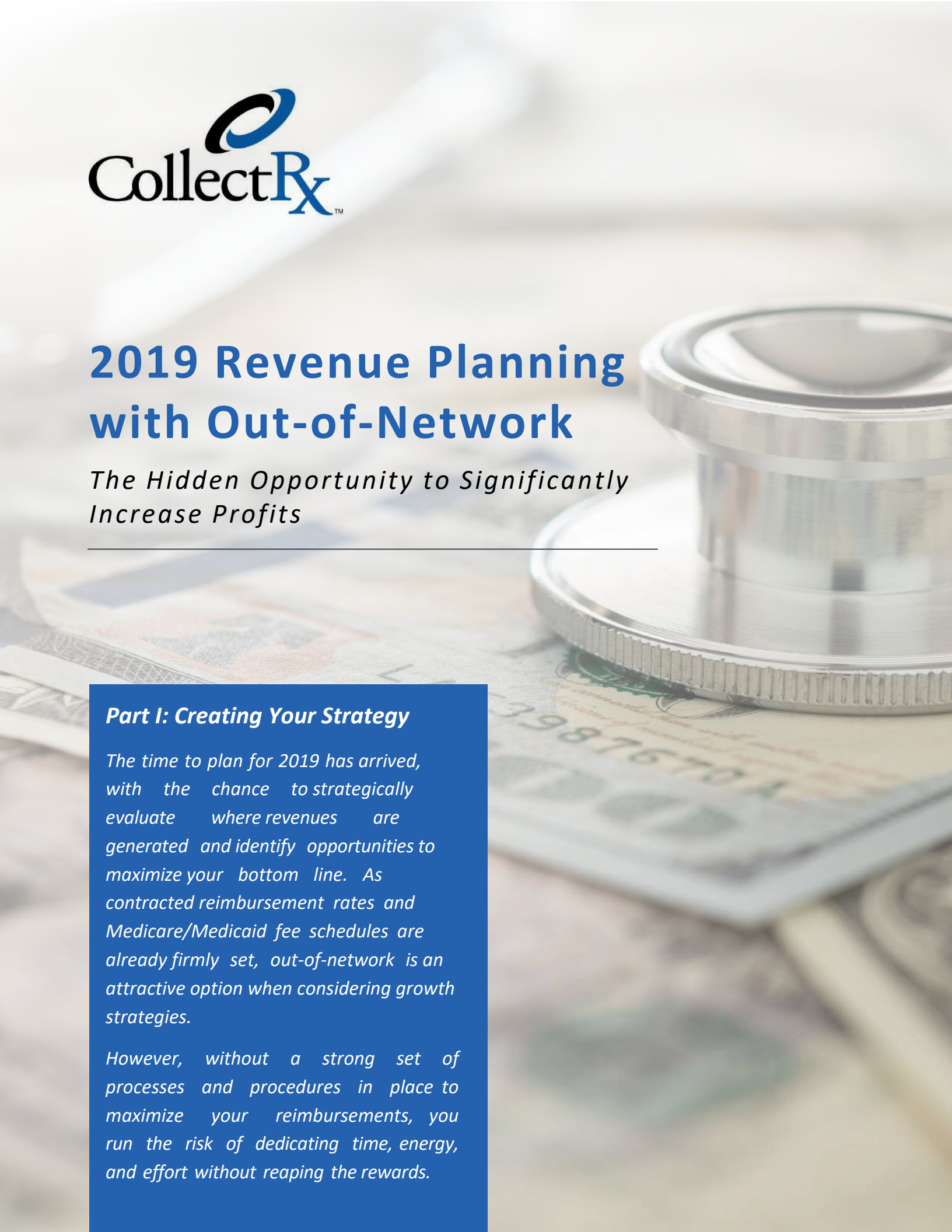


2019 Revenue Planning with Out-of-Network

The Hidden Opportunity to Significantly Increase Profits

Part I: Creating Your Strategy

The time to plan for 2019 has arrived, with the chance to strategically evaluate where revenues are generated and identify opportunities to maximize your bottom line. As contracted reimbursement rates and Medicare/Medicaid fee schedules are already firmly set, out-of-network is an attractive option when considering growth strategies.

However, without a strong set of processes and procedures in place to maximize your reimbursements, you run the risk of dedicating time, energy, and effort without reaping the rewards.

Out-of-Network Opportunity: The Financial Calculation

As providers look at the financial landscape today, there are fewer opportunities than ever before to improve their revenue profile. In-network contracts are set with very little opportunity to move the needle. Medicare and Medicaid are immutable. Out-of-network represents the last great opportunity for many providers to improve their reimbursements and, as a result, their bottom line.

To give you a sense of the opportunity, *let's suppose you are...*

...a provider with

$5 million in revenue, generating 15% ***of that revenue from*** out-of-network patients, *and you operate at a* margin of 20%

PAYOR INCREASE REIMBURSEMENT = **PROFIT**

If you were able to increase the allowable amount by 1/3, meaning that the payor increases the reimbursement amount by 33%, the result would be a $250,000 incremental reimbursement and profit.

If you're operating at 20 percent margins, the $250,000 in additional reimbursement would translate into $1.2 million of additional revenue.

Even at 5% out-of-network, the result is still a $400,000 increase in revenue using 20% margins.

Out-of-Network Opportunity: The Market Side

Despite efforts of the payors to reduce out-of-network reimbursements, the market has grown to $60 billion and continues to expand with no signs of slowing. Out-of-network will continue to be an important piece of the reimbursement landscape in part due to the sustained growth of PPO enrollment, which has more than doubled as HMO's have declined.

The majority of out-of-network bills come from PPO members, with studies showing that 10-20% will have an out of network experience each year.

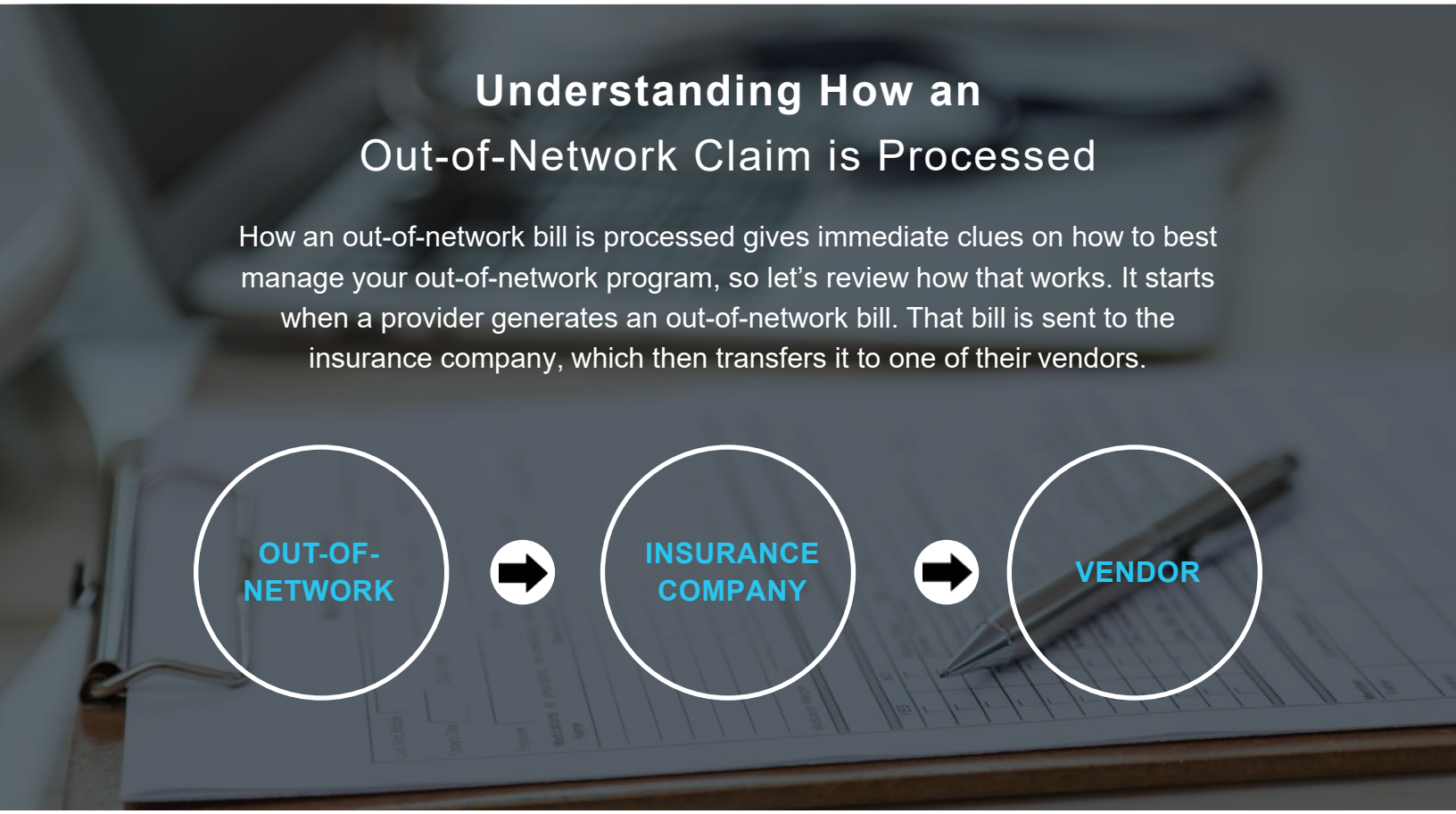
Furthermore, "narrow networks" are proliferating. Narrow networks are formed by payors placing limits on providers as to who can participate in a given network. This impacts not only outlying providers; in some markets, major players are being left out of narrow networks. Since, by definition, a narrow network means fewer providers are in-network, these narrow networks will continue to result in more out-of-network care.

But, by far, the most important reason that out-of-network is growing is that patients want to have the choice of provider. The freedom to choose a doctor, hospital, surgery center, behavioral health facility, or lab is an option that many patients are willing to pay for.

For this reason, payors have no choice but to sell higher premium policies with out-of-network benefits. Opportunities to improve out-of-network reimbursements may vary by geography and other factors, but it is clear that they are here to stay.

Understanding How an
Out-of-Network Claim is Processed

How an out-of-network bill is processed gives immediate clues on how to best manage your out-of-network program, so let's review how that works. It starts when a provider generates an out-of-network bill. That bill is sent to the insurance company, which then transfers it to one of their vendors.



In their continual effort to control costs, payors outsource the execution of bill minimization tactics to companies that specialize in helping payors reduce payments to providers, either through negotiation services, repricing services, or both.

Their goal is to maximize the discount because they ***are working to reduce the impact to their client, the insurance company.***

One of two things will happen at this point: either the bill will be subject to negotiation or it will be repriced, but how that decision is made is not known to many providers.

Consider the following factors when putting together your out of network strategy to determine which payers to be out of network with to maximize revenue and profits:

- ***What is the local payer mix?***
- ***What is the local employer mix?***
- ***How do reimbursement levels work between being in-network and out-of-network?***
- ***What is your relative market share versus other providers?***

Bill Minimization
Tactics

So what are some of the issues that Collect Rx sees in the market on a daily basis as we go up against payors on behalf of providers?

It is important to remember that the payors (and the vendors who work for the payors) are working continually to reduce out-of-network reimbursements and underpay claims. They engage in these cost-containment initiatives in different ways:

- getting the provider to enter into third-party rental network agreements
- utilizing narrow networks
- sending payments to the patient

All of these are designed to get the provider to give up and accept lower reimbursements than they should on their out-of-network bills.

How a payor works to reduce bills is based on a number of factors:

- Does the employer want the payor to negotiate settlements?
- If so, at what rates?
- What is the maximum allowed amount when bills are repriced?
- Does the provider have an opportunity to negotiate for additional payments when a bill is repriced?

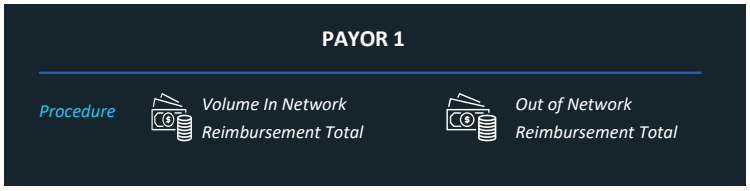
Regardless of the employer's decision, the payors are able to leverage their vast databases and put together data to support that decision.

Over the last 13 years, Collect Rx has engaged with over 800 companies that assist payors with reducing out-of-network reimbursements to providers through bill minimization tactics. Just in the past three months, we've dealt with about 15 new vendors who are literally costing providers billions of dollars per year.

Building Your Out-of-Network Strategy

Since out-of-network reimbursements have substantial opportunity to pay higher than in-network, you might be considering going 100% out-of-network, but often a hybrid strategy is the best way to position yourself to maximize revenue.

Collect Rx generally recommends a strategy in which the provider goes in-network with some payors and stays out-of-network with other payors, based on the steps outlined below.



STEP ONE

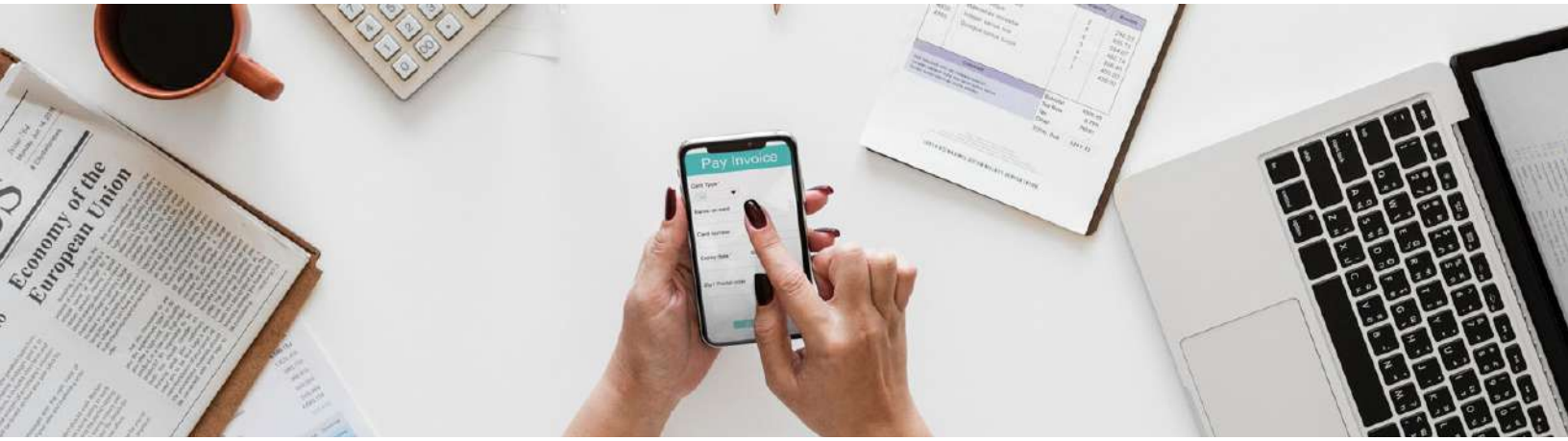
Conduct a comparative analysis of the reimbursement levels between in- network and out-of-network for your biggest payors. To do this, you do not need to “boil the ocean;” rather, select a handful of your most common procedures and do a side-by-side comparison of what the reimbursement levels would be.

STEP TWO

Calculate the total reimbursement level for in-network, compile prior receipts from the procedure, project the number of cases for that procedure, and multiply that by the average reimbursement level. Then flip the page and conduct the same analysis for out-of-network for that procedure. Continue the analysis through your top procedures and payors and you will be able to determine with whom you’re better being in-network and with whom you're better being out-of-network.

STEP THREE

Once you've completed that analysis, then it’s time to “dip your toe in the water.” However, if you have been in-network for a number of years, you might not be familiar with the various parameters and requirements that apply to out-of-network. Because of this, we do not recommend canceling all of your contracts today and going 100% out-of-network, but rather taking a more conservative approach based on your analysis.



If you have a relatively smaller payor that appears to have a more attractive out-of-network revenue profile, go out-of-network with that payor for four to six months, see how your reimbursements are doing, implement out-of-network best practices, and then make the decision whether it makes sense to expand (and add another toe to the water) or to hold off.

Conclusion

We hope you have a better idea what is happening with respect to out-of-network reimbursements. Remember that, when done right, out-of-network reimbursement management is one of the best ways that you can improve your bottom line.

In Part II of Collect Rx's Planning for 2019 Series, we will discuss best practices for operationalizing your out-of-network program and overcoming issues to successfully manage it.

COLLECT RX

John Bartos, J.D.

Chief Executive Officer

John Bartos is a veteran in the field of healthcare and information technology. As President of DrFirst, Inc. and Executive Vice President of Prematics, Inc., Mr. Bartos has specialized in providing cost containment services to health insurers and various products and services to hospitals, health systems, and other healthcare providers. Previously, Mr. Bartos was an attorney at Kirkpatrick & Lockhart, LLP (now K&L Gates), where his practice focused on litigation.

Mr. Bartos' clients have included a wide range of for-profit and not-for-profit health insurers, including Blue Cross Blue Shield of Florida, Humana, Capital BlueCross, Kaiser Permanente of the Mid-Atlantic Region, CareFirst, and BlueCross BlueShield of Massachusetts. Mr. Bartos has also worked on behalf of numerous hospitals and health systems, including Henry Ford Health System and MedStar Health, along with hundreds of physician practices.

Mr. Bartos is a graduate of Princeton University and received his J.D. from the American University Washington College of Law, where he graduated Summa Cum Laude and was a member of Law Review.

Collect Rx is the leading provider of solutions that help providers maximize reimbursements on out-of-network bills, reduce patient billings, and eliminate the hassle of dealing with the insurance companies. Utilizing its proprietary CRXIS™ business intelligence engine and subject matter expertise, Collect Rx has delivered proven results for more than 1,300 providers across the nation.

As an innovator in data-driven professional services for healthcare providers' most complex billing issues, Collect Rx is the only company in the country that is laser focused on maximizing out-of-network collections, serving a variety of different provider groups including hospitals, surgery centers, labs, physician groups and behavioral health centers, among others. For more information, please visit us at www.CollectRx.com.