



Consulting Information

RADMAX, LTD is a one stop source for all your radiology AR management needs. We combine advanced technology, total value and dedicated customer service to provide you the most comprehensive and progressive package that goes beyond billing.

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RADMAX, LTD's main focus will always be a full service billing solution for physicians and imaging centers, but occasionally we do get requests for consulting services. There always seems to be an interest to pursue an outside opinion, especially when we are talking about financial and coding issues. Since RADMAX handles radiology billing on a daily basis, we see quite a lot of mistakes and can offer clients suggestions that will improve their own billing issues and ultimately influence their finances.

Fee Schedule Reviews

An outdated fee schedule can cost a facility a lot of money. You want your services to be fairly compensated, yet you do not want to set your charges so high as to set off red flags with insurance companies and encourage complaints from your patients. Some clients are happy sitting right at the 50th percentile (50 percent of submitted charges for a given area are equal to or higher than yours), while others find that sitting at the 75th percentile (25 percent of the submitted charges are equal to or higher than yours) for some charges is appropriate.

Some considerations to think about are which payers will pay more if you do decide to raise your fee schedule. After all, raising prices for payers like managed care (contracted amounts) may only amount to raising your adjustment amount (contractual allowance) in the end, not your reimbursement! Factors that can affect fee schedules are the size of the area (population) and competition for services in that area. We use averaged data as a guideline for charges in a specific area (zip code) or nationally and we do an impact analysis (CPT codes and frequency in a given time frame) to determine the outcome of any changes.

Revenue Cycle Analysis

Revenue cycle is a growing buzzword these days and what we are really talking about is cash flow! Revenue cycle boils down to three areas that need to work in harmony—front end (admissions), middle section (charge capture), and back-end (billing/collections). The following is overly simplified because each practice has unique issues, but the main point comes across (all departments must work together and flow).

- Front end (admissions): clearly understands their mission (verification of insurance benefits, referrals, paperwork, patient demographics, etc.) and obtains accurate patient data.
- Middle section (treatment/charge capture): physicians and imaging center staff understand their role in effectively capturing charges (coding) for correct payment. There needs to be some type of process in place to make sure all codes are accurately recorded.
- Back end (billing/collections): understands radiology coding and can demonstrate competency, along with strong appeal (collection) skills. Some type of audit procedure in place to verify that all codes are being charged out correctly per patient. Formal policy in place on how accounts will get worked and who does what.

While nothing is ever completely cut-and-dry with healthcare, from our hands-on experience we can help you understand the big picture and give pointers that will help your imaging center to have a strong revenue cycle.

For those of you that do not have the advantage of an in-house billing department and who rely on a centralized hospital billing department for your billing needs—it is essential that you have specific hospital staff assigned to your accounts and they understand radiology billing. We have



Let RADMAX help you achieve your financial goals!

seen too many “hospital based” imaging centers (radiology departments) in-the-dark because of countless issues concerning the way their claims are handled and lack of communication. *A good reason to outsource your accounts to someone who understand radiology!*

Accounts Receivables Analysis

RADMAX has years of experience not only in radiology billing, but imaging center operations and finances. We understand radiology. There are a few key indicators for accounts receivables that are important for any radiology department to know on a monthly basis, even those centers that are hospital based and their billing is done by a centralized hospital billing department.

- Revenue AR Days: an indicator of how efficiently a facility is turning around claims (average number of days it takes to turn around [payment] a typical claim). The basic formula for Revenue Days is three months’ total revenue (charges) divided by the number of days in that three-month period. The answer is divided into your latest gross accounts receivables (AR). Typically your days should be in the 30 to 45 day area (though we have seen some hospitals above 75 days). This number can be influenced by factors like billing cycles and electronic claims usage.
- Collection percentages: *payments versus net charges (net collection rate) and payments versus gross charges (gross collection rate)*. Both are different and important. Your gross collection rate will tell you how much money (cents on the dollar) you are making and the net collections figure tells you how well your accounts are being worked overall. Your net charges are typically defined as what is payable (gross charges minus adjustments minus bad debt/charity = net charges). Unless there is some type of issue (i.e. large indigent

population), the goal for net collections should always be between 90 to 100 percent (monthly average). If your net collection rate is below 90 percent, chances are that accounts are not getting worked and money is being left on the table. *Please note that it takes about six months worth of data to establish a strong collection trending line!*

- Adjustments versus charges: an average of what is being written off such as contractual allowances or bad debt adjustments. While this goes hand-in-hand with your net charges figure, it is important to realize that too high of an adjustment ratio can send up red flags that accounts are not being appealed correctly and charges are being written off that might otherwise be payable (i.e. patient deductible, co-insurance, bundled charges, U & C, etc.).
- Accounts receivables balance (gross AR): every facility should set a goal of what their accounts receivables should be at any given month. Your AR is defined as any accounts that have not yet been paid (outstanding). There are many factors that can affect this number. If your billing system uses proration (takes the contractual allowance at the time of billing) or if you have an unusual amount of private pay or indigent patients, your AR can be influenced greatly either way. An AR goal (suggestion) is one to one and a half times your typical gross charges in any one month. Example: if you bill out \$1,200,000.00 mo. in charges, then your goal might be \$1,200,000.00 to \$1,800,000.00 in AR. An AR aging report can be helpful because it breaks down your aging by financial classes/payer categories and helps you identify areas in your AR that need your attention.

There are many other figures that can be included such as electronic claims rejection rate,

accounts receivables over 90 days old, bad debt ratio, average monthly expenses, etc. RADMAX can help you identify areas that need work and can point you in the right direction and strengthen your bottom line. As an outsourcing business for radiology, RADMAX includes a lot of this very analysis as part of our service. Also, RADMAX has several reports (including collection and AR aging reports) listed on our website that are available as free downloads. Please feel free to visit our web site at: <http://www.radmax.com/spreadsheets.cfm>.

Facility Profitability Analysis

RADMAX can analyze your financial numbers and determine what your bottom line is. This is very much like balancing a checkbook. In simplistic terms it is the amount of cash received versus your total expenses. There are many other factors to consider like equipment and building depreciation, but the main goal is to see if the facility is in the black (making money) or red (negative cash flow). This can also extend to new facility feasibility studies or a financial proforma on a new service. Recently we have received requests for analysis of free standing radiology imaging centers versus hospital based radiology departments (which type of facility is more profitable?). If your facility is in need of strategic planning and development assistance, we can offer advise and would be happy to help in any way we can.

Bottom Line

It is important for healthcare facilities to have a healthy bottom line. After all it is not possible to re-invest money back into the system in the form of new services or equipment upgrades if there is no cash flow. In today’s world of reduced insurance payments and increasing overhead, make the right decision to take control of your financial health! Please call RADMAX today to see how we can help you achieve your financial goals and set you on the right path to having a stronger bottom line.