How to Increase Financial Stability in a Challenging Business Climate

The financial challenges facing physician practices–and how to solve them

The challenges facing physician practices in maintaining financial stability are numerous, including lasting impacts from the COVID-19 pandemic, administrative burdens from payers, claim denials, and more. But there are ways physicians can make their practices run more efficiently, and technology tools play a major role. Specifically, there are three areas where technology can make a difference: Capturing reimbursement owed, using key data and analytics to benchmark progress, and simplifying workflows to ensure staff can take on higher-level tasks and help the practice achieve financial success.

Part 1: Capturing reimbursement

Physician practices face a variety of challenges when capturing reimbursements. One of those is with claim denials. While many practices focus exclusively on the billing department or the billing company that works claim denials for the practice, Teri Deabler, CMPE, COE, practice management consultant with the Texas Medical Association, advises delving into an earlier step in the process to prevent denials.

That starts with taking a hard look at how the practice handles appointment requests from patients. Specifically, this initial call is a valuable opportunity to capture or update the correct insurance information from patients, she says.

"[Front desk staff] tend to want to focus on customer service. But [capturing insurance information] is a component of customer service," says Deabler. In addition, when the patient arrives, copies should be made of their insurance cards. Before they arrive at the practice, patients should be told about any relevant deductibles and copays, she adds.

Next up, Deabler advises practices to focus on the exam room where the clinician is ordering imaging studies, lab, providing durable medical equipment, in addition to documenting clinical services provided during the visit. Best practice, she says, is to "scrub" the patient encounter after the clinician documents care and before it's sent by the practice to the clearinghouse as a bill. Some areas to get right, she says: ensure the patient demographic information is accurate and that the authorization number is included on the claim.

Managing and preventing no-shows is another area for growth at practices.

Katie Nunn, MBA, CMPE, CEO of Bright Ideas Medical Consulting in Chesterfield, Va., also reminds practices to focus on what's happening in the exam room. "[Make sure that physicians] are actually capturing everything they do. There's the adage: 'If you didn't document it, it didn't happen.'"

To support clinicians in providing accurate and comprehensive documentation of patient visits, they should receive regular feedback on charge capture to ensure the billing is accurate, advises Nunn, who is also CFO at Chestfield's VitalCare Family Practice. "It's important to make sure they're not over- or under-billing and not missing the right codes for programs such as smoking cessation planning and advance care planning."

"[Clinicians often] have conversations about smoking cessation programs and they don't remember to bill for it. That's hundreds of thousands of dollars over a year," says Nunn.

Cash flow and no-show challenges

While it's best practice to capture copays and deductibles from patients upon their entry to the practice, using email or the patient portal to request and process payment is much more efficient and less costly than the U.S. Mail, says Deabler. "That means there's no lag time with getting these payments into your cash flow."

Integration between software platforms, such as the practice management system and the EHR, is essential to cash flow management, per Deabler. The result: Less human intervention required to collect the data.

Susanne Madden, MBA, PCMH CCE, founder and CEO of The Verdeen Group in Nyack, N.Y. recommends addressing cash flow challenges by first asking two questions:

1. **How is the payer mix changing?**
2. **Was the practice just as busy last year, but revenue is still dropping?**

One shift that can drive down cash flow: An increase in telemedicine visits, which aren't reimbursed at the same rate as in-person visits. Madden advises practices to renegotiate rates with private payers. "There's definitely a caveat: Small practices don't have any leverage [unlike bigger practices]. But very simply: If you don't ask, you don't get."

The conversation with payers could open opportunities to become a patient-centered medical home (PCMH) or another incentive program, according to Madden.

Managing and preventing no-shows is another area for growth at practices. No-shows hurt the practice's bottom line, but practices can use the practice management system to locate gaps in the schedule that could have been filled, advises Deabler.

The American Medical Association (AMA) acknowledges that deductibles and coinsurance amounts are increasing, and that's adding to physician practices' debt. Per the AMA, three ways to address this include collecting payments at the time of service, maximizing post-visit collections, and selecting a practice management system. It's always important, also, for physicians to remember that patient deductibles and copays reset at the beginning of a new year, and so patient balances often creep higher in the new year and become more difficult to collect.

Prior-authorization challenges

MGMA Chief Operating Officer Ron Holder says addressing prior authorization challenges requires realizing this simple fact: Each year, practices are seeing more prior-authorization

denials or delays. His advice: Focus on each clinician at the practice and detect patterns that result in denials or delays. For example, the problem could be rooted in a coding issue.

Embrace it as a "coaching opportunity," he says. "You need to figure out the triggers for that doctor that lead to not getting paid, which hurt the practice, and [determine] how the practice can help." [For example], clinicians may be too busy and not have time or they're being forgetful or careless."

According to AHIP, prior authorization is a viable tool for health insurers to "promote safe, timely, evidence-based, affordable, and efficient care." Additional benefits of prior authorization, per AHIP: Prior authorization can reduce potential harm to patients and unnecessary costs by "catching unsafe or low-value care and targeting where care may not be consistent with the latest clinical evidence."

The solutions: Master the revenue cycle through technical solutions

The Healthcare Business Management Association defines revenue cycle management as "the administration of financial transactions that result from the medical encounters between a patient and a provider, facility, and/or supplier." Billing, collections, payer contracting, data analytics, coding, management, compliance, and provider enrollment are examples of transactions included in revenue cycle management, per nonprofit professional trade association.

The role of technology in managing RCM

Common challenges faced by practices struggling to access revenue metrics include clunky reports, poorly trained managers, and practice leaders who don't know how to access the reports. Interpreting the data is another challenge for practices, according to Madden.

Because of these challenges, real-time access to a revenue dashboard is a must, she says. The value to practices: This tool is intuitive and user-friendly, and allows the practice to access KPIs that show how revenues are trending.

If billing is outsourced, the billing company should use the practice's EHR to bill claims because this allows the practice to access revenue data on as-needed basis, says Madden.

During the due diligence process with a new RCM vendor, Deabler advises practices to inquire about features that help with patient engagement, outsourced patient statement processing, and about clearinghouse options.

Vendors' KPIs are top of mind for Holder, who notes that the practice administration should exercise caution if cost to collect is the primary or only KPI. "When cost to collect is prioritized, it is commonly a tactic to focus on the largest charges because it takes about the same effort to collect on a large charge as a

small one, and therefore RCM vendors and departments may neglect smaller charges to keep the cost to collect low."

Instead, practices should look for a balanced set of RCM-specific KPIs that illustrate the vendor "isn't just trying to receive as much money as possible, as fast as possible, but with the lowest costs possible, but doing its best on all three," he says.

Part 2: Data & Analytics

According to the Society for Human Resources Management, key performance indicators (KPIs) are "quantifiable or qualitative, specific measures of an organization's performance in critical areas of its business." KPIs may vary by project, business type, or department. In addition, while they may be weighted differently within each project, business type, or department, KPIs may be financial, nonfinancial, or a combination of both types, per the nonprofit human resources organization.

Five KPIs tracked by practices that are useful for tracking financial stability include:

1. **Net collections rate**
2. **Claim denial rates**
3. **Days in Accounts Receivable**
4. **No-shows and missed appointments**
5. **Per-patient data, such as time spent per patient appointment or the number of new patients**

Holder at MGMA says drilling down to the clinician level is a must when tracking the net collections rate. An important question to ask: Does it vary by provider, payer, the day of the week, or the day or time of the week?

No-shows also plague physician practices. The Institute for Healthcare Improvement's (IHI) formula for measuring the total number of no-show appointments is the total number of no-shows divided by the total number of appointment slots and then multiplying the result by 100. The nonprofit's advice: Set a goal of an average 50% reduction across all clinicians.

A simple way to address no-shows, says Madden, is to charge patients. Include this in the practice's policies and procedures and communicate the policy to patients. Communicate to patients that they must call the practice 48 hours before their appointment if they can't arrive; otherwise, a fee will be charged to their credit card. She advises practices to keep in mind that they can't charge Medicaid patients for no-shows.

Jumps in time spent per patient also impact practices. With access to a KPI dashboard, the practice can see that time spent per patient has spiked up, says Holder. That metric should drive research about each clinician, day of the week, and even the hallway where the exam room is located or the medical assistant who's rooming patients, he says.

Often, there's a logical reason this metric has ticked up, says Holder. For example, if clinicians are seeing more complex patients, that will increase the time spent per patient who requires more labs and diagnostic tests. This scenario may bode well for the long-term financial health of the practice, he adds.

Part 3: Simplify workflows

Inefficiencies hurt the practice's bottom line. From scheduling to prior authorizations to billing, inefficient workflows can exist in any area of the practice, says Owen Dahl, MBA, LFACHE, a medical practice management consultant with more than fifty years of experience. Still, a great department to start searching for inefficiencies is scheduling. The key question for the administrator or manager of the department to ask the scheduling staff: "Is there anything [you] can see that's causing a problem?"

Integral to this question–and the larger approach, which relies on the Lean Six Sigma methodology–starts with getting staff members involved. Staff members are considered

"process owners" in this method, says Dahl. "One of the biggest wastes in any organization is not using the brains of employees. They're the ones [who] are doing the work of [scheduling and insurance verification and collecting monies at the time of the visit]."

Christopher Garofalo, MD, a family medicine specialist in Attleboro, Mass., agrees. "You have to make it so people are open and willing to talk about [practice workflow]. You have to make sure you're not pointing a finger and saying, 'You're a bad employee.'"

Engaging staff to take ownership of these processes — and slotting them in the areas that match their skillsets and strengths — is the most proactive way forward.

The next step is rewarding them for their efforts and successes. It may help to offer participating staff members an end-of-year bonus for their help, says Garofalo.

Broken processes throughout the practice

A broken process in one department can lead to a bottleneck in another practice, explains Dahl. Take, for example, bottlenecks in coding, documentation, and billing. The root causes of these bottlenecks can start at the front desk, where the demographic information, such as the patient's address or birth date, wasn't captured correctly.

According to Dahl, that could start with outdated insurance information for the patient. He recommends a best practice to address this: Kick off the New Year by asking every patient if they still have the same insurance. While this won't catch every insurance update for every patient, it will address most issues, advises Dahl.

Another bottleneck vexing practices: When physicians have very specific scheduling requests. Take, for example, one physician who doesn't want to take new patient appointments on Tuesdays and a second physician who only wants to take new patient appointments on a Tuesday. That's a challenging "ask" for scheduling and front desk staff, says Dahl.

Fixing this bottleneck has three parts, he explains: (1) Get the data that reveals the bottlenecks; (2) Capture feedback about the difficulty complying with these requests from office staff; (3) Practice leadership must educate clinicians about the difficulty of complying with these requests and ask for cooperation with practice standards for scheduling.

Dahl's advice: "You have to set proper policies and consistent and standard guidelines. That makes it easier for the staff to deal with scheduling requests."

Front desk bottlenecks also throw off the practice. Inefficiencies at the front desk stem from a variety of causes, says Madden. A consultant can come in and assess the workflow at the practice or invite an administrator from another practice.

Finally, it's a good idea to poll patients, says Madden. Her advice: Be very specific about the variables you're measuring, such as:

- **"Were you greeted warmly?"**
- **"Were you asked for your copay?"**
- **"What can the practice do to improve?"**

The back office is where Deabler started her career. That's part of what drives her on a daily basis to improve the work-life quality for these team members. Four tips she has to fix bottlenecks in the back office:

1. **Tie financial and non-financial incentives to KPIs**
2. **Get the right people in the right roles**
3. **Incentivize teamwork by doing a gift card raffle or inviting a massage therapist when the team hits a significant milestone**
4. **Reward high performers with paid time off**

Technology supports critical operations

Technology solutions can support critical processes throughout the practice. Case in point: Effective referrals management can translate into better relationships with specialty practices while also quickly getting patients connected to the care they need. In addition, streamlining referrals management has a financial and reputational impact on physician practices.

Still, attempts to automate referrals have had mixed success. While a 2021 study in Applied Ergonomics found that using technology can help drive efficiencies with referrals to specialists, adverse effects have happened. The co-authors' take-away: Using ergonomics and human factors engineering can help.

Dahl says one way to improve referrals management is by introducing a smartphone-based app into the exam room. This can be used by the clinician to capture details about the patient encounter by voice.

One benefit to the patient-clinician experience: The smartphone is physically less disruptive than a tablet- or computer-based EHR. Some platforms allow clinicians to create referrals within the smartphone-based app, says Dahl. This workflow can speed up access to an orthopedic surgery for a recreational athlete with persistent knee pain.

But this smartphone-based workflow has additional benefits: The correct patient demographics, review of systems, diagnosis, and care plan are also included– and all of this information is shared without delay, or human error, with the billing department.

Still, Dahl cautions that technology won't fix broken workflows in the practice. "[You have to] understand workflow…then you can integrate technological solutions into [that environment] and, hopefully, improve the process itself."