BEYOND THE BASICS: CHIROPRACTIC OFFICE MANAGEMENT BY THE NUMBERS

Lisa Maciejewski-West CMC CMOM CMIS CPCO

FOUNDER, GOLD STAR MEDICAL BUSINESS SERVICES

1

WHAT'S OUT THERE?

This is a common conversation….providers are looking for answers to the age old question "Where's my Money?"

- "I'm seeing a lot of patients"
- "I'm doing a lot of services"
- "I'm billing out a lot of claims"
- **BUT**
- "WHERE'S THE MONEY??"

2

USING KPI'S TO MANAGE YOUR PRACTICE

- KPI = KEY PERFORMANCE INDICATOR
- FINANCIAL KPI'S
- PRACTICE MANAGEMENT KPI'S

3

ACCOUNTS RECEIVABLES (AR)

When you bill out claims, these unpaid services become part of your Accounts Receivables

Patient Monies that are not collected become part of your AR

Monthly AR Reports show you everything that is outstanding. Can be:

- Broken down by Pending Insurance Claims
- Broken down by Pending Patient Money
- Broken down by Insurance Carrier/Case Type
- Broken down by Age of Outstanding Balance

Make sure you know how to run AND analyze these reports!

4

FINANCIAL METRIC 1: DAYS IN AR

What is Accounts Receivable Days?

Accounts receivable days is a formula that helps you work out how long it takes to clear your accounts receivable, or the number of days that an invoice will remain outstanding before it's collected.

The accounts receivable days ratio is an excellent way to determine how effective your business is at collecting short-term payments, making it a great tool to add to your financial analysis arsenal.

One can calculate the accounts receivable days of a business by dividing the pending AR with the revenue during a fixed period and multiplying it by the number of days at the time.

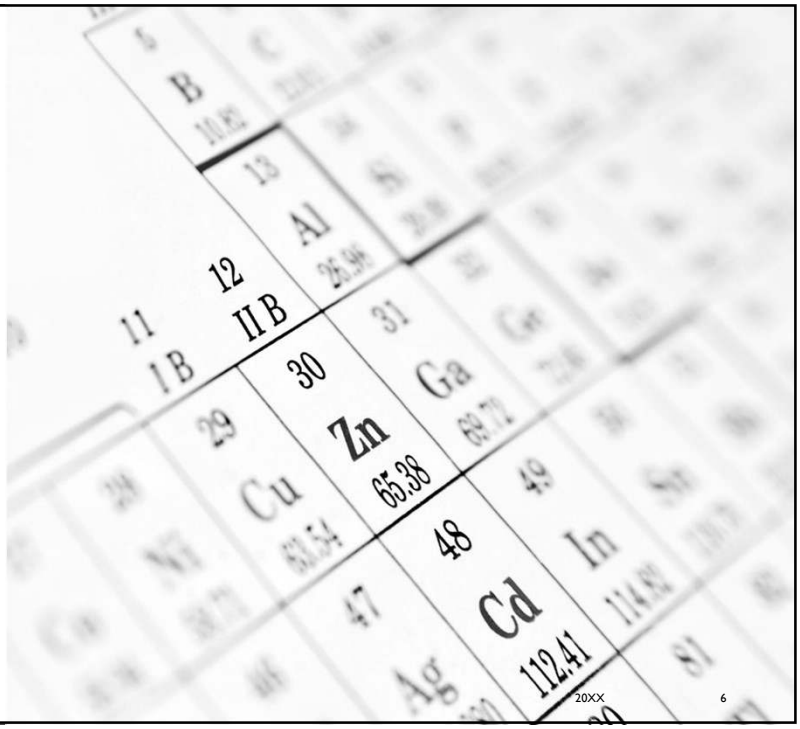
5

EXAMPLE

AR is $1,200,000

Yearly Collections $600,000

600000/1200000 = .5 (move 2 decimal places to the right) = 50 days



6

WHAT'S A "GOOD" AR?

Goal should be to keep accounts in AR at 45 days or less.

Breaking down AR will help you determine where the holes are in collections. Break down by:

Insurance AR (estimated $$ that are expected to be paid by insurance companies)	Patient AR (Unpaid patient balances – self pay, deductibles, copays, etc)	Personal Injury AR – if you treat PI patients, your days in AR might be higher due to unsettled PI claims. Extract PI out of your AR and run it separately. It would not be reasonable to have PI AR at 45 days or less. A "good" PI days in AR would be 6 months.

7

THE AR "SWEET SPOT"

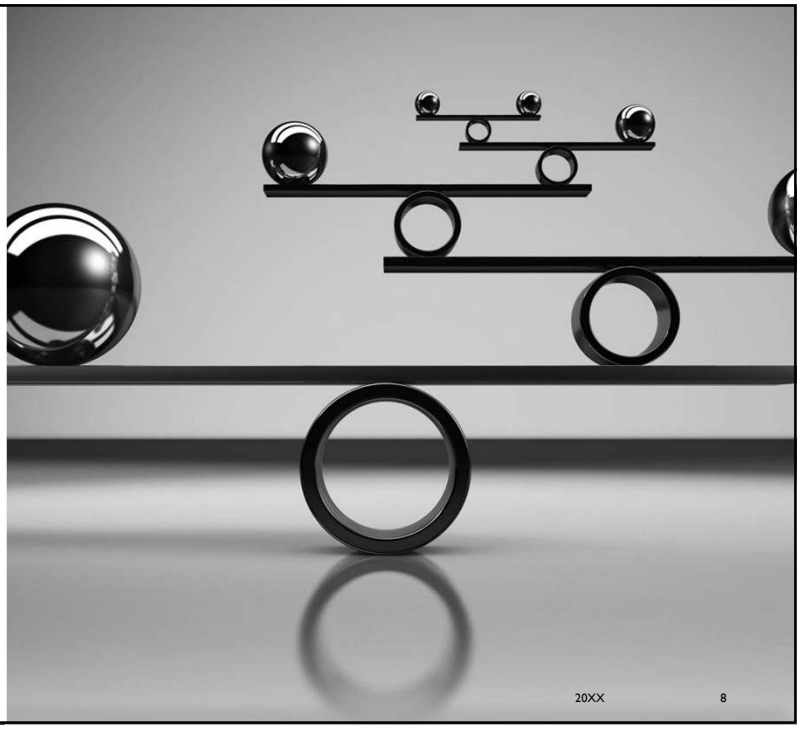
When looking for INSURANCE AR that is at its MOST collectable, target unpaid claims in the 45-90 day range

Break down AR by carrier- improves efficiency

Look for largest balances and work your way down to smallest balance

Working AR from A-Z may not be the most effective method, especially if you have hundreds of pages to go through.

New AR should be run EVERY MONTH. If you don't get through your AR in a month, generate a new report. Don't' work off the same AR for four months!



8

FINDING YOUR **TRUE** AR

- It will be difficult to calculate your true AR unless it's cleaned up first – some things that need to be done to get a true picture of your AR
  - Insurance AR
    - Make sure all EOB's are posted before generating AR report
    - Make sure all contractual write offs correctly applied
    - Make sure all applicable claims that have patient responsibility have been moved over to the Patient AR (Uncollected copays/deductibles, Zero Pay EOBs)
  - Patient AR
    - Make sure all unapplied patient credits have been applied to patient accounts
    - Make sure all monthly auto pays are run before generating AR report
  - Uncollectable Balances
    - Write off all uncollectable balances as soon as possible
      - All insurance AR over 1.5 years (not including PI). Do this only after you have correctly transferred patient responsible balances to patient AR
      - Patient AR over 2 years old – consider generating a "shotgun" statement to all old balance patients, see what can be collected. If no activity, write off or send to collections

9

WORKING OLD AR (OVER 90 DAYS)

- Don't work your AR from oldest to newest. The older the AR, the less likely you are to collect.
- Old AR is mostly cleanup work.
- Allocate a certain number of hours/week on old AR. STOP once you have reach that threshold
- Larger practices/clinics with multiple employee billing departments may want dedicate one or several employees to clean up old AR.
- Never put your clinic in a position of constantly chasing old AR. Divide and conquer!

10

ANALYZING YOUR AR

Look for GROUPS of non payment first-this will allow you to collect on multiple accounts at once

Look for patterns: (examples)

You have a bunch of claims from one particular **billing date** that did not get paid. (Problem at Clearinghouse, problem with the claim batch)

You have a **carrier** that has not paid in over 30 days (Credentialing issue, holding claims due to audit)

Identify your targets and get to work

11

RISK MANAGEMENT

- If AR is out of control, it's important to identify the primary culprits and fix the problems so they don't continue to compound
  - Insurance: What are the top reasons for claims rejections/ denials?
    - Incorrect/Inaccurate/Missing demographics
    - Incorrect/improper CPT, Dx coding, missing/misused modifiers
    - Failure to follow LCD, Medical Policy guidelines
    - Insufficient documentation to support a claim (retrospective denials and recoupments)
  - Patient: What are the top reasons why there are high patient balances?
    - Improper or no verification of benefits
    - Lack of good OTC collection protocols
    - Never send or sporadically send statements
    - Too many "deals" with patients, too hard to track
    - Prepays – balances "left over" are not being written off

12

OFFICE MANAGEMENT OVERSIGHT

- Daily: Run day sheets, make sure checks and balances are done
- Weekly: Make sure billing has been done, and all issues in clearinghouse have been resolved
- Weekly: Make sure patient accounts, including insurance demographics, dx codes, etc are current
- Weekly: Go to clearinghouse and carrier websites to pull all EOB's delivered electronically
- Weekly: Print/View Unpaid claims reports, look for claims that should have been paid by now
- Monthly: Print AR each month and look for claims with NO activity that have aged over 30 days.

13

FINANCIAL METRIC 2: NET COLLECTION %

- **How healthy are your collections? A good collection ratio should be around 90%**
- **FORMULA: Collections divided by NET SERVICES (Gross billing – write offs/adjustments)**
- **EXAMPLE: Collections/month $75,0000, SR 145,000, W/O $40,000 (NET $105,000_**
- **$75,000/$105,000 = .714 (move 2 decimal places to the right) = 71.4%**

14

FINANCIAL METRIC 3: DENIAL RATE

- How many claims initially submitted are denied entry to the adjudication system?
- FORMULA: Denials/Rejections divided by Claims submitted
- EXAMPLE: 600 claims submitted, 55 rejections
- 55/600= .091 (move 2 decimal places to the right) = 9.1%
- Your denial rate should be less than 5%

15

FINANCIAL METRIC 4: AVERAGE REIMBURSEMENT RATE, AKA $VA

- What are your collections per patient vist?
- FORMULA: collections/pv
- EXAMPLE: 600 pv, $55,000 collected
- 35,000/600= $58.33/PPV

16

FINANCIAL METRIC 5: COST OF DOING BUSINESS (COST PPV)

- This metric helps you analyze whether your collections are covering your overhead and your profit margins
- FORMULA: PV divided by Overhead
- EXAMPLE: Monthly overhead $25,000, PV 600
- 25,000/600= $41.66 cost ppv
- Collection PPV= 35,000/600= $58.33/PPV
- PROFIT MARGIN $58,33-$41.66 = $16.67 ppv

17

PRACTICE MANAGEMENT METRIC: PATIENT VISIT AVERAGE

- This metric helps you analyze how many times a patient will see you over the lifetime of the practice
- FORMULA: PV divided by NP
- EXAMPLE: Monthly PV 600, Monthly NP 35
- 600/35= 17.14 PVA

18

WHAT DOES MY PVA TELL ME?

- Patient Compliance, Patient Education and Practice Style
  - Are patients following through with your treatment recommendations?
  - Do you want to build a maintenance Practice?
  - Are patients referring people to you?

19

WHAT'S A "GOOD" PVA?

- PVA numbers are dependent on several factors
  - How long a provider has been in practice – a provider in practice 2 years should have a much smaller PVA than a provider in practice 20 years
  - General rule: PVA should be a minimum of 10 in the 1st year of practice, and increase by 2 each year of practice thereafter, up to assuming provider promotes maintenance care

20

FORECASTING AND PLANNING

- Using your data, you can FORECAST your year, and set goals for improvement
- Example: Current Profit Margin is $16.67 ppv
- Average PV/month = 600
- Forecast Annual PV/Year = 7200 x $16.67 = $120,024 Profit/reinvestment funds

Are you happy with those numbers? If not, forecasting gives you the opportunity to set goals and respond based on fact of data.

- ❑ Increase Patient Visits
- ❑ Increase Revenue Centers
- ❑ Trim Overhead

21

PRACTICE MANAGEMENT METRIC 2: CPT/PRODUCTION ANALYSIS

- The goal of a CPT/Production Analysis is to look at your revenue streams and decide if you are maximizing them
  - CMT
  - Therapies/Rehab
  - Exams
  - Xray/diagnostics
  - Ancillary: Massage Therapy, Acupuncture, Decomp, Laser, Nutrition, etc
- These metrics should be analyzed MONTHLY to assess downturns in production.

22

GOLD STAR MEDICAL OFFERS PRACTICE CONSULTING SERVICES

- Hourly $150
- 10 hours prepaid $1250
- Annual (12 month commitment): Includes written practice analysis and game plan, coaching calls, unlimited email support $500/month, or $5000 prepaid.
- **CONFERENCE SPECIAL 10% DISCOUNT ON ALL CONSULTING SERVICES, MUST PURCHASE BY DEC. 1, 2023**
- Call 325-650-5067 FMI, ask for Rick or Lisa

23

THANK YOU FOR YOUR ATTENDANCE! QUESTIONS?

- Call Lisa Maciejewski-West at Gold Star Medical Business Services for a **Complimentary Consultation**
- Phone: Toll free 866-942-5655 OR 325-650-5067
- Email: info@goldstarmedical.net
- Visit website: www.goldstarmedical.net
- Facebook: www.facebook.com/goldstarmedical

24