IMPACT Magazine Article
Unlocking Usual, Reasonable and Customary/A way to improve cash flow and profitability

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. Prior to opening my own business, one of the ways I secured my job was by helping my employer increase their cash receipts and profits without treating any additional patients, doing anything illegal or, costing them 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, what do you have to lose (and if you are like me, you will thank me for keeping you away from a morning/afternoon snack).

Back in the 1990's, I worked for a small, privately held corporate therapy chain in Nashville, TN. An outside vendor wanted us to spend a lot of money to have them come in and evaluate our Insurance Explanation of Benefits (EOB's). They told us they would take these EOB's and enter them into a spreadsheet and then provide us with data to show us how we could do all of the things mentioned above. All we had to do was pull as many different insurance company EOB's as we could and hand them over segregated by each of our clinic locations. This vendor was made up of former insurance employees that worked gathering/mining this data for their insurance company.

Although my company would not pay for this service (the cost was high and the vendor could not guarantee results), I was able to learn enough from the vendor to figure out what they were doing. First, usual, reasonable and customary (URC) 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 region to determine a reimbursement range. So insurers might gather up providers in the 524xx (or, if still not enough providers, the 52xxx) zip code regions to determine URC. Once they determine the size of the URC region, they gather up all Physical Therapy CPT's in that region. So every time you submit a therapeutic exercise charge (97110), the number of units and the charge amount goes into their database. All therapy providers in the zip code region also have their CPT's, units and charges logged in as well. At the end of a period of time (i.e., one 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 upon their 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 approve spending this money to hire the vendor, I had each of our clinics gather up as many EOB's from as many different insurance companies as possible. I asked them not to send EOB's 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 this 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? That meant that there were more therapists in our zip code region that were charging more for this procedure that 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 URC amount and paying accordingly. Based upon this work, I recommended that our company increase charges for certain CPT codes that were billed out at lower than URC and 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 URC. Some of you might have quite a few of your charges set at higher than URC. And some of you might only have a few CPT codes that are under URC, but there is always someone that will find they aren't charging enough and are struggling to keep their doors open. For these owners, I hope you will be able to assimulate this information, evaluate it and determine if you can raise some or all of your charges and rest a bit easier about your future!