Mastering APCs: Optimizing Outpatient Revenues and Improving Compliance

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OBJECTIVES

- Provide info to enhance revenues
- Nothing illegal
- Nothing immoral
- Nothing unethical
Why Enhance Revenues?

- Contribute to financial solvency
- Outpatient Payment Corridor, TOPS payments, end January 1, 2004. Congress provided TOPS payments to limit loses experienced as a result of the APC system
Why Enhance Revenues?

- Expansion of the APCs solvency
- Other payors Medicaid, Workers Compensation, Private payors including managed care plans
Private Payor APC Plans

- 25% Implementing within 1 yr
- 50% Implementing within 2 yr
- 20% Desire to Implement
- 5% No Plans to Implement
Enhancing Revenues Requires Changes in Thinking

- Single Claims Processing vs Aggregated APC Analysis System
- Operationalizing APCs
- Ongoing APC Monitoring & Compliance
Enhancing Revenues Requires Changes in Thinking

- Linear to Curvilinear
- Department to System
- Singular to Multiple
- Qualitative Analysis to Quantitative Analysis
Linear to Curvilinear

- Linear thinking one service = one payment vs.
- Curvilinear thinking one service at times = one payment at other times = no payment
Enhancing Revenues Requires Changes in Thinking

- Linear to Curvilinear
- Multiple Procedure Discounting
- Packaging
Enhancing Revenues Requires Changes in Thinking

- Department to system
  - Multiple procedures performed in various departments
  - Single claim
Enhancing Revenues

- Drugs
- Outpatient Surgery
- Emergency Department
- Laboratory
- OB/GYN
- Outpatient Procedures
- APC
- APC
- APC
- APC
Revenue Enhancement Requires Changes in Thinking

- Singular to multiple
  - Single APC per visit
  - Multiple APC per visit
Inpatient Treatment

- XRAY
- EKG
- Lab

DRG Coding

- DRG Payment

Reimbursement

Outpatient Treatment

- XRAY
- EKG
- Lab

APC’s Coding

- APC
- APC
- APC

Reimbursement
Qualitative/Single vs. Quantitative/Universe of Claims

**Single**
- Examines one hospital visit
- Identifies single error
- Originally designed for DRGs

**Universe**
- Examine ALL hospital visits
- Identify errors
- Identify APC winners & losers
- Identify APCs producing most revenue
- Track OIG’s APC alerts
Analyzing

✓ Winners
✓ Losers
✓ Case Mix
✓ Procedure
✓ Department
✓ Provider

80/20 Rule
✓ Lab
✓ Radiology
✓ Cardiac Lab
✓ ED
✓ Supplies
✓ Procedures

Procedure Vs. Cost
✓ Fixed
✓ Variable
✓ Semivariable
✓ Semifixed
✓ Irregular

Operationalizing

✓ Super bill
✓ Training
✓ Communication
✓ Audit
✓ Clean Billing
Enhancing Revenues

- Most hospitals provide some type of training to the transition of APCs.
- Similarly, most hospitals have failed to keep up with APC changes.
**Enhancing Revenues**

- Continuing Education to staff on APCs
- Pin point areas to focus on:
  - Tools
    - APC 2002 Survey - Beyond Implementation
  - Analysis
  - APC Index
  - Case Mix Index
APC Facility Profile

Business Office  HIM  Finance or Revenue Cycle Management  Compliance Program  Information Service

- National Avg
- Bench Mark
Quantitative Analysis

- Development of outpatient case mix
  - Will be used to compare hospitals just as the case mix index is used now for DRG’s

- APC Hospital Case Mix
  - Will tell the average weight of the APC visits to the hospital
### Outpatient APC Case Mix Example

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Number of grouped visits</th>
<th>Number of APC’s</th>
<th>Number of non-zero relative weight APC’s</th>
<th>APC Case Mix Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>153,250</td>
<td>440,075</td>
<td>438,400</td>
<td>3.16595</td>
</tr>
<tr>
<td>B</td>
<td>7,745</td>
<td>20,112</td>
<td>19,429</td>
<td>2.9837</td>
</tr>
</tbody>
</table>
Value Outpatient Case Mix

- Standard that can be applied to all hospitals
- Compare multiple hospitals in levels of services provided
- Measure APC accountability over time
- Track patient acuity over time
- Revenue projections based on case mix
Revenue Enhancement

APC Index

- APC Index is designed to provide feedback on the average number of APCs per Visit

<table>
<thead>
<tr>
<th>Hospital</th>
<th>APC</th>
<th>Description</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0612</td>
<td>ER High level</td>
<td>2.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Lower APC Index can be the result of:

- Missed Charges
  - Not coded
  - Not billed
  - Arrive after bill is dropped
- Charges “scrubbed” off by encoder
- Incorrect or missing service units in field 46 on the UB – 92
Initial Steps to Understand Reimbursement

- Identify APC winners and losers
- Identify impact of winners and losers
- Identify claims that need to be resubmitted due to CMS policy changes
Revenue Enhancement

- Employ the 80-20 Rule
- Research indicates on average 30 to 35 APCs account for the majority (80%) of the revenues
- The hospital needs to identify and focus on these APCs and which ones are “winners” or “losers”
Top APCs by Percent Payment
Representing 80% of Total APC Payment

- Testes/Epididymis Procedures
- Level III excision/biopsy
- Vascular Repair/Fistula Construction
- Level III Female Reproductive Procedures
- Level II ENT Procedures
- D & C
- Level III ENT Procedures
- Therapeutic Lower GI Endoscopy
- Spontaneous Abortion
- Level I Laparoscopy
- Diagnostic Lower GI Endoscopy
- Tonsil/Adenoid Procedures
- Hernia/Hydrocele Procedures
- Diagnostic Upper GI Endoscopy
Payment and Payment Difference for APCs Representing 80% of Total APC Payment

- Testes/Epididymis Procedures
- Level III excision/biopsy
- Vascular Repair/Fistula Construction
- Level III Female Reproductive Procedures
- Level II ENT Procedures
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Diagram showing payment and payment difference for various procedures.
## Top 10 APCs For Loss in Revenue

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Volume</th>
<th>Revenue</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>0260</td>
<td>Level I Plain Film Except Teeth</td>
<td>53</td>
<td>3,299</td>
<td>(20,771)</td>
</tr>
<tr>
<td>0301</td>
<td>Level II Radiation Therapy</td>
<td>60</td>
<td>27,514</td>
<td>(31,042)</td>
</tr>
<tr>
<td>0143</td>
<td>Lower GI Endoscopy</td>
<td>487</td>
<td>277,985</td>
<td>(35,406)</td>
</tr>
<tr>
<td>0117</td>
<td>Chemotherapy Administration by Infusion Only</td>
<td>34</td>
<td>4,987</td>
<td>(38,699)</td>
</tr>
<tr>
<td>0305</td>
<td>Level II Therapeutic Radiation Treatment Prep</td>
<td>92</td>
<td>90,876</td>
<td>(53,096)</td>
</tr>
<tr>
<td>0286</td>
<td>Myocardial Scans</td>
<td>96</td>
<td>77,178</td>
<td>(100,395)</td>
</tr>
<tr>
<td>0611</td>
<td>Mid Level Emergency Visits</td>
<td>1,357</td>
<td>228,713</td>
<td>(171,176)</td>
</tr>
<tr>
<td>0080</td>
<td>Diagnostic Cardiac Catheterization</td>
<td>280</td>
<td>434,997</td>
<td>(182,615)</td>
</tr>
<tr>
<td>0612</td>
<td>High Level Emergency Visit</td>
<td>441</td>
<td>119,002</td>
<td>(205,129)</td>
</tr>
<tr>
<td>0283</td>
<td>Level II Computerized Axial Tomography</td>
<td>590</td>
<td>322,442</td>
<td>(250,283)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>3,490</td>
<td>1,586,993</td>
<td>(1,088,612)</td>
</tr>
</tbody>
</table>
Revenue Enhancement

- Identify APC “losers”
  - APCs resulting in less payment than the cost to provide the service
- Investigate potential causes:
  - Missed charges
  - Incorrect coding
  - Process leading to late charges
Revenue Enhancement

- APC 0117 – Chemotherapy Administration by Infusion Only
  - Number of units for medications not identified by staff or not transferred to the bill
  - Other services provided and not billed, i.e. injections
Revenue Enhancement

- APC 0611 – Mid Level ER Visit and
- APC 0612 – High Level ER Visit
  - Incorrect level identification
  - Services provided but not billed, I.e casting, strapping, and suturing procedures
  - Services “scrubbed” off the bill
  - Incorrect units billed I.e for injections or infusions
Revenue Enhancement

- APC 0080 – Diagnostic Cardiac Cath
  - Incorrect service billed due to methodology to input codes during cath instead of based on documentation
  - Not all services billed I.e injections, infusions
Revenue Enhancement – Keeping the Revenue

- Review OIG targets using a combination of high level identification of risk areas and individual chart reviews
- Know the targets and insure you have the order and documentation to support the codes billed for the target APC
Revenue Enhancement

Example - OIG issued an alert indicating concerns about the proper use of APC 00016 – Level V Debridement and Destruction

- Determine which departments provide these services
- Conduct a documentation and coding review
- Review the process
OIG / CMS APC Alert and Hospital Volume of OIG Alert

- 11042: Debridement; skin sub q tissue, and muscle
- 29075: Cast Elbow to Finger
- 29086: Finger Destruction of Lesion
- 56501: Small intestinal endoscopy
- 44360: Finger Destruction of Lesion
OIG / CMS APC Specific Code Alert and Hospital Volume of Codes

![Bar Chart]

- APC 00016
- APC 00017
- APC 00058
- APC 000142

- Freq to Date
Questions ?
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