CORE BANK

Healthcare Banking Bulletin

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Prepare for End of Year

A Five-Part Series: Reviewing Fee Schedules

It's month two of our five-part series preparing for 2024, last month we covered budgeting so now it's time to dig into Fee Schedules. Before the end of the year, we will also cover insurance reminders, compliance and risk assessments, and celebrating staff.

This month we officially welcome autumn with pumpkin-spiced everything, orange decor, and fee schedule evaluations! The end of the year will be here before we know it so it's time to prepare for success now.

Month Two: Fee Schedule Management

Often, thinking of our fee schedule reminds us to do one important thing: increase our charge amounts annually. While this isn't a bad practice in and of itself, it's not the most comprehensive approach to fee schedule management. There are four things you should do every year to make sure your fee schedules are set up for success: 1) Assess reimbursement rates for your top 50-100 codes, 2) evaluate and update your charge description master (CDM), 3) ensure all your allowable amounts and CDM rates are in your practice management system and 4) schedule your contract renegotiation tasks for the upcoming year ahead of time.

Assess Reimbursement Rates

Depending on the size of your practice or facility you may have a small number of primary procedure codes billed (10-20) or you may have several different specialties and 50-100 primary procedure codes to evaluate. Either way, it's important to look at the reimbursement rates of your most frequently billed procedures. Your eventual goal here is to compare reimbursement of your top codes across your top payers. This will inform who is reimbursing you the most/least for each service as well as which contracts may be overdue for renegotiation.

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Evaluate Your CDM

Most organizations choose their CDM rates or 'standard fee schedule' based on a percentage of Medicare or state Medicaid. In general, this isn't a bad plan, it makes the math consistent, it's easy to remember, and it hopefully increases regularly. However, it's important to keep in mind that Medicare is a budget-neutral system so the rate for procedure codes can be volatile year-over-year. Once you get to this step you already know your top procedures and their reimbursement rates by payer. Review your CDM for your top codes and confirm that none of your prospective charge amounts are lower than your prospective reimbursement amount. Most payers will reimburse the lesser of what is billed or contractually agreed upon.

Enter Allowed Amounts

Having allowed amounts and not entering them is like having an invoice in invisible ink and putting all your faith in the payer to remind you what was due. If your allowed amounts are not in your practice management system then your billing department/team has no method by which to audit payer reimbursements for accuracy. Instead, they are in the much less desirable position of trusting the allowed amount listed by the payer.

This doesn't mean that all the payers are out to get you by putting down erroneous amounts. They are, however, also organizations run by humans who sometimes make mistakes. If you aren't checking the accuracy of the dollars and cents owed then no one is.

Schedule Renegotiation Tasks

Armed with your top codes and existing allowed amounts you should have a good indication of which payer contracts may require renegotiation. Take some time this month to look at your contract renewal dates and renegotiation timeframes, as dictated in your contract.

For the agreements you want to renegotiate, put reminders on your calendar starting with the negotiation initiation deadline and work backwards, making sure to re-review existing rates, top CPTs, etc. the month before. Add reminders for other related tasks like documenting supporting information which will help justify an increase in reimbursement (i.e. other redacted payer reimbursement data, a statement of your differentiation in the community, or an outline of your actual costs to perform services). Fee schedule review may seem tedious at first but after the first year of reviewing it, you will come to truly value the information you take away from this process. It's also a great task to involve others in. Perhaps you have a clinical lead or a billing department lead who would greatly benefit from seeing this process or who may have insights on points of differentiation in your organization that help validate the increases you're requesting.

Depending on the size of your organization this may be something you choose to do on an annual or quarterly basis. Keep in mind that there are software technologies out there that can support you, and if you are lacking time or bandwidth, you can always outsource this review to a consultant or other service provider. The most important thing to remember about your fee schedule review is this: Payers are not going to call you to offer you more money and your fee schedule increase alone will not generate more income from payers. You need to have a strategic and intentional plan around your fee schedules, so why not make that an annual fun fall fee schedule event?

CALL TO ACTION: Do you need an extra set of hands or more hours in the day? Give us a call, at Core Bank we do much more than just finance. We can support you in evaluating your fee schedules and we have access to a team of national revenue cycle experts who can help you on the path to fee schedule success.

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