THREE CRITICAL QUESTIONS

ABOUT EMS REVENUE AND PERFORMANCE

Digitech®

THREE CRITICAL QUESTIONS ABOUT EMS REVENUE AND PERFORMANCE

Action is at the heart of EMS: making quick decisions in the heat of the moment that are often truly a matter of life and death.

In the field, the business maxim of "if you can't measure it, you can't manage it" doesn't exactly apply. You don't expect a medic to pull up an analytical dashboard between calls and begin crunching numbers.

And yet, data analysis plays a huge part – not only in improving patient care and outcomes, but crucially, in the performance of the entire EMS organization. It is critical to understand the available data about challenges, opportunities, and strategy in order to make the best decisions for your agency.

In this whitepaper, we focus on three critical questions for EMS billing. You can use these questions to guide your analysis and assessment of revenue collection performance of your billing department, billing vendor, or billing solution.

1. **HOW ARE YOU CALCULATING COLLECTION PERCENTAGE – AND WHY?**
2. **HOW ARE YOU ANALYZING COLLECTIONS PER TRIP?**
3. **HOW ARE YOU MEASURING EFFICIENCY?**

HOW ARE YOU CALCULATING COLLECTION PERCENTAGE – AND WHY?

The formula for measuring your collection percentage seems obvious: collections divided by charges. If $1,000,000 was billed last year, and $600,000 was collected from payers, the collection percentage for that period was 60%. The higher the collection percentage, the greater the revenue. It follows that the performance of the billing solution is better if the collection percentage rises.

WRONG.

It would be nice if it were that simple and straightforward, but it's not.

Collection percentage can be an excellent metric for measuring your *own* service's current performance against your historical performance, with caveats. If the rates you charge for transports are stable, your payer mix stays the same, your level of service ratio remains unchanged, and you use a consistent formula to calculate your collection percentage, then you will know that if there is a dip in your revenue collection percentage, there's a problem somewhere that needs to be identified and corrected. That's a lot of ifs!

FINDING THE RIGHT FORMULA

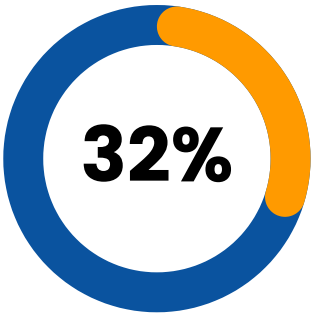
Notice the mention of “use a consistent formula.” One of the central problems with collection percentage is that there is no single standard formula that is used and accepted everywhere. It is important that YOU use the same formula every time you calculate revenue collection percentage (again, to compare your own service’s current performance to past performance) to ensure consistency in the results of your calculations.

Here’s an example of how calculations vary depending on how you slice it:

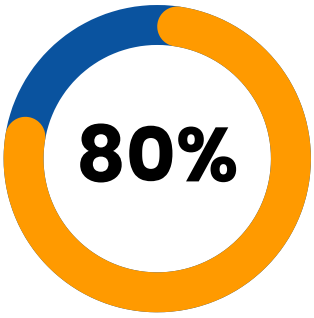
CHARGE FOR A MEDICARE PATIENT TRANSPORT:	**$1000**
MEDICARE APPROVED AMOUNT:	**$400**
MEDICARE PAYS 80% FOR TRIP:	**$320**

WHAT'S THE COLLECTION PERCENTAGE?

$320 / $1000 =



$320 / $400 =



$320 / $320=

Three formulas. Three results. If Medicare pays $320, which is the maximum amount that it is legally possible to collect, then is the collection percentage 100% when that $320 is collected? What about the other $680? If it cannot legally be collected, should that $680 be excluded from the calculation?

And that’s just one example. There’s no universal formula for collection percentage that can be applied to all scenarios and all organizations.

A VARIETY OF VARIABLES

The second problem in the collection percentage conundrum is the fact that collection percentage is highly dependent on the service's carrier mix, demographic makeup, and other factors that are specific to the service and the service area. Let's look at an example:

COLLECTION PERCENTAGE VARIATION BETWEEN PAYER GROUPS & AGENCIES

Agency A

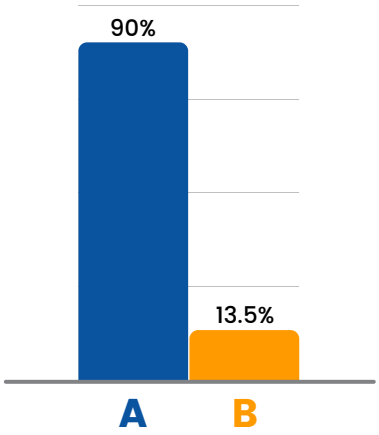
	Medicare	Self-Pay	Overall
Annual Billed	$10,000,000	$1,000,000	$11,000,000
Annual Collected	$9,900,000	$50,000	$9,950,000
Collection %	**99%**	**5%**	**90%**

Agency B

	Medicare	Self-Pay	Overall
Annual Billed	$1,000,000	$10,000,000	$11,000,000
Annual Collected	$990,000	$500,000	$1,490,000
Collection %	**99%**	**5%**	**13.5%**

Agency A bills most of their overall charges to Medicare and collects 99% of those charges. For self-pay patients, they only collect 5% of the $1MM that is charged. If you calculate by dividing total collections (just shy of $10M) by overall charges billed ($11M), Agency A's collection percentage is an impressive 90%.

Agency B bills $10MM annually to their self-pay group and just $1MM to Medicare. Using the same formula, their overall collection percentage is just 13.5%.



But if you examine the collection percentage for each payer category, you'll see that for both agencies, 99% of Medicare charges and 5% of self-pay charges were collected. Which figures are a reliable indicator of performance? Did Agency B's billers perform worse, even though they collected the exact same percentage for each payer?

The agency with the higher proportion of self-pay patients is clearly going to show a lower collection percentage. Does that mean that their billing solution isn't working? That depends on multiple factors that cannot be determined without much deeper analysis.

FAULTY ASSUMPTIONS AND RISKY REQUIREMENTS

The third problem associated with collection percentage as a metric for measuring your revenue cycle management solution's performance is in the assumption that a higher collection percentage automatically signals better performance.

While that seems logical, it is not true. Here is a simple explanation:

COLLECTION PERCENTAGE VARIATION BASED ON CHARGES

AGENCY CHARGES PER TRANSPORT
$1000

AGENCY COLLECTS INSURANCE COMPANY REIMBURSEMENT OF:
$500

AGENCY CHARGES PER TRANSPORT
$400

AGENCY COLLECTS INSURANCE COMPANY REIMBURSEMENT OF:
$400

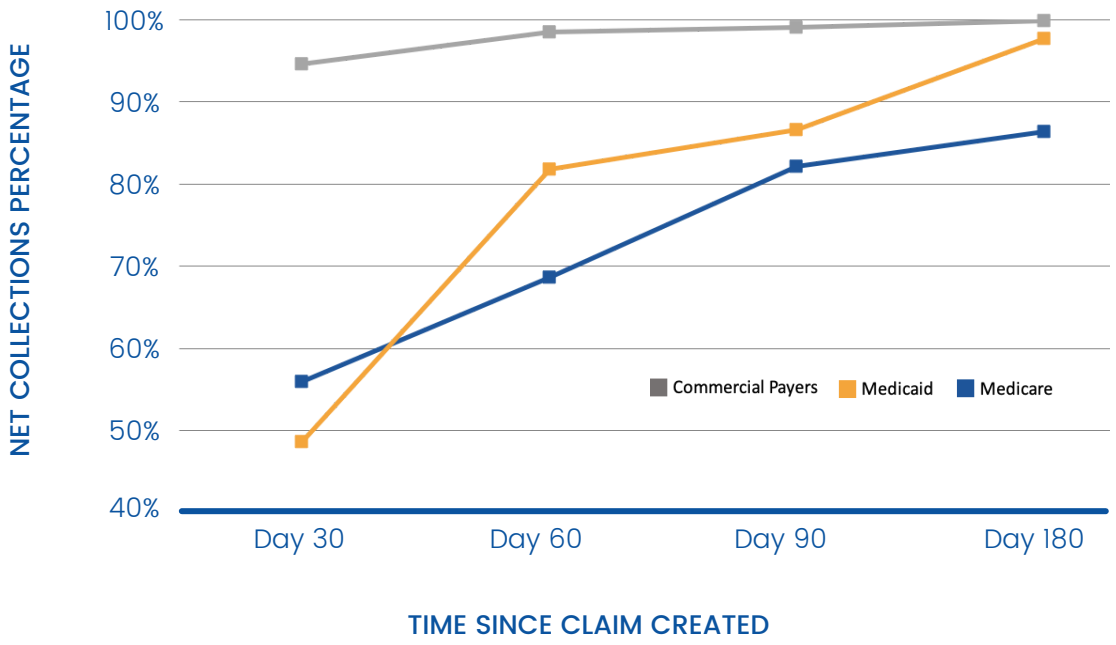
50%
COLLECTION

100%
COLLECTION

Would you rather have the $500 from the first example – a 50% collection percentage – or the $400 from the second example, a 100% collection percentage? Of course, you'd take the 50% collection percentage over the 100%. From this simple scenario, we can see that a higher collection *percentage* doesn't guarantee higher *collections*.

Another factor to consider is that collection percentage can vary depending on the point in time at which it is calculated. Revenue continues to come in on claims over time – sometimes for years – so the collection percentage is going to look much better, for example, at day 180 than it does at day 30:

NET COLLECTION PERCENTAGE OVER TIME



This graph shows the importance of maintaining a consistent point in time at which to measure collection percentage.

The misconception that a higher collection percentage equates to more revenue can have a lot of unfortunate ramifications for the EMS organization. For example, some agencies incentivize their billing departments to reach higher collection percentages or require their third-party billing vendor to deliver a collection percentage guarantee. These incentives and requirements can result in the billing department holding off from recommending rate increases so they can meet requirements, even though keeping rates stagnant means bringing in lower revenues for the agency.

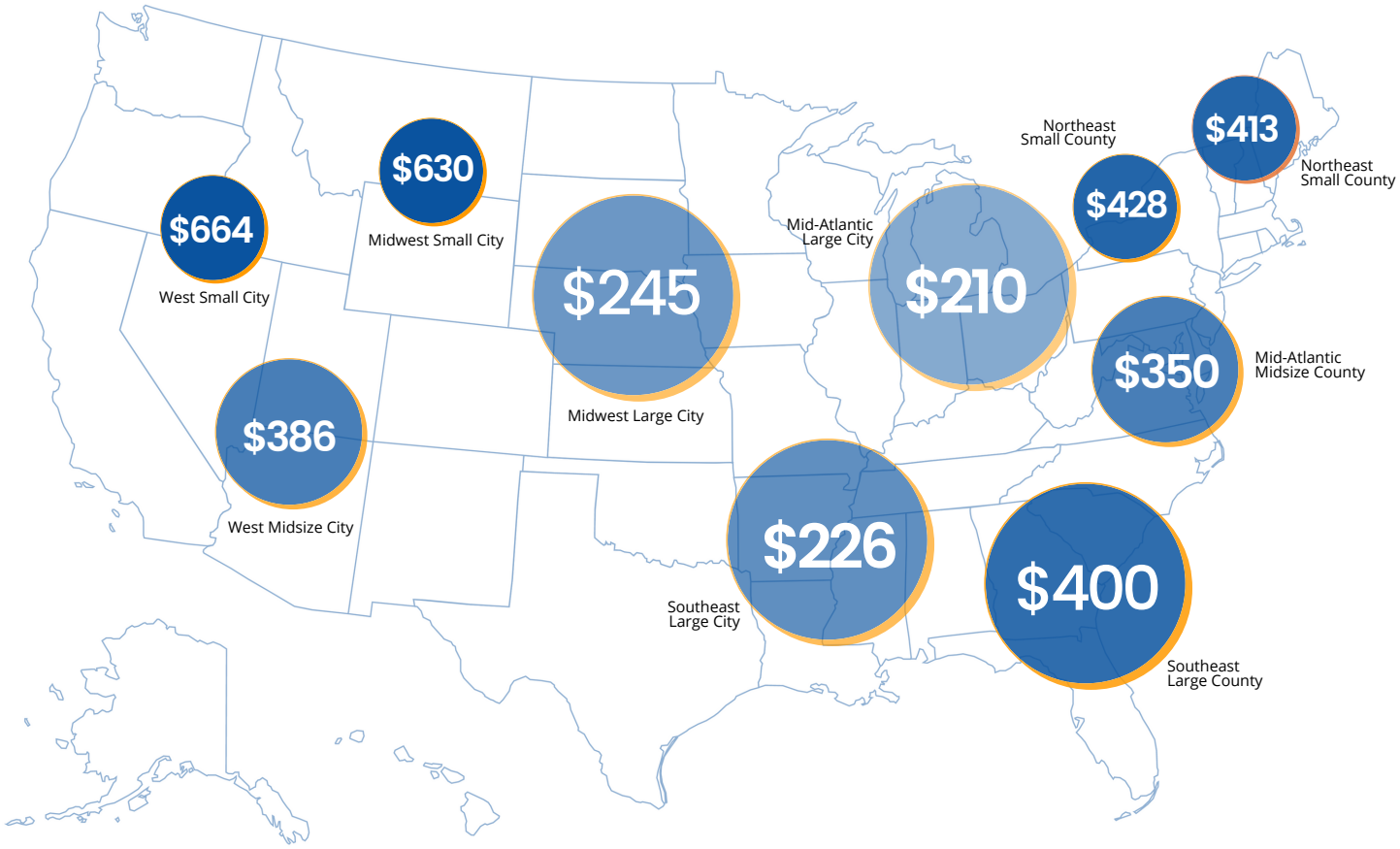
To conclude, collection percentage is not a reliable way to compare two solutions, two agencies, or two billing services. It *can be* a useful metric for tracking one system's performance over time if the demographics, carrier mix, rates, and formula for deriving collection percentage remain constant.

2 HOW ARE YOU ANALYZING COLLECTIONS PER TRIP?

Collections per trip or collections per transport (CPT) is another reliable metric to use when analyzing an *individual* agency's revenue performance over time. Like collection percentage, CPT is highly dependent on the rates, carrier mix, demographic makeup, and service level mix of an individual agency, so comparing CPT of one billing solution to another does not give you an accurate metric to judge performance.

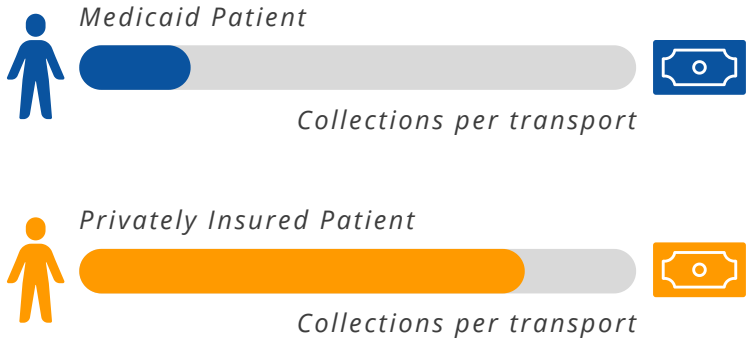
As you can see, there is a wide variance in CPT in different areas of our country, including variations within the same region:

COLLECTIONS PER TRANSPORT VARIANCE ACROSS 10 SAMPLE EMS AGENCIES



DISCLAIMER: As with all graphics in this whitepaper, figures are for illustrative purposes only to demonstrate typical CPT variance. They do not necessarily reflect Digitech collections and should not be construed as benchmarks or actual records.

The factor that creates the largest difference between service areas is demographic makeup. For example, if there is a high percentage of Medicaid patients in a given agency's community, collections per transport there will consistently be lower than in another community with more privately insured patients.



So how is CPT analysis useful if it is not a good method to compare billing services, billing solutions, or billing departments? There is one area where CPT comes in handy for comparison purposes: when one billing method or billing company has taken over for another in the same EMS organization. Look at the before and after. With all other factors being equal (i.e. no change in rates, demographics, etc.), what was the CPT before a change to billing vendor or billing software? What is the CPT after the change?

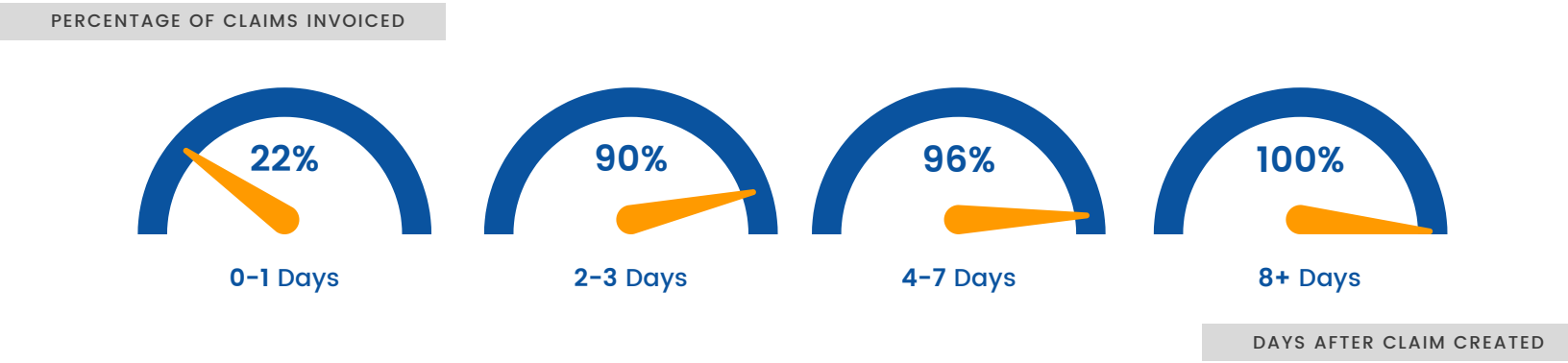
3 HOW ARE YOU MEASURING EFFICIENCY?

One thing is consistently true everywhere: getting claims invoiced and out the door quickly leads to improvement in collections. The faster you bill, the more you will collect. Why is this?

First, the obvious. You will avoid claims being denied for timely filing. Medicare gives you one year from the date of service to file a claim in most cases. While this seems like plenty of time, there are so many reasons that claims are returned for missing data or invalid information, and so many obstacles involved in resolving those issues, that a year sometimes isn't enough if you don't act on claims immediately.

This speed can be measured.

TIMING OF FIRST INVOICE SENT AFTER CREATION OF CLAIM



If you measure your invoice speed, then you can look for areas of improvement as well as understanding the "best you can do" threshold (based on capacity, volume, resources, and so on). Then you can monitor whether or not you're sticking to the necessary pace.

SEQUENTIAL INVOICING

Second, there is often a need to submit a claim to multiple payers. For instance:

- A Medicare claim for which the government paid the Medicare-approved amount, but the balance must be billed to the patient's supplemental plan
- A Motor Vehicle Accident claim where the patient's auto insurance (or the insurance of another party involved in the incident) pays a portion of the claim and a secondary auto insurance or a medical insurance plan pays the balance or a portion of the balance
- An insurance claim that is only partially paid because the patient's deductible has not yet been fulfilled, necessitating an invoice to the patient for the balance

To avoid refunds and denials, it's better to send invoices sequentially rather than try to bill more than one carrier or responsible party at the same time. When we know that we have collected the maximum amount possible from the first carrier, we can submit an accurate invoice for the balance to the secondary payer. The same goes for the tertiary payer, in cases where there are more than two responsible parties. In each case, the sooner you can get the initial invoice out the door and processed, the better your chances of getting a subsequent invoice out for the balance in a timely manner.

TIME TO CORRECT CARRIER

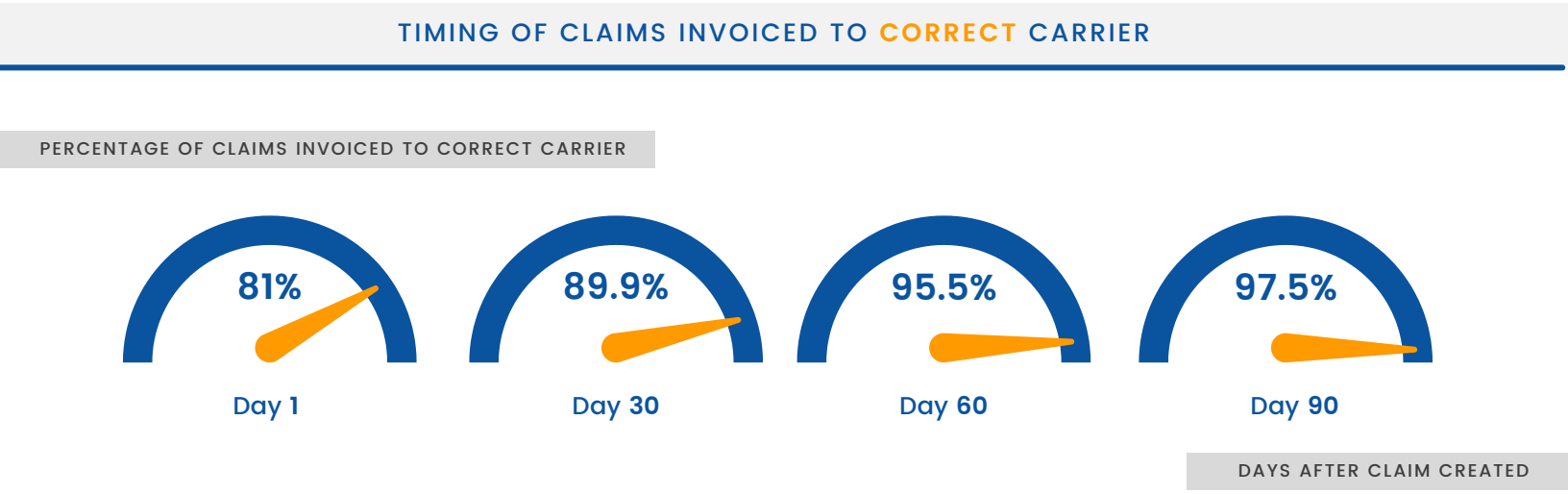
Third, consider the concept of the time claims take to arrive at the *correct* carrier. Stay with us here.

Many agencies, billing services, and billing software applications do not accurately account for the source of payments. Let's say a claim is billed to Blue Cross Blue Shield (BCBS) for $1000. BCBS pays their UCR (usual, customary, and reasonable) rate of $600. The patient has a secondary insurance plan, so upon receipt of the BCBS remittance, the secondary payer is billed for the balance of $400. The secondary carrier also has a UCR rate and pays $200. Having collected the $800, the net collection percentage is 100% and the books can be closed on that claim, right?

Not so fast. Often, the accounting methods of the billing service or the billing software can only attribute the revenue to a single source. In this case, that would mean that BCBS would be credited for the whole $800 from two payers, and the financial analysis would show a 100% net collection rate for the primary commercial carrier. The entire collected amount gets dropped into one bucket.

That might be fine for a simple analysis, but we recommend taking it a step further by ensuring that each dollar is sourced to the responsible payer. This gives a more accurate breakdown of revenue sources. These examples are where speed and efficiency of invoicing pay off. Getting those second and third invoices out as soon as possible means responses and remittances are returned that much sooner. The is what we refer to when we use the "time to correct carrier" metric.

This graph illustrates a healthy ratio:



There is, of course, much more that goes into maximizing revenue for your agency. To increase efficiency and accurately gauge performance, you need access to data, the right tools with which to analyze that data, and the expertise of a guide or analyst who can help you sort out what those data mean.

METRICS AND ANALYTICS AT DIGITECH

At Digitech, we're all about delivering maximum revenue to our clients. Compliance comes first, of course. If you're not submitting clean and accurately coded claims, collections will suffer, and you may even put your service or business in jeopardy. But after that, all research, data analysis, business intelligence, development, and education efforts are directed toward maximizing the return on every claim we submit to government and commercial payers. Similarly, while we first ensure that all patient-pay claims are handled with respect and compassion for those patients, we will also leave no stone unturned in our efforts to collect on those claims.

In more than 35 years of processing claims for ambulance services, we've learned what works – where automation can reduce drudgery and errors and where experienced human oversight of processes is absolutely necessary – and we have developed methodologies and metrics that build on that experience. We hope you find our approach useful in assessing the performance of your billing department, billing vendor, or solution.

To learn more, visit *digitechcomputer.com*.