

Software Verifies Reimbursement Accuracy

Contract-management system helps centralized billing office recover \$2.7 million in contractual underpayments.

When the UCLA Faculty Practice Group (FPG), Los Angeles, began centralizing its billing and collections operations several years ago, it identified a range of measures to pursue in order to take advantage of the restructuring. The physician billing office of UCLA FPG, responsible for billing for 1,300 providers at four hospitals and 65 clinics, first decided to centralize billing for most of its departments.

“We wanted to enhance our efficiency and also improve our financial position,” says Anton Loman, director of quality development at UCLA FPG. “One of the initiatives that resulted from the centralization was to transition to a system for validating reimbursement and managing our payers’ performance against contract terms.”

UCLA FPG sought to standardize and automate processes across a few specific functions. “Rather than reinventing the wheel in each department,” says Loman, “we identified three opportunities that the new physician billing office could address as part of its contract-management initiative.”

UCLA FPG had been analyzing, mostly manually, more than 100,000 service items for underpaid claims and payment variances on a weekly basis. With many different payer policies in effect, valuing claims and identifying underpayments against contracted rates was a costly, labor-intensive process. Appealing each claim added to the administrative burden. The staff needed a practical way to manage its appeals inventory and monitor statuses through resolution, Loman says.

With access to the right information, the physician billing office could streamline the process of accurately calculating expected reimbursement and identifying codes that were not being charged at their maximum rate. The group also wanted the ability to model its payer contracts in an application that would then value claims based on numerous variables, like multiple procedure reduction rules or modifier multipliers.

With the reorganization, UCLA FPG also was well-



positioned for information sharing across specialties. “If providers in one department were being underpaid by a certain payer for education and management services, other departments using that code can proactively make the correction,” says Loman.

Advanced Reporting, Analysis Tools


“Now the billing office has the ability to more efficiently file appeals across the board,” Loman adds. To capture these benefits, UCLA FPG needed more advanced reporting and trend analysis tools, as well as a system for managing chargemaster adjustments.

To realize gains in productivity, revenue and payer contract performance, staff decided a contract-management system was needed. UCLA FPG looked for a combination of services and software that would enable it to model payer contract details into one application for better insight, and streamline and automate its current contract-management and appeals processes.

The team sought input from University of California medical groups in San Diego and Irvine, both of which had been using contract-management systems for some time. After this research, the selection team chose a Web-based application and contract-modeling services from Medical Present Value (MPV), a software-as-a-service provider. The technology fit UCLA FPG’s most pressing

needs: simplifying underpayment identification and recovery, automating and managing undercharge detection, and improving payer contract negotiations.

Implementation began with MPV gathering information about UCLA FPG registration, billing, payment posting processes and other operations, as well as software, hardware, Internet access and other IT infrastructure details. MPV also worked with UCLA FPG to gain additional data from insurance carriers about rates, adjudication logic, edits and other rules. By the time the system was operational, MPV had modeled and defined terms for seven of the group's major preferred provider organization (PPO) contracts, representing 80 percent of its PPO volume.



"Finding the right people to handle the day-to-day effort may have been the greatest challenge we faced," says James Rossie, assistant director of contracting at UCLA FPG. "We knew we wanted a team with experience across contracting, coding, claims processing and billing, but it took time to find the right candidates. Taking our time paid off and, in less than a year of fully utilizing the system, we recovered more than a million dollars."

The contract-management system models contract terms, fee schedules and payment policies, taking into account a multitude of variables, such as carve-outs, global fee periods and bundling edits. As a Web-based application, the system is regularly updated and monitored for changes related to each payer contract.

UCLA FPG first used the system to review its claims for undercharges. These reports pinpoint edits and improvements, such as proper billing for bilateral procedures or use of add-on current procedural terminology (CPT) codes, so the group can make updates within its billing system. These changes have helped UCLA FPG submit more accurate claims.

Payer Compliance Monitored

Using the contract data stored in the database, the system reviews payment information and allows UCLA FPG to monitor payer compliance with contract terms, identifying 5,200 claims as appeal opportunities on a monthly basis. The system also allows staff members to manage a high volume of transactions, chargemaster updates, queries and reports. On average, the group recovers payments from 800 underpaid claims per month.

In addition, UCLA FPG's managed care contracting department uses the system in its negotiations with payers so it can gain a better understanding of how existing and proposed contract terms affect reimbursement.

It also periodically models contracts against Medicare or other payers, analyzing CPT code ranges or evaluating carve-out rate options.

The contract-management system allowed UCLA FPG to centralize and consolidate processes related to reimbursement, billing and collections. With insurance payment verification, appeals generation and other functions now automated, one manager and two appeal analysts – representing 2.5 full-time equivalents (FTE) – perform the work previously handled by eight FTEs.

Cumulatively, this reimbursement verification process has identified several million dollars in potential appeal opportunities, and UCLA FPG has filed approximately 63,000 appeals leading to \$2.7 million in actual recoveries. The organization also has reduced the percentage of claims that result in an underpayment from an estimated 17 percent of PPO claims to less than 4 percent.

"Beyond the revenue figures, the most important advantage is our understanding of our payers' proprietary policies and processes," says Loman. "We now know how they work and how to mitigate some of the impacts when negotiating contract language. Our payers understand that we're monitoring their reimbursement closely and that we have the knowledge to easily identify underpayments and trends."

During contract negotiations, FPG also uses its payer adjudication and monitoring tools to analyze proposed payer contract terms and determine how they will impact payment based on the group's exact mix of services. This enables UCLA FPG to develop negotiation strategies that will favorably impact its payer agreements. **HMT**

From the Catalog

According to www.mpv.com: MPV Contract Management enables medical groups to evaluate overall payer contract performance, verify reimbursement and assess the financial implications of new and proposed contracts based on the latest payment rules and adjudication logic. Through a combination of contract-modeling services and Web-based technology, MPV Contract Management helps medical groups recover the estimated 5 percent of revenue that is lost annually to contractually underpaid claims. A team of contract analysts defines and models payer contracts line by line into the software solution. This claims-valuation engine then values each claim based on the increasingly complex terms of today's healthcare contracts – including carve-outs, global fee periods, multiple surgery reductions, modifier multipliers, code edits and site-of-service payment adjustments.

For more information on MPV solutions, www.mpv.com