FEATURE

Unlocking Usual, Customary, and Reasonable

A Way to Improve Cash Flow and Profitability

By James Hall, CPA

Executive Summary

This author discusses increasing your cash flow by simply setting charges higher than UCR for certain CPT codes. Read on to see if this is something you should consider.

As all clinics struggle to maintain contracts, patient load, and cash flow, many clinics look to reduce their expenses. While this is a good exercise, another might be to look at where a clinic can increase cash flow without doing anything. Before opening my own business, one of the ways I secured my job was by helping my employer increase cash receipts and profits without treating any additional patients, doing anything illegal, or spending any money in the process. For some clinics my recommendation will work, and for others it will not. But if you take 15 minutes and read the rest of this article, you have nothing to lose.

Back in the 1990s, I worked for a privately held physical therapy chain in Nashville, TN. A consulting firm wanted us to spend a lot of money to have them come in and evaluate our insurance Explanation of Benefits (EOBs). They told us they would take these EOBs and enter them into a spreadsheet and then provide us with data to show us how we could improve financial performance. All we had to do was pull as many different insurance company EOBs as we could, segregated by each of our clinic locations, and hand them over. This vendor was made up of former insurance company employees who had worked gathering/mining these data for their insurance company.

Although my company would not pay for this service (the cost was high and the consultant could not guarantee results), I was able to learn enough from the vendor to figure out what they were doing. First, usual, customary, and reasonable (UCR) is a method insurers use to determine what to pay providers. They start with a zip code region. Right now I live in Cedar Rapids, IA, in zip code 52402. Although Cedar Rapids is one of the top 300 most populous areas in the United States (and surprisingly, this doesn't include livestock in the count), we hardly have enough providers in the 52402 zip code to determine a reimbursement range. So insurers might gather providers in other nearby zip codes to determine UCR. Once they determine the size of the URC region, they gather up all physical therapy Current Procedural Terminology (CPT) codes used in that region. So every time you submit a therapeutic exercise charge (97110), the number of units and the charge amount

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go into their database. All therapy providers in the zip code region also have their CPTs, units, and charges logged in as well. At the end of a period of time (1 year), all of the therapeutic exercises (97110), units, and charges are totaled. Then they are divided by the total number of units all providers sent in to determine an average, mean, median, and all those other statistical vocabulary words I forgot while studying beer labels at my local college bar…but I digress. Each insurance company then decides what to pay out based on its policy. One might pay at 75% of the average charge, another at 50%.

What do these payment rates mean to individual practices? Well, since my employer would not hire the vendor, I had each of our clinics gather up as many EOBs from as many different insurance companies as possible. I asked them not to send EOBs from Blue Cross, Medicare, Medicaid, or anyone else that paid at a published rate schedule. I wound up entering patient name, date of service, CPT code, our charge amount and the insurance company's approved charge amount. I then sorted these data by CPT code to see if I spotted anything that stood out. Sure enough, I was able to determine that we had some CPT codes that were being approved at 100% of what we charged. What did that mean? It meant that some therapists in our zip code region were charging more for this procedure than we were. If we charged $40 for therapeutic exercise and URC for that code was $45, the insurance companies were approving our $40 and paying us based on that. Therefore, if we raised our prices to $45 or higher, the insurance companies were approving up to UCR company increase charges for certain CPT codes that were billed out at lower than UCR, our cash flow immediately increased, and our net income went up dollar for dollar as well.

Some of you might already have your charges set at higher rates than UCR. Some of you might have quite a few of your charges set at higher than UCR. And some of you might only have a few CPT codes that are under UCR, but there is always someone who will find they aren't charging enough. For these owners, I hope you will be able to assimilate this information, evaluate it, and determine if you can raise some or all of your charges and rest a bit easier about your future. ■

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