

## USING DATA FOR PROACTIVE RADIOLOGY PRACTICE MANAGEMENT

### Desert Radiologists

Las Vegas, Nevada

In the first decade of the 21st century, Las Vegas, Nevada witnessed one of the fastest population increases of any city in the United States. As the city has grown, it has faced multiple resource challenges including housing, transportation, employment, and access to water – all essential to growth in the desert southwest.

Demand for healthcare – especially medical imaging – had also skyrocketed during this time. Desert Radiologists, a 40-physician practice located in the heart of Las Vegas, has been a key provider of imaging services. The radiology group operates four outpatient locations throughout Las Vegas and Henderson, Nevada and also provides radiology services to six Southern Nevada hospitals and two regional hospitals in Northern Nevada and Arizona. With increasing volumes and growing demand for its subspecialty radiology services, the group seemed well-positioned during the population boom.

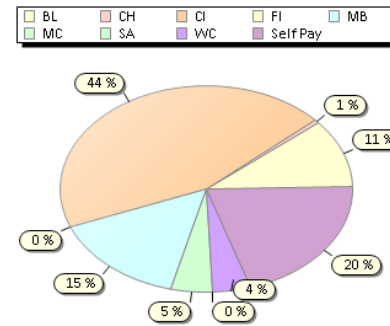
But Desert Radiologists could not predict that radiology and medical imaging was headed for a perfect storm of health care legislation in the form of the Deficit Reduction Act (DRA) of 2005, competitive market forces and continued downward pressure on physician reimbursement. As these external business forces took hold in the medical imaging market, it was clear radiology groups could not read their way out of trouble by only increasing the volume of images handled by radiologists. Many practices and imaging centers had spent the 1990s and early 2000s buying better imaging equipment, improving workflows, focusing on customer service, and implementing such technologies as PACS, voice recognition and automated coding to maximize radiologists' productivity. A further major improvement in reading volumes was simply not possible, as radiologists felt they were maxed out and in danger of tipping the balance in favor of quantity over quality.

Like many other practices faced with this dilemma, Desert Radiologists took a close look at its major cost centers, including business operations. The first effort to offset the DRA reductions – which negatively impacted the group by roughly \$2 million – proved minimally successful. After 11 years using an outsourced billing company and its own in-house department of 22 full-time employees to support collections, the decision was made to bring all billing in-house. However, this effort struggled as the group had underestimated the complexity of radiology billing and the high volume of cases the practice was doing. It became apparent they had neither the coding and billing management experience, nor the appropriate software platform to succeed with their own billing operation: the bills went out, but they were overwhelmed with denials and the accounts receivable increased to unacceptable levels. The cost associated with staffing the in-house billing office consumed most of the expense reduction efforts from the prior outsourced billing company. It ultimately became clear the volumes were too high and the billing too complex to do it themselves.

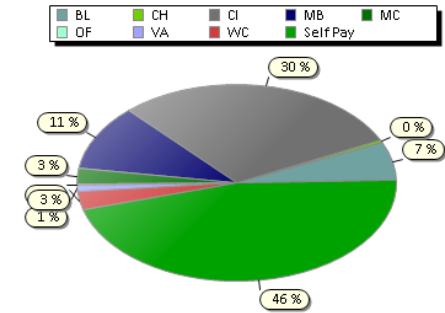
In July 2006, Bill Moore was recruited as CEO at Desert Radiologists. "When I joined DR we had little in the way of data to manage our business," Bill Moore recalls. "Decision-making was driven by instinct and relationships rather than reliable data." It was evident a change was needed in the area of billing, collections, and report generation.

### A/R Analysis Report

1 AR Mix- Originally Filed

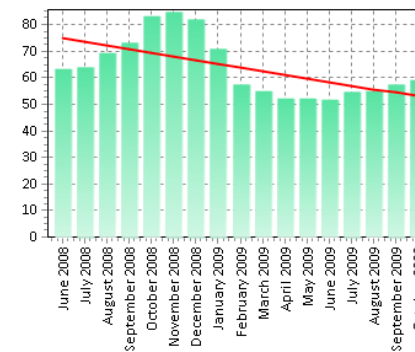


1 AR Mix- Current Payor



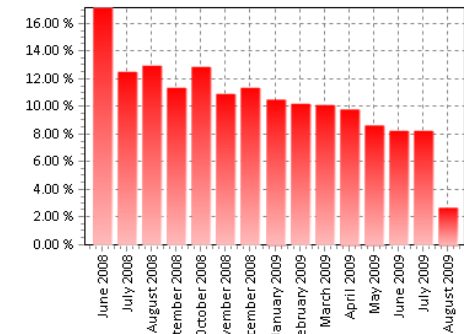
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Days in AR Regression



1

Bad Debt % to Gross



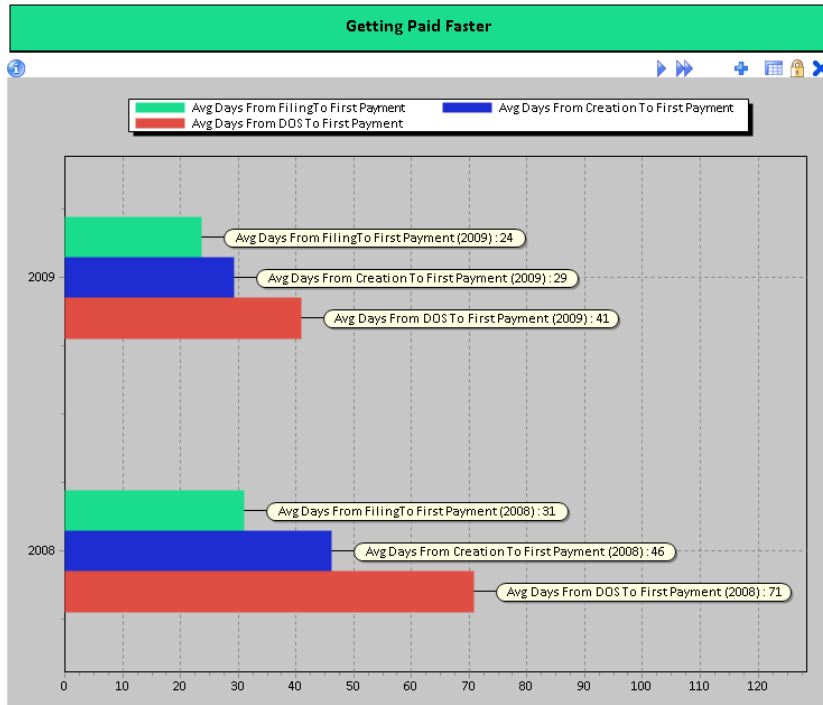
*After an intensive selection process Desert Radiologists signed an agreement to outsource its billing and coding to Zotec Partners, LLC. "There were several reasons for choosing Zotec," explains Bill Moore. "We liked their specialized expertise in the radiology market, and we loved their proprietary technology. Our group had plenty of experience working with inadequate tools and manual processes, and Zotec was a breath of fresh air. They showed us automated workflow and computerized audit checks, and gave our administration, managers and physicians access to finally mine our practice's data." (See A/R Analysis Report above.)*

## PEOPLE + PROCESS + TECHNOLOGY = PARTNERSHIP

Zotec's Decision Support data mining tool allows Desert Radiologists to have a finger on the pulse of the practice. The group monitors its accounts receivable, denials, charges, payments, net collections, and gross collections by location. For marketing, they produce lists of the top referring physicians by volume and revenue, and track changes in physician referrals. Reimbursement for specific procedures is examined, such as PICC lines or biopsies, by carrier and contract. This has allowed the practice to renegotiate contracts with unfavorable payments for specific procedures and identify outliers in reimbursement, and they have worked to make certain procedures more profitable based on reimbursement and expenses. Dr. Whitney Edmister is a specialist in cardiac and thoracic imaging with the group, and an avid Decision Support user. "By looking at the net charge data from a particular month, we can accurately predict the expected payments from that billing period going forward," he says. "We have looked at revenue and Work RVUs per FTE by location, and used that information to adjust our staffing based on volume and reimbursement." By comparing volumes and revenue across hospitals and imaging centers, the group has improved the profitability of underperforming locations. "Decision Support is a valuable tool for our group because we can quickly generate a chart, table, or graph that answers any billing or productivity question we would like to answer," says Edmister.

Another key component to the success of the relationship with Zotec Partners is account management. Zotec appointed an experienced account manager to work with the Desert Radiologists' administrative group and physician board of directors. Through a process of regular meetings, conference calls and data analysis, the account manager provides an essential communication channel that cements the partnership.

### Payment Analysis Report



*As a result, Zotec is providing much more than revenue cycle management. Says Moore, "Our relationship with Zotec Partners is excellent because our incentives are aligned. They've become an integrated part of our practice."*

As an example, prior to Zotec the practice had no way to verify that every exam performed in the hospitals and read by the group's radiologists was actually being captured and billed out. They suspected exam data was being missed – which meant the radiologists were doing those reads for free. Zotec's software staff developed interfaces with the hospital systems and established charge audit processes to ensure 100% of charges were being captured and billed. Taylor Moorehead, Managing Partner of Zotec's West Region operations comments, "The charge capture audits improved the group's charge volume and provided an immediate improvement in cash flow from previously unrealized revenues."

The nature of healthcare insurance is changing – and not just as a result of healthcare reform. As Health Savings Accounts give patients more responsibility for healthcare spending, radiology practices need to be proactive in their billing processes. Zotec created a secure online patient portal for patients to update their insurance information, pay their bills online, or print out a detailed summary of account activity, reducing calls to the group's offices. Between January and October 2009, Zotec Partners received \$1 million in payments for Desert Radiologists via the portal.

In 2007, Desert Radiologists' average accounts receivable were \$38 million, and charges were languishing more than 68 days in AR prior to resolution. Today, the group's AR is down to roughly \$25 million and the number of days in AR is well below 60 for hospitals and clinics. Zotec's work on behalf of the practice is monitored by the group's administrative team and physicians – a transparency that Desert Radiologists believes is critical to success. Says Bill Moore, "From a financial perspective, as the CEO, I now have access to data that allows me to make clear business decisions, as I have confidence in the statistics provided by Zotec's Decision Support tool."

To date, Desert Radiologists has saved more than \$3 million compared to its former outsourced billing company and a little over \$2 million compared to its in-house billing operations.

*The last word goes to Dr. Edmister: "Since adopting Zotec, we have noticed a steady decrease in AR, days to payment, and denials, and a steady increase in revenue. Our billing and collections have become much more stable with less monthly variability." (See A/R Analysis Report at left.)*



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