

# How Doctors Get Paid in 2010

*[Treatment is Only the Beginning in the Changing Billing and Medical Reimbursement Ecosystem]*

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# Today's Objectives

## **UPON WORKSHOP COMPLETION:**

- **You will understand some of the challenges and changes to medical provider reimbursement.**
- **You will be able to appreciate the various coding systems used by medical providers.**
- **You will understand the billing and contract models that are required of physicians.**
- **You will appreciate the expertise required for successful physician billing practices:**
  - Cash conversion cycles.
  - Various health policies, rules and regulations.

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# Doctor Payment Models

*[The Fluid Path from Inception to 2010]*

- **Pre-World War II:**  
[cash, crops, meat, barter]
- **Post-World War II:**  
[wage & price controls]
- **Fringe Benefit:**  
[3<sup>rd</sup> party private Indemnify]
- **Medicare:** Title XVIII  
[Par & Non-participating]
- **Medicaid:** Title XIX  
[Federal and State]
- **Fee-for-Service:**  
[Private-for-Profit]
- **Federal:** VA, Tri-Care, IHS, PHS, S-CHIP
- **Managed Care 90s:**  
[HMOs, PPOs, MAPs]
- **Capitation:**  
[Partial and full reimbursement]
- **HSAs/Concierge Medicine:**  
[Cash care]

**Future Care:** [Three tiers?]

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# Medicare Imploding

*[Proto-typical Patient Cost Drivers]*

## ADVERSE DEMOGRAPHICS

- **Workers:** Decreased from 6:1 to 2:1
- **Enrollees:** Increased from 20 - 60 million
- **Elderly:** Increased to 16% US pop.
- **MC Trust Fund:** Ballooning [IOUs]
- **Life Span:** Increased 70 to 78 years
- **Medicare Part A:** Hospital deductible \$1,100 year.
- **Medicare Part B:** Doctor deductible \$155 with \$96.40/ month premium.
- **MC Part D:** Doughnut Hole [\$2,830 - \$4,550] for 2010
- **Uninsured:** 20 - 30 - 40 million ?

**Federal Insurance:** Now > 51% of US population; already nationalized?



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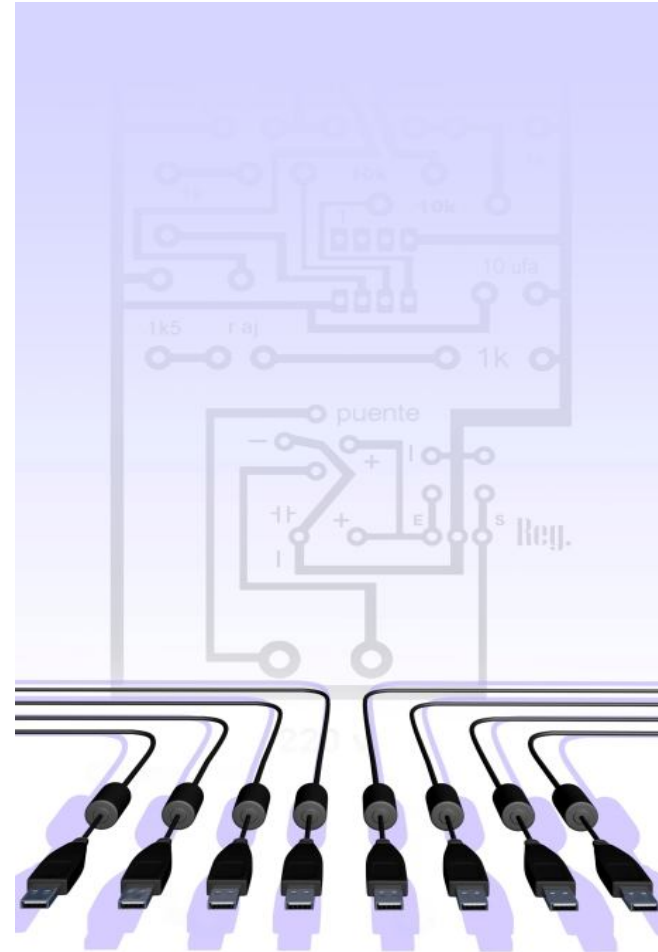
# Medicare Imploding

*[Proto-typical Medical Cost Drivers]*

## MEDICAL COST DRIVERS

- **Office Overhead:** HR [35-75%]
- **Student Debt Loads:** [ $> \$140,000$ ]
- **eMRs:** [ $\$44,000 - \$66,000$  per MD]
- **Medical Technology:**  
*[Deus ex-machina]*
- **Liability:** [Malpractice phobia = 7%]
- **Pharma:** [Chemo/oncology/chronic]
- **Supply-Side Demand:** [MD success]

**Medical Provider:** Expensive pen / writing orders!

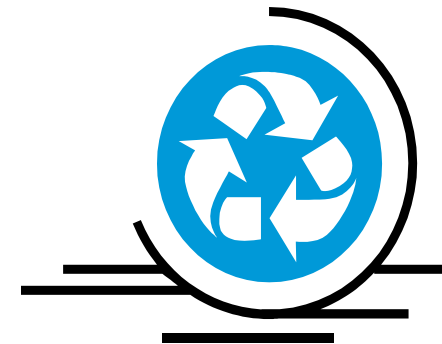


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# Enter Managed Medical Care

*[Corporate Structural - Venue Dislocation]*

- **Staff Model:** Most restrictive with employed MDs who treat members central location with closed panels.
- **Group Model:** Doctors not employees who treat non-members private office.
- **Network Model:** MDs who may/may not have exclusive contracts.
- **Independent Practice Association:** Independent MDs who see open panel patients in self-administered offices.
- **Mixed Model:** Combination of the above types; the most flexible type.



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# Medical Reimbursement Comparisons

*[Medical “Payment” Paradigm Shift]*

## **TRADITIONAL (Fee-for-service)**

- Full fee rendered as medical payment [“retail” biz model]
- Individualized patient focus
- Active acute healthcare focus
- Rendered in office or hospital
- High profit margin \* few patients

## **MANAGED CARE**

- Discounted fees rendered [“wholesale” business model]
- Population cohorts treated
- Chronic disease focus
- PCP controls referral utilization
- Lower margins \* more patients

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# Managed Care Risks and Benefits

*[Doctor versus MCO]*

## **Alleged Provider Benefits**

- Increased patients load.
- Stable patient load.
- Predictable cash flows.
- Faster cash-conversion cycle.
- Referrals-community visibility.
- Reduced office HR expenses.

## **Insurance Carrier Benefits**

- Known medical expenses (Fixed costs; not Variable).
- MDs bear more economic risk.
- Less staff with “clean” claims.
- Lower costs - scale economies
- Patients controlled and doctors carefully managed.

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# Indemnity Retail Reimbursement

*[Understanding the FFS Cash-Conversion-Cycle]*

## **PAYMENT FLOW CHART**

- Doctor gets chart and evaluates patient
- Documents visit in chart [S.O.A.P.]
- Performs tests, x-rays, Tx's, etc.
- Marks Superbill, or e-claim form
- Next 1, 2 and 3 steps?
- Insurer accepts "clean" or "dirty" claims
- Claims resubmission, as needed
- Reimbursement (snail or e-mailed) to doctor
- Funds (posted) to ledger or software.

**CYCLE TIME:** 30 days - 2 years

[ARs: 60-150 days with specialty Bad Debt Expense with time decay]

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# Managed Care Whole-Sale Reimbursement

*[Understanding the MCO Cash-Conversion-Cycle]*

## MCO Payment Flow Chart

Doctor Gets the Chart  
↓  
Sees Patient and Documents  
↓  
Doctor Bills MCO  
↓  
MCO Bills Payer  
↓  
Company Pays MCO  
↓  
MCO Pays Provider

**CYCLE TIME:** Monthly [ARs - fewer BDEs]

**WHY?** Pre-arranged per contract.



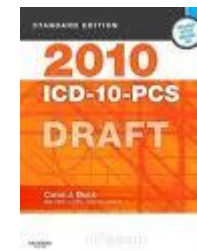
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# International Classification Diseases

*[What they are - How they work]*

## CHARACTERISTICS

- ICD-9 alpha numeric code for disease classes, not billing.
- WHO-1900, updated every 3-10 years; ICD-10 [2013].
- HHS offers ICD-9 [CM] for MDs and facilities.
- Diagnostic Statistical Manual Mental Disorders, 4th Edition [DSM-IV].



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# Medical Records

## [Understanding SOAP Notation]

### THE S.O.A.P. FORMAT Example

**Subjective:** “I was gardening and noticed my wrist was swollen and itched like crazy”

**Objective:** Red rash with circular oozing papules and swollen skin. Small tennis bracelet tight.

**Assessment:** Rule out *rues dermatitidis* versus nickel allergy.

**Plan:** Soap soaks, OTC calamine lotion with Rx oral diphenhydramine or [benadryl]. Possible future patch testing.

**Current Procedural Terminology®:** Brief Office Visit - 15 min



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# Current Procedural Terminology® Codes

*[What they are – How they work]*

## CHARACTERISTICS

Medical, Surgical and  
Diagnostic task & service  
billing code numbers [5 digit]  
of AMA used by payers:

- Thousands updated annually
- Trademarked ®
- Office Visits: [brief, inter, extended]

**ANNUAL INCOME:** \$ 60-M / year



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# HCPCS Codes

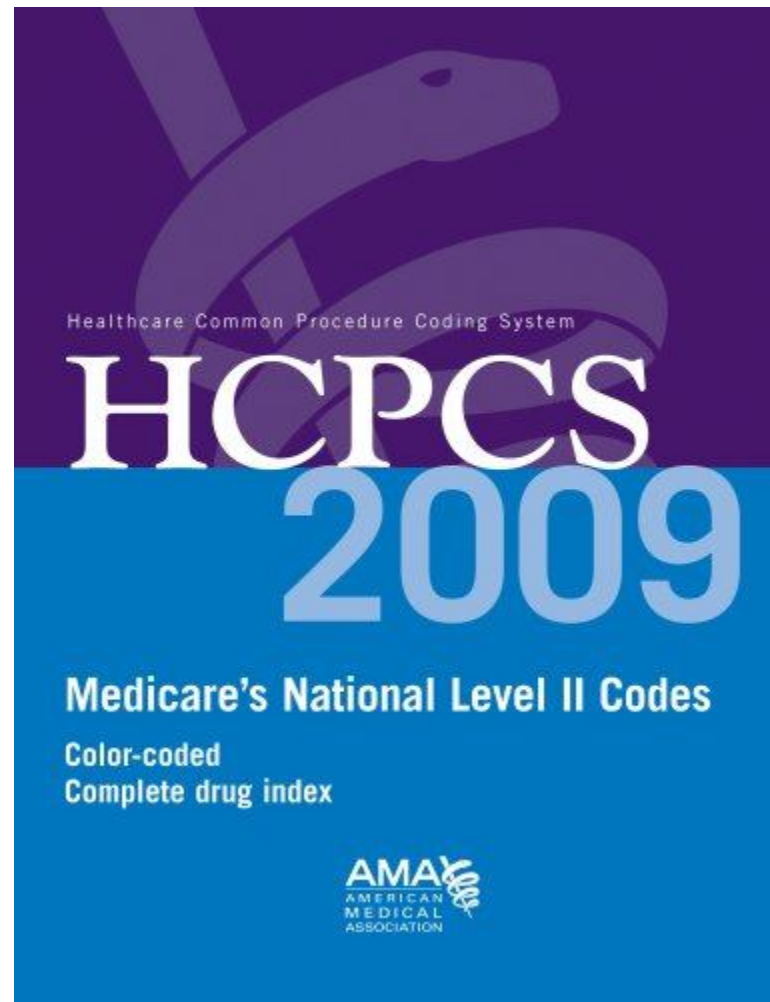
*[Healthcare Common Procedure Coding System]*

## **BILLING CHARACTERISTICS**

- Used by Medicare and monitored by CMS.
- Regardless of fee, MDs are paid the same by Medicare.

### **Two Sets of HCPC Codes:**

- Level I is Identical to AMA CPT® codes.
- Level II are for DME suppliers, not MDs.



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# Global Surgical Period Billing

*[1 Day Prior – to as Long as Necessary]*

## DEFINITION

- History, Physical Exam and Diagnosis.
- Local anesthetic or nerve block.
- The surgical procedure itself.
- Evaluating post-anesthesia recovery.
- Immediate post-operative care and paper work, writing orders, billing, etc.
- Typical postoperative follow-up and wound care.
- *Correct Coding Initiative* guidelines.
- “Complications” billed separately.
- Nebulous areas debatable.



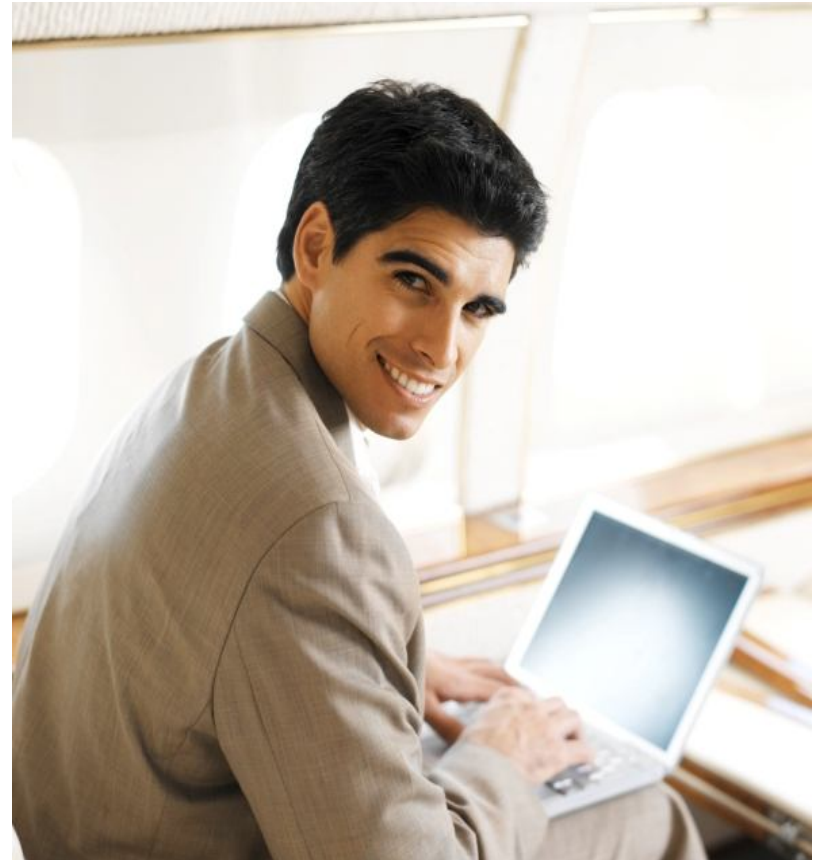
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# Resource-Based Relative Value System and Billing Rates

*[How Payments Schemes are Determined]*

## MEDICARE PAY CALCULATIONS

- Resource-based Relative Value System (RBRVS) ... *aka*
- Relative Value Units (RVU)
- Three Inputs for RVUs:
  - Formula:  $WC + LC + OC$
- **Specialists overvalued?**
- **Primary care undervalued?**



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# RBRVUs and Billing Rates

*[Flip Chart Exercise]*

**GIVEN SAMPLE: # 44970**

[How much appendectomy]

Medicare Conversion  
Factor [MCF] X RVU:

- MCF = \$36.01 [2009]
- RVU = 14.27

**PAY CALCULATION TBD:**

MCF X RVU =

\$36.01 X 14.27 = Medicare  
pays surgeon

**\$513.62**

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# Physician "Super-Bills"

[Itemized Medical Specialty Invoice for Patients]

UROLOGY CONSULTANTS					
TODAY'S DATE:		D.O.B.:		PRIMARY INS.:	
PATIENT'S NAME:		D.O.B.:		C 1	
ACCOUNT NUMBER:		D.O.B.:		C 2	
TELEPHONE:		D.O.B.:		AUTH #	
REF DR.:		D.O.B.:		REF DR.:	
PATIENT	NO DAYS	NO DAYS	NO DAYS	NO DAYS	NO DAYS
ULTRASONOGRAPHIC					
9904	Post Op. BV		9905	Diaper (30 days)	
9904	New FL GON. EX.		9906	Penis Prosthesis	
9904	New FL GON. EX.		9907	Prostate Prosthesis	
9904	New FL GON. EX.		9908	Prostate of Prostate	
9904	Post Op. Med. Comp.		9909	Prostate Volume Study	
9904	Post Op. Med. Comp.		9910	Male Utrasound	
9904	Post Op. Med. Comp.		9911	Female Prostate/Ultrasound	
9904	Post Op. Med. Comp.		9912	Ultrason. for Prostate Biopsy	
9904	Post Op. Med. Comp.		9913	Ultrason. Prostate, Nuclei in Prostate	
9904	Post Op. Med. Comp.		9914	Alkaline Phosphatase	
9904	Post Op. Med. Comp.		9915	Bladder Scan	
9904	Post Op. Med. Comp.		9916	UAG	
9904	Post Op. Med. Comp.		9917	Uroflowmetry	
9904	Post Op. Med. Comp.		9918	Uroflow	
9904	Post Op. Med. Comp.		9919	Anal/Urinary Muscle Study	
9904	Post Op. Med. Comp.		9920	Buttock (Any Technique)	
9904	Post Op. Med. Comp.		9921	Full Gonadsone Management Training	
PROCEDURES					
9922	Skidoo Impaction Catheterization		9923	Skidoo Impaction Catheterization	
9923	Catheterization		9924	Skidoo Impaction Catheterization	
9924	Cath. w/ Removal of stone		9925	Skidoo Impaction Catheterization	
9925	Skidoo Impaction Catheterization		9926	Skidoo Impaction Catheterization	
9926	Skidoo Impaction Catheterization		9927	Skidoo Impaction Catheterization	
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9998	Skidoo Impaction Catheterization		9999	Skidoo Impaction Catheterization	
9999	Skidoo Impaction Catheterization				

**INSURANCE NOTES:**

COPY \_\_\_\_\_

DEDUCTIBLE \_\_\_\_\_

COMMENTS: \_\_\_\_\_

---

**PAID**

\$ \_\_\_\_\_

W/S&M

CASH

CHECK

PREVIOUS BALANCE: \_\_\_\_\_

TODAY'S CHARGES: \_\_\_\_\_

TOTAL DUE: \_\_\_\_\_

TODAY'S PAYMENT: \_\_\_\_\_

NEW BALANCE: \_\_\_\_\_

**TO BE BILLED**

DAYS	WKS	MOB	EXACTLY	SLUG	PWN

Physician Notes: \_\_\_\_\_

DOCTOR'S SIGNATURE \_\_\_\_\_

UROLOGIST \_\_\_\_\_

At Mail To: 215 W. 3rd St. 302 Liverpool, FL 32204 (407)322-0777

**SATELLITE OFFICE LOCATIONS:**

- Newberry Lake Rd., Box 118 ORLANDO, FL 32801
- 1000 Red Bay Lake Rd., Box 235 INVICTA, FL 32150
- 2300 N. Orange Ave., Box 246 ORLANDO, FL 32801
- 396-Kilwa Ave., Box 2 BOWTIE FLORIDA, FL 32008

Dr. E. Jake Jacobo, M.D.     Dr. Steven K. Brooks, M.D.  
 Dr. Edward M. Schectowitz, M.D.

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# HCFA 1500 Claim Form

[Generic Billing Form]

## WHAT IT IS?

- Official standard billing form used by doctors submitting MC/MD claims.
- Also used by some private insurers and managed care plans.
- Contains patient demographics, but no ICD-9, CPT®, HCPC codes, etc.
- Generic billing form.

The image shows the HCFA 1500 Health Insurance Claim Form, a standard form used for billing. It includes sections for patient information, insurance details, and provider information. The form is titled '1500 HEALTH INSURANCE CLAIM FORM' and is approved by the National Uniform Claim Committee. It contains various fields for demographic data, insurance policy numbers, dates of service, and provider signatures. The form is divided into several sections, including 'PATIENT AND INSURED INFORMATION' and 'PHYSICIAN OR SUPPLIER INFORMATION'. The form is a complex document with many checkboxes and fields for data entry.

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# Advanced Beneficiary Notice [ABN]

## [Opting-Out of Medicare Per Treatment]

### NO MEDICAL NECESSITY

- Not consistent with symptoms or diagnosis of the illness or injury under treatment; *and*
- Not necessary and consistent with general medical standards (i.e., not experimental); *and*
- Furnished primarily for the convenience of patient or doctor; *and*
- Furnished at the most appropriate level of safety for the patient.

The image shows a sample of an Advanced Beneficiary Notice (ABN) form. At the top, it is titled "Advanced Beneficiary Notice" and includes the logo for "NOVA PROSTHETICS, INC." The form is addressed to "James J. Smith, M.D. - Board Certified" and "Andrew Clark, M.D. - Board Certified". It contains a "NOTE" section explaining that Medicare will not pay for the device or treatment if the doctor or provider determines that the patient's condition is not consistent with general medical standards. Below this, there are sections for "PLEASE CHOOSE ONE OPTION, CHECK ONE BOX ONLY, AND DATE YOUR CHOICE." and "OPTION 1" and "OPTION 2". The form also includes a "DATE" field and a "SIGNATURE OF PATIENT OR RESPONSIBLE PARTY" field. At the bottom, it provides contact information for Nova Prosthetics, Inc., including the address "1000 Progress Drive, Suite 110, Columbia, SC 29204" and phone numbers "254-776-2266" and "254-776-2267".

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# Billing Fraud and Abuse

*[Understanding the Difference]*

## **BILLING FRAUD DEFINED**

- Activity where economic or non-economic gain [drugs, sex] obtained without earning it.
- Billing for care not provided; or rendered by an inappropriate provider [LPN for MD].
- Billing for non-covered services as if they were covered services.
- Submitting false claims.

## **BILLING ABUSE DEFINED**

- Healthcare activity where medical providers overuse or misuse services.
- Upcoding and service fragmentation are common.
- Billing for un-necessary services, procedures or tests ["malpractice phobia"].
- CMS - *"Although some practices may be considered abusive, they may evolve into fraud."*

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# How Much Fraud

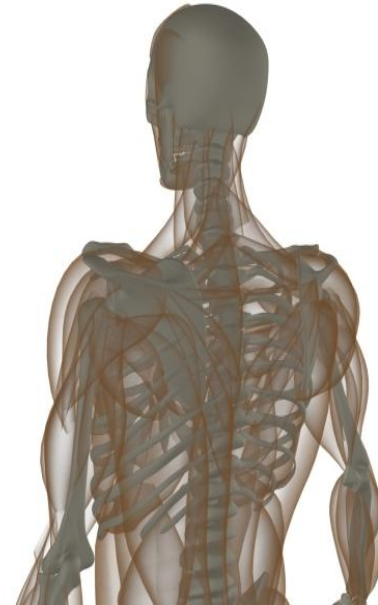
## *[Rules and Regulations]*

### **OFFICE INSPECTOR GENERAL**

[\$32-Billion Dollars in 2006]

### **Deficit Reduction Act of 2005 & Policy Revisions 2009**

- False Claims Acts [3x damages].
- Employee education about false claims recovery.
- Medicare Integrity Program [MIP].
- Fair Accurate Credit Transaction Act, with “red flags” [June 2010].
- Computerized data-mining medical claims “spider-web” technology.



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# Fragmented Billing

*[Ala Carte Services]*

- Charging for each individual component of a procedure.
- Surgery “skin-thru-skin”.
- **Old:** Increase costs [4,000%] in hospitals and 10-15% in private offices.
- **New:** May save money in WC, PT and OM cases by *controlling utilization.*



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# Bundled Billing

*[Global Services]*

## “Fixed Price”

- Charging for the entire procedure.
- Surgery “skin-to-skin”
- **Old:** Decrease medical costs.
- **New:** “Episodes of Care”  
– ObGyn [C-Section].



## Medicare's National Correct Coding Initiative [CCI]

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# Up-Code and Down-Code Billing

*[Over and Under Exuberance]*

## **UP-CODING**

A fraudulent or abusive practice in which medical provider services are billed for higher CPT® codes than were actually performed, resulting in a higher payment by Medicare or 3rd-party payers to the doctor.

## **DOWN-CODING**

1. A practice of third-party payers where a CPT® code is reduced to a less complex or lower cost code than reported.
2. The emergent practice of some “fraud-phobic” doctors to deliberately undercode claims to reduce the likelihood of fraud allegations.

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# Medicare Billing Penalties

*[Physician “Bounty-Hunters”]*

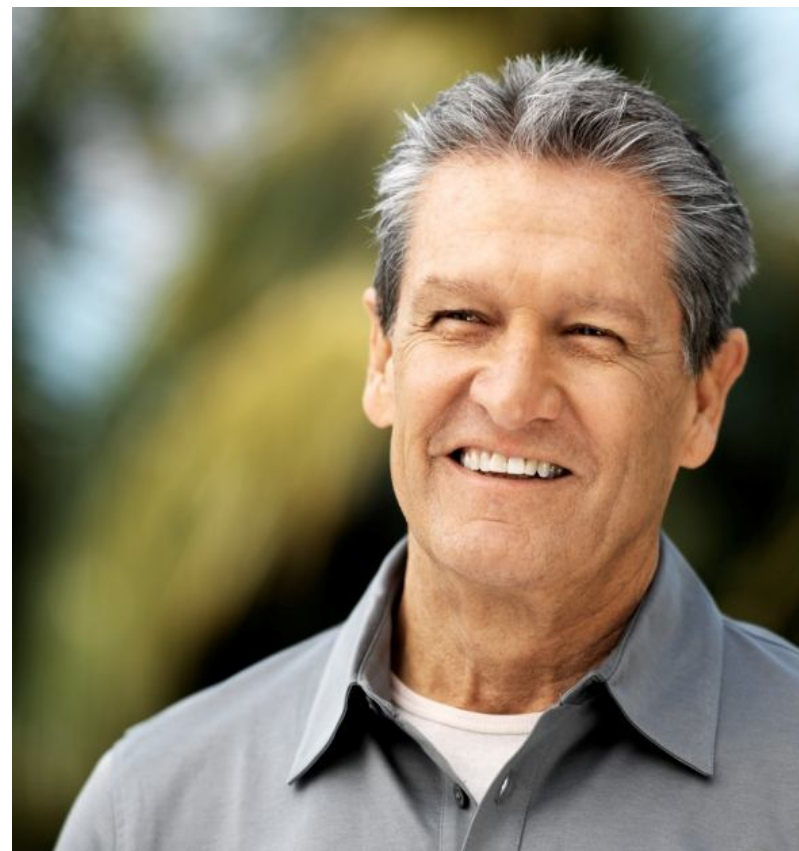
## How Patients Help Detect Fraud

- Read Explanation of Benefits for matching care.
- Look type & number provided.
- Look at date provided.
- Look at services billed.
- Look at payments.
- Don't lend Medicare card.

Patients receive \$100 – \$1,000 BONUS  
for reporting & conviction of fraud.

**Nancy Dickey MD:** [Past AMA President]

**Injection Code Story:** surgical code



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# Balance Billing

*[The Conundrum]*

## THE PAYMENT SCHEMES

- Cash Care = pay a negotiated bill
- FFS = bill patient the balance, or “accept insurance”
- Medicare = accept it; or not [but cannot bill more than 115%]
- Managed care = accept the contracted rate; cannot bill remainder [*balance billing*].

**Are doctors aware / unaware?**

**Are patients aware / unaware?**



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# Capitation Reimbursement

*[What it is – How it works]*

## DEFINITION

Fixed payment amount regardless of the quantity or intensity of care delivered.

- Actuary Utilization Rate
- Under-capacity: Empty treatment rooms.



**Successful Docs:** No patients in the waiting room; very counter-intuitive.

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# Capitation Reimbursement

*[Flip Chart Exercise]*

## GIVEN:

- Doctor paid 200 cents [\$2] per Patient / per Month
- 1,000 patient contract
- $[1,000 \times \$2] = \$2,000$  / month
- **Actuary Utilization Rate [20%]**

## CALCULATION:

- $1,000 \text{ patients} \times 20\% = 200 \text{ pts/month}$
- $\$2,000 / 200 \text{ pts} = \$10 \text{ patient} / 3 \text{ pts/hr}$
- $200 / 25 \text{ patient days} = 8 \text{ days}$ .
- $\$2,000 / 8 \text{ days} = \$250 \text{ per day}$ .

**KEY FACTOR: Utilization Rate**



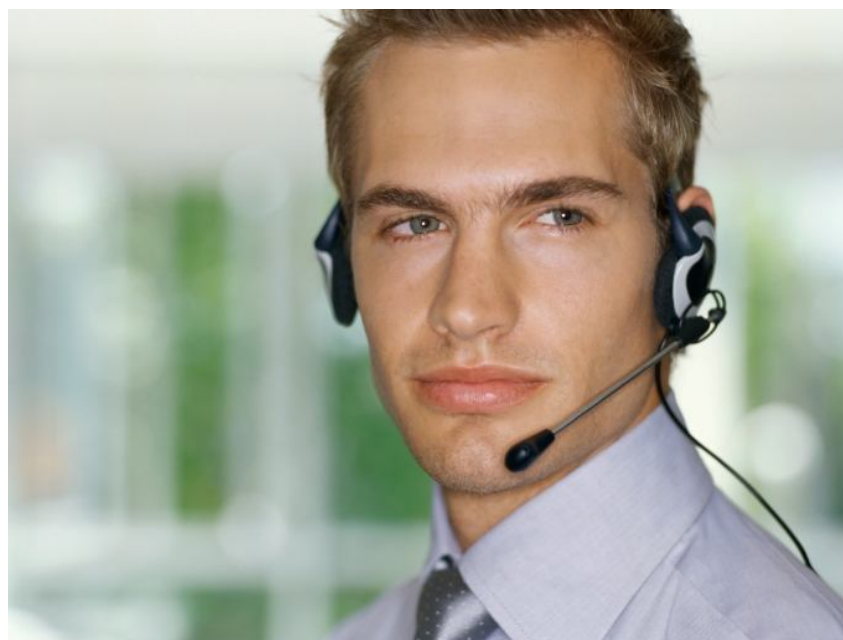
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# Concierge Medical Practice

*[Getting Off the Entire Medicare Grid]*

## What it is - How it Works

- Private, Cash or Direct Pay Medicine
- Must opt-out of Medicare for 2 years
- Retainer fees: \$1,500 – \$3,500/ year
- Reduced paperwork and scrutiny
- Doctor Access 24/7/365, email, etc.
- Ancillary service offerings  
[smoke/weight]
- More time spent with patients [3,000  
patient load reduced to 300-600  
patients]



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# Diagnostic Related Groups

*[What they are – How they work]*

## CHARACTERISTICS

### Medicare Prospective Payment System for Hospitals [1983]

- DRG is principal diagnosis (why admitted).
- Complications-comorbidity (secondary Dx).
- Surgical procedures.
- Age and patient gender.
- Pays average cost per admit; not a la carte.
- Discharge disposition [routine, transfer, died].
- Reduced re-admissions.

### ***“My Patients are Sicker than Your Patients” [2006]***

- Medical Severity: MS-DRG [risk adjusted]
- Ambulatory Payment Classes: [APCs]



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# Recovery Audit Contractor Program

[Hospital RACs]

## CHARACTERISTICS SINCE 2006

- CMS paid 20% improper payment contingency [highly-motivated].
- Three year “look-back” rule.
- Programs New York, Florida, SC California [\$357-M overpay and \$14-M underpayments - 25:1 ratio].
- Medicare error rate at 4% in 2007, down from 10% in 2003 [\$10-B improper payments].
- Appeal rate of 13%; *no appeal* 77%
- Successful appeal rate of 7%.

## CONTRACTORS IDENTIFIED 2009

- Diversified Collection Services, Livermore, CA
- CGI Technology Solutions, Fairfax, VA
- Connolly Consulting Assoc., Wilton, CT
- Health Data Insights - Las Vegas.

**All 50 states by no later than 2010**

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# Pro Bono Medical Care

*[Non-Compensated Medical Services]*

## RECENT TRENDS

- Survey revealed 40% MDs doing less *pro-bono* due to managed care income.
- *Volunteers in Healthcare* – American Academy of Family Physicians – offers a patient record system to track free care to uninsured.
- Includes tracking and storing information on patients, MDs, visits, clinics and referrals.

**GOOD LUCK!**



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# References

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# **Institute of Medical Business Advisors Inc**

*[Bridging the Gap Between Mission and Margin]*

## **Thank You!**



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