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Practice Considerations in the Era of Managed Care

Presenter: Laina Burdiek, AuD

Welcome everyone to today's course Practice Considerations in the Era of Managed Care. We are so pleased to welcome with us Dr. Laina Burdiek to present for you today. Laina, I'll hand things over to you. Thank you so much. Well, first and foremost, thank you guys for joining me and thanks for spending your time.

I wanted to say that I am not here today to convince you that you should or shouldn't be working with managed care, that this is a deeper conversation. We're happy to provide guidance on what we may find and you may find best for your clinic. At Resound, we have a team of people that can help you navigate this decision. You can see here are the risk and benefits for this course and the learning outcomes. Again, we're not convincing you one way or the other, just giving some guidance.

If you choose to continue with managed care, if you need to reach out for additional resources, then you can see there's our customer care number as well as a list of an entire team we have in the field for you. So let's get kicked off here with some reactions or emojis. So using those reactions, answer this question, what percentage of hearing aids are delivered using managed care benefit here in the US So we'll get warmed up with some emojis here.

So we have 0 to 10, 11 to 20, 21 to 30 or more than 31%.

Well, to answer this question, so we've got a vote here for 10 to 20. Couple votes it is. 20% of the industry is handled through managed care and over 30% through independent practices. So let's kind of all start at the basics here. What is managed care?

And managed care is a health delivery system that organizes cost, utilization and quantity. And this has grown significantly in the past 10 years. So, so in 2015, where it was 1% of the market and now we're at 20% of the market. So again, we're not convincing you to join or sign up if your clinic is successful. Without this option, we aren't encouraging you to sign up.

But if you're seeing managed care patients or starting that conversation, we're here as a trusted partner in this decision. Today, we'll walk through some key components you need to know to implement managed care for, for you and your clinic. So we're going to start this off with this fictitious office. Grapefruit Audiology. So Grapefruit Audiology is a busy practice with patients scheduled weeks out.

Their schedule is filled with hearing aid evaluations, clean and checks, repair connectivity, appointments and hearing aid fittings. So sound Pretty familiar. There have been slow but steady change to their community with more patients having third party benefits. The clinic is trying to figure out how to balance an already full schedule with options for seeing patients with managed care benefits to add another curveball. While the schedule is full, the clinic isn't as profitable as you would expect.

Today we are going to work through how Grapefruit Audiology could implement adding managed care contracts to the practice while improving scheduling and optimizing profitability.

So to optimize managed care is about practice management and streamlined processes rather than some magical solution. So no magic wand. For this we'll introduce three topics that are meant to be an introduction to the way to succeed in the managed care space. Whether you are exploring the idea or you already have it in practice, there's a little something for everyone and the quick tip is also provided so we can work through this and streamline this through your business. So let's start out with financials.

We're going to introduce an equation for determining how to include managed care into your practice. So when we start thinking about implementing managed care into a practice, one of the most important things we can understand is hourly rate. Two key metrics help in determining hourly rate. Cost per hour and revenue per hour. Cost per hour is how much it costs to operate the practice hourly and should include all operational expenses.

Revenue per hour is how much the practice earns for each hour in operation. So outgoing costs compared to incoming money in an hourly breakdown.

So how do we calculate this? Let's apply it. And again, we're using that Grapefruit Audiology. We added up our monthly expenses to $30,000, including fixed expenses and variable expenses. So fixed expenses are those that don't change much from month to month.

Whether the hearing aid clinic sells 10 aides or 100. These tend to be the same. Think rent, leases, salaries, loan payments. On the other hand, variable expenses fluctuate with levels of sales. So commission, credit card fees, things like that.

Once we know our monthly expense and how many hours the clinic is open, you can see we divide that to see how long it takes and what the cost per hour is. So Grapefruit audiology it costs $187.50 per hour.

Now let's look at revenue per hour. Revenue per hour is how much income the practice generates for each hour it is operating. This number comes from looking at the the total revenue over a given time and dividing it by the total numbers of hours. So you can see we looked at 160 clinic hours and then we added up how much revenue and divided that as we just did with our cost per hour in the clinic. We have an example here.

We looked at the total revenue, divided that by the hours, and now you have your total revenue per hour. So we are at $281.25 for revenue.

So profitability, that's all that's very important. So when you look at cost per hour and revenue per hour, you start getting a much clearer picture of your practice's financial health. Ideally, revenue per hour is significantly higher than cost per hour. So we want more money incoming than outgoing.

So how are we implementing managed care? Evaluating managed care opportunities is where these metrics become especially valuable. Instead of guessing where whether a managed care program will work for you and your practice, you can compare the expected revenue generated during those appointments to your hourly cost for operation. If the revenue from managed care patient helps you meet or exceed your hourly operating costs and contributes positively to your overall revenue per hour, it may make sense to incorporate it into your schedule. But if the reimbursement consistently falls below your operating costs, it may require adjustments to the schedule.

Consider if you could increase your profitability by simply adjusting the time allotted for various visits. So those math equations really important to know how much it truly costs for your business and compare that to what you're going to get paid by these third parties. So here is another question for you. If your managed care reimbursement is $400 and your cost per hour is 250, are you profitable? If you schedule a 60 minute evaluation, a 60 minute fitting and 30 and two 30 minute follow ups, so would you be profitable?

Seeing some clapping there. Wonderful. So if that was the reimbursement and that was your cost per hour, you would not be profitable. So awesome. So with the cost per hour being 250 and three hours of total times with the patient, that means that you would have lost $350 by seeing the patient as you normally would on your schedule.

Ultimately, understanding these numbers allow you to move from guesswork to strategy. By knowing the cost per hour and revenue per hour, you can make an informed decision about scheduling, pricing, service mix and whether managed care fits into your practice model. So we have now decided that the financials needed to be determined the profitability of managed care. We next need to look at the schedule. How are we scheduling managed care patients?

One way to think about this is the amount of time you spend with the patient. And the other is how to balance revenue versus non revenue generating appointments. Oftentimes block scheduling allows you to optimize efficiency and improve resource utilization. So let's dive in there. Controlling the schedule means controlling your revenue potential.

The schedule represents your practice's most limited resource, which is time. When that time is structured strategic, the practice can better balance patient care efficiency and financial performance. When we consider block scheduling, rather than filling in the day with a random mix of appointments, the schedule is structured so a particular service happens during a designated block of time. When similar appointment types are grouped together, it becomes easier for the team to transition and utilize equipment and staff more effectively.

So if you think about our practice, the practice might dedicate certain blocks of the day to diagnostic evaluations, others to hearing aid fittings and follow ups and and others to quick appointments for service. By organizing the day this way, clinician reduce downtime, minimize setup changes and create a more predictable workflow for the entire team. And who doesn't love a predictable workday? I think everybody would need more of that in their life. So when schedules are completely open and first come first serve, high value appointments can sometimes be squeezed out by lower revenue services.

Block scheduling helps ensure that the right type of appointments are have a dedicated time on the schedule. So let's look at an example here.

So here we are. You come into work next Monday and want to plan your whole week. At first glance, the schedule appears very busy. Almost every hour has something scheduled. But when you look closer, you notice the days are filled with scattered appointment types and short gaps that make it difficult to add higher value visits.

Where, for example, where for example, would you place a patient calling in to schedule a hearing aid evaluation? It doesn't look like there's any time on this schedule. If nothing's available, what is the likelihood of that patient wanting to wait a week or two or three versus calling a competitor? So let's put this into a block schedule with like things together. The practice is determined that four hearing aids evaluations per week are needed to support the revenue goals.

The schedule is organized to protect the time for those appointments while grouping the shorter services together. So you can see all of those cleaning checks are Monday morning. Now, the schedule clearly reflects the number of revenue driven visits needed for the practice to remain profitable. Service appointments are still there. We didn't get rid of them, but they're grouped together and blocked rather than scattered throughout the day.

There's ample time later in the week for add ons, whether from referrals or marketing. And there's still add on time for those eventual emergencies. So let's walk through some easy steps to implement this in your practice. First identify needed monthly hearing aid revenue and calculate the average sales price per hearing aid. So I'm going to go back here so you can see monthly hearing aid revenue is 100,000 for our grapefruit audiology and the ASP is 2,500.

Step two for block scheduling now divide the hearing aid revenue by an average sale price to determine the number of hearing aid fittings needed. So easy math here. We need 20 hearing aid fittings assuming everybody's getting both ears fit.

Oh. Next step three Then we're going to divide hearing aid fittings by the provider closure rate to determine how many hearing aid evaluation blocks are needed throughout the month. You also need to consider what percentage of the fittings are 1 versus 2 ears. This calculation assumes that every fitting would be 2 ears. If your math ends up to in a fraction, round up to the nearest whole number.

Can't sell half a hearing aid. Step four and finally distribute the fittings and the evaluations across providers and weeks to focus on patient time preferences. Does your patient base value early morning appointments or midday do what suits your clinic best here. The goal is to balance revenue and non revenue generation generating appointments with other types of block scheduling.

So we got to balance that out here. Here are some general tips when looking at block scheduling. You can certainly apply this to your whole schedule, but you could also apply this to specific appointment types. Some common appointment types may include hearing aid evaluation hearing aid fittings so you ensure you have enough time for those revenue driving appointments. Other common appointment types to apply Block scheduling is one specific for managed care.

Remembering the key piece we looked at our financial section before and considering these profitability of these appointments. Specifically consider what makes you profitable in the managed care space and consider how you would implement a block schedule for these types of visits to ensure the month is profitable. Some other things to consider we like the idea of having at least one day a month open left open for weather closures and possible sick days for your providers. So that way someone calls in, you have a tornado, a hurricane, a flood, all those things we can't control. You have a day that you could pick up that weather day and move all of those appointments to that slot.

Another thing to think about is don't forget to block time for admin work, walk ins repairs so those dreaded typing up your report at the end of the day keeping that work life balance available. If you're doing block scheduling, this is an excellent way to build that right into the schedule. So get your fingers ready for another question thinking through how you might apply this new knowledge, what type of appointments will you start implementing? Block schedule. So evaluations and fitting just manage care appointments, all appointments or other.

All right, we got some. Okay. We got mostly evaluations and fittings. Love it. Thank you guys.

So regardless of how you choose to implement block scheduling, by controlling the schedule, you are controlling the revenue potential and allows you to be intentional with how your day is built. So let's talk service fees. Once you've reviewed the financials and how to have the schedule work best for you, it's time to dig into your managed care contracts. You need to determine which services are included and what services can be billed separately. So pricing optimization taking us outside of our industry for a second, let's think about the last time you got an eye exam.

The office probably said something along the lines of we think you need this extra test. It costs $50, but your insurance doesn't cover it. As a patient, you have the option to accept the charge and the recommended best practice or skip the non covered service. You need to review your contracts to determine which services are and are not included in your contracts. It's imperative to provide included services for the patients.

It's equally important to charge for services outside of that covered contract.

So here you can see that there is a list of typical services not included. Definitely take time to see which exact services are not included and included and create a fee, schedule or super bill for these patients so you can charge appropriately for these services. And just a looking here. Real ear verification, quick send sound field connectivity support. That's a big one.

Wax and dome removal, hearing aid demo tinnitus. There's a lot of things there that are not usually included to look for in these contracts.

So our next one is how do you set up these services? This isn't just something that you can google and there's no handbook for it. Again, we're going to use a math formula that is unique for your business in your community. You will need a couple of items for this math. So you'll need the cost per hour,

revenue per hour and billable per hour.

We have already covered cost per hour and revenue per hour in the last section. Billable per hour is a standard hourly rate of practice charges for services and it includes expenses and profit things like admin meetings. Gaps in the schedule would not be considered part available per hour. So let's do some calculations to calculate your billable per hour. You're going to multiply your cost per hour and desired profit margin.

Using the math from our financial section, we determined that the Cost per hour is 187.5. We multiplied that by the recommended profit is 25% to account for write offs, time overages and determine that our billable rate is $234.38. So how do you determine your fees? At least somewhere to start. So you're going to multiply your hourly rate by the service time.

In this example you would use 234.38 billable hour and the time would be 15 minutes. For a real air service you'd multiply by 0.25 and you would get the example of the real air service fee would be $58.60.

So here we have a service fee document and it clearly outlines that the service is not covered by managed care contract and the cost will be to the patient. This example gives the patient the choice to accept the additional charges or decline. You can treat the patients equally providing available services when needed. You simply charge them a different based on the service program that they are in.

So as review here to determine the service fee you should ask social media groups calculate your billable hour and apply that to service time. Reach out to your resound team for assistance, not worry with it and include the services at no charge. Beautiful. I saw a lot of hearts there. So that is where we need to go to determine your service fees and it's backed by the numbers and it is personalized for your office and your community.

Back up here. So if we go back to our Grapefruit audiology clinic, we have booked out the schedule with increasing demand to accept managed care. Our profitability was down even with our blocked out schedule. So managed care is becoming more popular. So we have now determined what we can do to make this more profitable and include the schedule.

So today we walk through the financial information we needed to determine how we could implement managed care into our practice. We looked at how to use block scheduling to balance revenue and non revenue generating appointments. This is going to allow us to address our book schedule with with reduced profitability. To round out today we discussed that we need to identify which services are and are not included in the contracts and generate a plan to determine what we can charge for these services. Ultimately, there is no secret to success here, but rather a few simple math equations to ensure managed care is working for you and your practice's needs.

So very quickly there was kind of our keys for optimizing managed care success. If anybody has questions, feel free to put them in the question and answer there.

So when I was looking at all these math equations, I Definitely saw that. Even though there is a lot, they are very simple. Addition, subtraction, division, things that I think is accessible for so many people.

All right. Looking at the chat here or the questions.

All right, so question here would be, what is a benefit of the block schedule? And I'm definitely like the block schedule for not only managing profitability, but as a clinician and keeping that schedule in an organized way and knowing what my schedule is going to be and planning ahead for admin time, making sure I have time to do those administrative things that have to be done. And I also think this tends to lead to more work, life balance when you have something on the schedule for admin time.

Thanks for the question.

All right, we'll wait another second here for any more questions. Someone in the question said, thank you so much for this class. I love the idea of block schedule. You're welcome. I do, too.

One of my favorite things.

All right, well, Dr. Burdick, I don't see any other questions coming in, so for those of you that are watching this recorded, if you do have questions, feel free to reach out directly. Otherwise, I think we can wrap up for today. Yeah. Thank you, guys, again. Thank you for your time spent with me this afternoon.

Absolutely. Thank you so much for a wonderful presentation and that will conclude today's course. Thank you, everyone, for attending. We hope you have a great rest of your day. Take care.