The Complete Guide to Profiting From Pain Management Clinics

How to build and grow a profitable pain management clinic so you can focus on patient care.

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Special Report: How to Profit From Pain Management Services

Part 1: Introduction

Pain management is a fast-growing, crowded, and complex field. Regardless of the sub-specialty, the payment challenges are the same. Whether in-office or in the ASC, most pain procedures are subject to detailed and often restrictive payor coverage policies.

Despite those challenges, you can follow a strategic path to build a pain management clinic that is profitable, fulfilling, and has a great positive impact on your community.

Are you ready to enhance your Pain Clinic and help a growing number of patients needing and requesting pain management procedures?

How I learned the key to finding success in Pain Clinics

Using "Hope as a Strategy" rarely works out for anyone.

In my early years of owning and operating a single practice and then multiple practices, I thought, “if we’d just treat patients well, get them better, and add value to our community, the income part would take care of itself”…

Being a healthcare provider has been a life-long mission of mine since I was in my early teens. I initially wanted to be a healthcare provider because I was passionate about how the body worked, medical technology advancements and ultimately helping people who were in ailing or in pain and then watching them recover.

As a 30-year-old new grad, I thought building practices that could help people in great numbers was the greatest thing I could do on earth; and it was my life's mission.

After building and managing medical practices in the early 2000’s, I realized that healthcare providers who submit claims to commercial and governmental insurances all had the same issues:

Collecting predictably from insurance companies, out of control Accounts Receivable totals (what’s truly collectable), numerous coding irregularities and changes, audits, regulations and the list goes on and on…These conversations were long, passionate and akin to discussing religion or politics. We would never know the answer because…

True answers?.. we were not privy to.. being on the outside of the insurance companies. Exact answers?....well, in fact, there was no exact answer to any firm degree of what we WILL collect on a claim or code.

These conversations go on and on over a glass of wine at dinner parties - exciting stuff. These things intrigued me - why is that design acceptable?

If we knew the rules of the game, we certainly could have a better chance of succeeding. Why not hire the people who are playing on the other team?.... The first time I realized that this was somewhat of an unfair game was when I called by BCBS in 2003.

Our clinic system was recently required to send all SOAP notes with claims (a supremely onerous task) when submitting to this insurance carrier when electronic claims were not the norm. When I spoke to a physician liaison for this major insurance carrier I realized I recognized the voice. It was a colleague of mine who went to the "dark side" and was working for insurance companies. Over the next few months, I spoke with him offline and learned that because of the high volume of claims that were now coming in from our clinics, we were under this ‘next level’ of scrutiny.

I wanted to know what was happening behind the curtain.

Over the next several years as I hired personnel that previously worked for commercial payors. I found out many interesting 'rules' that are made ‘on the fly’ to rules that are generated by software systems that can calculate probabilities of your office's billing to be incorrect, triggering partial pays, denials and delays in payments. The list is extraordinary.

During my 17+ years of healthcare experience, including operating a multi-clinic organization, our team was fed up with the direct and indirect control the insurance companies had on our healthcare providers and organization.

Healthcare insurance companies design the collection process to blind and inhibit medical practices from collecting fully on their Accounts Receivable (AR). In recent times, expenses for medical practices have been increasing, while reimbursements to the providers have been decreasing.

Insurance companies have a unilateral power, where they create all the rules and may not tell the healthcare organizations ALL of the them and definitely not in an easily understandable format.

Most medical offices, large and small, experience terrible irregularities in cash flow and are extremely inefficient in collecting patient's claims from insurance companies and cash payments from patients. Typically (and unknowingly), these offices are losing a significant portion of net collectables due to inefficiencies, improper coding, A/R management, outdated billing processes and ignorant of protocols to collect effectively from insurance companies.

After 7 years of listening to my friends and clients in healthcare delivery organizations complain about unpredictable income or revenue based on coding, denial management and simply wanting to collect more without having to do more. I decided to search and find a plausible solution.

What if we too could develop a process, software and acceptance criteria for advancing funds on historic collection on a code by code basis. That would create the predictability and exact collection per code or claim which the healthcare practices and organizations want!

This would change the way our clients and healthcare reimbursements were delivered.

In healthcare, we all must have the ability to manage multiple high-pressure situations, sometimes life-threatening and many variables simultaneously. I think our education, environment and peers helps us to see this as normal for our chosen profession (healthcare).

We have some unique challenges in healthcare that face us today, but I am supremely confident that we will ultimately and a way to create proper solutions... That's just the nature of who we are!

So my purpose for this report is to share the keys to success that I have learned over the course of all of my failures and successes, with the hope that you will be able to take this information and learn from the mistakes I made.

Most importantly, so that you can spend your valuable time focusing on that core mission of treating patients well, get them better, and adding value to our community.

-Michael Fossum
CEO of Nobility RCM

Part 2: The State of Pain in America

Pain affects more people than heart disease, cancer and diabetes combined. More than 100 million suffer from chronic pain in America, according to the *Institute of Medicine's 2011 report: Relieving Pain in America, A Blueprint for Transforming Prevention, Care, Education and Research [IOM 2011].*

As with other medical conditions, private and public payer policies regarding pain are influenced by cost-containment imperatives. However, persistent pain is expensive in itself, costing the nation from $560 to $635 billion annually when taking into account medical costs and lower productivity due to lost time at work and lower wages [Gaskin & Richard 2012]. The total cost of pain outweighs the annual costs of the six most costly major diagnoses—cardiovascular diseases ($309 billion); neoplasms ($243 billion); injury and poisoning ($205 billion); endocrine, nutritional, and metabolic diseases ($127 billion); digestive system diseases ($112 billion); and respiratory system diseases ($112 billion) [Gaskin & Richard 2012].

To address the country's pain crisis with competence and compassion, it is necessary to improve the healthcare delivery system so that comprehensive treatment is available to all patients with chronic pain.

In order to follow through with such a comprehensive approach, independent physicians need to find effective ways to build sustainable and financially successful practices.

Our partnership with the AAPM.

With over 2,500 members, the American Academy of Pain Medicine is the premier medical association for pain physicians and their treatment teams.

Now in its 31st year of service, the Academy's mission is to optimize the health of patients in pain and eliminate pain as a major public health problem by advancing the practice and specialty of pain medicine through education, training, advocacy and research.

It is our mission to help independent pain physicians re-focus on the crucial task of designing innovative methods of care for the growing population of individuals suffering from chronic pain. The sustained delivery of integrated care is so important right now. We are dedicated to putting our expertise in alignment with the most significant challenges Pain Management Physicians face today of getting paid for their services.

Part 3: The "Total" approach to finding profit in Pain Management

Even in light of the massive challenges with payments, your clinics can count on a strong level of profit from pain cases by staying aware of these six elements of operations. Having a clear awareness of what influences your revenue helps you to get paid the most for your services:

1. Quantity of procedures performed
2. Case selection
3. Case cost versus payments
4. Scheduling
5. Adequate Staffing & Costs
6. Managing contracts

1. Quantity of Procedures/Consults Performed

It's easy to have a high patient volume and feel like you are are doing fine. However, consider the types as well as the complexity and time involved in procedures performed.

Usually anywhere from 2,500 to 3,000 separately billable procedures (not patient encounters) per year will support the expenses of one procedure room. Many pain procedures involve bilateral injections and/or multiple levels.

Profitability increases dramatically as the procedure volume goes beyond the break-even point. A successful pain practice finds profit not just by filling its schedule, but by filling it with the right mix of procedures.

2. Case Selection

Interventional procedures, together with fluoroscopic guidance, produce higher net revenues per hour than do E&M services (which is of course why the top rungs of the physician income ladder are not occupied by internists or pediatricians). Medicare allows $74 for a Level 3 office visit, for example. The physician would need to perform more than 27 such visits per day in order to break even ($2,000 ÷ $74).

In considering Pain Management Case Selection actual procedure selection gets a little more complicated with certain invasive procedures when reimbursement may not be much above actual cost. It is also imperative to review your Medicare Carriers local coverage determinations and other payors for their non-coverage polices.

Decide the acceptable kinds of cases you want to take on. What are your revenue expectations per work hour or per work year? Imagine doing four cases in an hour that can generate multiple facility fees versus one case that generates a single facility fee with longer OR and recovery time. Some of those longer cases will bring in far less per hour than several short ones.

Be sure that your staffing and space can support new procedures. Figure out how many new cases you must take to offset basic costs before profit kicks in. Research the likelihood of procedure usage.

3. Case Cost vs. Payments

What does it cost you to provide your consults and procedures? Most Pain Management procedures in a Pain Clinics are well paid with quick turnaround and relatively low cost per case with only a short recovery time needed. A pain management physician may be able to perform as many as four procedures per hour with nursing and ancillary staff time being brief as well, thus maximizing the productivity of both the facility and staff. A busy pain management physician typically tops 2,000 - 3,000 billable procedures in a year.

Understand how payer mix affects payment. “Determine your payment rates on a payer by payer basis and compare them to Medicare as a benchmark. How do your managed care contracts compare against Medicare?”

In adding pain procedures to an existing Pain Clinics, the only significant capital cost is for the C-arm and fluoroscopy table, if they are not already on site for other specialties and procedures. Many companies now offer used models and provide them with a good warranty for 50% less than new ones. Direct costs per case might only relate to the epidural tray, injected drugs and contrast material.

The next step is to calculate the costs associated with adding these **interventional pain management procedures**. Start with the cost of major medical equipment. Then include all drugs and supplies needed per case. Include costs of Anesthesia type and coverage. Determine extra staffing additions such as more RN coverage and/or X-ray technologist required. This is especially important when combining new treatments.

4. Efficient Scheduling

Patient scheduling techniques are most effective in reducing physician down time and delays due to unevenness in patient visit lengths. Different measures are needed to address such related patient flow problems as a high no-show rate, a bottleneck in moving patients back to exam rooms, a slow physician, or an excessive patient volume.

Scheduling is most effective when you block the same and similar procedures back to back.

- Set your goals for sets of injections or blocks.
- Schedule a longer or more complicated case as the last case of the day.

The scheduling approach selected must support both physician efficiency and overall patient satisfaction. Neither should take precedence over the other because perfect efficiency can drive patients away while unreasonable attempts to accommodate the wishes of every patient may satisfy a few patients at the expense of everyone else.

5. Adequate Staffing & Costs

Staffing is primarily responsible for operational productivity and efficiency and is it is the major expense for any pain practice. Profit is significantly affected by the choice of staffing levels -- typically 45-50% of overall operational costs.

Comparing your total Physician compensation as a percentage of net revenue gives insight into ability to afford physician compensation in relation to the revenue of the practice. It compares total physician salary, including benefits and net patient service revenue, on an annual basis.

Next revue the services and revenue generated by physician extenders. Those few minutes added to physician time could cost far less than having a Certified X-ray Technician remain in the OR throughout the procedure. Alternatively, many Pain Clinics find that a well trained Technician saves procedure time and enhances overall efficiency both pre, intra and post procedure by positioning the patient and C'arm, setting the parameters of the machine, taking the films as well as turning over the room.

A trained Medical Assistant to help with supplies, etc. is then the most cost effective way to have as an aide to the surgeon during the procedure. A Medical Assistant or Technician can also prepare the room for the next patient, assist patients and take relevant telephone calls.

6. Effectively Manage Payer Contracts

Reduced fee schedules and changing payer mixes to ever increasing regulatory rules, threats to pain physician payments are coming from all sides. Managing contracts usually involve dealing with insurers determined to add restrictions to payments based on site of service and many times their perception of medical necessity.

Some pain procedures are not on Medicare's payment list for Pain Clinics facility reimbursement. These procedures then fall under Medicare's site of service differential rule, meaning that professional fees are paid at the higher "office" site of service differential. As to facility fees, a Medicare patient cannot be billed or asked to sign an Advanced Beneficiary Notice (ABN) or Notice of Exclusion of Medicare benefits (NEMB) for facility fees when the procedures are not on the approved list for a Medicare- covered procedure. All contractual agreements should be carefully reviewed to ensure that they are in compliance with all Federal and State Laws.

There is language in all Commercial Managed Care contracts as to how non covered services may be billed to the patient. The contractual agreement usually requires the provider to notify the patient in writing prior to the procedure that his/her insurance plan with not cover a service after which payment can be collected from the patient.

Conclusion: How to turn your pain clinic into a profit center.

Focusing on the big picture

The business pressures on pain practices are great and seem discouraging: the tightening payments, complex regulatory rules, high capital outlays, and exhaustion following the pursuit of EHRs.

Compared with acute care peers, pain physician and practice leaders face increasing restrictions for the delivery of care and higher volumes of receivables due to patient balances.

As part of our commitment to helping advance the financial success of pain clinics, we are dedicated to helping pain physicians, owners, and administrators throughout the industry **get real financial performance improvement**.

Finding revenue stability month to month

Whether you are in start-up mode or a well established practice, your main goal is to set a financial trajectory for your practice that delivers you a consistent stream of revenue. Real profitability is simply seeing consistent positive cash flow month over month and year over year. Most importantly real financial stability is the knowledge that you are exchanging the hard work you perform everyday into a practice that serves as a valuable asset.

Our goal is to provide real resources that help pain clinics find profitability by identifying key metrics for monitoring financial performance and developing meaningful targets, taking the complexity out of billing and claims, providing tips for managing payer contracts, methods to measure productivity, and strategies for helping clinicians and staff avoid burn out.

Get a grip on your financial performance and focus on predictable growth.

Predictable revenue can help you to plan growth and recruit top physicians to your practice.

Reach out today at (877) 386-9728 and schedule your free profit analysis with one of our pain practice specialists.

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