

# Pacific Dental EDI

## ABOUT THE AUTHOR

Tim Olsen has been involved in healthcare IT for over 26 years. Currently he is the EDI architect at Pacific Dental Services. His primary responsibilities are to increase EDI usage and to reduce billing costs.

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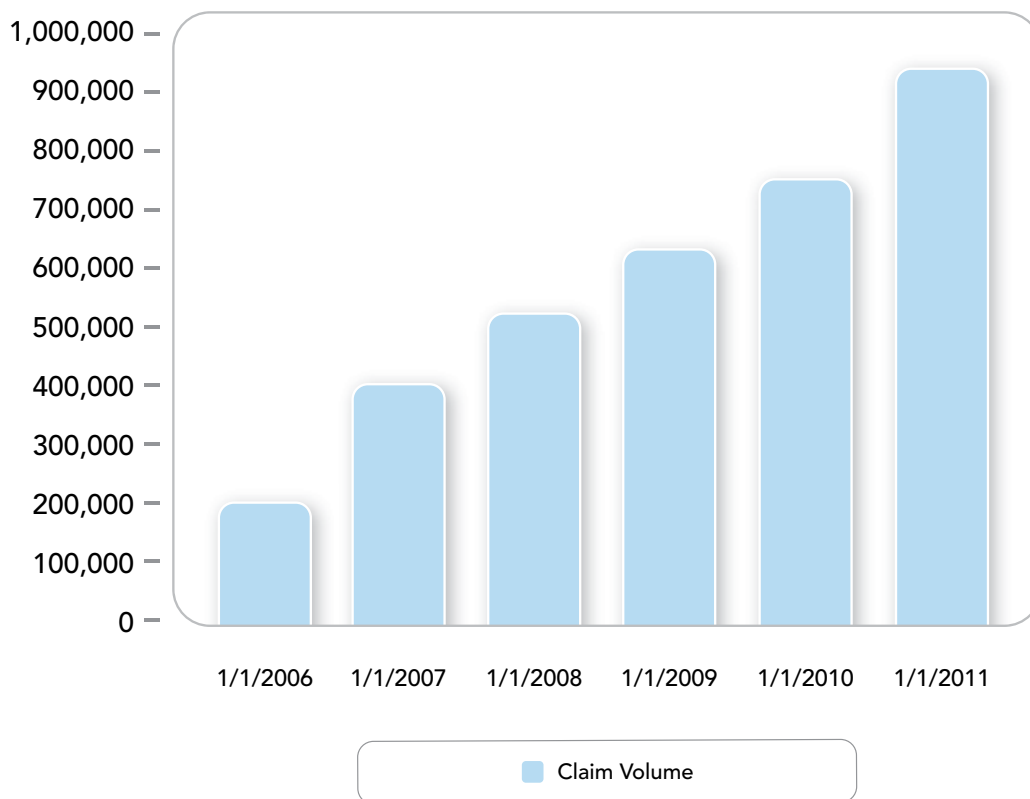
## Overview

Pacific Dental Services (PDS) is what is known in the industry as a Dental Practice Management (DPM) company. Companies of its type either outright own dental offices or share ownership with other parties such as dentists. About 10 years ago PDS developed a very aggressive growth plan—their goal was to open multiple offices annually. The company also decided to implement a central business office that would manage the day-to-day business functions of the dental office—this would give the dentists and their staff more time to provide patient quality of care.

## Challenge

In 2006, most of the insurance claims were submitted on paper. The business had a lot of hard costs associated with paper claims plus significant costs for staffing since employees were needed to process the claims. The current cost of an FTE (full-time employee) is about \$24.00 an hour including benefits. It would have been slightly less in 2006. However, using \$24.00 as a starting point, the cost per FTE is a little less than \$50,000 per year. In 2006, PDS had seven people processing claims, which translates to FTE costs of approximately \$350,000 a year.

### Claim Volume 2006-2011

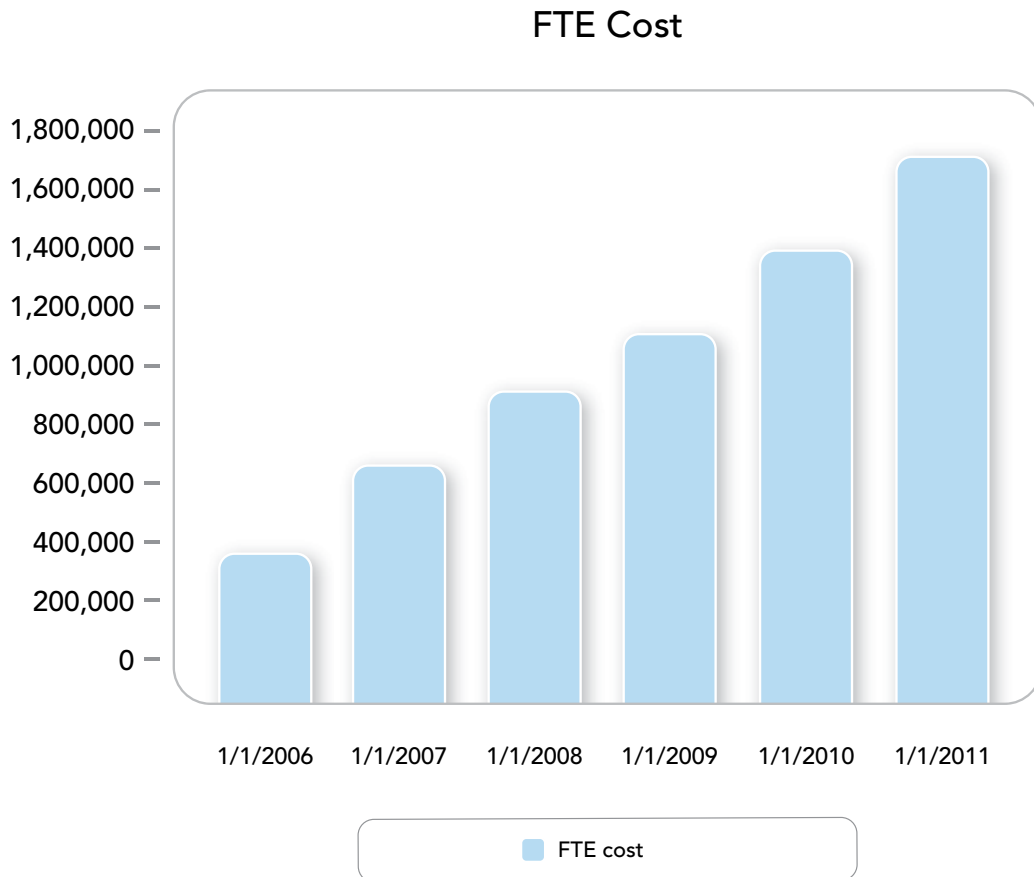


If nothing changed, our hard costs and FTE costs would have grown significantly. The chart above and the following chart reflect the anticipated costs if we had continued to operate in 2011 as we did in 2006.

In addition to FTE costs, there are hard costs associated with processing a paper claim. Some of these costs are not as easily identifiable, such as postage. There are also printer ink, printer maintenance, and attachments (x-rays, perio charts), etc. We calculated the hard cost of a paper claim to be about \$1.50. In 2006, we were processing a little over 200,000 claims for the year. Of those, 75% were submitted as a paper claim, 25% were submitted electronically. So our estimated "hard" costs for processing 25% of our claims electronically, in 2006, were approximately \$15,000, compared with \$250,000 for paper claims.

As is evident, even without the expected growth, submitting more claims electronically would significantly reduce hard costs. If in 2006 we would have been able to submit close to 100% of our claims electronically, we could have saved approximately \$180,000 in hard costs.

As seen in the chart below, showing our claims growth, the savings in 2011 would be significantly higher if we submitted almost 100% of our claims electronically.



In 2006 we had seven full-time employees (FTEs) for a total cost of \$350,000. Without any changes, we would need 34 FTEs by 2011 for a total annual cost of \$1.7 million.

## Processing a paper claim vs. an electronic claim—the human element

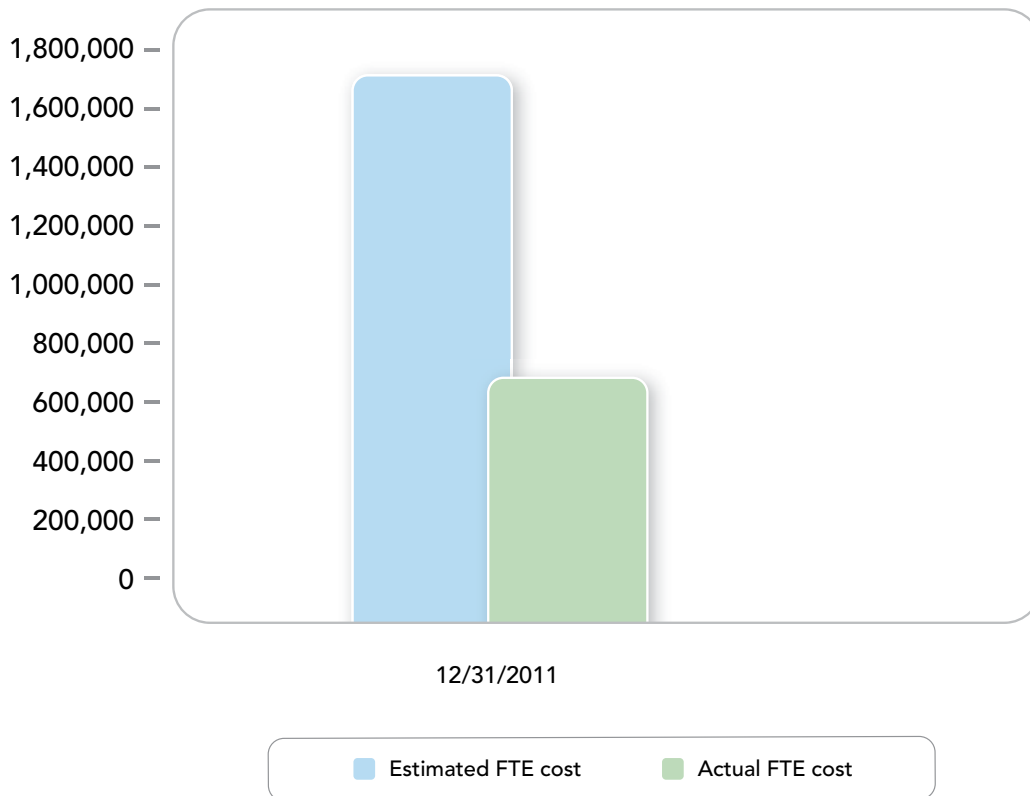
Processing a paper claim requires the processing person to make some decisions. They have to consider the procedures that were performed on the patient and decide what pieces of information the insurance company will need when making a determination of payment. Therefore, the processing person may include with the claim—X-rays, a perio chart, and doctor notes, etc. This means that the processing person may submit too much information (increasing hard costs) or submit too little information (decreasing the chance the claim will be paid) and radically slowing down the overall payment process.

In 2006 I wanted the computer system to make the claims attachment decisions instead of the person processing the claim. My goal was to get as close to 100 percent of claims being processed electronically as possible.

## Auto-billing Initiative

I contacted QSIDental, our practice and clinical electronic dental record management vendor, and asked them to integrate their solution with National Electronic Attachment (NEA). NEA is a company to which you can

### Estimated vs. Actual FTE Cost



The chart above shows our 2011 FTE costs vs. our estimated FTE costs if we had not increased our percentage of electronic claims with automated attachments.

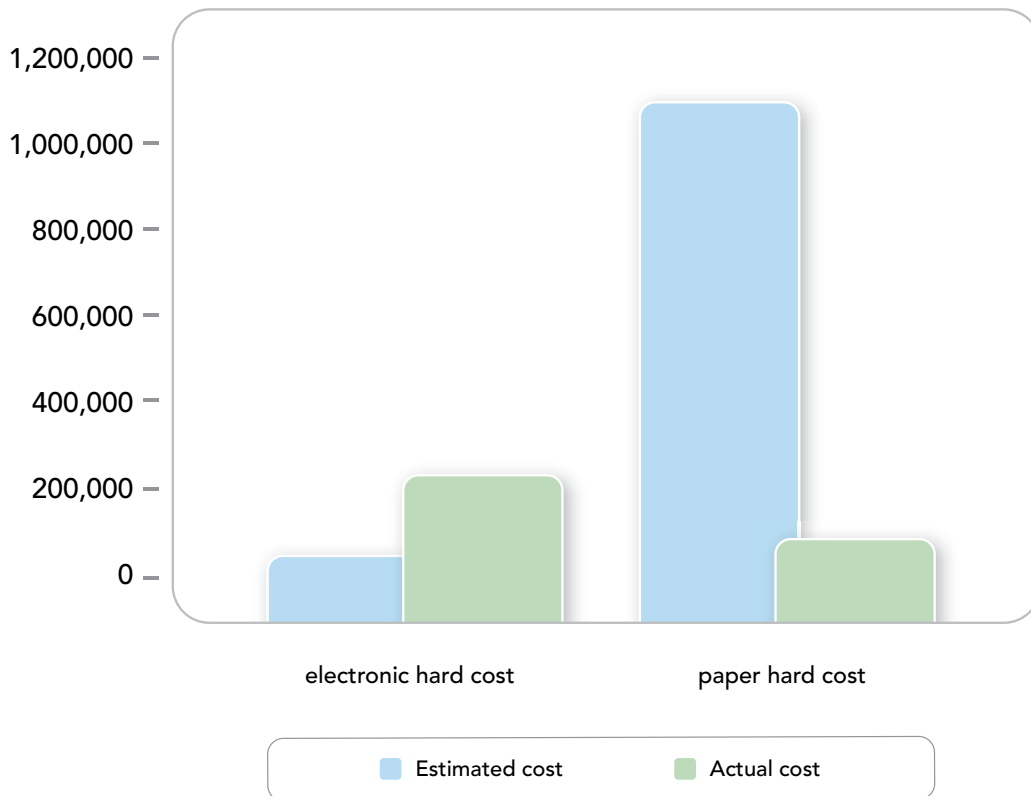
electronically send attachments (which are stored in their repository) required for claims. When using the NEA product, "FastLook", the user can easily determine which attachments are required for each procedure for each participating insurance payer.

QSIDental integrated with NEA, and implemented their application FastAttach auto plus. The system is designed to automatically send the appropriate attachment, per the payers' specifications, with the claim after a procedure is charged out.

### PDS return on investment (ROI) by moving to nearly 100 % electronic claims

When the NEA integration was completed in late 2006, PDS was able to move the majority of claims into what we call our "auto-billing system." This system submits the claims and attachments electronically without staff involvement. Use of this automated process has decreased our costs significantly. The chart below reflects the actual savings in 2011 after converting to nearly 100% electronic claims processing.

#### Estimated Hard Costs



Estimate of Hard Costs without EDI Services for 2011 vs. Actual Costs with EDI Services for 2011

## PDS overall savings

In 2011, we estimated that we saved \$1 million in FTE costs and \$800,000 in hard costs by increasing our use of electronic claims. Even if PDS did not continue to increase the number of services provided, we would still experience savings of \$1.8 million per year every year!

### Additional benefits as a result of moving nearly all claims to electronic claims

We were aware of some of these benefits in 2006. Some were not quite so obvious.

- **No lost attachments.** During calls researching unpaid claims, sometimes we would call on a claim for which we believed we had sent the required attachments. Since we had no proof of what we had sent, often we would need to resend the claim with the attachment. Since the attachments are now sent electronically and are archived at NEA, duplication in processing no longer occurs.
- **Payment cycle cut in half.** While we were aware that electronic claims are often paid more quickly than paper claims, we were not aware of how much additional savings we would get by not having to trace a significant number of claims. We no longer have to contact insurance payers for the status of a claim because we now receive an electronic confirmation of payment in most cases. This means that now we do not have to waste time calling the carrier in order to determine whether or not the claim has been paid. With electronic claims, we already know.
- **Auto adjudication of claims.** Because the insurance carriers like to save money, when a claim is sent electronically, they will often auto adjudicate the claim. Where a large dollar amount claim on paper may take 45 days to be paid, we have seen some of these large dollar amount claims paid in only a few days after the claim and associated attachments were received electronically by the insurance carrier.
- **Electronic notification when the claim has an issue.** If you submit a claim on paper, it will take about 30 days to receive a notification if the claim has an issue. For example, the carrier cannot identify the patient listed on a claim. With an electronic claim, the notification is typically received not more than 48 hours after the claim was submitted.
- **Submitting claims electronically allows us to do other EDI transactions.** We now auto-trace claims with Claim Status 276 /277 EDI transactions which further reduces our operating costs. We also have begun, where offered by payers, auto-posting payments with the 835 transaction, a great cost savings. And, we now receive electronic funds transfer (EFT) deposits of claims payments for about 20 percent of our claims.
- **For twenty percent of our claims, a human is never involved.** The claim is submitted electronically (no person billing), the payment is returned as an 835 transaction and posted (no payment poster), and the deposit is made via electronic funds transfer (EFT).

## Summary

In researching our cost savings, we are sure that we are saving at least \$1.8 million a year. We estimate this number is closer to \$3 million in savings, but some benefits are more difficult to quantify. In addition, our insurance collections were about 92% of insurance production each month prior to this initiative. Now, it is quite common for PDS to hit close to 100% insurance collections vs. production.

It is easy to see all of the cost savings and the efficiencies that our company receives after moving away from paper transactions to electronic transactions. However, one thing that is often overlooked is the benefit to the patient. Because we are able to perform electronic eligibility and benefits checks prior to a patient visit; the patient is usually not surprised at their estimated out-of-pocket costs. In addition, because the vast majority of our claims are paid in a timely fashion and the accuracy of the payment is high, the patients' bills are accurate too.

So, not only did we realize cost savings, we were able to reduce the number of FTEs required, and have created a better relationship with our patient base. There is no question in my mind that we made the right decision to move away from paper transactions to an electronic (EDI) transaction system. It is quite obvious we made the right decision and the benefits we have received prove this.

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