2009 Executive War College
Outreach Lab Billing:
Top Hidden Sources of Increased Revenue

Donna Beasley, DLM(ASCP)
Laboratory Channel Manager
McKesson Revenue Management Solutions

Presentation Overview

- Current Market Billing Drivers
- Outreach Roadblocks and Plaguing Issues Lead the Way
  - Weaknesses to Overcome
  - Understanding Current Processes & Infrastructure
- Starting off Right
  - Contracting
  - Cost – Pricing (The Gross Charge)
  - IT Connectivity
  - Billing Structure
- Knowledge to Find Hidden Revenue
- Profitability at ALL levels
Current Outreach Lab Market Billing Drivers

Current Market Challenges

Declining AR Management
Increasing Cost
Increasing Complexity
Payer Issues
Billing Objectives

- Reduce DSO
- Reduce Bad Debt
- Reduce Billing Expense
- Improve Collections
- Improve Profitability
- Strengthen Compliance Efforts
- Improve Reporting Capabilities
- Effectively Manage Business & Clients

Road Blocks & Plaguing Issues

Understanding Current Environment
Road Blocks & Plaguing Issues

- IT Connectivity
- Outreach Processes
- LAB Billing
- Reporting
- Billing Platform

Understand Roles & Responsibilities

- Lab Front Office Responsibilities
  - Procedure & Diagnosis Coding
  - Claim Editing & Submission
  - Insurance Follow-Up
  - Registration & POS Cash Collections
  - Financial Counseling
  - Insurance Eligibility Verification
  - Pre-Reg & Pre-Cert
  - Scheduling
  - Reporting & Analysis

- Business Office Responsibilities
  - Patient Billing & Collections
  - Payment Posting
  - Denial & Appeals Management
  - Contract Management
  - Patient Call Center
Hospital Specific Challenges

- Infrastructure Costs
- Income Potential Issues
  - Small balance AR mgmt
  - Post remittance at account level & can’t differentiate Lab Revenues
  - Can’t track actual payments vs expected
  - In-adequate reporting to provide metrics
  - Inefficient client management to compete
  - Can’t set up multiple fee schedules & discounts
  - Lack of Lab Sales experience

Current Process Flow Problems

- Order Entry Errors cause Charge issues
- Charge problems cause claim issues
- Claim problems cause Reimbursement issues
- Reimbursement issues impacts the Health of your Outreach Lab
Starting Off on the Right Foot

*Key to successful billing*

Where to find additional revenue?

- Charge Capture
- System Capabilities
- A/R Follow-Up & Denial Management
- Managed Care Contracting
Where to find additional revenue?

- Charge Capture
- System Capabilities
- A/R Follow-Up & Denial Management
- Managed Care Contracting

Gross Charge Factor
Progressive Planned Growth

- Test Mix
- Cost Relationship
- Competitor Pricing
- In-House vs Sendout
- Payor Reimbursement
- Flexible Pricing
- Payor Mix by Client
- Cost Relationship
- Clinical Trials
- Flexible Pricing
- In-House vs Sendout
- Payor Reimbursement
- Payor Mix by Client
- Clinical Trials
- Clinical Trials
- Clinical Trials
- Clinical Trials

System Capabilities
- Eligibility
- MNV
- CCI
- NCD
- Client Modeling
- Compliance Statistics

Sales and Marketing
- Networking
- Niche Market
- Customer 1st
- Marketing Plan
- Sales Tools
- Physician Relationships

Fee Schedules
- Thorough Analysis
- Competitor Pricing
- Payor Reimbursement
- Cost Relationship
- Flexible Pricing
<table>
<thead>
<tr>
<th>Name</th>
<th>Total</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>1</th>
<th>3</th>
<th>20</th>
<th>0</th>
<th>2</th>
<th>4</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Drug Error</td>
<td>1</td>
<td>353</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>7. Missing Ordering Provider ID For</td>
<td>2</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>8. Duplicate Procedure</td>
<td>3</td>
<td>303</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>9. Ordering Provider Invalid</td>
<td>4</td>
<td>299</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>10. Missing Prior</td>
<td>5</td>
<td>229</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>11. Procedure Invalid</td>
<td>6</td>
<td>193</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>12. Financial Data Missing</td>
<td>7</td>
<td>183</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>13. Duplicate No Covered</td>
<td>8</td>
<td>133</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>14. Failed NUD</td>
<td>9</td>
<td>96</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>15. Failed CCO Check Missed</td>
<td>12</td>
<td>26</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>16. Procedure Missing</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>17. CPIC BHC JYR Mismatch</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>18. CPIC CARTRIDGE</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>19. WRECC PLN DMR H</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>20. WRECC MTR DMR H</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>21. Diagnosis Unknown</td>
<td>13</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>22. Operating Lab Invalid</td>
<td>14</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>23. Assignment Invalid</td>
<td>15</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>24. Failed Mutually</td>
<td>16</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>25. Failed CCO Check Missed</td>
<td>17</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>26. MISC REF MLN</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>27. Failed Order</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>28. Satellite Check</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>29. ASULINE FAMILY ORDER BHC</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>30. Non-Ref Provider</td>
<td>19</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>31. Service Date Questionable</td>
<td>20</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

From: 01/2007 To: 12/2007
Where to find additional revenue?

- Charge Capture
- System Capabilities
- A/R Follow-Up & Denial Management
- Managed Care Contracting

Data Flow Example

[Diagram showing data flow processes with labels and connections]
Best Practices Operational Approach

Expertise and technology merge to accelerate the revenue cycle

Where to find additional revenue?

Billing System Platform

- Optimize Pricing, Billing and Collection
- How:
  - Monitor overall financial health
  - Configurable client pricing & customized invoicing
  - Monitor sales team performance
  - Reduces days sales outstanding (DSO)
  - Improves Productivity and Reduce FTEs – Logical Workflow
  - Tracks Utilization – Compliance Statistic
  - New Client Opportunity and Risk Assessment
  - DESIGNED for LABS
Where to find additional revenue?

- Charge Capture
- System Capabilities
- A/R Follow-Up & Denial Management
- Managed Care Contracting

A/R Follow-Up & Denials

- Denials or contractual adjustments
- Under-payment
- Re-aging of old A/R accounts
- Bad debt or contractual adjustment
  - Correlation between self pay and bad debt
  - Contractual adjustments must be monitored by payor
- Backlogs & Charge Lags
- Accounts on Hold
- No Bill Accounts – 72 hour Rule
**Denial Analysis**

<table>
<thead>
<tr>
<th>Month of Denied</th>
<th>Count</th>
<th>Denied Gross Charge</th>
<th>% of Denied Gross Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-01-01</td>
<td>929</td>
<td>415,470</td>
<td>10.40%</td>
</tr>
<tr>
<td>2003-11-11</td>
<td>651</td>
<td>235,450</td>
<td>5.97%</td>
</tr>
<tr>
<td>2003-12-12</td>
<td>614</td>
<td>209,480</td>
<td>5.16%</td>
</tr>
<tr>
<td>2004-01-01</td>
<td>716</td>
<td>337,270</td>
<td>8.44%</td>
</tr>
<tr>
<td>2004-02-02</td>
<td>866</td>
<td>340,230</td>
<td>8.95%</td>
</tr>
<tr>
<td>2004-03-03</td>
<td>1,326</td>
<td>610,140</td>
<td>15.27%</td>
</tr>
<tr>
<td>2004-04-04</td>
<td>1,326</td>
<td>570,206</td>
<td>14.26%</td>
</tr>
<tr>
<td>2004-05-05</td>
<td>438</td>
<td>175,933</td>
<td>4.40%</td>
</tr>
<tr>
<td>2004-06-06</td>
<td>508</td>
<td>213,063</td>
<td>5.33%</td>
</tr>
<tr>
<td>2004-07-07</td>
<td>477</td>
<td>184,983</td>
<td>4.70%</td>
</tr>
<tr>
<td>2004-08-08</td>
<td>547</td>
<td>210,245</td>
<td>5.32%</td>
</tr>
<tr>
<td>2004-09-09</td>
<td>490</td>
<td>175,272</td>
<td>4.45%</td>
</tr>
<tr>
<td>2004-10-10</td>
<td>810</td>
<td>225,075</td>
<td>5.85%</td>
</tr>
</tbody>
</table>

**Grand Total**: 9,437,193,278.9

**% of Denied Gross Charge**: 100.00%

---

**Denial Management**

**Appeal Turnaround Summary Report**

**Status**: 0-30 days | 31-60 days | 61-90 days | 91-120 days | > 120 days | Totals

<table>
<thead>
<tr>
<th>MPIOV-MPV University</th>
<th>Appeared Date: 01/01/2007 - 08/30/2017</th>
</tr>
</thead>
</table>

**Status**: 0-30 days | 31-60 days | 61-90 days | 91-120 days | > 120 days | Totals

<table>
<thead>
<tr>
<th>1200 - Atlanta Healthcare MPIOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeals</td>
</tr>
<tr>
<td>0-30 days</td>
</tr>
<tr>
<td>Appealed Apologies</td>
</tr>
<tr>
<td>Recovered</td>
</tr>
<tr>
<td>Denied</td>
</tr>
<tr>
<td>Pending</td>
</tr>
</tbody>
</table>

**Total**: 20, 20, 20, 20

**Footnotes**: McKesson 4/21/2009

Copyright © 2009 McKesson Corporation. All Rights Reserved. Proprietary and Confidential. 12
Where to find additional revenue?

- Charge Capture
- System Capabilities
- A/R Follow-Up & Denial Management
- Managed Care Contracting
Maximizing Managed Care Contracts

- Contract Copy- Review
- Provide Metrics
- Rates and Terms
- Leverage Best Practices

Where to find additional revenue?

Managed Care Contracting

- Review Contracts Annually
- Language should address reimbursement for out of network, non-covered services etc.
- Contract should contain default reimbursement language
- Incorrect payments - both under and over payments
- Understand Reasons for payment errors
- Perform system line item verification of correct payments
  - Quickly identifies under payment trends
- Prospective contract modeling
  - Fee schedule modeling
  - Carve out and exception monitoring
Where to find additional revenue?

Financial & Management Reporting

You Can’t Manage What You Can’t Measure

Key Metrics & Benchmarks

Outreach Lab Financials

- Scorecard
  - GCR
  - NCR
  - Days in AR
  - AR Over 120 Days
  - Bad Debt %
  - Revenue Per Test
  - Revenue Per Requisition
Understanding Statistics

### Revenue Impact

<table>
<thead>
<tr>
<th>Revenue / Procedure</th>
<th>$17.78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Procedure Volume</td>
<td>400,000</td>
</tr>
<tr>
<td>Annual Net Revenue</td>
<td>$5.2M</td>
</tr>
<tr>
<td>Annual Accessions</td>
<td>160,000</td>
</tr>
<tr>
<td>Net Revenue/Accession</td>
<td>$32.50</td>
</tr>
<tr>
<td>Bad Debt = 5%</td>
<td>DSO = 52 Days</td>
</tr>
</tbody>
</table>

- Bad Debt = 5%
- DSO = 52 Days

Report Analysis

**What else to look for?**

- Erratic procedure volumes
- Poor correlation between charge spikes and collections
- A/R climbing
- Charge lags
- Comparative data points
Daily / Monthly Scorecard

with Performance Indicators

March 2009

<table>
<thead>
<tr>
<th>Business Days</th>
<th>Gross Charges</th>
<th>Gross Collections</th>
<th>Adjustments</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Daily Avg</td>
<td>Monthly Avg</td>
<td>Daily Avg</td>
<td>Monthly Avg</td>
</tr>
<tr>
<td>Mar 2009</td>
<td>35,016.98</td>
<td>312,112.83</td>
<td>14,646.94</td>
<td>152,873.98</td>
</tr>
<tr>
<td></td>
<td>28,797.63</td>
<td>306,063.00</td>
<td>15,527.92</td>
<td>159,789.72</td>
</tr>
<tr>
<td></td>
<td>29,397.93</td>
<td>310,756.00</td>
<td>15,587.93</td>
<td>164,769.72</td>
</tr>
</tbody>
</table>

Ability to show Cash Receipts and project Future Cash
Rolling 12 month CPT Pricing with Performance Indicators

Revenue Impact per Accession Key Monitor

Net Revenue/Accession

$50.00

$40.00

$30.00

$20.00

$10.00

$0.00

2006

2008

2010

$40.00

$32.50

$30.00
## Payor Analysis

<table>
<thead>
<tr>
<th>Payor</th>
<th>All</th>
<th>Paid</th>
<th>Paid 90%</th>
<th>Paid 95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIGNA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humana</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Procedure Analysis

<table>
<thead>
<tr>
<th>Code</th>
<th>Procedure</th>
<th>Charge</th>
<th>Contract</th>
<th>Payment</th>
<th>Refund</th>
</tr>
</thead>
</table>
| A01  | ...
| A02  | ...
| A03  | ...
| A04  | ...
| A05  | ...
| A06  | ...
| A07  | ...
| A08  | ...
| A09  | ...
| A10  | ...

### Notes
- A01 is the first procedure code.
- A10 is the last procedure code.
- Procedures A01 to A09 are described in detail.

---

Copyright © 2009 McKesson Corporation. All Rights Reserved. Proprietary and Confidential.
Profitability Knowledge at ALL levels

Profitability and Compliance

Function:
- Monitor and Manage Profitability
- Assists Sales
- Monitor Client Service Usage

How:
- Entire Outreach Program Profitability
- Individual Outreach Client Profitability vs. Target Projections
- Sales Production
- Models Prospective Clients
- Testing Services Viability
- Timely Client Billing
- Reimbursement Tracking and Utilization
What are the 2009 regulatory changes?

### Billing Performance - Alternative Solutions

**4/21/2009 PROPRITARY AND CONFIDENTIAL - MCKESSON PROVIDER TECHNOLOGIES**
## Outsourced Billing as an Opportunity for Revenue Improvement

*Figures in no way represent a particular facility.

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Outsource</th>
<th>3% (minimum)</th>
<th>5% (typical)</th>
<th>8% (upside)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collections</td>
<td>$5,040,000</td>
<td>$5,040,000</td>
<td>$5,191,200</td>
<td>$5,292,000</td>
<td>$5,443,200</td>
</tr>
<tr>
<td>Cost as % of</td>
<td></td>
<td></td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>collections</td>
<td>10.00%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Billing Cost</td>
<td>$504,000</td>
<td>$378,000</td>
<td>$389,340</td>
<td>$396,900</td>
<td>$408,240</td>
</tr>
<tr>
<td>Net Rev to Laboratory</td>
<td>$4,536,000</td>
<td>$4,662,000</td>
<td>$4,801,860</td>
<td>$4,895,100</td>
<td>$5,034,960</td>
</tr>
<tr>
<td>Estimated gain</td>
<td>- 0 -</td>
<td>$126,000</td>
<td>$265,860</td>
<td>$359,100</td>
<td>$498,960</td>
</tr>
</tbody>
</table>

### Revenue Improvement Summary

- **Revenue per Accession**
  - $31.23
  - $32.10
  - $33.07
  - $33.71
  - $34.68

---

## Outsourced Billing as a Solution

- Focused Lab AR Management
- Ownership of Financial metrics/benchmarking
- Detailed Reporting
- Reduced Infrastructure Costs
- Minimizes Compliance Exposure
- Focus on Core Competency

---

*Optimize Revenue*