

Decrease
costs
increase

REVENUE



> Medical industry averages

The advent of technology in the medical industry is exposing many operational inefficiencies and redundancies that were previously unnoticed or unavoidable. Technology has improved medical office claims management, A/R balances, data storage, and coding so significantly that doctors are investing in updated computer systems in an effort to stay competitive. Market analysts estimate that the U.S. Healthcare System is so inefficient that 24 cents out of every dollar are wasted on administrative and billing expenses. Aside from these quantifiable costs, outdated office technology and software can additionally impact the bottom line with inefficient billing processes and superfluous administrative expenses. According to a Modern Physician/Price Waterhouse Coopers survey, medical practice technology usage increases 40% every year.

Reasons for practices to adopt technology:

- ④ Business performance
- ④ Increased clinical quality
- ④ Manage practice growth

Whether you are a physician practice or a third-party billing service, AdvancedMD, a practice management and EMR solution provider, utilizes progressive Web-based technology to improve operations and reduce costs to the extent that it is difficult to overlook the impact on the profitability of a medical practice.

The assumptions below represent industry averages for solo and group practices taken from the 2006 POMIS Report.² Using these assumptions, this paper will demonstrate how AdvancedMD can add 22% to the profitability of a medical practice.

> Assumptions

Total medical revenue per FTE physician	\$569,518
Total medical revenue per FTE physician monthly	\$47,459
Total medical revenue after operating costs per FTE physician	\$226,453
Total a/r per FTE physician	\$124,255
Percent of total a/r 120+ days	20.37%
Days gross fee-for-service (FFS) charges in a/r	\$51.99
Bad debts due to FFS activity per FTE physician	\$14,438
Hardware/equipment/system software costs (per physician)	\$8,875
Total operating costs as a % of total medical revenue	60.17%

Rejected claims

Industry experts have found that the average number of rejected claims for a medical practice varies between 20 - 35%. Additionally, the Academy Coding Edge states that regardless of submitting claims in paper or electronic form, 25 -40% [of rejected claims] are never resubmitted for payment. Consider the average amount of each claim and determine how much it costs your office if you never resubmit these claims for payment.

Using these numbers, it is safe to assume that a single physician practice can expect an average of 69 rejected claims monthly. Industry experts state that “the cost to simply resend a rejected claim to a payer exceeds \$4.40. When calculating the additional costs of phone inquiries, duplications, and extra administrative expenses, resubmissions can cost as much as \$57.46 per claim. Take into account all the costs involved when resubmitting rejected claims and the financial impact can be substantial. How much are rejected claims costing your practice in claims submission, resubmission and lost revenue costs?

AdvancedMD's ClaimCenter® includes unlimited claims submission and Claim Inspector that checks 3.5 million coding combinations to insure that your rejected claims do not exceed 5%; guaranteed! Many AdvancedMD customers report less than 1% of their claims are rejected.

Using AdvancedMD, you can expect to add \$3,260 monthly or \$47,400 annually to your bottom line by saving money. Beyond the direct expenses of submitting paper claims, electronic claims take just seconds to prepare and are usually processed by carriers within hours not days. Reducing the time that it takes to receive payment for services rendered positively impacts the cash-flow of your office.

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A/R

According to the POMIS report, typical medical offices have an average Days Sales Outstanding (DSO) of 52 days, and more than 20% of their A/R balance 120+days out. Higher DSO numbers translate to increased A/R balances and negatively impact the cash-flow of a medical practice. Submitting claims electronically significantly reduces the DSO of a medical office and adds positive cash flow. 69% of electronic claims are processed within 7 days and 96% are processed under 21 days. Using the POMIS data, average monthly outstanding claims equal \$47,790. If the average DSO of a medical office was 52 days, reducing the number to 21 would add 31 days worth of cash-flow to the balance sheet.

Aside from a reduction in payer processing time, processing claims electronically decreases the amount of time necessary to submit the claim. According to American Health Insurance Plans (AHIP), in 2006, 29 percent of claims were received from the health care provider more than 30 days after the date of patient service, and 15 percent of claims were received from providers more than 60 days after the service was provided. These numbers indicate that preparing, checking and submitting claims is an arduous and cumbersome task resulting in longer DSO numbers. Submitting electronically with AdvancedMD simplifies the process so that claims go out as frequently as needed.

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Coding

Accurate coding can also add revenue to your medical practice. When using AdvancedMD's ClaimInspector, a medical office can expect to see a one-half percent of total revenue increase. AdvancedMD's ClaimInspector, powered by Ingenix, highlights procedure codes with potential problems by checking coding combinations.

For example, if an injectable drug is billed, the Claim Inspector cross checks the companion procedure for administering that drug. Missed codes are inevitable; however, scrubbing the claims before they go out significantly reduces coding errors and adds previously overlooked revenue to your practice.

Hardware

Medical offices spend thousands of dollars annually to purchase, maintain and upgrade computer hardware, software and pay IT staff. With AdvancedMD's Web-based practice management solution, expensive servers and support staff become irrelevant. In contrast, server based medical software solutions require expensive servers and software that put the liability of computer operation and maintenance on the medical-office. AdvancedMD's Web-based practice management solution makes it possible to hedge this liability by off loading associated computer operation and maintenance costs so you can focus on patient care.

By eliminating the need for expensive computer server systems and outsourcing non-core business functions, a medical practice is able to save thousands. The POMIS report indicates that a single physician practice spends between \$5,750 and \$12,000 on hardware for their practice management software and an additional \$1,000-\$2,500 annually for implementation, training and customer support.

AdvancedMD assumes the cost for expensive servers, IT staff and software upgrades— all while providing 99.99% uptime. AdvancedMD's Web-based practice management model includes upgrades, support, hourly backups and eliminates the need for expensive IT personnel. Plus, you get anytime, anywhere access to your medical data.

Electronic charge capture

Charge slips are the foundation of accurate medical office billing; however, most offices use awkward paper charge slips to account for individual patient visits. Industry experts estimate that up to 10% of charge slips are never billed (lost). Electronic charge capture eliminates the need for paper charge slips and enables the care provider to enter services-rendered directly into the system at the time of service—this streamlines the whole process. Eliminate lost charge slips by eliminating paper.

With electronic charge capture you never need to worry about lost revenue from missing charge slips; charges are captured at the time of service and ready for processing immediately.

Even if you prefer using paper charge slips with AdvancedMD you can easily match patient visits with procedures encounters to ensure you bill for every service you provide.

“Eliminate lost charge slips by eliminating paper.”



> Conclusion

When researching the cost-benefit of practice management solutions it is easy to determine that AdvancedMD's Web-based solution makes the most financial sense.

- Claim Inspector reduces rejected claims below 5% and adds an estimated \$3,260 monthly by eliminating the costly claims resubmission process.
- Electronic claims submission using AdvancedMD's ClaimInspector decreases DSO to below 21 days and adds an estimated one-time \$73,561 to the cash flow of your office.
- AdvancedMD coding tools add \$2,847 annually by updating codes annually and checks 3.5 million coding combinations
- AdvancedMD's Web-based solution eliminates \$7,625 in hardware, IT and software upgrade costs annually.

Industry data shows that total operating costs as a percentage of total medical revenue is over 60%. By using AdvancedMD full-featured, web-based practice management and EHR you can reduce your operating costs, increase your revenue and make your practice more profitable.