

Maximizing Revenue: Strategies for Identifying and Recovering Underpayments in Healthcare

The revenue collection of healthcare providers in the United States majorly based on insurance companies, to pay on behalf of the patients who seek their medical services. In this challenging ecosystem of healthcare where operational cost is rising high, regulatory complexities are increasing day by day and constant pressure of staff shortage, the concern of underpayments is one of the subtle threat to revenue collection of the providers.

Depending on the services patients receive from providers, they make the claims to the payers in a predefined format, expecting reimbursement according to the coverage plan of the patient. When the provider receives less payment than expected for the services rendered, it is known as Underpayment. This could occur due to multiple reasons like contractual discrepancies, policy variations, or errors in the billing and coding process etc. In this whitepaper, we will try to understand the critical issues and also explore the root cause related to underpayments. The detailed comprehensive strategies for their identification and try to find out the best practices for better recovery. By implementing effective strategies, providers can unlock significant hidden revenue and optimize their financial performance.

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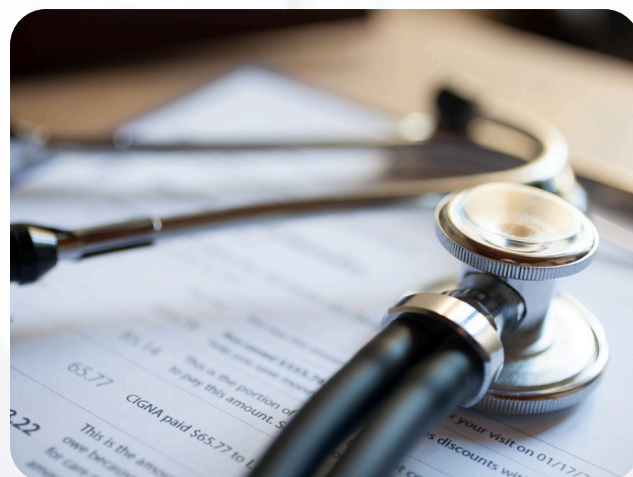
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Introduction:

Underpayments act as a hidden drain on Healthcare Revenue. Healthcare providers work in an intricate web of payer regulations, contracts, and billing guidelines. Despite all the careful efforts, a significant amount of earned revenue is lost due to underlying payments. Identifying the underpayments is crucial for the financial health of the practices. These discrepancies often remain unnoticed and have a cumulative impact on revenue streams over time. Industry estimates show that healthcare providers lose around 1% to 3% of their net patient revenue due to underpayments. This restrained the ability of the practices to invest in new and advanced technologies, attract and retain excellent talent, and enhance patient services.

Through this white paper, we aim to equip healthcare providers with the knowledge and efficient strategies to understand and identify the root cause of underpayments. Moreover, identification of underpayments can facilitate the detection of billing errors, improve the payer's relations, and foster the growth of the organisation.



Understanding Healthcare Underpayments: Causes and Impact

Operational inefficiencies and payer errors both contribute to the underpayments. A comprehensive understanding of these causes is the first step toward effective mitigation.

Common Causes of Underpayments:

- **Payer Contract Misinterpretation or Outdated Terms:** Providers face challenges with the wrong application of fee schedules, incorrect interpretation of "Lesser Of"* clauses, and inaccurate bundling or unbundling of services often leads to underpayments. Sometimes, payers also create trouble by improper application of carve-outs and special payment arrangements for some special procedures or services. Apart from that, frequent changes in payer guidelines, policies, and coverage rules that providers struggle to track well can also result in less money paid for the rendered services.



Understanding Healthcare Underpayments: Causes and Impact

- **Internal Revenue Cycle Management (RCM) Issues:** Sometimes internal operation-related RCM issues within healthcare organizations also cause underpayments. This can start with errors in charge capturing, where incorrect or incomplete documentation of rendered services can lead to underpayments. Coding errors can also be a game-changer, as the use of incorrect CPT/HCPCS or ICD-10 Codes for diagnoses or procedures, under-coding, or missed modifiers can impact the reimbursement of the provider. Apart from that, mistakes in the billing and claim submission process, like inaccurate patient demographic details or insurance information, can result in delays or incorrect processing. Failure to adhere to compliance can significantly impact the payments. Beyond these, issues related to payment posting can create discrepancies even after the claim is processed.

Impact of Underpayments: Underpayments have a very adverse impact on an organization's overall financial health. Lost income directly leads to reduced profitability and cash flow of the practice, hence limiting the ability of the practice to cover essential operational expenses. This financial strain hinders the ability to invest in patient care programs, as it decreases the capital available in the organization, which is important for vital technology upgrades, facility improvements, and expansion of available services. Moreover, identifying and recovering these underpayments creates more administrative burden on in-house staff, consuming significant time and resources. Underpayments also foster disputes and stress on payer-provider relationships. Unpredictable revenue streams make budgeting and forecasting challenging.

Strategies for Identifying Underpayments

Effective identification of underpayments requires a multi-faceted approach combining technology, meticulous data analysis, and expert human oversight.

Conduct a comprehensive claims audit

Practices should start by conducting a thorough audit of their claims process. It is highly important to identify patterns and scenarios of underpayment and to examine carefully each claim for accuracy, where you're getting paid less than you should. This critical step not only provides you with essential insights that help you to improve your billing efficiency, but also highlights recurring problems and areas where you can make your billing practices more effective.

Stay informed about payer policies

Staying up-to-date regarding ever-evolving policies is always a plus. Moreover, having an understanding of the complexities of payers' reimbursement procedures can help you to submit claims with no errors, which ultimately reduces the chances of underpayments.

Apply accurate coding and documentation practices

To avoid the chances of underpayments, you need to implement accurate medical coding and detailed documentation. That's why it is important that you have certified and highly experienced staff who are versed in coding practices and understand the importance of thorough documentation to support the services provided.



Strategies for Identifying Underpayments

Negotiate payer contracts effectively

For the substantial growth of your practice, it is highly recommended to review and negotiate payer contracts regularly. Additionally, a thorough understanding of the terms, fee schedules, and reimbursement rates can help you negotiate favorable terms so that you get paid fair compensation for your services.

Implement nuanced Technology

To streamline your billing process, it is best to leverage the latest software and technology for claim management. Automation is a powerful tool that can be used to catch errors, highlight underpaid claims you might otherwise miss, and remarkably reduce the administrative workload on your staff. Using technology to manage the complex tasks can free your team to focus more on other important aspects of practice growth.

Train your Staff on Underpayment Identification

It is highly crucial to provide accurate knowledge to your billing and administrative staff to understand the probabilities of underpayment. This is not just about identifying errors but also educating them to manage discrepancies that can result in loss of revenue. Apart from that, you also develop a strong system for flagging and addressing underpaid claims proactively to make sure that all the errors are quickly addressed and resolved. Clear and consistent communication within the team can facilitate the resolution of underpayment challenges, making it much easier.

The Role of External Partnerships

Healthcare organizations with limited internal resources, doing partnerships with specialized third-party RCM or underpayment recovery services can be a game-changer strategy.

- **Expertise and Technology:** RCM partners specialize in handling issues like underpayments. They have expertise in contract analysis, payer-specific rules, and advanced technology (AI/ML) that helps them to quickly identify and pursue underpayments that internal teams might miss.
- **Focus and Efficiency:** Dedicated teams of external agencies can completely focus on the recovery of underpayment, utilising economies of scale and specialized workflows to maximize efficiency.
- **Resource Augmentation:** While your external partner is tackling your intricate and time- taking underpayment cases, allow your in-house staff to focus on core RCM functions.

Reduced Risk: Reputable partners often work on a contingency basis, meaning they only get paid a percentage of the recovered revenue, minimizing upfront financial risk.



Conclusion: A Proactive Stance for Financial Health

Staying ahead of underpayments in today's complex healthcare landscape requires more than just internal planning. As reimbursement models become increasingly complex and payer requirements constantly evolve, healthcare organizations can benefit from partnering with revenue cycle management experts. By adopting comprehensive strategies that combine effective contract management, latest technology, diligent auditing, timely appeals, and collaborative internal processes, healthcare organizations can unlock substantial hidden revenue.

***Lesser of Clause-** A "lesser of" clause means that the payer will reimburse the lesser of the

- (i) Billed amount submitted by the provider
- (ii) Allowed amount negotiated

Example- If a provider bills \$200 for a procedure and the allowed amount as per the contract is \$150, then, as per the "lesser of" clause, the insurance will only reimburse \$150, even though \$200 was billed. If the provider bills only \$130, then the insurance will pay \$130 because it is less than the allowed amount, even though the allowed amount is \$150.

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StafGo Health is more than just a regular billing company - We are your complete RCM partner in your growth journey. We offer End-to-End Revenue cycle management solutions specific to medical and dental practices in the United States. With experience of more than 15 years, our goal is to add value to healthcare practices in terms of improved collections, reduced claim denials, and enhanced operations. StafGo Health is owned by highly experienced industry leaders and a team of experts who deeply understand the RCM services and are keen to deliver the best quality and great care for healthcare providers. We provide Credentialing & Fee Negotiation, Insurance Verification, Prior Authorization Management, Coding and Billing, AR and Denial management, Payment Posting & EFT Reconciliation, Patient billing & support, Legacy A/R resolution, Credit A/R Resolution, Practice Transition and Planning services to both dental and medical practices across the United States. Unlock unmatched revenue growth, reduced costs, and streamlined operations with StafGo Health— The USA-Physician Owned and Managed Nation's Leading RCM company.