



# ***Financial Impact of Denials and Underpayments***

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## ***What do these people have in Common?***

- Geo: Read
- Gunning Bedford jun
- John Dickenson
- Richard Bassett
- Jaco: Broom
- James MCHenry
- Dan of ST ThoS.  
Jennifer
- DanL Carroll
- John Blair
- James Madison Jr.



## ***What do these people have in Common?***

- WM Blount
- RichD Dobbs Spaight
- Hu Williamson
- J. Rutledge
- Charles 1A Cotesworth  
Pinckney
- Charles Pinckney
- Pierce Butler
- William Few
- Abr Baldwin

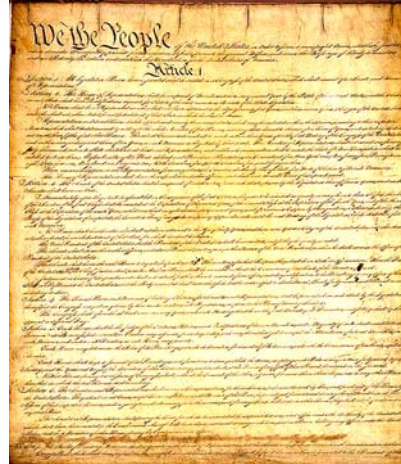


## ***What do these people have in Common?***

- John Langdon
- Nicholas Gilman
- Nathaniel Gorham
- Rufus King
- WM. SamL Johnson
- Roger Sherman
- Wil: Livingston
- David Brearley
- Wm. Paterson
- Jona: Dayton

## ***What do these people have in Common?***

- Alexander Hamilton
- B Franklin
- Thomas Mifflin
- RobT Morris
- Geo. Clymer
- ThoS. FitzSimons
- Jared Ingersoll
- James Wilson
- Gouv Morris



## ***The U. S. Health Care System is Different***

- Developed into three competing areas:
  - Delivery of Healthcare
  - Access to Healthcare
  - Financing Healthcare
- Delivery:
  - Doctors, Hospitals & Nursing Homes
- Financing:
  - Insurance Companies and Governments



## ***What You'll Learn***

- How a contract modeling database can reduce the amount of money that must be deducted from Gross Revenue thereby increasing Net Income
- Proofing Audits
- Reporting – Operations/ Negotiation



## ***Why do it?***

- Lowering the contractual allowance thereby increasing net income
- Payors know you are watching
- Fast access to data
- Profit via out-convoluting
- Prepare for “Medical Banking”



## ***What We'll Cover***

- Auditing
- Accounting
- An explanation of operations
- What-if scenarios
- Pros and cons of different approaches



## ***Categories of Denials***

- Administrative
- Clinical - Dr. to Dr. or  
Millman/Robertson vs. InterQual
- Underpayments

## ***Steps to Modeling***

- Obtain a copy of the contract
  - Fee Schedules for Lab, Imaging
  - ASC Grouper
  - Outlier Calculations
- Develop the mathematical model
  - Different Methods – “Surgery” by DRG or Revenue Code 360/481/490/750/790
- Develop the Multiple Service Grid
- Program it into the system

## ***Payment Terms***

- Discount off charges
- Case rates
- Tiered revenue code carve outs
- Revenue code based per diems
- DRG based per diems
- Fee schedules
- Multiple threshold stop losses
- APCs

## Multiple Service Grids

The #@\$\*#% Contract Multiple Service Matrix.Effective 1/1/05,r4/26/0

	ASC	AOP	C Cath	OBS	New Codes	ER Emerg	ER Urgent	PT/ST/OT	OP CT	OP Lab
ASC		BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH
AOP	AOP		BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH
C Cath	C Cath	BLAH		BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH
OBS	ASC Only	BLAH	BLAH		BLAH	BLAH	BLAH	BLAH	BLAH	BLAH
New Codes	Both	BLAH	BLAH	BLAH		BLAH	BLAH	BLAH	BLAH	BLAH
ER Emerg	Both	BLAH	BLAH	BLAH	BLAH		BLAH	BLAH	BLAH	BLAH
ER Urgent	Both	BLAH	BLAH	BLAH	BLAH	BLAH		BLAH	BLAH	BLAH
PT/ST/OT	--	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH		BLAH	BLAH
OP CT	ASC Only	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH		BLAH
OP Lab	ASC Only	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	
OP MRI	ASC Only	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH
OP Rad	ASC Only	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH	BLAH

## Computer Modeling

- Is as exact as your models
- Is applied at the patient account level
- Reporting is quick
- Lends itself to data storage & analysis
- Transfers the locus of expense



## ***Underpayment Themes***

- Late implementations by payors
  - Collection Companies that Rebill
- Leased networks
- Systematic problems
  - Payor Claims Dept. Budgets
  - Ineptness / Complexity
- Employer funded plans
- New DRGs



## ***Forecasting Revenue***

- First select a common indicator
- Select the population
- Model the contemplated terms
- Apply the contemplated terms to the selected population

## ***Forecasting Revenue***

- Common Indicators - % Disc, % Chgs.
- Select the population - Contract, Plan, IP/OP, Employer
- Apply the terms to the population
- Gives Rate Variances only, Not Volume

## ***Audits***

- Certify that the financial statements presented by management are materially accurate
- Test the amounts on the financial statements and the processes used to determine them



## ***Traditional Estimation of Accounts Receivable***

- Relies on an analysis
- Uses estimates and aggregate data
- Dependant upon skill of the analyzer
- Applies past collection rates to current accounts receivable



## ***Six Most Sensitive Accounts***

- Contractual Adjustments
- Accounts Receivable
- Allowance for Doubtful Accounts
- Bad Debt Expense
- Allowance for Contractual Adjustments
- Due to/from 3rd Party Settlements



## ***Computer Modeling: What Auditors Want***

- To have a valid sample
- To know the models are accurate
- To know the systems agree
- Conservative estimates
- To know the systems are compliant



## ***Audit Detail Each Acct.***

- Copy of the UB
- Payment section of the contract
- Hand calculation
- Ascent calculation
- HOST patient account screen print
- Remittance advice



## ***Computer Modeling: Internal Controls***

- Adequate training and staffing
- Periodic balancing of systems
- Approval of each model put into production by someone other than the creator – In-house or Vendor Created



## ***Modeling Approach: Drop Down Selections***

- It's easier
- Easier to train
- It's more consistent
- Inflexible reporting (Dec. Support)
- May have limits on copying terms



## ***Modeling Approach: Programming***

- It's harder – programming and database operations
- Harder to train
- May be less consistent
- Copying code usually easier
- Much more flexible reporting



## ***Database Construction***

- Composed of tables
- Tables composed of data elements
- Data elements can be manipulated and reported upon



## ***Decision Support***

- Data elements can be extracted
- Operations on data elements
- Aggregations
- Mathematical
- What-if scenarios



## ***Questions and Comments***

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