

Their *Fair Share*

An academic medical group recovers \$1.7 million with an automated contract-management solution.

By Herb Stanley

When it comes to physician reimbursement, payers do not always abide by contract terms. Verifying payment accuracy for medical services, however, is a complicated venture, requiring medical groups to analyze the complex payment policies and countless variables that affect reimbursement.

At University Physicians, the academic faculty practice plan for the University of Missouri School of Medicine, we saw this challenge as an opportunity. After several new executives joined our administration in 2003, we began exploring new and innovative ways to improve our financial performance. Tapping one team member's experience in the managed care field, we began evaluating payment verification as a viable option for strengthening the bottom line. Even though our group did its best to uncover payment errors and enforce compliance with contract terms, we felt we could recover more revenue with the help of automation. Our clinical departments also wanted assurance that we were collecting exactly what our contracts stipulated.

Finding a better way

The manual processes employed for identifying payment variances were extremely labor-intensive and time-consuming. In fact, staff had to sort through boxes of reports sorted by CPT code, and we still did not have the information needed to effectively monitor each contract. When exploring possible approaches to improving payer contract management, we first considered building our own solution, but limited IT resources made this route impractical. Adding more staff was another option, but with more than 120,000 payer transactions per month, it was cost-prohibitive. The next logical step was to explore what technology applications were on the market that could help us to address this issue.

We kicked off the selection process by forming a com-



mittee of representatives from administration, patient accounts, managed care fee analysis and information systems. This approach to the selection process helped us to secure the buy-in needed at all levels of the organization and also ensured the ultimate solution was one that would meet the needs of the entire group. From the outset, the committee's main criteria were ease of use and maintenance, speed of deployment, compatibility with our practice management (PM) system, proven success with identifying claim underpayments and the capability to produce data needed during contract negotiations.

We now have the ability to analyze the overall performance of our payer contracts. By looking at payment trends, we can easily discern which contracts to renew and which to renegotiate.

After conducting our due diligence and reviewing responses to the RFP, we narrowed the search to two vendors. We invited both to conduct an evaluation of our underpayment issues. Both confirmed what we had suspected all along — we were definitely leaving money on the table. While it would have been easy to go with the application that had a lower price tag, we knew that our investment would extend well beyond the initial install. As a result, we took steps to calculate the total cost of ownership for both solutions and shared them with our purchasing department. This required us to carefully evaluate how many internal IT and revenue staffing resources would be required to utilize the application as well as how much that would translate to in terms of labor expenses.

While one vendor required us to load our own contracts into the system, the other had a team of contract analysts that managed this process. We felt the assistance of contract analysts would save staff members a significant amount of

time and provide needed support on an ongoing basis. As a whole, this approach would help eliminate any errors that may affect claims valuation and would also ensure that claims pricing remains accurate as payment policies and rules change. We decided to take advantage of these services and selected the Phynance contract management solution from Austin, Texas-based Medical Present Value (MPV).

Implementation

After the agreement was signed, we gathered copies of all of the contracts we wanted loaded into the system. We chose which contracts to enter based on those that had previously resulted in the most underpayments or generated the highest volume of claims. Over time, we decided to monitor 56 of our payer contracts this way, representing about 85 percent of our total claims volume.

For more information on MPV's Phynance contract management solution, www.MPV.com

Once the analysts began defining contract terms, we worked with the vendor to establish an implementation timeline and to build an interface between our PM system and the new contract management solution. This interface, which facilitates the extraction of claims data from our PM system on a nightly basis, required minimal use of our internal IT resources. After the interface was complete, the transition to the Web-based system went smoothly. The vendor provided training both online and onsite, which helped to familiarize everyone with the system. Our audit and reimbursement team attended the training sessions along with representatives from the contracting department, who would use the application to validate data used during future payer negotiations.

We went live with our new system in March 2004 and immediately began using the application to expand the efforts of our existing two-person audit and reimbursement team. The contract management solution extracts claims data from our PM system each day and transmits it to the vendor's data center via a secure Internet connection. That data is then compared to the expected allowed amounts designated in each individual payer contract. Claims and allowables are verified at the line-item level using our contract data along with continually updated public and private sector payer rules, fee schedules and formulas.

The vendor's contract analysts regularly update the contract terms and payment policies stored in the database, minimizing the burden on our internal staff and helping us better track payer performance. For example, if we renegotiate a contract and the payer does not load the fee

schedule properly, we can catch and correct the issue more quickly than we could in the past. When underpayments are identified, the application provides contract-based explanations for each variance, resulting in streamlined communications with payers. Our staff uses this information to guide payers through the correct interpretation of existing contract language. An employee may ask the payer to confirm what the multisurgery reduction schedule is ac-

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cording to our contract, instead of immediately discussing the reimbursement amount due. Once this question has been answered and both parties agree on the underlying contract language, the conversation can move on to the specific claim in question.

Getting Paid

After three years, our practice has recovered \$1.7 million, which is equivalent to about 0.5 percent to 1 percent of our total revenue. Our recovery rate for underpaid claims is about 80 percent — a notable improvement over manual processes. We feel our success is directly tied to the hard data that we now provide as a part of our appeals process. In addition to using the application for identifying contractual underpayments, we take advantage of the data stored in the new application for contract analysis, rate modeling and fee setting. We also utilize the application's reporting tools to determine when charges fall below the contract maximum so that we can adjust accordingly. The combination of these tools has resulted in improved revenue cycle management across the organization.

We now have the ability to analyze the overall performance of our payer contracts. By looking at payment trends, we can easily discern which contracts to renew and which to renegotiate. With this data in hand, we finally have the peace of mind that we are getting paid what we are owed — a key benefit for administrators and clinicians alike.

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