

STRATEGIC
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OFFICIAL EMERGENCY SURGICAL SERVICES
PROVIDER OF THE
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DISPELLING THE MYTHS OF OUT-OF-NETWORK BILLING

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WHAT DOES BEING "OUT-OF-NETWORK" MEAN?

- When a provider does not have a contract with an insurance carrier
 - Most providers are out-of-network to some degree; and
 - No ASC or physician is contracted with every payor.

RISKS OF BEING OUT-OF-NETWORK

- Business issues;
- Constant legal & regulatory attack; and
- Huge consequences if you get it wrong.

WHAT ARE THE DANGERS OF BEING OUT-OF-NETWORK?

- Business Issues
 - Negative impact on cash flow;
 - Artificial fee schedules applied to out-of-network ASC claims;
 - Patients steal the ASCs' \$\$\$;
 - Collecting out-of-network claims is more difficult than contracted claims; and
 - Managing patient expectations requires extensive training & education.

NEGATIVE IMPACT ON CASH FLOW

- With delay tactics commonly used by insurance companies, it may take a very long time to be paid on out-of-network claims.
 - Collection periods can range between 30 days to well over a year.
 - 1/3 of out-of-network claims are paid within 30 days.
 - 2/3 of all out-of-network claims are not paid timely.
- An ASC choosing to go completely out-of-network may need an ABL.

ARTIFICIAL FEE SCHEDULES APPLIED TO OUT-OF-NETWORK ASCs

- Certain insurance carriers apply internal “artificial” fee schedules to claims submitted by out-of-network ASCs.
- In Fall 2005, BCBS of NJ began reimbursing certain out-of-network ASCs based on an internal fee schedule equivalent to about 5% of UCR charges.

PATIENTS STEAL THE ASC'S \$\$\$

- Insurance carriers routinely send payments for out-of-network claims directly to the patient.
- Obtaining ASC \$ can be time consuming, expensive & sometimes unsuccessful.

COLLECTING OUT-OF-NETWORK CLAIMS IS HARDER THAN CONTRACTED CLAIMS

- Expertise required in billing & collecting (e.g. setting the charge master);
- Can be more time consuming;
- Out-of-network claims are scrutinized more than contracted claims, so the accuracy & completeness of information submitted is critical;
- If billing & collections are handled internally, your staff must be extremely knowledgeable on out-of-network billing and collecting; and
- Outsourcing the billing & collections process can be very expensive.

UNEXPECTED LARGE BILLS = UNHAPPY PATIENTS

- Regardless of the patients' clinical experience, patients who receive “surprise” enormous bills will take away a negative experience & spread the word to their friends tainting the reputation of the ASC.
- Being out-of-network requires continued extensive training & education.
 - For surgeons & their office staff;
 - For ASC staff; and
 - For patients

THE FUTURE

- Demise of the Ingenix database
- Increased transparency
- Federal health care reform

LEGAL & REGULATORY CONCERNS

- If a surgeon is in-network, can a payor prohibit the surgeon from referring a patient to an out-of-network facility?
- If not, can the payor interfere with the surgeon's medical judgment & intercept the patient (calls, letters, etc.)?
- Are out-of-network providers subject to attack by the State? By insurance carriers?

LEGAL & REGULATORY CONCERNS

- What is the responsibility of an out-of-network ASC to collect patient portions?
- Can an out-of-network provider accept “insurance only” & waive all co-payments, deductibles & co-insurance?
- Is an out-of-network provider permitted to offer patient discounts?

LEGAL & REGULATORY CONCERNS

- What are the risks if patient portions are not collected?
- What if the doctor collects the patient balance, but the ASC does not?
- Can the ASC negotiate payment terms with the patient prior to surgery?

IF BEING OUT-OF-NETWORK IS RISKY, THEN WHY NOT CONTRACT?

- Insurance carriers have far more leverage than any free-standing ASC in NJ.
- The unreasonable rates offered by the insurance carriers reflect their clout.
- ASCs not willing to go out-of-network are faced with accepting contracts at unfair rates.

REAPING THE BENEFITS OF OUT-OF-NETWORK

- Every highly successful ASC utilizes out-of-network strategies to some degree.
- Results from ASCs adopting an out-of-network approach are astounding!

STAGGERING RESULTS: OUT-OF-NETWORK ASC

	<u>Knee Scope</u>
Medicare (Bergen County)	\$1,031
BCBS NJ – Contracted Rate	\$1,335
BCBS NJ – Policy Subject to Artificial Fee Schedule	\$787
BCBS NJ – Good Policy	\$12,744

CASE STUDY #1

- Scenario:
 - Small, heavy volume ASC that had been operating for 6 years;
 - Mix of contracted & non-contracted revenues; and
 - EBITDA of \$4 million per year.
- Analysis revealed:
 - ASC did an excellent job of determining which contracts to accept & reject.
 - However, ASC's billing practices were not correct.
 - By implementing changes to the billing process, potential to immediately increase EBITDA by at least \$2 million per year.

CASE STUDY #2

- Scenario:
 - 4 OR ASC;
 - Breaking even at best with no profits available for distribution to physician partners; and
 - Largely contracted with most payors.
- Analysis revealed:
 - By implementing a strategy consisting of a combination of an out-of-network and managed care payor mix, ASC was projected to earn \$10 million per year.

CASE STUDY #3

- Scenario:
 - 8 OR ASC;
 - Net losses of \$300,000/year
 - Largely contracted with most payors;
 - Entered into an Aetna contract for approximately \$1,025/case without any prior analysis to weighing the pros and cons of contract.
- Analysis revealed:
 - Collected approximately \$4,800/case from Aetna out-of-network prior to entering in the contract.
 - The \$3,775/case differential equated to \$1.1 million in lost revenue.

WHEN OUT-OF-NETWORK IS APPROACHED INCORRECTLY

- With the wrong approach, the risks can be high and the consequences severe.
 - Dissatisfied patients (which are in essence referral sources).
 - Increased exposure to legal issues.
 - Attack by insurance carriers, the State of NJ, patients, employees, etc.
 - Costly legal fees to defend multiple legal proceedings.
 - Failure of the business.
 - Bankruptcy
 - Involuntary shutdown by a regulatory agency

THE *RIGHT* APPROACH TO OUT-OF-NETWORK BILLING

- Careful analysis of existing contracts, payor mix and willingness of physicians to drop or decline losing contracts;
- Ensure charges are correct and supported by the medical record;
- Education and training are a must; and
- Consistent and legal plan for collecting balances must be employed.

CONCLUSION

- Done right, applying out-of-network strategies can mean increases in profits for your ASC;
- Do not be afraid to go out-of-network with certain payors;
- Engage experts to help determine which strategies make the most sense for your ASC;
 - Consult your local attorney to ensure compliance with state laws on balance billing and to help educate physicians and center on ability of plans to expel docs;
- Involve experienced billing & collection experts to ensure that you maximize reimbursement & minimize exposure to risk; and
- Out-of-network billing must be part of an overall business strategy.

CONTACT INFORMATION

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