How to Stay Profitable as an Independent Practice

In the post-ACA era of health insurance, it's getting harder and harder for practices to stay independent. Here's a guide that will help.

BY JANET COLWELL

INTRODUCTION: IMPACT OF THE ACA

The Affordable Care Act (ACA) has enabled millions of previously uninsured Americans to purchase health insurance through state exchanges and gain access to regular preventive care and medical services. As a result, primary-care physicians have seen an influx of new patients as the law took effect, potentially boosting their bottom line.

However, the change comes with several potential complications for physicians. For example, since the ACA requires that all plans purchased through exchanges cover the same preventive services, the main point of differentiation is out-of-pocket costs. However, those costs are difficult to determine upfront because the government defines each of the four plan levels — bronze, silver, gold, and platinum — by actuarial values.

For example, a silver plan has an actuarial value of 70 percent, meaning that it will cover 70 percent of an average patient's healthcare expenses. As a result, out-of-pocket costs vary depending on each patient's healthcare needs in a given year.

A 2016 marketplace study by the Kaiser Family Foundation (KFF) cites one particularly telling example of two plans purchased in Texas, both silver-level, along with their corresponding cost-sharing requirements:

Plan No. 1: $5,900 deductible, $0 copay for office visits and no cost sharing for inpatient care after deductible is met.

Plan No. 2: No deductible, $30 copay for office visits, and a 40 percent coinsurance for inpatient care.

Depending on the plan level, patients may or may not have separate deductibles for medical services and prescription drugs, the same study notes. If combined, as in most bronze

and silver plans, patients may have to meet their entire deductible before receiving coverage for medications. In addition, copays for office visits are often not counted towards the overall medical deductible.

Not surprisingly, these plan variations present challenges for both patients and physicians. Medical office staff should know how exchange plans work, in general, but cannot be expected to know the ins and outs of every individual plan. At the same time, they have a vested interest in helping patients understand their new financial responsibilities.

"As insurance plans change, more responsibility is being shifted to the patient," said Ben Colton, principal consultant at ECG Management Consultants in Seattle, Wash. "It's more critical than ever for practices to be proactive about collecting patient balances and copays."

High deductibles are among patients' biggest concerns when shopping for plans, according to a 2016 market analysis of 17 major U.S. cities by KFF. Premiums for the lowest-cost silver plan — the most popular choice among healthcare exchange enrollees — are expected to increase by a weighted average of 9 percent in 2017, according to the analysis. Average combined deductibles are also rising. The 2016 average for silver plans is $3,064, up from $2,556 in 2015

Those costs can be daunting for patients. According to the Kaiser analysis, many patients switch plans to avoid premium increases even though it might mean changing insurers. At the same time, insurer participation in the exchanges can vary from year to year.

With all of these potential fluctuations, it's important for physicians to revisit their financial policies and make sure they are clearly communicated to patients.

According to revenue cycle management experts, it is more important than ever for practices to verify insurance, collect copays on the day of service, and track their financial metrics. It's also critical to educate all staff members about changes in the marketplace and how to enforce the office's collections policies.

"The keys to succeeding in this new era are education, knowledge and training," said Kenneth Hertz, based in Roanoke, Texas, principal with the MGMA Health Care Consulting Group. "It's imperative that everyone on staff know what's happening in healthcare now and how to talk to patients about money."

STAFF TRAINING

In the pre-ACA era, insurance reimbursements accounted for the bulk of a practice's collections while copays were almost an afterthought, noted Scott Koenig, president of Lima, OH-based KeyBridge Medical Revenue Care, which provides A/R management, bad debt collection, and business office services to healthcare clients. Now that patients are taking on a larger share of their medical expenses, practices must pay more attention to educating their staff about coverage and payment issues and training them to convey that information to patients.

"In the past, patient satisfaction was based on the clinical experience, but now patients are also taking note of what happens during the registration, billing and collections phases," said Koenig. "Practices need to position themselves accordingly because the collectability of an account goes up drastically when a patient is satisfied with their experience."

The cost and time required to educate staff may seem like an unnecessary added expense at first but it's well worth the investment in the long run, experts say. In order to maximize collections, you need to provide the necessary training and tools for your staff to be successful. Training often boosts staff job satisfaction as well, noted Reed Tinsley, CPA, a Houston, Texas-based certified healthcare business consultant.

"Rarely do I find staff that doesn't appreciate training to increase their abilities, and rarely does training not pay," said Tinsley. "Have staff report back to the group on what they learned and how it can help the practice. Listen to their suggestions. Hold regular in-service training on your specialty."

Strive for a culture of responsibility and accountability, said solo family practitioner Jen Brull, a family physician and owner of Plainville, Kan.-based Prairie Star Family Practice. In her practice, employee raises are tied to meeting certain performance targets, such as predetermined goals for the percentage of copays collected at the front desk.

There should be a general awareness among the staff that collections are critical to the practice's long-term financial health, said Colton. Every staff member should know his or her role in boosting collections and how it fits into the overall revenue cycle. He recommends regularly updating the office's financial policies and collections procedures. Staff should also be given specific guidelines or scripts for communicating those policies to patients.

It's not necessary for everyone to be an expert on financial matters but they should have access

to someone who is, he adds. The office manager or someone in the billing department should act as a resource for the rest of the staff and be prepared to answer more detailed patient questions when they arise.

"Staff at the front desk should be able to call the point person directly to walk patients through some of these issues when necessary," said Colton. "Some practices have seen benefit in hiring a full-time financial counselor to fill that role."

Staff should also be fully trained to use any tools that may help boost patient collections, said Tinsley. If you have a patient portal, for example, employees at the front desk should be able to explain to patients how they can log in and take advantage of its features. To facilitate training, Tinsley recommends creating a test patient record and portal account for staff use so they can see firsthand how it works and anticipate patient questions.

Sometimes it makes sense to bring in a consultant as a resource on technology issues, said Brull. With her practice, she shares the cost of an IT consultant with four other practices under an Organized Health Care Agreement (OCHA), which allows the independent practices to share overhead expenses. The consultant is always on-call and is paid by the hour.

"Having an IT person available allows us to do a lot of things in-house and customize our reports," said Brull. "Having someone who understands our systems, mission, and culture is one critical factor in our success."

BETTER MESSAGING WITH PATIENTS

Communication with patients should start before they arrive at the office, experts say. Reminder calls, texts, and emails prior to appointments should include information about how to access the practice's website as well as if the practice has a patient portal, and how to update their personal and insurance information online.

The front desk should perform a three-part financial clearance starting 36 hours before an appointment, said Tinsley. Start

TECH TOOLS: LEVERAGING THE POWER OF YOUR EHR

EHRs are at the center of the modern medical office. No longer restricted to clinical data, these systems typically encompass financial functions as well, allowing practices to consolidate operations into one central platform.

Despite the growing prevalence of EHRs, not all physicians are using key features that can help maximize revenue, experts say. The following are some of the EHR tools and add-on tech features that can help boost collections:

Insurance verification. Using real-time verification software allows staff at the front desk to quickly verify patients' policy details rather than spending time on the phone with insurer reps.

Patient portal. It pays to customize your portal and make it as patient friendly as possible. At Plainville, Kan.-based Prairie Star Family Practice, for example, patients can pay their bills online through an electronic bill-pay service that's connected to the secure patient portal, said owner Jen Brull, a family physician and solo practitioner. However, make sure your staff is fully trained in how to use the portal so they can explain to patients how to use it.

Online credit card processing. Add credit or debit card point-of-sale payment systems linked to a mobile card swiper. The American Medical Association offers this guide to shopping for merchant service companies, which charge transaction fees for processing credit or debit card transactions.

Automatic payments. Many merchant service companies offer an option to keep patients' credit card information on file securely. After discussing their financial responsibility for a future procedure or service, patients can decide whether to authorize a one-time payment pending final calculation of their bill or set up a payment plan with recurring payments.

Electronic check-in. Some offices have installed electronic kiosks or handheld tablets that allow patients to self-register and pay in the waiting area. "Patients can pay their co-pay or outstanding balances with a credit card without ever visiting the front desk," said Kenneth Hertz, principal with the MGMA Health Care Consulting Group. Such tools also reduce errors by allowing patients to input and instantly verify their information.

Automated Electronic Remittance Advice (ERA) Enrollment. This is an electronic version of the explanation of benefits from health plans. Using ERA can reduce administrative burdens on practices by automatically posting payments and adjustment reason codes to patient accounts in practices' EHR systems.

Electronic Claims Submission. According to the AMA, submitting claims electronically can result in an average annual savings per physician of more than $23,000. It can also minimize claim denials and resubmissions and improve cash flow by expediting insurer payments.

with verifying the patient's insurance followed by confirming eligible benefits and validating any unmet deductibles.

The 36-hour window is "close enough to the date of service to get accurate and timely feedback about the patient, but still enough time to research and resolve problems discovered in the clearance process," noted Tinsley. "Be sure to pull a record of balances for all established patients before the appointment so your staff can request payment with fresh, printed proof of the balance in hand."

Front-desk employees may feel reluctant to discuss money when the patient is in the office, but that attitude is usually counterproductive for patient and practice, noted Hertz. Patients generally appreciate being well informed about their financial responsibilities as long as the information is delivered in a sensitive, professional manner.

"Money can be a sensitive topic, so how and where you have that conversation is critical," he said. For example, it's usually better to inform a patient about an overdue balance during a reminder phone call rather than while she's waiting to register with several other people in line.

"You should be respectful of the patient's privacy but at the same time it's okay to be firm," said Hertz. "Remember that the office is providing a service, and it's appropriate and correct that you should be paid for that service."

In fact, patients often feel reassured by knowing that the office has alternative payment methods or installment plans. For example, many offices offer in-house payment plans or work with vendors that offer credit plans for medical expenses. You might also consider offering discounts for prompt payments or financial assistance based on income.

"We talk to all of our patients about their financial responsibilities," said Brull. "We encourage people to pay upfront; if they don't have insurance and are unemployed, we give them up to a 95 percent discount for paying on the day of service."

Brull also talks to patients about how they can lower their medical costs by visiting the office regularly for preventive care and minor health issues. For example, she explains that addressing health issues early can prevent them from escalating into bigger, more expensive problems, and avoid trips to the ER.

"For our uninsured patients we have a very generous sliding scale program through our urgent care and primary-care clinic," she said. "We really encourage people to see us here rather than visit the ER."

KEEPING ON TOP OF THE REVENUE CYCLE

Once you've implemented strategies to boost collections, it's imperative to track and measure your progress. Experts recommend keeping a close eye on key metrics in order to assess your effectiveness and flag areas for improvement.

"We understand our revenue cycle 100 percent," said Brull. "We look at all our key metrics twice a month so we can see very quickly when things are changing." And changed they have. Through consistent monitoring and tracking of key metrics, Dr. Brull's office was able to improve its front desk collection rate (at time of ser-

KEY METRICS TO TRACK

Staying on top of your revenue cycle is about more than just monitoring cash flow. To effectively assess the financial health of your practice, the American Academy of Family Physicians (AAFP) recommends tracking these five key metrics:

Days in Accounts Receivable. Days in A/R should stay below 50 days at minimum; 30 to 40 days is preferable.

Days in AR greater than 120 days. The amount of receivables older than 120 days should be between 12 percent and 25 percent; less than 12 percent is preferable. To get the most accurate picture of your practice's financial standing, base your calculations on the actual age of the claim, i.e., the date of service, not the date on which the claim was filed or when it changes hands from one financially responsible party to another (primary insurance to secondary insurance; insurance to patient).

Adjusted collection rate. The adjusted collection rate should be 95 percent, at minimum; the average collection rate is 95 percent to 99 percent. The highest performers achieve a minimum of 99 percent. Use a 12-month time frame when calculating the adjusted collection rate. Keep fee schedules and reimbursement schedules on hand to get an accurate picture of what you should have been paid and avoid inappropriate write-offs.

Denial rate. A 5 percent to 10 percent denial rate is the industry average; keeping the denial rate below 5 percent is more desirable. Automated processes can help ensure your practice has lower denial rates and healthy cash flow.

Average reimbursement rate. Assess against the industry average of 35 percent to 40 percent.

Source: "Finances and Your Practice." AAFP. http://www.aafp.org/practice-management/administration/finances.html.

vice) from 50 percent to over 75 percent and lower the number of aged insurance claims from over 800 to under 300.

According to the American Academy of Family Physicians (AAFP), financial success hinges on closely monitoring five areas: days in accounts receivable (AR), days in AR greater than 120 days, adjusted collection rate, denial rate, and average reimbursement rate (see sidebar).

Other areas to watch, according to experts, include your gross and net collection percentage; collections by payer; time from patient visit to claim submission; and how long it takes to get paid by payers. Tinsley also recommended staying alert to red flags that might indicate developing problems, such as a sudden change in A/R tendencies, escalating overhead costs, or late payments to vendors.

"Breakdowns in the revenue cycle are almost always due to a lack of oversight and failure to keep on top of these metrics," noted Tinsley. "The person in charge of overseeing reports should keep staff up to date on the practice's financials and progress toward goals."

Full staff meetings should be held at least monthly to go over the financials and make sure everyone stays focused and working toward common goals, he said. Use this time to discuss problem areas, such as rising denials, and to brainstorm potential solutions.

Excel can also be a useful tool for more advanced analysis and data management, said Nate Moore, a consultant who moderates the Excel Users Medical Group Management Association Community, an online resource for practice administrators. Excel offers an interactive tool called pivot tables that allows you to look at data in many different ways.

For example, by exporting aging A/R data into pivot tables, you can zero in on problem areas, such as claims overdue by 60 days categorized by insurer. You can also measure staff productivity, such as the number of appeals or claims processed by individual employees during certain time periods.

Other advanced analytics platforms include enterprise data warehouse systems, which integrate data from various sources, and predictive analytics platforms, which help identify patterns and predict future trends.

STRATEGIES IMPROVE CASH FLOW

By implementing these strategies, even small and independent practices can enjoy long-term success. Brull, for example, has maintained her independence for 14 years, bucking the industry trend towards consolidation.

In addition to staying on top of the revenue cycle, Brull has found ways to save on overhead and staffing by partnering with four other family physicians in similar practices in her community. As previously mentioned, the practices formed an OCHA that allows them to share EHR systems, staff, and clinic space.

"From the outside it looks like one practice but we are actually all independent entities," she said. "We purchase some things together and share all of our billing and reception staff."

Brull attributed her success to staying abreast of overall market trends and keeping up with new technologies and practice models. She was early to install an EHR in 2007, the first in her state to meet Medicare's Meaningful Use criteria, and has taken advantage of payer incentive programs tied to patient-centered medical home initiatives.

Together with her partners under the OCHA, Brull's practice also became a member of the Kansas arm of Aledade, which provides accountable care organization administrative and infrastructure support to over 110 member practices in 11 states.

"We always try to be on the front end of new trends," said Brull. "As a result, we are now well-positioned to qualify as an alternative payment model and receive incentive payments under CMS' upcoming Quality Payment Program."

Practices that understand their revenue cycle and are diligent about tracking, measuring, and reporting can expect to increase their cash flow and maintain a more consistent revenue stream, said Colton. That's especially true in the area of receivables because collecting from patients further up in the revenue stream helps reduce days in A/R. "Where I see practices breaking down is a total lack of monitoring and accountability," said Tinsley. "With measures in place to monitor collection activity, practices can quickly boost their collections by 10 percent."

This sentiment is shared by many. "Successful practices are the ones that embrace change and pay attention to and excel at the basics of operating a practice," said Hertz. "No matter their size, practices can stay fiscally viable and strong by excelling at all aspects of revenue cycle management."

Experts stress that focusing on financials in no way diminishes a practice's commitment to providing quality care.

"You can maintain and even improve quality of care while doing these things," said Colton. "Asking patients for money is fiscally responsible, and you can do it in a way that is polite, kind and sensitive to patients' needs."