



Split Billing Overview

June 2, 2008

Doug McGregor
Partner, Healthcare Services
Feeley & Driscoll, P.C.
(617) 742-7788
DougM@fdcpa.com



Definitions

- **Split Billing reimbursement** – A structure under which two separate bills, for professional and technical reimbursements, are generated for a service. Professional reimbursements go to the physician/physician practice and technical reimbursements to the hospital.
- **Professional** – Billable services provided by physicians. These include physician consultation, physician *interpretation* of an x-ray, CT Scan, or MRI, or physician *interpretation* of a laboratory test, often in the form of a written report. Reimbursement is directed to the physician/physician practice.
- **Technical** – Billable services provided in a hospital setting. Includes lab, x-rays, and any other non-professional services. Reimbursement is directed to the hospital.
- **Global reimbursement** – A structure under which one bill is generated for each service. The service is billed and reimbursed at a global rate that includes one global payment for the professional and technical components. All reimbursements go to the physician practice.

What is Split billing vs. Global billing?

- “Split billing” or “Facility-Based” or “Hospital-Based”
 - The Hospital incurs costs associated with facilitating the physicians and in turn receives technical component reimbursement for services conducted by the physicians in the hospital facilities. The physicians receive fee schedule rates for the professional component.
 - The technical component and the professional component associated with each service is billed separately.
- “Global” or “Non-Facility” or “Private Practice”
 - A service is billed and reimbursed at a global rate that includes one global payment for both the professional and technical components. The combined payment is designed to compensate physicians operating in a private practice and covers overhead and technical expenses associated with operating the practice.
 - One bill is generated which combines the professional and technical components.

Why consider Split Billing?

- Opportunity to generate more revenue
 - The combination of the Professional and Technical components under the Split Billing methodology may be more than the Global rate for the same service; however, it is important to note that not all services are broken into professional and technical components and these cannot benefit from split billing. Split billing is commonly used by hospitals for Surgery and Radiology services.

Professional + Technical > Global Reimbursement

Or

Split Billing Reimbursement > Global Reimbursement

- The rationale behind this is that if a service is performed in a Hospital (as opposed to in a private practice setting) the technical component should be more substantial because the hospital has more overhead costs than a private practice.

CPT Example 1

- 92002 – Eye exam, new patient
 - Ophthalmological services: medical examination and evaluation with initiation of diagnostic and treatment program; intermediate, new patient

	Facility	Non-Facility
Professional	\$48.10	\$80.38
Technical	\$60.48	N/A
Total	<u>\$108.58</u>	<u>\$80.38</u>
<i>Benefit</i>	\$28.20 or 35%	

The “global” rate includes a technical component.

Rates taken from 2007 Medicare Fee Schedules. The Professional Rates are from the 2007 Medicare Physician Fee Schedule, Locality 01. The Technical rate is taken from the 2007 Medicare OPPS Fee Schedule, “Payment Rate” column. (Note: The Payment Rate from the OPPS fee schedule would be adjusted slightly to reflect the appropriate wage index).

CPT Example 2

- 65205 – Remove foreign body from eye
 - Removal of foreign body, external eye; conjunctival superficial

	Facility	Non-Facility
Professional	\$41.04	\$57.68
Technical	\$71.35	N/A
Total	<u>\$112.39</u>	<u>\$57.68</u>
<i>Benefit</i>	\$54.71 or 95%	

→ The “global” rate includes a technical component.

Rates taken from 2007 Medicare Fee Schedules. The Professional Rates are from the 2007 Medicare Physician Fee Schedule, Locality 01. The Technical rate is taken from the 2007 Medicare OPPS Fee Schedule, “Payment Rate” column. (Note: The Payment Rate from the OPPS fee schedule would be adjusted slightly to reflect the appropriate wage index).

Case Example – Revenue Estimate

Location	BCBS	HPHC	TAHP	Medicare	Medicaid	Total
<i>Private Practice Revenue Estimate</i>						
Net Revenue						
Global- Billing by Physician Practice	\$520,000	\$179,000	\$110,000	\$369,000	\$65,000	\$1,243,000
Total Net Revenue	520,000	179,000	110,000	369,000	65,000	1,243,000
<i>Hospital Based Revenue Estimate</i>						
Net Revenue						
Professional- Billing by Physician Prac.	381,000	138,000	100,000	272,000	49,000	941,000
Technical-Billing by Hospital	91,000	41,000	29,000	147,000	189,000	496,000
Total Net Revenue	472,000	179,000	129,000	419,000	237,000	1,507,000
Net Revenue Impact	\$(48,000)	\$0	\$19,000	\$51,000	\$172,000	\$194,000

Split Billing (Hospital Based Reimbursement) yields an estimated \$194,000 in additional reimbursement over a private practice reimbursement methodology. This is an example of an actual Hospital/Practice billing analysis.

Case Example: Overall Financial Impact & Cost Responsibilities



	Hospital ABC	Private Practice XYZ	Aggregate Change
Change in Revenue	496,000	(302,000)	194,000
Change in Other Income (Rent)	(174,000)	-	(174,000)
Total Revenues	322,000	(302,000)	20,000
Change in Expenses:			
Staffing & Other Expenses	(288,000)	288,000	-
Rental Expenses	-	174,000	174,000
Total Expenses	(288,000)	462,000	174,000
Total Net	<u>34,000</u>	<u>160,000</u>	<u>194,000</u>

This analysis details the overall financial impact of changing the Private Practice's status to a Hospital-Based model.

- The Hospital would no longer charge **rental expense** to the private practice.
- Other **operating costs** would shift from the Practice to the Hospital.
- The Hospital would pick up \$496,000 of technical reimbursement.
- The practice would decrease revenue \$302,000 via the switch from global rates to professional rates.
- This reorganization would have a positive effect on both the Practice and the Hospital combined.

Split Billing Issues

- More complex to administer
- Not all payors participate in split billing
- 2 bills can cause patient confusion and complaints
- Allocation of revenue between the Hospital and the Physician Organization
- Site of service cost considerations

Future Challenges

- **Bundled Payments** – “CMS ANNOUNCES DEMONSTRATION TO ENCOURAGE GREATER COLLABORATION AND IMPROVE QUALITY USING BUNDLED HOSPITAL PAYMENTS”
 - “A bundled payment is a single payment for both Part A and Part B Medicare services furnished during an inpatient stay. Currently, CMS generally pays the hospital a single prospectively determined amount under IPPS for all the care it furnished to the patient during a inpatient stay. The physicians who care for the patient during the stay are paid separately under the Medicare Physician Fee Schedule for each service they perform.”
 - This “can lead to conflicting incentives that may affect decisions about what care will be provided”