

The State of the Industry

FIVE INDUSTRY LEADERS DISCUSS THE PRESENT AND FUTURE OF THE PHYSICIAN REVENUE-CYCLE MANAGEMENT INDUSTRY *By Ted Stack*

I am sure most of the industry feels that 2008 was a bit of a roller coaster ride—a slow rise to the peak of good times quickly followed by a freefall into the dismal reality of a recession. At the end we all felt out of breath trying to re-live every moment of anticipation, fear, and ultimately, survival.

In the January issue of *Billing*, it is customary to look back upon the year and summarize the “State of the Industry.” This year is no different; however, we are taking a fresh approach. In addition to the view of the

crisis, the new administration’s healthcare reform agenda and main goal of ensuring healthcare coverage for all Americans will most likely be debated, but it will lack the funding support to make any serious headway toward implementation in 2009. Instead, we believe that there will be a focus on a few key issues this year, including reforming the sustainable growth rate formula, further incentives for adoption of health information technology, and more aggressive pilot programs for “bundled” payments.

The industry will have its challenges in 2009, but should actually grow stronger as capital-challenged physicians and hospitals look to outsourcing as a cost-effective alternative to managing the revenue cycle.

external environment from our firm, Falcon Capital Partners, LLC, we’ve asked the opinions of the CEO’s of the five largest medical billing companies.

Healthcare has played a key role in each of the past four elections and healthcare consistently ranked in the top three issues for both parties during the 2008 election. In the end, the state of our ailing economy became the number one concern of voters, followed closely by foreign policy, and healthcare.

However, because of the current economic

Healthcare Realities

The current economic crisis began to hit home for many medical billing companies in the fourth quarter of 2008. Here are some of the realities of our healthcare system:

- The US spends **\$2.3 trillion a year** on healthcare
- In 2007, **45 million Americans, including 9 million children**, were uninsured up from 38 million in 2000
- The uninsured *(continued on page 7)*

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YOGOWYPI

TIME TO GET INVOLVED

Happy New Year! Hopefully your holiday season was filled with joy and you return recharged for 2009!

If any of you are blessed with a teenager, as I am, then you'll know about "texting." By osmosis, I've learned BFF (Best Friend Forever), LOL (Laugh Out Loud) and a few others. Imagine my surprise to learn that there is an acronym for the theme of my message to you! That's right YOGOWYPI, You Only Get Out What You Put In. Really! Check it out on freedictionary.com.

Perhaps because of its inherent truth, "You only get out what you put in" might be the most oft-heard advice on the planet. It certainly has proven true with my HBMA involvement, BT (Big Time). I hope when each of you hear the calling you will take advantage of the opportunity to serve HBMA. Your association wins and you will, too.

2008 marked HBMA's 15th Anniversary and by all accounts was another spectacular year for the association. Membership, national conference attendance, participation in distance learning programs, governmental involvements, and financial stability are strong as ever. President Ken Goodin's leadership and fine tuning have left HBMA a stronger organization, but the checklist items don't adequately reflect the gifts that Ken brought to HBMA. If you recall, last January, Ken Goodin kicked our year off with the following quote from Pericles: "What you leave behind is not what is engraved in stone monuments, but what is woven into the lives of others."

This is truly sage advice and I am privileged to have seen Ken live these words as an HBMA leader over the past year. On behalf of the entire membership, thank you, Ken, for the professionalism, wisdom, transparency, kindness, and respect that you've woven into the fabric of HBMA. Your contribution of time and talents have set a bar of leadership that will be very hard to match.



What's Ahead?

In 2009, HBMA is poised to deliver even more value to its membership. All committees are vibrant and active; I only wish I had more space to recognize each and every one of them for their efforts. Committees are the backbone of our association and their successes provide the value HBMA brings to its members. Your Education Committee has developed relevant conferences and distance learning programs and your Government Relations Committee is working closer than ever with CMS to achieve smooth implementations of the various governmental initiatives with which we are to be confronted.

HBMA is blessed with the most talented Board of Directors I've witnessed across my many association involvements. Vendor support and participation is at an all time high. And finally, your national staff is second to none. You can count on them to implement HBMA initiatives and constantly challenge themselves (and

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PRESIDENT'S MESSAGE

(President's Message continued from page 2)

the Board!) to best serve the membership.

We all know that there are many challenges facing our industry. MAC transitions, RAC, ICD-10, and reimbursement issues are significant changes to be addressed in addition to our daily jobs. Let us not forget, however, that challenges also present opportunities for HBMA members to differentiate themselves through education, delivery and analysis of timely information, and consistent service delivery. Membership in HBMA can, and with your help will, be that differentiator.

YOGOWYPI! Only through your involvement can HBMA continue to add value to your business efforts. Participation can take many different forms, from leadership to committee involvement to online Message Board participation to simply attending educational offerings. As you consider your personal and professional goals for the upcoming year, please include some level of HBMA involvement in the process.

In closing, I'd like to share a few of my personal goals for

HBMA this year. First, to continue the great work and leadership transparency that our members have become accustomed to; second, to thoughtfully and diligently build the new membership category that was voted in last year; and, third, to build relationships with commercial carriers similar to what we have been able to achieve with CMS.

Serving as your HBMA president is a great privilege and responsibility. Thank you for your confidence. I personally wish you every success for 2009. Together we will make it another year to remember. (YTR)



Randal Roat, CHBME
HBMA President, rroat@cbizmmp.com

SPRING FORWARD!

HBMA SPRING EDUCATIONAL CONFERENCE

Wednesday, May 6 - Friday, May 8, 2009

THE CONFERENCE PROGRAM INCLUDES TEN POWERFUL TOPICS:

- **Keynote Address: Leading Across Generations - Presented by Haydn Shaw**
 - The Art & Science of Negotiating Software Deals
- **SHARP Hiring: How to Attract, Hire & Keep Top Performers**
- **Major Changes Ahead: 5010 Electronic Transactions & New Coding Systems Replace ICD-9**
 - Washington Update
- **Recovery Audit Contractors & Medicare Audits: Compliance Tips & Successful Appeals Strategies**
 - Latest Developments in Stark & Anti-Markup for Billing Companies
 - Health Care Claims Processing for VA's Purchased Care Programs
- **How the Red Flag Rules Will Affect Your Billing Company & How to Minimize the Cost**
- **Diagnosis and Cure for the Broken Claims Process - AMA's Heal the Claim Process Campaign**



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HBMA Welcomes New and Continuing Leadership

MEET THE NEW OFFICERS, BOARD, AND COMMITTEE CHAIRS

HBMA's Officers and Board of Directors are hard-working individuals dedicated to advancing the mission of HBMA and to providing members with value for their membership. **Newly elected officers are:**



President:
Randal Roat,
CHBME
CBIZ MMP



**Vice President/
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Scott Everson, CHBME
ArborMed Corporation



Treasurer:
Jackie Willett,
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TERM Billing, Inc.



Secretary:
Patrick Lukacs,
CHBME
Medinomics, LLC



Past President:
Ken Goodin, CHBME
Emergency Physicians
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At September's Annual Fall Meeting, the following were **newly elected to the Board:**



Jud Neal, CHBME
Physicians Business
Network, Inc.



Shawn Keough-Hartz,
CHBME
Provider Resources, Inc.



Jackie Willett,
CHBME
TERM Billing, Inc.



Scott Everson,
CHBME
ArborMed Corporation

The following were reelected to a **second term on the Board:**

The newly elected Board members **join current board members** Bill Carns, CHBME; Julie Demerath, CHBME; Andy Kokosa, CHBME; Holly Louie, CHBME; Barry Reiter, CHBME; and Don Rodden, CHBME.

COMMITTEE CHAIRS: Committees are the heartbeat of HBMA, working hard to accomplish the association's goals. The following are the committee chairs designated for 2009:



Certification Committee
Jud Neal, CHBME



Education Committee
Julie Demerath, CHBME



Commercial Payer Relations Committee
Sherri Dumford, CHBME



Ethics & Compliance Committee
Holly Louie, CHBME

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(New Leadership continued from page 4)

**Finance Committee**

Jackie Willett, CHBME

**Government Relations Committee**

Barry Reiter, CHBME

**Organizational Efficiency Committee**

Scott Everson, CHBME

**Publications & Communications Committee**

Don Rodden, CHBME

**Public Relations Committee**

Andy Kokosa, CHBME

**Regional Development and Membership Committee**

Patrick Lukacs, CHBME

**Survey Committee**

Shawn Keough-Hartz, CHBME

**Technology Committee**

Bill Carns, CHBME

**Vendor Affiliate Advisory Committee**

Judy Cardenas, CHBME

Website Committee

Under the direction of the Public Relations Committee

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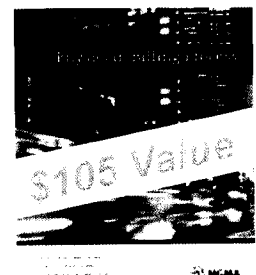
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**UPCOMING HBMA CONFERENCES****NATIONAL CONFERENCES****2009 Spring Educational Conference**

May 6-8, 2009

Boca Raton Resort & Club

Boca Raton, Florida

2009 Fall Annual Conference

September 23-25, 2009

Caesar's Palace, Las Vegas, Nevada

OWNER'S & MANAGER'S CONFERENCE**2009 O&M CONFERENCES**

February 5-7, 2009 • Dana Point, CA

July 9-11, 2009 • Chicago, IL

October 22-24, 2009 • Seattle, WA

COMPLIANCE COURSE

March 10-12, 2009

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New Orleans, Louisiana

Post-Conference

March 13, 9am – Noon

Opportunity for Service

Habitat for Humanity Service Day

Monday, March 9

For more information on any of these events, please visit www.hbma.org

HBMA DISTANCE LEARNING PROGRAMS

February 19, 2009 • Webinar

**Mergers and Acquisition in the
Healthcare Billing Industry – Trends and
Fundamentals**

Presented by Richard S. Cooper, Esq. & Keith DeVantier

March 19 • Webinar

**Legal Matters That Should Keep
You Awake at Night**

David Queen, Esq.

April 23 • WebCast

**Disallowing Charges, Medical Necessity,
Unbelievably Denials & Effective Appeals**

Rebecca Busch

2009 DISTANCE LEARNING PROGRAM TOPICS:

February 19 » Business Operations

March 19 » Legal

April 23 » HR / Business Operations

May 14/21 » Business Operations

June 18 » Technology

July 16 » HR

August 20 » Compliance

September 17 » Workflow Standards /
Business Operations

October 22 » Marketing

November 19 » HR / Business Operations

December 17 » Bill Finerfrock Annual Update

Visit the Meetings Calendar at www.hbma.org for more details and to register!

STATE OF THE INDUSTRY

(The State of the Industry continued from page 1)

are expected to spend **\$30 billion out-of-pocket** on medical care in 2008

- Health care costs are estimated to **increase by 5.7%** for both workers and their employees
- **Rising Medicare and Medicaid expenditures** present serious fiscal sustainability problems for federal and state budgets, which become increasingly critical as the Baby Boomers age and retire

Many medical billing companies started to experience a noticeable increase in self-pay patient volumes in the fourth quarter. We believe this problem will differ by geography, but continue to increase in 2009 as laid off

workers roll off or can't afford COBRA coverage. In addition, several states that are experiencing significant budgetary problems began to slow or stop all together their Medical Assistance payments. Again, we expect this issue to worsen in 2009 as states deal with their mounting economic issues.

There is no doubt that both physicians and hospitals will feel additional pressure from the current economic situation. However, the good news is that healthcare services, and in particular the medical billing/revenue cycle subsector, will be one of the best if not the best industry sector to be in during these tough times. The industry will have its challenges in 2009, but should actually grow stronger as capital-challenged

physicians and hospitals look to outsourcing as a cost-effective alternative to managing the revenue cycle.

Beyond the economic issues there are many challenging changes that the industry will have to face in 2009. Many of you are dealing with the implementation of the new Internet-based Provider Enrollment Chain and Ownership Systems (PECOS) now available in 44 states and the District of Columbia. Other challenges include ICD-10 implementation, reimbursement pressures in the diagnostic specialties, and competitive pricing pressures in the hospital-based market segment.

We asked the leaders of the five largest billing companies to weigh in with their

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views on the industry, present and future, in response to a standard set of questions. Participating are:

- Jonathan Bush, CEO, athenahealth
- Patrick Hampson, CEO, Med3000
- Darrell Hulsey, President, MMP/CBIZ
- Patrick Leonard, Vice-President and General Manager, McKesson Revenue Management Solutions Division
- Doug Shamon, CEO, Intermedix (iADPI, iEBPS)

Our instructions were simple: respond to each of the seven questions in any length deemed appropriate. Let's see what they had to say:

Q: Provide a brief description of your business from your perspective.

Jonathan Bush:

athenahealth is a leading provider of internet-based business services for physician practices. The company's service offerings are based on proprietary web-native practice management and electronic medical record (EMR) software, a continuously updated payer knowledge-base, and integrated back-office service operations.

Patrick Hampson:

MED3000 is a healthcare management and technology company for providers, payors, and employers. Each of our products and services focuses on improving the cost and quality of healthcare delivery. Our business lines are delivered through physician services, which include physician group practice or revenue cycle management; physician network services, which are focused on physician networks (IPA's) that manage professional and global risk contracts and employers who are self insured and need managed (TPA) services; technology services, where we provide proprietary and non-proprietary information systems, including practice management, electronic health record, and patient portal systems; and data management services focused on the collection, dissemination, and point of care delivery of information within the disciplines of evidence-based management and medicine, population health management, and predictive modeling of healthcare-related needs.

Darrell Hulsey:

Medical Management Professionals, Inc. is a leading provider of physician billing services and flexible practice management solutions for hospital-based doctors and medical practices.

MMP serves more than 3,000 hospital-based physicians across the nation with specialty divisions for radiology, anesthesiology, emergency medicine and pathology practices. MMP provides clients with a measurable, competitive advantage by applying a composite of proven processes, experienced professionals, and a state of the art billing and information management system. We set ourselves apart in the industry with the highest ratio of quality professionals to clients, which permits us to deliver genuine focus and individual attention.

Patrick Leonard:

Revenue Management Solutions has been providing medical billing, practice management, and consulting services to physician groups for more than 25 years. As the industry leader we help physicians improve their financial performance, sometimes dramatically, through the application of proven processes, technology, and our many years of accumulated expertise.

Doug Shamon:

Intermedix specializes in revenue cycle management for emergency healthcare providers operating under the brand names EPBS Intermedix for the emergency physician market segment and ADPI Intermedix for the ambulance market segment. We offer services similar to most medical billing companies but also provide mobile PC-based technology to ambulance providers to create electronic patient charts and securely transmit charts to the emergency room. Intermedix was formed in 2006 with the combination of Medical Consultants, Inc. (dba EPBS) and Advanced Data Processing, Inc., two companies each with rich 25 year histories.

Q: What do you think has changed the business the most in the last three years?

Pat Hampson:

The complex regulatory environment continues to drive the delivery of healthcare services and technologies and will continue to do so in the foreseeable future. While on one hand the government is trying to encourage the adoption of electronic healthcare, interoperability, and data sharing, it is also focused on strict demands for privacy and security provisions. The government is working to provide healthcare to our 45 million plus uninsured patients, but at the same time it maintains tight controls on the supply of physicians through reimbursement cuts for our academic and teaching institutions. And while healthcare needs more competition, the government has allowed tremendous consolidation in the *(continued on page 9)*

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industry which does not improve competition, but actually lessens competition.

Darrell Hulsey:

The impact of the Deficit Reduction Act of 2005 on physician reimbursement and the subsequent impact on the profitability of the physician practice, outpatient centers, etc. have changed business significantly. Here is what we have seen:

- Maturation and inclusion of the technological aspects of HIPAA within the billing process
- Maturation and acceptance of off shoring within the US physician practice
- The shift from traditional PPO/HMO style insurance to high-deductible health plans (HDHPs), which were just beginning to emerge in 2005. Under these plans patients are essentially self-insured for most hospital-based professional services, except for a major hospitalization. This is an example of a sea change in medical pro-fee billing and practice management.

- The health plans' utilization of claims adjudication software, e.g. "ClaimCheck," that "bundles" procedures performed and denies the provider separate reimbursement, despite the fact that the procedures are listed as separate codes in CPT-4 and are otherwise properly coded. These bundling edits are more restrictive than Medicare/Medicaid's "CCI" edits and deny provider's reimbursement when such procedures would be separately reimbursable by even governmental payors.
- The health plans' public relations, state legislative lobbying, and press assault on non-par provider billing practices or "balance billing." In the past several months, major publications including *Business Week* and *The Wall Street Journal* have included major articles and examples where patients have been "balance billed" by providers after having emergency surgery or other life saving interventions.

In the fall 2008, the California Department of Managed Health Care (DMHC) instituted bans (continued on page 10)

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on balance billing by non-contracted emergency physicians that affects plans regulated by DMHC (which includes most health plans). In the past two years, health plans have made significant attempts to limit non-contracted providers balance billing in Ohio, North Carolina, New York, Texas, and in the Federal Employees Health Benefit Program (FEHBP). Limitations on balance billing already exist in Florida and Maryland in addition now in California, although the California example is limited to emergency department physicians.

These health plan initiatives have placed significantly greater pressure on groups to take the rates offered by the plans without having the ability to “walk away” from an otherwise “win-lose” deal, particularly where the states do not have a mandatory assignment of benefits (AOB) law mandating that non-par payments be made to the providers and not the patients.

Patrick Leonard:

There has been considerable upheaval in the physician market over the past three years. Physicians are struggling for survival as reimbursement for many specialties declines and utilization controls are put in place by both government and private payors. An increasing percentage of groups are aligning with larger groups and/ or hospitals (via employment), or dissolving due to financial reasons or as result of staffing organizations. It's a tough environment.

We've also seen an increase in regulatory complexity from quality and pay for performance initiatives; these programs have added a new layer of data collection and reporting requirements to the billing process. New technologies (claims management and business intelligence) and the application of those technologies to the physician revenue cycle have also had a positive, meaningful impact on our ability to optimize our clients' financial performance.

Doug Shamon:

The three top change agents from our perspective have been government regulation, price competition from offshore labor, and advancements in technology.

Changes in government regulation, as usual, have significantly affected reimbursement in our business segments. Price competition from offshore outsourcing has intensified and requires us to compete by utilizing technology instead of labor. Technology innovation, including adoption of HIPAA standard transaction sets, has allowed our business to provide better service and better reimbursement results at lower costs.

Jonathan Bush:

Over the past three years, the physician market has shifted towards the adoption of web-based business services, such as athenahealth, as opposed to stagnant software. Our web-native model promotes transparency, connectivity, and interoperability, which is the future of healthcare IT.

Q: What do you think will have the biggest impact on the business in the next three years?

Darrell Hulsey:

Areas of impact will be:

- Continued maturation of high-deductible health plans, off-shoring, and technology advancements
- Movement to a more fully deployed Physician Quality Reporting Initiative (PQRI) reimbursement model by insurance carriers
- The prospect that the federal government will provide certain health insurance coverage for approximately 45 million uninsured citizens and undocumented aliens. This will be the largest single “game changer” for the next several years. The expansion of Medicare, Medicaid and/or the State Children's Health Insurance Program (SCHIP) to accommodate the millions of uninsured patients will impact the healthcare system, providers, provider reimbursement, and commercial health coverage for decades to come. The expansion of existing federal programs will likely bring increased and substantial fraud and abuse enforcement activities. This expansion could include greater use of Recovery Audit Contractor (RAC) type programs where third party contractors are contracted on contingency fees to audit and collect from providers.
- The continuing trend toward the HDHPs as noted above and assault by the health plans on provider's “balance billing. In California, the health plans have seized on the elimination of balance billing and have presented non-par providers with “take it or leave it” offers on managed care contracts—knowing that the providers have little to no leverage to walk away from unreasonably low reimbursement rates pegged to Medicare rates.

Patrick Leonard:

Clearly healthcare as a whole and our industry in particular are poised for significant change over the next three years. We operate in a climate that is ripe for political change—healthcare reform was one of the *(continued on page 11)*

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top issues during the campaign. It remains to be seen what shape reform will take but we must anticipate change over the next few years. Cuts in reimbursement and changes in reimbursement methodologies for certain service lines have the potential to significantly impact the billing business.

We also see a continued emphasis on quality initiatives and pay for performance incentives, some of which will be tied to the adoption of healthcare IT. We've already seen this with the e-prescribing initiative, and anticipate further incentives and programs designed to promote adoption of technologies that can improve patient safety, clinical quality and drive administrative efficiencies. Finally, the transition to ICD-10 will almost certainly have a major impact on providers regardless of how they manage their billing operation. Companies in our industry must plan for and be prepared to guide our clients through these changes and uncertainties.

Doug Shamon:

The economic downturn in the U.S. and across the world will bring reimbursement pressure and will cause a higher

level of client churn. Our clients will face heavy competition to continue to operate emergency departments, hospitals will look to implement electronic medical records solutions for the ED, and ambulance providers will seek dramatic increases in reimbursement rates from non-government payers. Labor markets will become much more favorable to growing employers with high quality people ready, willing, and able at a level we haven't seen in some time.

The new administration will surely accomplish some form of healthcare initiative that will set the stage for more significant changes outside the three-year horizon. Generally, we view the options we have seen contemplated as positive to our industry in the short run and neutral in the long run.

Jonathan Bush:

Looking forward, physicians are gradually moving towards adopting electronic medical record (EMR) technology, which will eventually be mandated by the government. At athenahealth, we created a network, a platform that supports both our EMR and practice *(continued on page 12)*

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MEDAVANT

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management products and which has streaming information and payer-knowledge from over 17,000 medical providers currently using our systems. That network will continue to learn and grow as more providers adopt our web-based services.

Patrick Hampson:

The economy will impact most if not all healthcare-related decisions and performance in the United States over the next three years. Consumer expectations on the improvement of cost, quality, access, and demand for healthcare delivery will continue to expand, while financial pressure, such as the increase in the number of uninsured, the aging population, and the increase in state and federal deficits, will exacerbate most attempts to meet these expectations. This environment will require most healthcare management and/or technology companies to be able to deliver cost-effective products and services more efficiently, while at the same time becoming more performance than fee-based forcing each to provide measurable improvements on the delivery of healthcare not just the administration of healthcare.

Q: What is the biggest strategic challenge facing your business today and how do you anticipate dealing with the challenge?

Patrick Leonard:

A challenge that all companies in our industry face today is how to profitably grow our businesses. Industry dynamics are shifting, sometimes dramatically. Providers are under tremendous pressure to provide safe, high quality care in a tough reimbursement and regulatory environment. Our growth will come from providers recognizing that they need a trusted partner to guide them through these challenges, and that outsourcing the business side of their practice makes sound financial sense. Billing companies that can efficiently scale their operation and provide the most effective solution will survive and thrive. Investing in and deploying the appropriate infrastructure and technologies will be vital to dealing with these challenges, as well as being able to provide the expertise and value-added services groups will need.

Doug Shamon:

Our biggest strategic challenge is long-term growth beyond our core market segments. Our view has been that specialization is a key differentiator, so we have stayed squarely on the path of emergency healthcare to date. We believe we must continue to make innovative use of technology, including

telephony, electronic data interchange (EDI), and image-based work-flow. These technologies will be key to overcoming labor challenges by allowing us to operate in a virtual environment, literally 24/7.

Jonathan Bush:

We are steadfast in monitoring the growth of the company and its products while continuing to maintain the level of service we've been providing over the last 12 years. To adhere to our mission to become medical groups' most trusted business service, we will expand upon the infrastructure that we've already created and continue to build redundancy into our Maine location.

Pat Hampson:

The biggest challenge facing most healthcare related companies will be in trying to balance short term economic realities, such as credit tightening, valuation pressures, and their own rising healthcare costs while at the same time continuing to invest in areas that create longer term value-added differentiation.

Darrell Hulsey:

Our challenges are:

- Recruiting, hiring, training, and retaining high quality associates who share our core values *and* translating the importance of the associates to the clients
- Continued delivery of world-class service to our client base
- Not commoditizing the services that are delivered. There are strategic risks when the coding, billing, and practice management businesses are perceived by clients or hospitals as "commodities" instead of professional, value-added services. If the services are perceived as commodities with little to no differentiation of services, then cost is the single and determinative factor.
- On the macro-level, the potential significant strategic risks of conversion of the Part B Carriers into Medicare Area Contractors (MACs). The risks are that Medicare and Medicaid will bundle Part B physician services with facility payments and make one payment to the hospitals. This could cause independent physician groups to cease being truly independent and in effect captives of their hospitals.

We constantly address items 1-3 above. Item 4 is outside our control.

Q: On a scale of 1 to 10 (10 being the highest) How would you rate the outlook for *(continued on page 13)*

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the industry over the next year?

Doug Shamon:

Overall rating is 4 to 5 relative to history but a 9 or 10 relative to other industries. The economic downturn is going to create significant opportunities in our industry as healthcare providers look to combat negative economic forces. As a result, there will be winners and losers. This will be an extraordinary year and the best companies should do very well. Many of those who remain in the mode of status quo will be quite disappointed.

Jonathan Bush:

The healthcare IT space is heading in the correct direction, so I would rate the industry at a 9 on a scale of 1 to 10. The government is driving the growth of the health information technology industry, moving away from legacy software systems and focusing on web-based services for physician's practices.

Patrick Hampson:

My answer depends on the definition of the industry. If we are talking just the Revenue Cycle Management Industry I believe the outlook long term will be great for those that can expand into more than just claims processing and collections. Across this complex industry the needs of providers, patients, and employers can only expand. For those who can provide more than just processing a bill, there will continue to be a tremendous need. Those who provide only administrative services without value added, I am afraid will have less growth.

Darrell Hulsey:

In rating the industry, one can rate a number of areas:

- The need for the service/industry. I would rate this a 9. Increasing government regulation, decreasing reimbursement, and change that occurs in days not years all add to the need for high quality and world class professional management. *(continued on page 14)*

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(The State of the Industry continued from page 13)

- The growth prospects. I would rate this a 7-8. Growth will continue to be steady.
- Profitability. I would rate this a 5-6. As off shoring increases, many companies are commoditizing the billing process, which creates fee pressure, which drives down profitability. Efficiencies can make up some of the delta, but there is an inelastic ceiling on productivity/efficiency.

Patrick Leonard:

The current economic environment has created close to a favorable perfect storm for the medical billing industry. I would rate the outlook for the industry a 9 over the next three years. Physicians are desperately seeking alternative ways to survive and preserve their income. Companies that not only offer a more effective and efficient way of collecting, but also offer a wide range of consulting services will thrive. You also have an environment within the medical billing industry in which the existing competition is looking to expand its offerings to deal with a larger segment of the market as well as the emergence of new competitors. Lastly, you have an investment community that is seeking investment alternatives and, as result, is driving investment in the industry as well as creating a fair amount of buying and selling. The bottom line is that more than ever, physicians in all specialties and practice environments will be looking for ways to improve their bottom line and this bodes very well for our industry.

Q: How do you think the current economic climate will impact the medical billing industry?

Jonathan Bush:

While the current economic climate is wavering, people are still going to the doctor. More importantly, they are still taking their children for doctor visits as well, so as a medical billing company we are feeling minimal impact. As previously stated, the government is fully supporting the growth of the health care IT sector which will positively impact companies like athenahealth. Additionally, physicians are still encountering complex payor and billing rules, providing a need for specialized companies that can facilitate that process.

Patrick Hampson:

In the short term, I think we will see the margins in the billing industry continue to shrink. As government and employers continue to push payment responsibilities to the consumers

of healthcare through high deductible and HSA plans, as reimbursements are reduced, and as the economy continues to put pressure on the patient's ability to pay, I would think it will cost more for the industry to collect the dollars associated with the same services.

Darrell Hulsey:

For the first time in the history of our company, we witnessed the slowdown in the economy negatively impact same-store client growth as it slowed significantly in 2008. More of the same economic climate in 2009 will certainly have a similar impact. Slow-downs in reimbursement and volumes create financial pressure on individual physicians and physician practices, which places increased scrutiny on billing practices, which in turn creates churn in the industry. The current federal budgetary programs, loan guarantees and "bailouts" will likely significantly limit or obviate any positive reimbursement changes. Furthermore, the restriction of available funds changes the degree and amount of resources available to the federal government to "grant" over 45 million people health care insurance in 2009.

The Obama Administration may be able to argue for a "temporary pass" from the American people, given these significant federal outlays and the historic conditions that mandated fiscal and monetary initiatives unheard of since The Great Depression. When and if the macro economy begins to turnaround, the issues of omnibus healthcare reform may likely come roaring back on the national agenda, given the campaign rhetoric. With little to no ability of the opposition to stop legislation, health reform in the 2009-2010 period could be the most significant such reform since the Great Society Programs of the Johnson administration.

Patrick Leonard:

The basic value offering of the medical billing industry—efficiency and effectiveness of collections—has a strong appeal in the current economic climate and will have an overall positive impact on the medical billing industry. Presently, there is some overall trepidation about changing a physician practice's business model as physicians, like everyone else, are trying to figure out how the lessons learned from the current economic state of affairs will cause them to change how they do business in the future. Ultimately, physicians, like everyone else, will come to the realization that business will need to be conducted differently in the future with a much greater emphasis on cost effectiveness, *(continued on page 15)*

(The State of the Industry continued from page 14)

internal control, and operating efficiency—all of which bodes well for the medical billing industry.

Doug Shamon:

We expect softness in visit volumes, fee pressure from clients, and much higher churn as emergency physician groups are challenged to retain their contracts with hospitals in the face of declining in-patient revenues and higher financing costs.

Q: What is the biggest healthcare issue you would like to see the new administration tackle and how would advise the administration to tackle that issue?

Patrick Hampson:

For now I think the government needs to focus its regulatory and reimbursement efforts less on the provider side of healthcare dollars and more towards the areas of the pharmaceutical industry and, for different reasons, the labo-

ratory industry. While we do want the United States to continue to lead the world in the areas of research and the development of new drugs, we need to balance this investment and vision with the overall cost of pharmaceuticals in today's healthcare spending.

No different than the Exxon profit debates that stir during times of energy cost surges, this same debate needs to occur on our overall RX costs. We need to review these costs in relation to total healthcare dollars spent, the documented effectiveness of these drugs, and the priority of providing government subsidies to an industry that continues to take a larger portion of government and employer healthcare budgets. Historically these investments have not been viewed in correlation with improvements in our life expectancy "return on investment" (ROI) of our citizens.

Conversely our leaders should take a more active role by facilitating regulations that drive the potential of laboratory and diagnostic technologies, such as genomics. With

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(The State of the Industry continued from page 15)

continued advancements in genomic information and technologies, with our ability to improve access and delivery of this information, and with an improved integration of delivery of genomics through diagnosticians, point of care providers and consumer personal health records, this citizen "ROI" has no limits for success.

Instead of diagnostic gun slinging, genomics has the potential of targeted treatments for each consumer. This area has the promise to meet our insatiable consumer expectation of improved healthcare access to effective treatments and results. Rather than legislating or pushing financial consumer responsibility, genomics has the promise for all to drive this responsibility. Obesity is now estimated to be draining 13 billion dollars from the government, employers, and consumers. Just imagine what genomics may do.

Darrell Hulsey:

The uncompensated care that was and is mandated under the Emergency Medical Treatment Active Labor Act (EMTALA) in the 1980s is and has been one of the biggest issues facing hospitals and hospital-based providers. EMTALA requires that any person presenting for care at a dedicated emergency department (ED) is required to be provided with medical screening services and stabilizing care, including the care of any specialists who are on call, e.g. radiologists or ENT, whose services are needed to care for a medical emergency.

While EMTALA was the right policy, it was wrong not to fund the care mandated by federal law. The result of the non-funding of EMTALA services has meant that hospital EDs have increasingly closed, gone on ambulance diversion, and had limited or no specialist available to the ED physicians, e.g. trauma surgery and neurosurgery. Patient care has suffered, hospitals in underserved and rural areas have suffered, and providers are restricting or eliminating the care that they provide as EMTALA on-call specialists in the hospital settings. Estimates of the annual costs of funding at least portions of this EMTALA care are small in proportion to the costs of the bailouts provided to the commercial banks and Wall Street under the program known as the TARP.

Patrick Leonard:

We are likely to see the most significant change in healthcare policy and programs in this country in 40 years and we anticipate robust and spirited debate on a variety of important issues, especially in the shadow of our current economic crisis. Structural and policy changes that appropriately reward

providers, streamline the business of healthcare, and that effectively and efficiently promote the delivery of safe, quality care are all important and positive for industry stakeholders and the country.

Doug Shamon:

From an emergency healthcare reimbursement prospective, there are three areas I would like to see addressed:

- Medicare coverage for ambulance services should be expanded to include coverage for EMS response, not simply for transport to the hospital.
- Medicare's rules for patient signature authorization should be fixed for all specialties, given the advancements in technology over the past 30 years since the regulations were promulgated.
- Reimbursement to emergency physicians who provide for indigent care should be initiated, perhaps via the disproportionate share program used by hospitals or by some other method.

Jonathan Bush:

I would like the new administration to address the issue of stagnant software solutions that have proven not to work for physicians that have adopted and used them. Rather the government should give incentives to physicians who are optimizing services-based technologies and the results they are seeing by using those services.

SUMMARY

I think it is safe to say that 2009 will be a challenging year not only for the industry but for the country. Our advice is simple, focus on what you can control and prepare and plan for that which you can't. Like the roller coaster ride of 2008, buckle up, hold on, and most of all enjoy the ride! Happy New Year to all! ▲

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