Money Down the Drain

Is It Time to Clean Up Your Accounts Receivable?

By Brandy Brimhall, CPC, CMCO, CCCPC

Do you know your practice's current outstanding accounts receivable (AR)? How about the sources for this balance? This may be any one or an accumulation of major medical carriers, patients, government payers such as Medicare / Medicaid, Medicare supplements, secondary policies, personal-injury or work comp payers. Now here's the really important question: Does your practice have adequate systems in order to manage and maintain your AR? Let's discuss why AR is so important and the problems that can develop if left unattended; and then present some possible solutions.

Why AR Can Be Ignored

Too often in practices, AR management becomes an area of disconnect. Uncollected monies will accumulate for extended periods of time. The effects of this accumulation include loss of cash flow, poor payer relationships, damaged patient relationships, fewer referrals ... the list goes on. With the provider's desire to care for and help patients, the business side of the chiropractic practice can often be set to the side, causing difficulty or struggle in other areas of practice growth and development.

Often, the reason for the inadequate attention to accounts receivable is due to other things as well. Perhaps uncertainty about where to begin or what to do, lack of training, shortage of time or even insufficient time management systems are to blame. Regardless of the obstacle, a resolution that works for your practice can and needs to be found. Providers and staff must be proactive in addressing AR and all other obstacles the practice may encounter.

Why a Streamlined AR System Is Vital

Over time, it is easy to forget just how important streamlined accounts receivable systems are to a practice. As a result, this critical component is left unattended or ill-managed. To demonstrate the value of AR, let's take a look at what the American Association of University Professors' (AAUP) Wikipedia site says about AR:

"The management of accounts receivable is an extremely important function since the collection of outstanding receivables represents the *single most important source of cash for all organizations*. Because of the impact that accounts-receivable collections have on cash flow, it is important that responsibility for the day-to-day management of credit and collections activities be delegated to a single individual within the organization."

To be clear, the "single individual" responsible for these activities as described above does not imply that one person should be handling this portion of your practice; however, this person should essentially be the manager or project manager for your accounts receivable activities. This helps to ensure accountability and consistency.

AAUPWiki further explains, "Accounts receivable is reported as a current asset and is considered part of an organization's working capital. As a current asset, accounts receivable is expected to be turned into cash within the annual operating cycle of a business."

Warning Signs of AR Problems in Your Practice

- Patient visits are stable, but the total AR dollar amount keeps growing.
- More than 25 percent of your total AR is 120-plus days or more.
- Most of the outstanding balance on your AR report is 60 days or older.
- Total AR is greater than 1.5-2 times the average monthly charges for the practice. *(Note:* This is an estimated average and may vary depending upon the type of practice.*)*

Solution #1: Monitor Your AR by Statistics

Practice statistics are a useful diagnostic tool. Practice owners can identify the efficiency of over-the-counter collections and potential issues with claims submissions and/or collections just by reviewing stats. Your objective should be to find and fix trouble areas before they become long-term or difficult to correct or manage.

In addition, when dealing with third-party payers, reviewing your stats and AR reports will help to identify potential billing errors, and allow your practice the opportunity to evaluate and correct these errors *before* they are brought to your attention by a payer in the form of a review or audit. Issues relating to your billing and collections will be minimized, reducing your risk and expense of long-term, ongoing erroneous or inefficient systems. Not to mention, statistics are really the only effective way for a provider or practice owner to monitor the productivity in their billing department.

Solution #2: Perform a Revenue Analysis

A revenue analysis is essentially a risk-management procedure you should periodically perform as a method of evaluating and maintaining your AR. Items to evaluate include the following:

How are your over-the-counter collections: Are patient balances, co-pays / co-insurances being collected at the time of service? This system also may need to be addressed (and staff trained to utilize) to prevent loss of cash flow and the expense of having to mail statements.

Are you verifying insurance benefits? Having this information is not only beneficial for correct billing, but also aids in building positive patient relationships.

Is authorization required by any of your payers? If so, do you have an efficient system in place to keep authorizations current, in order to avoid losing revenue and potentially damaging patient relationships?

Are you using the Medicare ABN appropriately? If not, you could be putting your practice at risk, which may result in audits, monetary penalties, suspension from the Medicare program, etc.

Are you confident in your use of codes? Using codes (CPT, HCPCS, ICD-9 / ICD-10) correctly has a significant impact on your practice reimbursement – not just in terms of what you get paid from carriers, but also the money you get to keep. Inappropriate use of coding is extremely crippling to a practice. Additionally, are there other CPT / HCPCS codes you can and should be using that may not only be more accurate, but also more profitable for your practice?

How are your systems for electronic claims submission? Are clean claims being submitted? Are batch reports being reviewed, and are any rejected claims being addressed?

Patient and insurance payment posting: Are charges, payments and write-offs being posted and categorized correctly every time?

Patient account reviews: Do you have a system to audit / review patient accounts with uncertain balances? If a balance needs to be adjusted or written off, what is your protocol to ensure appropriate decision-making and record-keeping?

*Denied claims: H*ow efficiently are these addressed? Are EOBs (Explanation of Benefits) reviewed line-item by line-item to ensure appropriate processing? Do you have a system in place to follow up regularly with appeals?

Patient collection systems: Do you have an effective patient collection system in place? If you are sending statements month after month for extended periods, this practice is detrimental to your cash flow, patient relationships and time management of your employees. Statements that are being sent sporadically and with no consistent schedule also will harm your practice.

Collections prioritization: Have you reviewed your current AR report and established a procedure to address aged balances, both with patients and with payers?

Software analysis: Is your software enabling your practice to efficiently manage statistics and address ? If you find this component of your software to be inadequate, perhaps spending time training with the software vendor will resolve the issue. If other inadequacies are noticed with your software, such as EHR issues, it may be time to consider updating to software that better meets the needs of your practice.

Clearinghouse communication: Is your practice's clearinghouse meeting your needs and operating efficiently to maximize the speed of reimbursement? If your practice is having trouble batching claims, reviewing reports of rejected claims and other communications issues with the clearinghouse you employ, be concerned. Perhaps training or making a phone call to the clearinghouse would resolve this issue; if not, a different clearinghouse may better meet your needs.

Fee evaluations: When was the last time you evaluated your practice fees? Are your fees too high for your region and the services being performed? This could cause your practice AR to appear unreasonably high, as well as force unnecessarily high write-offs. Excessively high fees also can attract the attention of payers. Or are your fees too low, causing your practice to be limited on reimbursement and lose cash flow? Are you confident your practice is utilizing the most current Medicare fee schedule to ensure compliance?

Pre-billing review: Are your claims simply batched and submitted, or are they briefly reviewed to help ensure submission of clean claims? Things such as incorrect code, incorrect modifier and/or insufficient diagnoses to support services rendered cannot be detected by a clearinghouse. However, your billing personnel should easily and quickly be able to recognize these basic items. This enables the practice to better ensure claims are submitted correctly, which reduces denied claims, delayed claims, and the risk of record reviews and audits.

Make Your AR Easy

Your collection system must be designed in a way that is not cumbersome or overwhelming to your practice. As you begin evaluating your current protocols, it may certainly be overwhelming at first ... until you begin to establish and execute systems that work for your practice schedule. It is extremely rewarding to begin to see old monies coming in and your total AR decrease. For any practice, this serves as great motivation to continue working to clean up and manage accounts receivable.

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