markets to serve. As with any business, this proactive analysis is crucial to creating and sustaining improved cash flow.
“They could use electronic solutions in payer contracting and negotiations because they can generate reports that analyze the contracts versus the income from procedures. Also, they can analyze the timely manner in which each payer is paying. With these reports, they can decide whether or not they want to renew a contract with a particular payer.”

—Deborah Hall, CPC, Clinical/Technical Editor, Ingenix

In addition to increased monetary gain, electronic CBR solutions attract tomorrow’s physicians. Future staffing, especially in rural areas, is becoming reliant on the ability to prove a practice’s technology savvy.

“It’s a recruitment tool — electronic solutions are very attractive to young physicians who have used this technology throughout their schooling. Often, physicians aren’t saying they want more money; rather, they want to get out of the office to spend time with their families. Electronic solutions make this happen — this equates to heightened quality of life.”

—Robert Tennant, Senior Policy Advisor, Health Informatics, Medical Group Management Association

Recommendations for Survival, Success and Satisfaction

The economic implications of incorrect medical coding and billing are far-reaching for physician practices, which face increased internal and external pressures for accuracy regardless of readiness. Policy decisions and regulations from CMS put enormous pressure on providers who are not operationally ready for these changes but whose payers follow Medicare policies.

As shown in this study, a physician practice can be efficient and financially solvent with electronic CBR solutions. By streamlining internal processes and increasing productivity, the practice can reap reimbursement once thought out of reach.
“Our Medicare [reimbursement] has turned around incredibly. Now, we go online, input the code and [we get] all the diagnoses payable by Medicare — that helps us a lot.”

—Janet Mills, Business Office Manager, Huntington Medical Group, a 36-physician practice

“We are doing more in less time with less people.”

—Jane Darroch, Office Administrator, Arundel Medical Group, Inc., a 17-physician practice

Even more, electronic CBR resources used by our respondents have enhanced accuracy and improved cash flow. With such clear benefits for physicians and their staff, the practice can gain financial and clinical stability and, most importantly, the ability to plan the future with confidence.