

# How Healthy is Your ASC?

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# Objectives

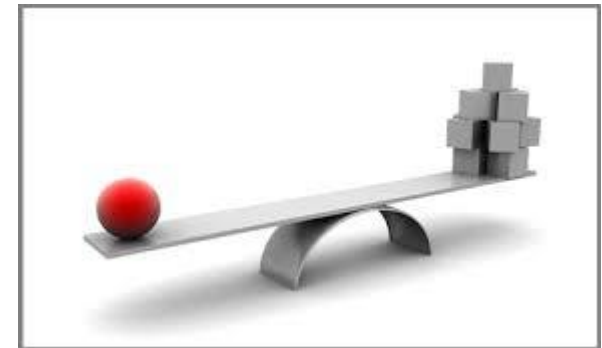
- Discuss importance of utilizing Best Practices in the Billing Office
- List the commonly measured Best Practices that apply to ASC Billing Offices
- Demonstrate how the information can be utilized to improve the ASC's bottom line

# Importance of Best Practices

- Demonstrate industry standards
- Allow comparison between your ASC and national standards
- Provide a measurement tool to allow the center to improve internal results
- Establish a benchmark which can lead to Quality Improvement studies

# Industry Benchmarks

- Available from many sources
- VMG Intellimarker – free download at <http://www.vmghealth.com/>
  - *Study based on analysis of over 201 licensed freestanding ASCs and one million cases; SEVENTH EDITION; Published December 2013*
- AAAHC Institute for Quality Improvement – benchmarking & quality studies; toolkits
- ASCA Benchmarking project
  - Financial & clinical data
- ASC Quality Collaboration – [www.ascquality.org](http://www.ascquality.org)
  - Clinical measures
- Becker's ASC Review
  - <http://www.beckersasc.com/>



# Benchmarking: Critical Controllables

- EBITDA Margin
- Case Volume
- Efficiency/throughput
- Collections
- A/R Days Outstanding
- Supplies: \$ per case
- Payroll: \$ per case
- Patient Satisfaction Surveys



# High Impact Metrics

- Actual cases - % of projected
- Cases per day
- Collections - % of charges
- Supplies - % of collections
- Payroll - % of collections
- AR – days outstanding
- AR & AP - % current





# **What You Need to Track**

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# Best Practices in ASCs

Accounts Receivable - AR



# Accounts Receivable Days

- Best Practice: 32 days
  - Out of Network and Letters of Protection will affect this number
- Calculation:
  - $((\text{Total Outstanding Charges}) / (\text{Total Monthly Charges})) \times 30 \text{ days}$
- Higher the days out, greater chances of decreased collections
- Money collected is money that can be distributed to owners
- If AR days are high, hire another collector
  - Clean-up can pay for itself 10 – 20 times over
- *Monitor daily & watch for trends*



# Best Practices in ASCs

Accounts Receivable Percentage Current

# AR Percentage Current

- Best Practice: 72%
  - Higher is better
  - Imperfect measure – ASC may get paid in <30 days
    - Affected by electronic billing & clean claims
  - Goal: Low over 30 days AR percentage
    - Demonstrates fast collections
  - >90 days – very difficult to collect
  - 79.9% collect between 0 to 30 days from date of service to check date\*
  - Of all ASCs, ~15.9% have AR days >120\*
  - *Monitor monthly*
- \*"100 Surgery Center Benchmarks & Statistics to Know", Laura Miller, ASC Review; October 7, 2013





# Best Practices in ASCs

Percentage of Cases Projected

# Percentage of Cases Projected

- Best Practice: Industry average – 93%
- Before opening an ASC, case volume is estimated
- Revenues and expenses are based on these numbers
- If numbers aren't being reached, "Why?" Is there a trend?
- If volume falls significantly, losses can result
- Solution: Quality care & efficiency that will draw physicians and patients to the ASC
  - Make it unlikely they'll want to go elsewhere
- *Monitor monthly or if a precipitous drop occurs*

# Percentage of Cases Projected\*

- 32% of cases are performed by top 2 physicians at ASC
- 53% of cases are performed by top 5 physicians at the ASC
- 71% of cases are performed by top 10 physicians

\* VMG Multispecialty ASC Intellimarker 2012



# Best Practices in ASCs

Cases per day

# Cases per Day\*

- Best Practice: Industry average – 18.5
- More cases / day lowers per case overhead costs
- Wage costs / day are relatively fixed
- More than 10 cases / day / OR is good
  - Average of 3.1 surgical cases per OR per day
- ASC procedure rooms (PRs) perform 4.3 non-surgical procedures / day
- *Monitor schedule weekly*

\* VMG Multispecialty ASC Intellimarker 2012





# Best Practices in ASCs

EBITDA Margin

# EBITDA Margin

- Earnings before interest, taxes, depreciation & amortization / revenue (EBITDA)
- Also called operating cash flow
- Money that can be distributed to owners if center is debt free
- Best Practices:
  - 12.8% (< \$3 million net revenue)
  - 37.3% (> \$9 million net revenue)
    - >40% (Good)
    - 30% - 39% (Typical)
    - <30% (Poor)

# EBITDA Margin

- Improved by conducting case costing
  - Variable costs have most impact
    - Hourly part-time or per diem employees
    - Medical supplies
    - Services
  - Fixed costs are harder to influence
    - Full-time employees
    - Equipment
    - Real estate
    - Contract rates
- *Monitor monthly*



# Best Practices in ASCs

Man Hours per Case

# Man Hours per Case (MHC)\*

- New industry standard measurement
- Measured by total staff hours, including administrators & managers OR
- Measured by clinical staff alone
- Best Practice: in 3 – 4 OR centers:
  - Total: 9.9
  - Clinical: 6.1
- Will vary by case mix
  - Orthopedics, spine, laparoscopic cases will be higher: total 10 – 12 MHC; clinical – 8 MHC
  - Quick throughput cases: eyes, pain, and GI – numbers should be much lower: total 8 MHC; clinical – 5 MHC
- *Monitor daily, weekly and monthly*

\*"100 ASC Benchmarks to Know", Ellie Rizzo, ASC Review; September 11, 2014



# Best Practices in ASCs

Collections per day

# Collections per Day

- Will depend on case mix and payer mix
- Eyes, pain, GI are reimbursed at lower rates
- Ortho, spine, some ENT cases – reimbursement can be much higher
  - Consider the number of procedures per case
  - Ex. ENT sinus navigation case may bill 5 – 7 codes
- Consider the costs/reimbursement for implants
  - May have to bill through an outside vendor per insurance contract
    - BCBS – IPG
- Watch for trends: steep, unexpected drop in collections; increase in denials; falling patient collections on date of service
- This is an internal benchmark
- *Monitor daily*



# **Additional Best Practices**



# Track These Measures

- Turnover Times
- Denial rates
- Supply costs
- Staffing Costs
- Patient Satisfaction Surveys



# Turnover Times

- Best Practices:
  - <7 minutes for short, routine cases (cataracts, GI, pain management, knee arthroscopies, etc.)
  - <10 minutes for equipment-intensive cases, complicated set-ups (spine, shoulder arthroscopies, some laparoscopic cases)
  - Affects physician satisfaction
  - Track by using software system
    - Eliminate gaps in schedule
    - Consolidate ORs, PRs, days of service



# Denial Rates

- Number should be low
- Don't accept routine excuses
  - Most common denial - "claims or service lacks information which is needed for adjudication."
  - Second reason - "duplicate claim or service"
  - Third reason - "procedure or treatment is deemed experimental or investigational by payer"\*
- When EOBs are received, appeal denials immediately
- Don't take "No" for an answer
- Document meticulously
- Be a pit bull & track success



\*"100 ASC Benchmarks to Know", Ellie Rizzo, ASC Review; September 11, 2014

# Supply Costs

- One of 2 largest expenses in ASCs
- 2 Tracking Practices
  - Supply costs/case
  - Supplies as percent of collections
- Best Practices\* –
  - Supply costs per case - \$374.22
  - Supplies as % of collections – 21.6%
- Oversight is critical
- A typical ASC only utilizes 12% of items in item master\*\*
- An ASC's top 10 vendors comprise 75% of total spend\*\*
- Good practices are mandatory
- Full use of inventory software system is required



\*2012 *Intellimarker*, VMG Health, Ambulatory Surgical Center Financial & Operational Benchmarking Study

\*\* Provista procurement expert data: "100 ASC Benchmarks to Know", Ellie Rizzo, ASC Review; September 11, 2014

# Staffing Costs

- One of 2 largest expenses in ASCs
- Controllable cost
- 2 tracking practices
  - Staffing costs per case
  - Staffing as percent of collections
- Best Practices\* -
  - Staffing costs per case - \$426.02
  - Staffing as % of collections – 23.5%
- Flexible staffing is critical
- Scheduling and staffing must be reviewed daily



\* 2012 *Intellimarker*, VMG Health, Ambulatory Surgical Center Financial & Operational Benchmarking Study

# Patient Satisfaction Surveys

- Indicators of service provided, customer service, patient experience
- Can be an indicator that things may not be going as well as you think
- Pay attention to any mention of your medical providers
  - Comments should be used in Peer Review – good & bad
- Watch for trends
- Address the issues
- CMS is looking at this; consider it very important



"Ok, how about this motto: 'If you are unhappy for any reason, we will feel really bad'."

# Others

- What else do you consider Best Practices that can be measured?



# Sources

- <http://www.beckersasc.com/lists/100-asc-benchmarks-to-know-2014.html>
- <http://www.vmghealth.com/>
  - Sign up for free download
  - Large file





Questions?

# Contact

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