

CONTROLLING EMPLOYEE HEALTH COSTS: The HSA Option

In your practice (as with any business), there are only two ways to improve the bottom line: increase revenues or reduce costs. You, with help from your professional advisors, should strive to do both, but our focus in this article is only on the latter—specifically, *how can a physician's office reduce the cost of its health benefits*, one of the largest expenses associated with operating your office practice?

As an example, from 2000 through 2006, health insurance premiums in some areas have increased as much as 75.6% compared to an overall rate of inflation of 17% during the same period. This disproportionate rise in health insurance premiums is a problem faced by physician office practices throughout the United States.

Do you really need to pay so much for health insurance, given that most health premium dollars are used to pay for hospital care, pharmaceuticals, outpatient testing, administration and so forth, and not for physician services? The answer is an emphatic NO, if you are prepared to become a 'smart' purchaser of health benefits.

Traditional approaches to purchasing health insurance in this country are both inefficient and antiquated. However, since January of 2004, physicians and other employers have had a new option available to them called a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA), part of

the movement toward "consumer driven health care" that is sweeping across the United States. Its popularity, according to the *Wall Street Journal*, derives from the fact that "HSAs put individuals in charge of their own 'cost containment', rather than the government or HMOs."

Insurance is a means for the pooling of risk to protect individuals from large, unpredictable financial loss. It is NOT an effective way to protect people from relatively small, routine, predictable expenses.



When used this way, you are "trading dollars" with your insurance company and wasting money along the way. Automobile insurance policies do not pay for oil changes and worn tires. Most employee health benefits plans are structured in a way that does not make economic sense.

At little or no cost to you, your practice can provide for many of the routine, uncomplicated, day-to-day healthcare needs of your employees, thus there is no need to insure for these services. It is relatively easy for you to eliminate the "trading dollars" phenomenon

with your insurance company. When you do so, *you can expect an approximately 40% decrease in your monthly health insurance premiums.* Here are a series of recommended steps:

1. Make the decision to be proactive about your health insurance costs. Educate yourself and your employees about HSAs and consumer-driven healthcare.
2. Evaluate your options for HSA coverage (consider various levels of high deductible and HSA funding strategies).
3. Consult with your employees; explain the problem and possible solutions.
4. Determine the best course and implement your program with choices for your employees.
5. After six months, evaluate the effectiveness of your strategy.

Make sure that you are getting good advice from your broker. Most brokers (including this one) receive commission-based compensation. This means that when your premiums are higher, broker compensation is also higher. This does not mean you are getting bad advice, but do not assume that you are getting the best advice. Ultimately, it is up to you to be sure that you are getting the best value for your health insurance premium dollars.

Health insurance is a risk to be managed, like any other business risk. We recommend, not only for your employees but also for all of your patients, implementation of basic healthcare risk management

"...there are only two ways to improve the bottom line: increase revenues or reduce costs."

"...how can a physician's office reduce the cost of its health benefits..."

principles. As a society, it is critically important to bring the economics back into the healthcare system. It will not happen overnight, but the net result can be a healthcare system with greater focus on improving quality and reducing costs, a result in which we can all be proud.

Editor's Note:

Practices can offer an HSA option to employees along with a traditional HMO and PPO plan options. Consult your carrier for details on offering an HSA option at your next renewal and what the cost savings to your practice might be.



This newsletter is sent with compliments of Hall, Kistler & Company LLP.

If you have any questions or need consulting, accounting or tax services please do not hesitate to contact us at 330-453-7633.

This newsletter is published for our clients and other interested persons. Since this information is of a technical nature, no final decisions should be made without first consulting our office.

YEAR-END PLANNING TIPS

The 2007 year is quickly coming to a close. It is time to consider strategies that can help reduce your income tax burden for both your practice return as well as your individual return. The goal of tax planning is to help you minimize your Federal and state income tax liability. This is typically accomplished by reducing taxable income or accelerating deductions. The following strategies could be advantageous, especially if you expect to be in a different tax bracket next year.

BUSINESSES:

Your business may elect under Code Section 179 to currently deduct the cost of qualifying assets instead of depreciating them over the specified tax lives. For 2007, the Federal maximum amount that may be expensed for new assets has been increased to \$125,000 per year. The deduction begins to phase out when property purchased exceeds \$500,000. Also, you cannot expense more than the amount of your business' taxable income. If you are making extremely large capital expenditures, it is sometimes more beneficial to spread the amount over a two year period. Furthermore, vehicles in excess of 6,000 pounds are limited to a Section 179 deduction of \$25,000. Not all states allow the full amount of Section 179 to be deducted for state purposes, so consult your tax advisor for further details.

Hiring a family member to work for your business can create tax savings for you by shifting business income within the family. Be aware

though that the IRS can question compensation paid to a family member that does not seem reasonable, considering the services actually performed. Also be sure to comply with child labor laws. If your business is a sole proprietorship and you hire your child who is under age 18, the wages that you pay your child are not subject to FICA taxes. As is the case with wages paid to all employees, wages paid to family members are subject to withholding of Federal income and employment taxes, as well as certain state taxes.

INDIVIDUALS:

If you buy a new, qualifying vehicle, either hybrid or powered by fuel cells, advanced lean-burn technology, or alternative fuels in 2007, you may be eligible for a tax credit. Something that the car dealers may not tell you or know is that the credit cannot be used to offset Alternative Minimum Tax. So, if your regular tax liability does not exceed your AMT liability, you will not be able to claim the credit.

A lifetime tax credit of up to \$500 is available for the costs of making certain energy-efficient improvements to your principal residence, including energy-saving exterior doors, windows, insulation and certain metal roofs. The credit is also available for the installation of equipment, such as a furnace or water heater, meeting specified standards for energy efficiency.

For 2007, the maximum 401(k) employee deferral is \$15,500. Employees who will be at least 50 by the end



of the year may make an additional catch-up contribution of \$5,000. Maximizing retirement contributions are a great way to defer income tax and save for the future.

For 2007, a taxpayer can transfer a gift of \$12,000 to an individual without Federal gift tax consequences. Married couples can gift \$24,000. The best planning would be to make any gifts for 2008 in January.

OTHER OPPORTUNITIES THAT TAXPAYERS MAY WANT TO TAKE ADVANTAGE OF:

To delay income to the following year, you may want to:

- Defer compensation and year-end bonuses
- Defer the sale of capital gain property
- Postpone receipt of distributions, other than required minimum distributions, from retirement accounts

Planning for investment gains can reduce your tax bill significantly. Tax rates on ordinary income and short-term capital gains are currently as high as 35%. If property is held for more than one year before it is sold, the gain is generally subject to reduced long-term capital gain rates of 15%, 0% in 2008 if you are in a tax bracket of 15% or less. Also, capital losses are fully deductible

against capital gains. Consult with **your** investment advisor about generating losses to offset your gains. Losses in excess of gains can be deducted against ordinary income up to \$3,000 a year, with remaining losses carried forward to later tax years. It is especially important to take losses in a year when you have large capital gains to avoid the possibility of loss-carryovers.

To accelerate deductions into this year:

- Consider paying medical expenses in December rather than January, if doing so will allow you to qualify for the medical expense deduction. Keep in mind that medical expenses are subject to a 7.5% AGI limitation, so are not readily deductible by all taxpayers
- Prepay deductible mortgage interest
- Make state tax payments prior to year end but since most taxpayers are now impacted by the Alternative Minimum Tax (AMT), making state tax payments this year may not be advantageous so check with your tax advisor first
- Make alimony payments early
- Make next year's charitable contributions this year (consider a donation of appreciated securities held more than one year)

PRACTICE CHECK-UP: Is Your Accounts Receivable out of Control?

Is your Accounts Receivable spiraling out-of-control? Many practices come to us for assistance with A/R troubles once they have already hit crisis proportions. Needless to say, it is always best not to let your A/R get out of control before realizing there is a

The key to maintaining a healthy A/R is preventive maintenance!

problem. Below are some tips to help you and your staff address your current A/R problems, monitor A/R totals correctly, and keep collections running smoothly. Some of the suggestions may seem very basic, but by implementing one or more of these ideas you can help your billing department clean-up the old and keep up with the new.

GENERAL A/R TIPS AND SUGGESTIONS:

- Post charges and payments on a daily basis, ideally within 24 hours, but never later than 72 hours.
- Claims should be processed and sent out daily.
- Electronic claim errors should be corrected, processed and re-sent daily. The goal is to track trends in the errors found, fix the problems and ultimately have cleaner claims going out, with fewer rejections.
- Educate your front desk. Show them the error reports so that they know what fields of information are missing

and have them correct their own errors. This method is a great training tool.

- Work your denials daily. Many billing departments are so busy, that frequently these get put in a folder and saved for last. After the appeal is filed, make a copy and follow-up on them within a given time period, usually 30-45 days. When your staff complains of not having enough time to work them, explain that this is a proactive way of working the A/R and must become a priority for them. Monitor their work to ensure it is being done timely.



- Send out patient statements weekly, as close to carrier payment as possible. To save costs, make sure your system is set not to bill a patient more than once within a billing cycle, unless new activity has occurred.
- With proper oversight, allow your staff use of the Internet. Most insurance carriers have great interactive websites with lots of useful information; including changes in policy, as well as access to checking claim status, filing of appeals, as well as follow

up on appeals.

- Educate your staff. Arrange for your billing staff to attend coding seminars, collection seminars and anything else pertinent to medical billing. The benefits are twofold, it allows your staff to keep abreast of the constantly changing rules and lets them know that the practice is investing in them.
- In addition, send staff to classes that your billing software vendor may offer. This will keep them aware of upgrades, changes and how to best utilize the software to enhance the specific needs of your practice. Most software vendors share the basics during the initial training period, however, your system may have some wonderful time-saving abilities and short cuts that your staff may not be aware of as well as additional reports you are not utilizing currently.

MONTHLY REPORTS:

Run, review and work the following reports on a monthly basis: Insurance A/R, Patient A/R, and Credit Balances. Always run these based on Date of Service.

- Insurance Reports:** Work the oldest and highest dollar amounts first. Start with your top five carriers. Look for problem trends when researching these balances. Have your staff establish a relationship with a Customer

Service Representative with each Insurance Carrier who you are participating with.

- Patient Responsibility Reports:** Work the oldest and highest balances first. If your staff is making phone calls make sure they have a script to follow. Also make sure your staff knows to only speak with the patient or the responsible party. Allow payment arrangements where patients can make monthly payments or offer discounts on large balances if the patient agrees to pay in full. Motivate your staff by offering overtime, financial incentives or time-off based on their collection rates. Consider an evening or weekend phonathon with prizes. If you are not currently using a dunning system, consider implementing one. If you are currently using a dunning system, review it, update it if necessary and reconsider the timeframes originally set up.

- Credit Balance Reports:** This report should be run and reviewed monthly. State and Federal Regulations require that credit balances be reviewed and returned immediately upon being identified. These overpayments if not returned are subject to interest and fines for all carriers. If you have not received a letter asking for a refund, you should call or write the carrier and ask them to send you a letter of request, so that you may return the overpayment.

Continued on pg. 5

Continued from pg. 4

If your credit balance report continues to be large month after month, a complete audit should be performed to determine why. Some of the errors we have seen in other practices include:

- Duplicate postings - which happens if an electronic EOB gets posted more than once, (be sure your staff deletes or marks the EOB after posting so it doesn't accidentally get posted twice).

- Incorrect posting of payments and/or credit adjustments.

Use the talent in your billing office wisely. Put your most talented person on payment posting. This will help ensure that errors are identified upon posting the EOB's. More importantly someone who has a lot of billing experience will be more likely to identify denial trends, miscoding, inappropriate bundling and zero pays. Remember that credit balances affect the bottom line of your Accounts Receivable. Your system may be capable of running an A/R report excluding credits. If not, your system will subtract the credits from the A/R number, thus creating a reduced A/R amount that is not entirely accurate.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆

CCI EDITS
The quarterly CCI edits have been released and can be obtained by going to:
www.cms.hhs.gov/NationalCorrectCodInitEd/

UPDATES

MISSED APPOINTMENTS

CMS CR 5613 states that physicians may bill Medicare beneficiaries for missed appointments as long as they charge their non-Medicare patients also. So, be sure your policy is consistent. Review these rules in detail before changing your policies. To access this policy, go to the Medicare Learning Network at: <http://www.cms.hhs.gov/MLNGenInfo/>. Under search, type in CR 5613. Click on the link, and then go to page 100-101 for the information.

MEDIGAP

The Medigap codes you once used to ensure claims crossed over to the appropriate carrier have changed. You need to update the codes in your system to avoid having unpaid secondary claims. For the complete list go to:

<http://www.cms.hhs.gov/COBAgreement/Downloads/Medigap%20Claim-based%20COBA%20IDs%20for%20Billing%20Purpose.pdf>

MEDICARE PART D

Open season for Part D is November 15-December 31, 2007. There have been significant changes this year in pricing and in coverage especially as it relates to the "doughnut hole". Please advise your patients to rerun their analysis. For the Part D Drug Plan Finder go to: <http://www.medicare.gov/MPDPF/Public/include/DataSection/Questions/SearchOptions.asp>

MEDICARE CUTS

CMS has released its calculation of the planned 2008 Medicare fee cuts by specialty and they are as follows:

- ANESTHESIOLOGY + 4%
- CARDIOLOGY - 11%
- DERMATOLOGY - 8%
- FAMILY PRACTICE - 10%
- INTERNAL MEDICINE - 11%
- OB/GYN - 11%
- PEDIATRICS - 12%
- UROLOGY - 10%

(Read Page 1 Article to see what you can do)

NPI NEWS

At this time you should be submitting both your NPI and legacy number to your local Medicare carrier. Until recently, carriers were cross-walking the numbers, and if the information did not match they were notifying the practice that the information did not match but were still paying the claim. According to CMS, intermediaries will soon start rejecting these claims. Check with your local carrier to see if they have set the date when they will begin rejecting these claims.

CMS also warns that some clearinghouses have been stripping the NPI number prior to transmitting it to Medicare. They recommend that providers check with their clearinghouse to confirm that their NPI is being sent.

In order to find out exactly how to use your NPI numbers on your claims CMS recommends that you visit the Medicare Learning Network. Visit the link below for more information. It will also direct you how to get a list of other NPI numbers you may need to have your claims processed correctly <http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0725.pdf>



For more information please contact:

Karen Brenneman, CPA, MT
Partner
Director of Healthcare Consulting
karenm@hallkistler.com
330-453-7633
Hall, Kistler & Company LLP
220 Market Avenue, South – Suite 700
Canton, OH 44702
Visit us on the web at
www.hallkistler.com