

Third Party Device Acquisition in an Outpatient Pain Management ASC

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The Implant Challenge

Managing and financing high cost implants can have a disproportionate negative impact on the economics of certain procedures offered in an ASC setting

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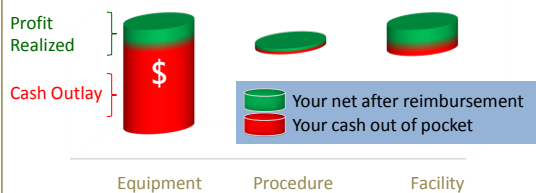
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Disproportionate Financial Risk

- *The Tail Could Be Wagging the Dog* -

Income generated in a typical implant procedure
- Assuming a carve-out for equipment -



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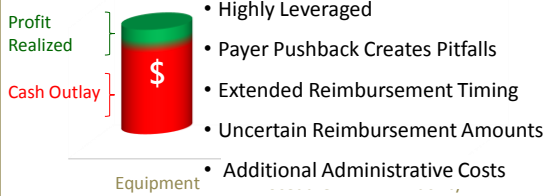
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Experiences with High Cost Implanted Equipment



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Highly Leveraged...



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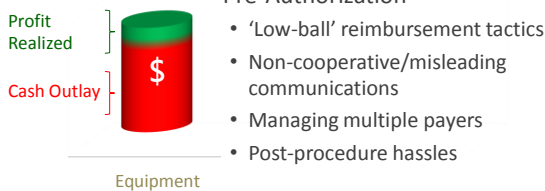
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Payer Pushback Creates Pitfalls



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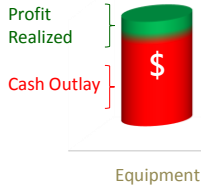
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These issues are not unique to equipment, but when they occur on these items they can become *expensive problems*

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You might be waiting for your money for awhile

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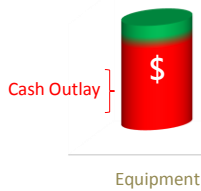
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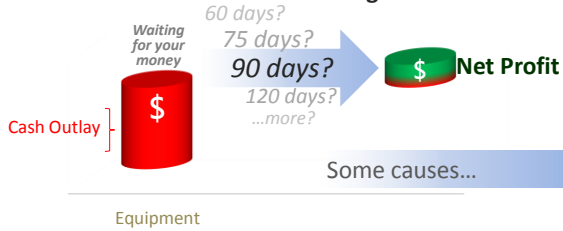
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Extended Reimbursement Timing



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Extended Reimbursement Timing

After the Procedure

- Pre-payment reviews (even with pre-authorization)
- Entrance of 3rd party payment administrators
- Reimbursement Review Board submissions & timing



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Uncertain Reimbursement Amounts

After the Procedure

- IME's used to deny payments
- Policy cancellations occurring after pre-authorization
- Unilateral changes in reimbursed allowances & rates



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Additional Administrative Costs



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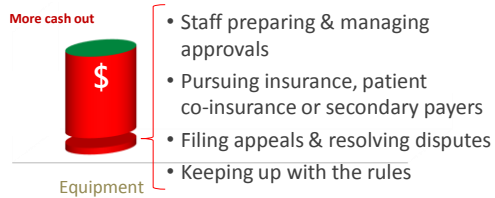
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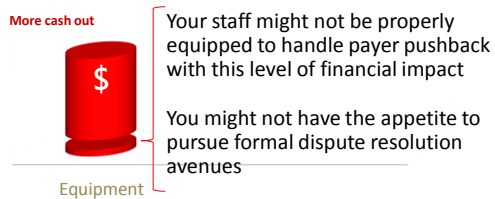
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Financially it can show up lots of places



P&L

- Adjusted Revenues
- Administrative & payroll expenses prepping & managing submissions
- Expenses relative to filing appeals and resolving disputes

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Cash Flow

- Cash to stay current on payables
- Uncollected & aging receivables
- Receivable of patient co-insurance and deductibles

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Balance Sheet

- Working capital & current ratios
- Reserves for disputed reimbursements, write-downs and income adjustments
- Increased need for cash on hand

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Some metrics:

- Capital employed
- A/R aging
- Patient account adjustments
- Cash as % of net revenue
- Revenue write-down & adjustments

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Benefits to Outsourcing Device Acquisition

- Move risks & cash flow management off your financials
- Move device authorization & reimbursement negotiation & management off of your office staff
- Physicians can avoid (appearance of) economic bias when selecting between competing manufacturers

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What I Look For...

- What payers do they work with in your served geographic area
- How accessible are they - including off-hours
- Knowledge of their authorization staff
- I look for personable people that work well with the strengths and weaknesses of my staff
- A sense of urgency in seeking authorizations

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Thank you

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