

# Reimbursement Hold Up? Bring in the Prompt Pay Cavalry!

By Jennifer Bever, MS, CHE

If delays in payment for breast reconstruction, flaps, and grafts have you steaming mad, here's some good news for you.

Recently, physicians, local medical societies, and state legislatures have been working together to introduce and pass legislation that forces carriers to pay clean claims in reasonable timeframes. Those carriers in violation of the payment guidelines are often required to pay interest penalties. Commonly called Prompt Pay Laws, these regulations vary from state to state. Within these regulations, many states:

- Clearly define what constitutes a “clean claim”
- Provide the payment and/or denial notification timeframes required
- List penalties for non-compliance.

The regulations generally define a clean claim as a complete HCFA-1500 form (obviously arguments exist about what constitutes “complete”) with penalties in the form of a monthly or yearly percentage of the overdue balance.

## Catches and Caveats

Be aware some state laws are not specific to health care, they cover all types of insurance, and there may be little awareness of the statute. In addition, some states only provide aid for non-contracted providers. So, if you signed a contract stating the carrier had 120 days to pay, you are out of luck. Be sure and check your managed care contracts for any such clauses.

Despite all the caveats, plastic surgeons can actively use their state's Prompt Pay Law as ammunition to fight for timely reimbursement. Here's how to use this information to your advantage:

1. **Learn your state's law.** KZA has done the research. [Download the information](#) and commit it to memory.
2. **Review existing systems.** Once know your state's law, call a meeting with the manager and a representative from the billing team. Determine if your practice management system can track and report all claims over a certain age where no action (payment or denial) has occurred. If so, generate and review this report monthly.

If this is beyond your system's reporting capabilities, generate an aged accounts receivable report and determine which accounts listed have no response (denial, request for information, etc.) from the carriers. If your accounts receivable is aged on date of service you may want to tack on an extra week or two when setting the parameters for your report. Say it takes anywhere from 2-7 days for a claim to be received by the carrier. If your state requires payment within 30 days of receipt and your accounts receivable is aged according to date of service, generate an aged A/R report for claims over 40 days to account for the lag between date of service and receipt and to get a clear picture of those in violation.

3. **Appeal forcefully.** Contact the carrier by phone to make sure they received the claim and no further documentation is required. If the delinquent claim is simply overdue, send the carrier a letter stating the terms of your state prompt pay law, that they are in violation and list any expected interest payments if appropriate.
4. **Use progressive discipline.** If the carrier is chronically late and/or refuses to comply with the regulations cc: the insurance commissioner and your state medical society on your letters. The insurance commissioner can investigate abuses and, in some states, levy fines. In April, the Ohio insurance commissioner fined seven carriers a total of \$545,000 for violation of the state's prompt pay laws. Be sure to save documentation to build your case – which payors, how late, how much money in total, etc.
5. **Post the interest correctly.** Be sure to post a separate charge and payment to the patient account. Use a posting code such as “Prompt Pay Interest Penalty - Aetna” so you can track the value over time. Don't be tempted to just use “Insurance Payment.” Besides losing the value of the information in future reports, it will offset the patient responsibility balance and you could end up collecting from patients less than they actually owe you.

Follow up such as this really does work. KZA has clients in states like New York who tell us the carriers know the insurance commissioner is watching and levying fines – they automatically send the interest with delinquent payments without a request from the provider!

While that will not be the case for everyone, these tactics are worth the effort. Consider using the interest penalty money to provide staff bonuses, invest in new equipment, or fund the profit sharing plan. Just like the bank makes money on its investments, use this money to invest in your practice for a greater return.

A version of this article was published in Strategic Orthopaedics.