

The 12 Key Processes of an Effective Ambulatory Surgery Center

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The key steps to successful ambulatory surgery center (ASC) development are a frequent topic of many articles. This is rightfully so due to the complexities inherent in the start up of a health care facility and business. While a comprehensive business plan, sound and coherent legal and operational structure, and expert equipment and architectural planning are some of key ingredients to developing a successful ASC, the operational systems post opening are equally as important. In the course of our practice, we consistently strive to hone the systems or processes to operate an ASC since they are a measure of ongoing success. This article summarizes the 12 key systems that must operate smoothly and effectively for a center to be efficient and sound. Many centers feel that the systems are in place, but rarely obtain objective measurements. This article will also attempt to highlight the benchmarks for management to ensure that the processes are functioning well.

First, a couple of caveats. The surgery center "business", much like any business, is a people business. Put another way, it is a system of people taking care of people. Since patient care is the objective, the processes are only as good as the staff that carries out the management and patient care plan. An ASC can develop a great system, but still fall short if the right people are not in place, or the ASC does not have effective leadership. As a sportswriter in Dallas so eloquently said about Tom Landry, "the [Landry} system was great when Roger Staubach was throwing the football, but the same system wasn't so great at the end." In short, we all need talented people to follow the system. Notwithstanding, great people thrive in great systems. The structure must be in place to allow the staff to effectively perform their job. There is really no excuse not to develop sound and measurable processes to operate an ASC. Once developed, the trick is ensuring ongoing execution of the systems.

The second caveat centers on information systems. In order to evaluate any business, a manager/owner must have accurate information. Since there are several cost effective systems on the market that do an excellent job for ASC's, it should be a given that an ASC is using a comprehensive MIS system to manage its business.

1. Scheduling. The scheduling function in a surgery center typically fall on one of the lowest paid, but most important employees. This employee typically has the first contact with the patient and frequent contact with the schedulers at the physicians' offices. An effective scheduling system utilizes MIS system to coordinate equipment conflicts, block time, and has the scheduler coordinate with the nurse manager or coordinator to ascertain how

late or early the case may be scheduled. Perhaps more subtly, a sign of a proper scheduling process is the scheduler anticipating holes in the schedule and informing management. For example, if a physician is on vacation, there will be an opening on the vacation week. A proactive scheduler will anticipate this and call offices who have expressed an interest in scheduling at the center. Another element of the scheduling function is establishing a positive rapport with the surgeons' offices. Effective schedulers develop a customer oriented view toward the offices and ask how the center may better serve their needs. Finally, since the business offices of many ASC's are small, the task of answering the telephone, preparing medical charts (discussed later), and acting as a receptionist often falls within the job description of the scheduler. The performance measure of an effective scheduling system can be measured through monthly patient satisfaction surveys, impromptu surveys by management of satisfaction levels at the surgeons' offices and interactions with the surgery coordinator regarding performing the tasks discussed.

2. Insurance Verification. A system for pre-certification must exist that coordinates with the surgeons' offices, gathers insurance and demographic information from the patient, identifies co-insurance and deductibles, and ensures that the surgical procedure will be reimbursed. Collection of co-insurance and deductibles before surgery is critical to accounts receivable management because it is the best chance to collect from the patient. See Collections. Too many centers have large amounts of A/R in self pay accounts or in collections due to failing to collect these amounts on the front end prior to surgery. Similarly, the collection of key demographic data, obtaining a copy of the patient's driver's license, insurance card and obtaining the necessary pre-certification to perform the case is absolutely critical to a well functioning verification system. Finally, even though the MIS system frequently screens non-covered cases, we strongly suggest giving the verifiers and schedulers a "No List" of procedures that may not be performed in an ASC and are not reimbursable. It is very easy for management to review the verification process if the charts for the next day are reviewed for the pre-certification information and collection information.

3. Coding. Since reimbursement is tied directly to correct coding, the proper functioning of this process is critical. Interestingly, this process or function is the most susceptible to interpretation and review. For this reason, it is the area that is the most difficult to manage. Notwithstanding, we recommend the following:

- Hire certified coders, or if unable to hire a certified coder, the ASC should pay for the certification course. Included in the coders job description should be a requirement to pass the course and become certified. Further, the ASC should pay for continuing education seminars for the coders and business managers. We see constant changes in coding and this area requires

constant updating and attention.

- The ASC should have regular coding audits by an unaffiliated third party entity. This will serve as a check on the staff at the ASC and highlight problem areas. See Compliance.
- Ensure that the ASC is billing for implants and using correct modifiers. See Billing.
- Ensure that the ASC is billing off the operative notes and not using a “super bill” as a crutch. While we believe that the superbill concept has merit and can be used as a guideline, the operative note is the record and it must be used to code the case.
- Coordinate with the surgeons to review if the office is coding the case the same way as the ASC.
- Use specialized coding software as an additional check and compliance measure. These software packages are relatively inexpensive and provide a check on the onsite coder.

4. Billing. While typically included with coding, the billing function is a separate function which deserves to be highlighted. A few essentials to a sound billing system:

- Third party contracts and rates are loaded into the MIS system so that the discount or contractual allowance is taken at the time of billing. This is extremely important because it gives a better idea of the net accounts receivable balance.
- The coder should report to the business manager each day regarding claims submissions and unbilled claims. The goal of the ASC is to drop claims within an average of less than 3 days from the date of surgery. This may not be practical for all cases due to implants or pathology reports, but is an attainable goal for the majority of the claims. Management should use the MIS system reports to obtain this information. If the billing days are above 4, the center has a systematic problem.
- Use electronic claims submission. This is one of the best ways to reduce A/R days and ensure that claims are received.
- Make sure that implants are billed properly and conform to the third party payer contracts.
- The manager should check the unbilled patient accounts each week and make that there are no unbilled accounts over 7 days.

The keys to the billing system are timely claims, electronic claim submission and ensuring that all items are billed properly (implants/modifiers). Management can use the MIS system to ensure that the system is operating within the parameters discussed above.

5. Collections. The collections and cash received are the fuel that drives the engine of any business. Even though this system is so integral to the

fiscal health of the center, we see many mistakes executing the process typically centering on lack of follow up on claims, not collecting prior to surgery (see [Insurance Verification](#) to see how the two processes integrate), claims submission errors, coding errors, and lack of diligence on open account balances. This is an area where management should focus its attention and receive daily updates on activity and performance. Key areas include:

- Collecting co-insurance and deductibles prior to surgery. See [Insurance Verification](#).
- Following up on open claims after 30 days with insurance carriers.
- The use of patient assistance letters.
- Daily working claims through use of the memo tickler file in the MIS system to show the status of the claim.
- Management to analyze the A/R aging and ensure that all claims over 30 days have been addressed.

The best measure of collections is accounts receivable days, or the average number of days to collect on a claim (A/R days). It is the best barometer of a proper functioning business office because if insurance verification, front end collections, clean claim submissions, proper coding, timely billing, and insurance claim follow up are not being executed properly, A/R days will be impacted. While the benchmark is 45 days on average to collect, some centers will be lower due to the mix of patients or payers i.e. a cosmetic surgery center should average 25 days to collect. This formula is derived by dividing the net accounts receivable (after contractual allowances and bad debt) by the average daily net revenue for 60 days.

A proper functioning business office will measure collections each day, have collection goals and targets based on previous months performance and will ensure that the collection follow up process is occurring daily.

6. Accounts Payable. The ASC's bills should be paid in a timely manner. We suggest a payables run twice a month. In order to effectively manage the A/P, the invoices should be input in each day and logged properly so that the oldest invoices are paid first. A few key components:

- A purchase order system should be in place (see below) whereby a separate employee issues the PO and a third party verifies the receipt of goods.
- All invoices should be initialed by a third party and verified for accuracy.
- The A/P clerk should be separate from the employee(s) who issues the PO.
- Management should check the A/P detail log to ensure bills are being paid in a timely manner and the center is not paying too quickly or too late. Management should spot check the office to see if bills are being placed in drawers and not logged in the system. Management should further spot

check the A/P log to see if bills are input daily.

- Checks should be in sequence and the bank reconciliation reviewed by a third party each month.
- All checks should have stubs attached to paid invoices.
- All invoices should be approved by management by means of initialing the invoice.
- Checks over a specified amount should require dual signatures.
- At the risk of stating the obvious, the A/P clerk should not be allowed to sign checks.
- The month should be closed and a third party manager should password protect the month so that reverse entries cannot be made post close.
- A third party should perform the bank reconciliation each month.

7. Cash Management. It should be a goal to have three separate employees control receipts or cash/check/credit card inflows to assure effective checks and balances and reduce the possibility for fraud and graft. Checks and cash should be logged by a separate employee who opens the mail, runs a tape and initials the daily deposit log. This amount plus the daily credit card receipts should reconcile with the daily deposit and should be in a log along with copies of amounts received. A separate employee should make the deposit and a separate employee should post payments.

A sweep account or money market should be established to move excess cash into an interest bearing checking account. While rates are now at historic lows, there is still no reason not to gather interest on the cash. Further, if the A/P system is operating properly and bills are paid twice a month, the cash can be easily moved between accounts.

8. Inventory Management and Purchasing. Excess inventory reduces cash and is unproductive. Conversely, the ASC must keep sufficient drugs, supplies and implants on hand to operate. Fortunately, it is rare that a center is under supplied, rather the former is usually the case in a poorly managed ASC. Since supply costs are one of the variable costs that can be best managed, we suggest the following:

- Par levels tied to volume should be established
- When possible, items should be consigned to reduce inventory cost on hand
- While time consuming, the inventory should be input in to the MIS system in order to better track supply and drug cost per case.
- The purchase order system should ensure that employees are submitting purchase orders and checking deliveries for accuracy. Packing slips should be

submitted to the A/P clerk with initials ensuring that the order is accurate. Management should spot check orders and ensure that the invoices are being delivered to the payables clerk with proper documentation.

- The ASC should use the system and the preference cards to measure supply cost per case each month.
- The ASC should also use the system to compare supply costs between physicians for similar cases. The results should be reported to the governing body of the center.

9. Staffing. While not traditionally thought of as a system, the staffing plan for a center is critical since staffing and supplies are the two largest variable costs in an ASC setting. We suggest measuring overtime, hours worked per patient, and hours worked for the month. This data along with appropriate center benchmarks will assist management in analyzing whether the staff is working overtime due to late cases which erode margins, or if a second shift or staggered staffing is required. The staffing system can also identify problems with cross training. The center's nurse manager and business manager should be able to clearly explain the role and function of each member of the ASC staff. The ASC should compare itself to similar centers to properly benchmark and identify material staffing discrepancies.

10. Compliance. The ASC must have an active and ongoing compliance plan. The plan should be signed by all physicians and staff members; it should include monthly in-services for the staff and ongoing updates. The compliance plan should include outside coding audits with evidence of action taken to address any problems identified, accounting reviews and audits, operational audits to ensure that the policies and procedures are being followed and regular legal review of compliance matters including identified "hot areas" for ASCs.

11. Risk Management. Risk management is an important aspect of operating an ASC while promoting patient safety. State specific reporting requirements must be followed to comply with regulations for the reporting of certain adverse patient outcomes. There should be an ongoing evaluation of procedures, protocols and systems to accurately identify patients, planned procedures and the correct site of the procedure. The patient safety program integrates risk management, performance improvement and a review of processes, functions and services to improve safety by reducing the risk of system or process failures. Employee education encompasses all areas of risk management and promotes patient safety.

12. Medical Records. Confidential medical records management is paramount. Security and physical safety must be maintained. These records

must be stored in a manner that makes them readily accessible and must have a unique identification code. The Health Insurance Portability and Accountability Act (HIPAA) must be followed to the letter. All medical records must be completed in a designated period of time and are audited for correct information and timeliness of completion. Guidelines are very specific for content and follows accreditation requirements.

Summary

All 12 functions must be operating correctly and efficiently in order for an ASC to operate effectively. The systems must be in place, the employees must be trained properly and their work must be reviewed by management on a daily basis to ensure proper execution of the system. We believe that hands on oversight and educated employees make the difference since "organizational entropy" is a constant whereby a business moves to a state a chaos as fast as possible. While a chaotic state may not typical, a less than efficient and loose organization is much more typical. With proper oversight over the key functions, a center may be able to hone its operations, increase quality of care and improve performance.

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