

White Paper
Should Your Clinic Switch To Clinic Doctor?

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I. The Purpose of Clinic Doctor Inc. (CDr)

CDr was founded in 2004 by chiropractor, attorney, MBA Todd Crabtree and a team of healthcare experts to fix the internal billing and treatment record problems common in the resource starved chiropractic and physical medicine clinics nationwide. The goal being to create the ability for the clinics to outsource the complexity to CDr and make the entire claim and treatment record systems more profitable, faster, easier, less expensive and more compliant. Did Clinic Doctor achieve its goals and more importantly, are Clinic Doctor's model and innovations a good solution for your clinic?

What are the typical chiropractic and physical medicine clinic's current problems?

1. Clinic claim error rates of 83% (Office of Inspector General, 2009, page ii), which is the primary cause of claim denials.
2. Unqualified clinic billing staff with a turnover average of 18 months. The typical billing staff has no formal training in billing or administration. Qualified billing staff should include coding and compliance experts and healthcare business administration experts.
3. Industry wide, declining clinic collection rates are occurring. Coding complexity and third party payer limitations and scrutiny increases coupled with rising patient deductibles and co-pays, has placed downward pressure on clinic collections.
4. Increasing billing staff expense to try to keep up with the increasing complexity.
5. Diminishing clinic profitability due to both increasing billing staff expense and declining collections.
6. Growing treatment record compliance requirements as the federal anti fraud investigations increase activities like CERT audits, while State Health Licensing Boards and third party payers mimic the initiatives of the federal government.
7. Expansion of required communication with others: clearing houses, other clinics, patients and government entities. The federal governments push to make all clinics Electronic Health Record (EHR) compliant starting in 2011 will require clinics to manage these outside relationships and communications, further complicating and expanding the billing staff rolls.
8. Increasing clinic software complexity. As the requirements of the clinic increase, so do the requests and need for the software support structures of the clinic to help fulfill those requirements. The biggest recent requirement is EHR. While practically all clinics have electronic billing records, currently only 1% of all chiropractic clinics have EHR. The federal government is predicting 40% of clinics will have EHR by the end of 2011.

II. What Design Principles Does CDr Follow To Fix These Widespread Clinic Problems?

CDr has created several innovations that were designed to fix the numerous clinic problems. CDr has been guided by design principles that they believe have made these innovations revolutionary and effective. While CDr maintains secrecy over these innovations, CDr is willing to share the principles that guided them while creating the innovations:

1. **The typical clinic billing staff is unconsciously incompetent**- keep the clinic interface simple, build the system to eliminate errors generated by the clinic and don't try to play the blame game, fix the error and move on.
2. **Requiring training is an admission of poor design**- the ideal system should require no training and work like Google, intuitive and learn by point and click.
3. **80/20 Rule**- only add features accessible by the clinics that at least 80% of the clinics will use in order to avoid a "bells and whistles" hard to learn and use system as those "bells and whistles" accumulate.
4. **Minimize hardware and software requirements in the clinic**- if they install it from CDr, CDr will "own" all its problems.
5. **Software and Service**- create two parts to the software, the easy part where the clinics just gets the data to CDr and the hard part that only CDr has access to and contains all the complex software and CDr service and automations that make it work.
6. **Create a virtual team between CDr and the clinic**- eliminate disunity by aligning interest and streamlining healthy communication while holding the line on variance and accountability.
7. **Follow Six Sigma operational principles**- build the CDr business with tens of thousands of customers anticipated.
8. **Cloud computing**- leverage the cloud and anticipate third parties accessing the clinic through CDr in order to strategically apply third party competencies to fix clinic problems in the third parties groups of clinics.

9. **Clinics don't value electronic health records (EHR)**- EHR has to drive value into the electronic billing system and be better than paper in every regard (faster, easier, cheaper and more compliant) or the user won't adopt EHR.
10. **Nudge the clinics towards best practices**- minimize the battles with the clinics and provide reasons in their self interest to migrate them toward best practices.
11. **Keep everything chiropractic and physical medicine centric**- CDr experts know the needs of this customer intimately.
12. **Pigs get fed, hogs get slaughtered**- there is so much inefficiency in these clinics that CDr can fix these problems profitably while at the same time having the services pay for themselves.

III. How Does CDr Work?

STARTING UP

Clinics start up with CDr by going online to www.ClinicDr.com and completing the online sign up. CDr offers a data conversion to the clinic. CDr Programmers convert all the clinic's patient demographic and payer information into CDr's software. Prior clinic claims are not converted in order to avoid transferring errors and to create a clean start. The clinic is instructed to stop creating claims in their old system, but to keep working the old system for cash flow purposes and to record payments received on old system claims.

CDr employs a 30 day "boot camp" approach to on boarding the clinics. The "boot camp" is designed to fulfill several purposes:

1. Avoid clinic cash flow issues.
2. Overcome the average failure rate of 30% for clinics that poorly plan the transition to a new billing and EHR system.
3. Set the tone for a healthy virtual team, CDr has the experts and systems to accomplish a pattern interrupt in the clinics.
4. Overcome natural change aversion within the clinic.
5. Make CDr staff interactions and on boarding process urgent, streamlined and effective.

The first payment to CDr of the base fee occurs immediately at the time of online sign up via credit card. The clinic contract with CDr is an automatically renewing annual contract that can be terminated with 60 days notice.

CLAIMS

What specifically does CDr do for the clinics related to claims processing?

1. Assembles claims from the EHR system at the clinics request.
2. Provides warnings as claims information with error patterns are being created.
3. Triage clinic claims for errors prior to submission.
4. Provides free clearing house claim submission for a 1,000 clinic claims per month.
5. Sends the claims electronically (837) to preferred clearing houses or prints and mails the claims.
6. Monitors for delayed claims response by third party payers.
7. Calls on "black holed" claims that are not responded to.
8. Corrects and resubmits "black holed" claims.
9. Posts payments and denials on a per procedure level either through the electronic remittance advice (835) or by the clinic faxing or scanning and uploading CDr the paper explanation of benefits EOB.
10. Performs denial triage on every procedure denied and either takes action or recommends action to the clinic.
11. Sends patient statements and records.
12. Edits per the clinic's authority and resubmits denied claims.
13. Has a periodic billing report of findings (ROF) meeting with report to the clinic to go over troubled claims and patterns within the clinic that require improvement in order to increase collections and reduce expense. The meeting occurs minimally one time per month and more frequently for larger clinics.
14. Receives and disseminates to the clinic electronic funds transfers (EFT) on claims.
15. Provides practice management metrics, queries and reports to the clinic.
16. Provides coding and compliance advice and built in protection.

ELECTRONIC HEALTH RECORDS (EHR)

CDr developed an EHR system in 2007 to further improve claim creation and compliance. Most EHR systems are designed top down by programmers and large medical groups. CDr designed their EHR from the bottom up, with a minimum of clicks and navigation and around the goal of having the clinic users be able to create a treatment record and claim in 10 seconds. If the EHR record takes longer than 20 seconds, CDr considers that EHR treatment form unacceptable and requiring modification.

CDr is in the final stages of EHR modification for certified federal ambulatory EHR. Certification programming will be completed in the first quarter of 2011 and certification testing shortly thereafter. Most clinics will not apply for EHR meaningful usage ARRA incentives until the end of 2011 and need only 90 continuous days of meaningful usage to qualify for the incentives.

VIRTUAL TEAM

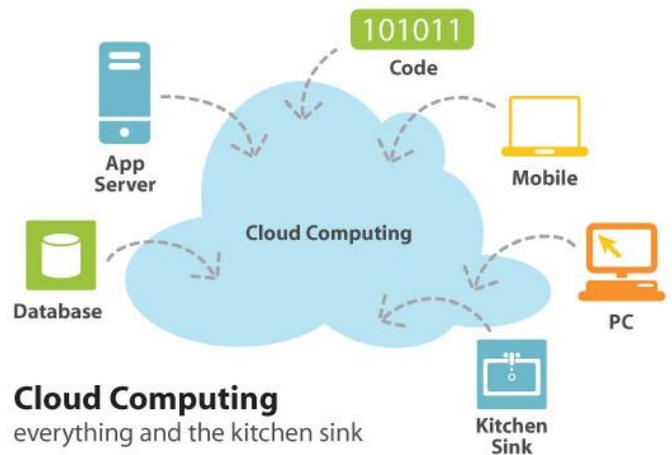
CDr assumes that variance breeds errors and operational inefficiencies. CDr defines its internal processes and automations following a continuous improvement model to drive out errors and inefficiency in its own operations. However, the typical chiropractic and physical medicine clinic are usually “mom and pop” operations where variance is the norm. CDr created a customer service department that assigns account reps to each clinic in order to create customer intimacy and a soft interface between the customer and CDr’s non-variant internal operations. Clinic staff are guided towards best practices and given a soft “no” when the clinic staff attempt to introduce variants. Customer service reps also provide CDr operations with feedback on customers likes and dislikes, which helps CDr prioritize future enhancements. When customers discover software bugs or CDr errors, the customer service reps provide immediate feedback to CDr operations and programming.

Virtual teams usually go through the phases of forming, norming, storming and performing. The aggravations and complexity of billing and treatment record process provide ample challenges for the virtual team. Aberrant team behavior on the clinic side (missing appointments, going off process, lack of accountability) is normal and expected. The unhealthy team behavior primarily harms the clinics collections and increases the clinics expenses. The CDr customer service rep stands in the gap to help minimize the harm to the clinic and gently lead the clinic team member back towards healthy team dynamics.

If the clinic is part of a coaching group or a member of a group of clinics all working with CDr, CDr experts are a nice resource to help the coach or clinic group leader arrive at solutions for improving clinics that are not performing. Coaches and group leaders can have access to the clinic’s software, data and queries. You can’t manage what you have not measured. Those clinic measurements are complete and available in real time. Clinic groups can benchmark off of exceptionally performing clinics and drive best practices into other clinics.

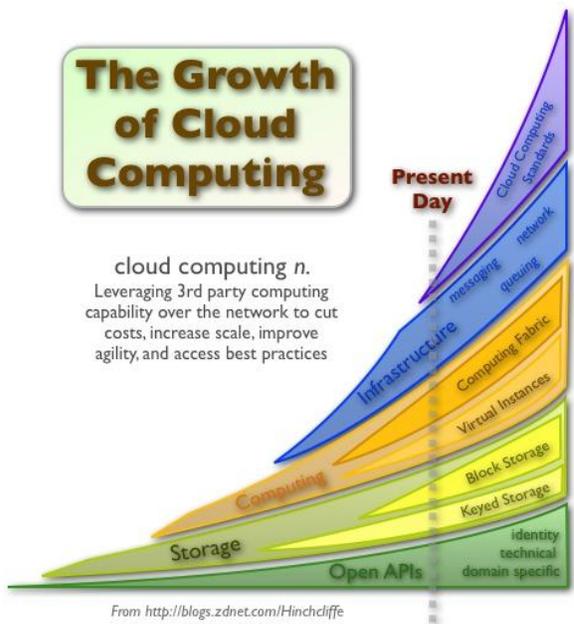
CLOUD ACCESS

CDr is a cloud computing solution. Clinics simply have to have access to the internet and they can login to their clinic in the “cloud”. Technically CDr’s model represents a sub category of cloud computing called SaaS, Software as a Service. CDr likes to call it SaaS2, Software as a Service with Service, since not only is the software provided online, but a team of experts provide technical services the clinics do not have. Cloud Computing is a form of computing in which all applications, information and resources are managed in a virtual environment.



The Growth of Cloud Computing

cloud computing *n.*
Leveraging 3rd party computing capability over the network to cut costs, increase scale, improve agility, and access best practices



From <http://blogs.zdnet.com/Hinchcliffe>

Google Apps is a great example of cloud computing as companies no longer require the need for installed word processing software, in house email servers, multiple IT personnel and many more cost saving advantages. Google Apps allows companies to access all services including email, website hosting, calendar, document editing/creation and much more directly through a web browser. The advantage to using Google Apps is increased productivity, security, lower IT costs and data backup.

Cloud computing is growing exponentially and reliably. Although it is a newer technology, CDr has actually been providing their software and services in the cloud since 2004. The customized nature of cloud computing is what makes it such a popular and newly adopted internet technology. It will revolutionize the way that networking and everyday computing is run. It is a great win-win situation for both cloud companies and consumers.

CDr software is compatible with all the major browsers: Internet Explorer, Google Chrome, Safari and Fire Fox. Therefore CDr software can be accessed using virtually any internet connected device: iPad, touch screen computers,

lap tops, towers, handheld devices etc. All the new devices are being built on these platforms as well, making the introduction of the latest technologies seamless and providing the clinic users with the ability to interface with CDr using their preferred technology device and browser.

IV. Value Analysis

Assuming that a clinic would function better with CDr, does CDr make sense financially? Below is a comparison of the typical options that a clinic currently has:

1. Clinic software on the clinic's server.
2. CDr Web software with service.
3. Billing service with software controlled by billing service.

Financial Expense to a Typical Clinic (\$30K/ month gross)	Clinic Software w/ Clinic Billing Staff Managing	 Clinic Doctor Inc.	CDr Cloud Computing w/ Virtual Team Management	Billing Service w/ Varied Software & Joint Management
Startup	\$5,000 to \$15,000	None.		None to \$2,000
Data Conversion	Typically done manually. \$10/ hour for 80 hours = \$800	\$1,000		\$200 to \$2,000
Yearly Software Upgrade	\$00 to \$5,000	None		None
Clearing House	\$.50/ claim X 400 claims/ month = \$200/ month	None		None
Other Expenses	Software Backup- \$50/ month Total- \$50/ month	\$599/ month base fee, plus other manual process fees depending on clinic requests and error rates (average clinic- \$400/ month). Total- \$999/ month		8% of gross clinic revenues (average- \$30,000/ month in collections) Total- \$ 2,400/ month
Clinic Billing Staff	Clinic billings staff- \$15/ hour, 40 hours a week= \$2,600/ month	Clinic billing data entry staff- \$10/ hour, 10 hours a week= \$433/ month		Clinic billing staff time- \$15/ hour, 25 hours a week= \$1,625/ month
Average Clinic Total Monthly Expense Spread Over First Year	Start up- \$833 Data Conversion- \$66 Clearing House- \$200 Other Expenses- \$50 Clinic Billing Staff- \$2,600 TOTAL- \$3,749	Start up- \$00 Data Conversion- \$83 Clearing House- \$00 Other Expenses- \$999 Clinic Data Entry Staff- \$433 TOTAL- \$1515		Start up- \$83 Data Conversion- \$92 Clearing House- \$00 Other Expenses- \$2,400 Clinic Billing Staff- \$1,625 TOTAL- \$4,200
Typical Monthly Expense As A % of Clinic Gross Revenues	12%	5%		14%

V. Is My Clinic a Good Fit For CDr?

CDr's pricing structure is one of its innovations. Early on, CDr followed the billing services industry standard of charging a percentage of collections. The pricing structures led to disunity between CDr and its customers, not a good thing when virtual teams depend on unity. Some of the disunity was generated by the clinics not being intentional about eliminating errors from claims creation and requesting CDr to engage in claim resubmissions that had no chance of being paid. The clinics tended not to care about the amount of work required by CDr to cleanse claims and chase down denied claims that were impossible to get paid. CDr had little incentive to work on the difficult billing issues because of the labor cost of doing so.

CDr created an activity based pricing (ABP) model that solved all of those issues. CDr charges a base monthly fee to each clinic of \$599.00. CDr studied extensively the exact cost it took to perform numerous manual tasks and established a fee for each task that was less than what it would cost the clinic to perform that task, but more than what it cost CDr to perform the task, due to programming automations, economies of scale and operational efficiency. Some of those tasks occur automatically and others are chosen at the clinic's option, providing the clinic with some customization of services. The ABP model eliminated the excessive waste of time doing unproductive tasks, thereby driving the cost of CDr services down while also increasing collections for the clinics.

The ABP model also created pricing fairness for cash predominant clinics. Since most cash practice billing transactions trigger no additional CDr fees, those clinics typically get the service expertise they need for the occasional third party claim while keeping the total cost of the CDr services near the \$599.00 a month base fee.

The ABP pricing model influences the value proposition depending on the size of the clinics, as well. Average clinics pay approximately 4% of gross revenues for CDr software and services. Small clinics pay a higher percentage of their gross revenues and larger clinics pay a small percentage of their gross revenues. Some of CDr's larger clinics have months where they have paid between 2% to 3% of gross revenues. Considering that clinics routinely pay 2% for a simple credit card transaction, CDr software and services is an incredible bargain for mid to larger clinics.

I moved 6 of my clinics from an 8% Billing Service Company to CDr in 2009 and have cut the clinic billing expenses in half, increased the clinic collection rates and freed up time to work on growth activities that have caused incredible growth in 5 of the 6 clinics. For any clinic over \$15,000.00 a month in gross revenues, Clinic Doctor is a no-brainer.

Are there other factors that may make CDr not a good choice for your clinic? Yes. If you hate technology, CDr may not be a good choice for you. If your clinic staff does not work well as a virtual team, CDr may not be a good choice for your clinic. Otherwise, for the typical chiropractic and physical medicine clinic that grosses over \$15,000.00 a month CDr is an excellent choice.

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