



PANEL OF NATIONAL PATHOLOGY LEADERS

What's New in Pathologist Productivity and Compensation

Plus Boosting Profitability through Effective
Negotiations with Hospitals and Payers

Executive War College ◦ Tuesday, April 30, 2024

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Speakers

Robert Tessier, MPH

Panelist & Co-Founder

Panel of National Pathology Leaders

After receiving his Master's in Public Health from UNC Chapel Hill, Bob Tessier consulted for community and academic radiology groups, including practice plans and third-party negotiations. In 1982, Cornell/NY Hospital retained him to establish the first fee-for-service pathology practice in NYC. He later did the same for Yale Pathology and has since negotiated over 300 third-party contracts. In 2019, Bob founded the *Panel of National Pathology Leaders*, a “think tank” advancing innovation in pathology and laboratory medicine. PNPL includes 400 pathologists, Digital Pathology, Diagnostic Medicine, and Corporate Social Responsibility research groups, and multiple networking teams.

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Speakers



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Al Sirmon, CPA

Co-Founder and Consultant, *Pathology Practice Advisors, LLC*

Al Sirmon began his career in public accounting in 1973, later transitioning to become Practice Administrator for a pathology practice in 1988. He co-founded Pathology Service Associates, LLC (PSA) in 1995, which grew to a national company providing billing and management services to over 100 pathology practices in 25 states, before its acquisition by McKesson in 2012. Al then established Pathology Practice Advisors, LLC in 2016, offering consulting services to pathology practices nationwide. He presently serves on CAP's Practice Management Committee and the Board of the Panel of National Pathology Leaders, bringing over four decades of industry experience to his role.

Introduction to PNPL

The [Panel of National Pathology Leaders](#) (PNPL) is a non-profit “think tank” dedicated to:

- a. Advancing innovation in Pathology and Laboratory Medicine
- b. Focus on practical business solutions and value-based strategies
- c. Members and Panelists represent nearly 400 Pathologists

Activities:

- a. Focus Groups (Digital Pathology, Diagnostic Medicine, CSR)
- b. Networking Teams (Practice Leaders, CFOs/RCM, Compliance, PAs)
- c. Research Projects, Reports, *Micro Highlights* and Webinars
- d. *Members Reference Library* with over 600 documents



Presentation Topics

1. Pathologist Productivity
2. Compensation
3. Hospital Negotiations
4. Third-Party Strategies

Great Wall Strategy – Build a Strong Foundation



Great Wall Strategy – Reaching the Top



1. Pathologist Productivity

PNPL's wRVU Pathologists' Productivity Study

1. Most comprehensive national report, last published in 2021 with 2019 data.
2. PNPL 's 2019 Survey included data for 1,438 pathologists in 230 groups.
3. The average wRVUs per pathologist: **7,452**
4. The median value per pathologist: **6,582**
5. PNPL is planning a new study in 2024 with 2023 data and invites all U.S.-based practices to participate this year.



1. Pathologist Productivity

Survey Questions for 2023 wRVU Pathologists' Productivity Study

1. A report of Calendar Year (CY) 2023 CPT code volume, for each Pathologist (without M.D. names).
2. This should be for CY 2023 date of service, not processing. We prefer a list of CPT codes rather than RVUs to assure that the wRVU unit value is consistently applied to all groups. (88305 = .75)
3. We also want to exclude those who started or ended during the year or Pathologists who are less than one FTE. The survey is restricted to those who have completed a full 12 months of service.
4. Identification of the employer of the pathologists as 1) academic institution, 2) hospital or 3) private pathology group.
5. Identification of the Medical Directors (Chief) at each practice.
6. Name of billing company (if applicable) to exclude your data from their report to PNPL.

If interested in participating, please email Allegra Klein at aklein@pathleaders.org.



1. Pathologist Productivity

2019 Pathology Work RVUs: Statistics by Group Size

Practice Size	# of Groups	% of Total	# of Pathologists	Median wRVU	Mean wRVU
1-3	98	43%	192	6,309	8,192
4-6	57	25%	267	6,282	7,663
7-9	32	14%	257	7,107	7,606
10-14	25	11%	295	6,565	7,124
15-24	12	5%	218	6,156	7,049
25+	6	3%	209	6,988	7,196
All Groups	230	100%	1,438	6,582	7,452

1. Pathologist Productivity

2019 Pathology Work RVUs: Percentiles

Practice Size	25th	50th	75th	90th
1-3	4,269	6,309	9,390	16,205
4-6	4,740	6,282	9,454	12,762
7-9	4,710	7,107	9,557	12,190
10-14	4,365	6,565	9,075	11,763
15-24	4,520	6,156	9,115	11,312
25+	5,105	6,988	9,180	10,557
All Groups	4,619	6,582	9,309	11,842



2. Compensation

“Tale of Two Cities” from PNPL’s *Book of Secrets*

<u>Total Income per Senior Pathologist</u> Each doing 10,000 wRVUs	<u>Innovative Practice</u>	<u>The Norm</u>
Salary	\$250,000	\$250,000
Practice Plan Costs	\$75,000	\$75,000
Bonus (Additional Bonus + \$178,000)	\$328,000	\$150,000
TOTAL	\$653,000	\$475,000



2. Compensation

Senior Pathologist (10,000 wRVUs)

<u>Income</u>	<u>Innovative Practice</u>	<u>The Norm</u>	<u>Incremental</u>
Part A			
1 Hospital Support	\$ 125,000	\$ 50,000	\$ 75,000
2 Performance Based Incentive	10,000	0	10,000
Part B			
3 Third Party Reimbursement	50,000 Above Norm	Norm	50,000
4 Global Billing Referred Services	25,000 Technical overage	0	25,000
5 PCCP (net of operating costs)	100,000 Non-PAR	60,000 PAR	40,000
6 G.I. POL			
Professional Component	150,000 = Medicare (\$40 = 88305)	75,000 = Flat Fee (\$20 = 88305)	75,000
Technical Component	25,000 = Overage (Non Care / Non Caid)	0	25,000
			\$ 300,000



2. Compensation

Senior Pathologist (Expenses)

<u>Expenses</u>	<u>Innovative Practice</u>	<u>The Norm</u>	<u>Incremental</u>
7 Billing System Performance Incentive	\$ 45,000	None	\$ (45,000)
8 Marketing & Sales			
Compensation	50,000	65,000	15,000
Benefits	12,500 25%	13,000 20%	500
Sales Plan	30,000	0	(30,000)
9 Practice Cost of Pathologists' Assistant	25,000	0	(25,000)
10 Department Fund (<i>Dividend Reinvestment</i>)	25,000	0	(25,000)
11 Management Services	20,000	7,500	(12,500)
			\$ (122,000)
Additional Bonus	\$ 178,000		



2. 2023 Data on Pathologist Compensation

1. A **national study** received in 2024 from a survey company for Pathology - Anatomic and Clinical found the following:

a. Combined Data **75th %-tile**

- FTE compensation: \$450,000
- Work RVUs: 8,300
- Avg Prof. Collections: \$600,000

b. Private Practice

- FTE compensation: \$465,000 (100%)
- Work RVUs: 9,000 (100%)

c. Hospital Employed

- FTE compensation: \$457,000 (98%)
- Work RVUs: 8,750 (97%)



2. 2023 Data on Pathologist Compensation

2. According to **Doximity**, Pathology is among the top 10 specialties with the largest increase in annual compensation of 2.7% or on average **\$357,384**.

3. **Medscape** pathologist compensation: **\$339,000**.

4. **Santé Consulting** (from Rich Cornell)

First year in practice fellowship trained:

- a. Low end \$250,000
- b. High end \$400,000

5 or more years of experience:

- a. Low end \$325,000
- b. High end \$ 425,000
- c. Add \$25,000 for directorship roles.



2. 2023 Data on Pathologist Compensation

4. Santé Consulting (from Rich Cornell)

Academics:

- a. Assistant Professor level \$230,000-\$270,000
- b. Associate Professor level \$270,000-\$300,000
- c. Professor level (clinical track) \$300,000-\$420,000

Average starting salary for 2023 is \$334,000, including all practice settings.

- a. The highest starting salary for 2023 was **\$520,000** for an experienced fellowship trained GI pathologist.
- b. Annual bonuses averaged an additional 20% of the base salary.
- c. One time signing bonuses were between \$0 and \$100,000 with an average signing bonus of \$18,000.
- d. Relocation varied from \$7,500 up to \$90,000 with an average of \$15,000.

2. Fair Market Value Study - Benefits

Data from CY 2022

<u>Category</u>	<u>Practice 1</u>	<u>Practice 2</u>	<u>Practice 3</u>	<u>Practice 4</u>	<u>Your Practice 2023</u>
Health & Dental	\$34,500	\$23,700	\$13,475	\$33,878	
Disability & Life	\$1,500	\$19,000	\$348	\$1,501	
Retirement plan	\$28,000	\$8,250	\$38,500	\$8,465	
License & Fees	\$1,500	\$0	\$3,305	\$0	
CME	\$5,000	\$6,000	\$236	\$5,000	
Payroll Taxes	\$14,300	\$15,000	\$20,196	\$14,870	
Workers Comp	\$1,500	\$0	\$4,202	\$0	
Malpractice	\$9,000	\$4,500	\$6,235	\$4,587	
Total Costs	\$95,300	\$76,450	\$73,446	\$68,301	



3. Hospital Negotiations

Hourly Rate Summary for Part A Services

This chart provides a summary of **compensation data** from numerous national sources. Note the variation in hourly rate from **\$160 to \$274**.

RCE	25 th %	75 th %	National Study	50 th	75 th
2015	\$260,300	\$312,000	2022	\$452,054	\$518,448
2023 3% COLA	53,741	64,415	2023	13,562	15,553
2/5 Million Malpractice	13,500	N/A		9,000	9,000
CME Costs	5,000	N/A		5,000 (?)	5,000 (?)
Fringe Benefits	N/A	N/A		N/A	N/A
TOTAL	\$332,541	\$376,415		\$479,616	\$548,000
Hourly Rate	\$160	\$181		\$240	\$274

NOTE: Hourly rate for RCE based on **2,080** hrs/yr. National study, based on **2,000** hrs/yr.



3. Hospital Negotiations

Why Hospital Negotiations are Crucial

1. Recruiting Pathologists when there are 1,000 open positions

a. Raising the bar on expectations

b. Private practice Senior Pathologist: \$600,000

- Salary: \$520,000 @ 75th Percentile
- Includes benefits & taxes @ \$80,000
- wRVUs = 9,000/year

c. Academic practice Associate/Professor: \$500,000

- Includes benefits & taxes @ \$90,000
- wRVUs = 7,500/year



3. Hospital Negotiations

Why Hospital Negotiations are Crucial

2. Tactics for Recruiting & Retaining Pathologists

- a. Commit to Digital Pathology & AI with up to 25% Cost Savings
 - Determine how it will be funded (private practice vs. hospital employment)
 - Hospital only
 - Pathologist contribution to a department fund in a nonprofit institution
- b. Social Responsibility Strategy
 - Diversity, Equity and Inclusion
 - Implementing sustainable practices in laboratories (“Green Labs”)

3. Hospital Negotiations

2024 Medicare Reimbursement Rates (All MACS) for Top 4 CPT Codes: 88305, 88307, 88341, 88342

CPT Code	Medicare National Low	Medicare National High	Variance	Variance %
88305 PC	33.74	48.36	14.62	143%
88305 TC	29.82	49.99	20.17	168%
Total 88305	63.56	98.35	34.79	155%
88307 PC	73.69	105.22	31.53	143%
88307 TC	174.81	293.47	118.66	168%
Total 88307	248.50	398.69	150.19	160%
88341 PC	25.27	36.19	10.92	143%
88341 TC	53.29	89.75	36.46	168%
Total 88341	78.56	125.94	47.38	160%
88342 PC	31.54	45.19	13.65	143%
88342 TC	60.51	101.68	41.17	168%
Total 88342	92.05	146.87	54.82	160%

* Prior to 3/9/24 adjustments

Will the corresponding reimbursement digital pathology codes reflect the same technical variances?

Cost-based reimbursements (blocks and slides) should be 68 - 70% of Medicare TC.



3. Hospital Negotiations

Document Part A Time and *Educate* Administration

1. **Custom Time Studies** for Pathology - minimum of 2 studies/year
 - a. Each study is two weeks
 - b. Supply documentation including diaries/schedules
2. **Interviews** with supporting referring physicians
3. Prepare **Annual Report**
 - a. Prior CAP webinar with Dr. Stephen Ruby and Dr. Robert Breckenridge was excellent
4. Add **Performance Based Incentives** to flat payments, relating each item to providing “**VALUE**”
5. Become familiar with **Fair Market Value** rates for Part A time
 - a. **Valuation studies provide a wide range of FMV**



3. Hospital Negotiations

Matrix of Responsibilities – Medical Director and Pathologists (p. 1 of 3)

	Medical Director Chief / Chair	Pathologist A	Pathologist B	Pathologist C	Pathologist D
Anatomic Pathology					
Surgical Pathology					
Cytology					
Molecular Testing					
Autopsy					
Clinical Pathology					
Chemistry					
Microbiology					
TDM/Toxicology					
Hematology & Coagulation					
Urinalysis					
Blood Bank/Transfusion					
Molecular Testing					
Point of Care Testing					
LIS/IT Services					
Outreach					
Phlebotomy (Specimen Collection) & Registration/ Accessioning/Processing					

3. Hospital Negotiations

Medicare Wage Index for California

Another consideration in determining *Fair Market Value* is the **APC Wage Adjustment** in areas with a high cost of living, such as California.

Wage Index used to calculate APC rates

Area Name	Wage Index
CALIFORNIA	1.2534
Anaheim-Santa Ana-Irvine, CA	1.2534
Los Angeles-Long Beach-Glendale, CA	1.2970
Napa, CA	1.5172
Oakland-Berkeley-Livermore, CA	1.7995
Oxnard-Thousand Oaks-Ventura, CA	1.4250
Riverside-San Bernardino-Ontario, CA	1.2534
Sacramento-Roseville-Folsom, CA	1.6307
San Diego-Chula Vista-Carlsbad, CA	1.2737
San Francisco-San Mateo-Redwood City, CA	1.8591
San Jose-Sunnyvale-Santa Clara, CA	1.8747

Source: FY23 CMS-1771-F Table 3

NOTE: the APC is based on **40%** national at 1.0 and **60%** wage-adjusted.



3. Hospital Negotiations

Consider adding **performance-based incentives** to your Part A contract.

Examples

Send-out testing	Practice receives 25% of savings/net of direct costs
Blood Acquisition Costs	10% of the savings
CAP Medical Director Certificate	\$10,000
TAT Surgical greater than 85%/24 hours	\$20,000
TAT Frozen 90% within 20 minutes	\$10,000
Prepare a detailed Marketing Plan	\$10,000



4. Third-Party Contracts

Hospital-Based Pathologist *Third Party Pledge*

- | | | Done |
|---|---|--------------------------|
| 1 | Prepare a notebook containing all Third Party Contracts . | <input type="checkbox"/> |
| 2 | Faithfully maintain the file and add changes when they are effective. | <input type="checkbox"/> |
| 3 | Provide a complete copy to my billing company/manager to assure their files are accurate. | <input type="checkbox"/> |
| 4 | Require my billing system to write off amounts as “contractual disallowances” using only the executed contracts as their authority. | <input type="checkbox"/> |
| 5 | Mandate that the billing system provide a report, not less than monthly, showing any amounts that are paid at less than the contract amounts. | <input type="checkbox"/> |

4. Third-Party Contracts

6

Assure that the billing system documents that all amounts, not paid according to contract levels, have been appealed.



7

Establish a **Third Party Calendar** reflecting all contract renewal dates including any required notifications provisions.



8

Begin planning for contract renewals at least 90 days in advance.



9

Obtain volume reports from the billing system reflecting the current **run rate** for all activities during the most recent six months distributed between:



- a. Global billing (PC and TC)
- b. Professional component

10

Identify three - five **carve out** codes to be given special attention in the negotiating process.



4. Third-Party Contracts

- 11 Prepare a request for new rates taking into consideration:
 - a. Cost of Living Adjustment (COLA) *Not less than 3% each year*
 - b. Codes to be *carved out* for special consideration.
 - c. Any published rates from sources like Worker's Compensation.
 - d. Wage adjustment guidelines that might be favorable to my specific area in the state, such as those used by Medicare to set APC rates.
 - e. A multi-year contract of not less than three and as many as five years.

- 12 Maintain any global reimbursements that have not been adversely impacted by Medicare changes for codes such as 88305 and other with significant technical cuts.

- 13 Not to accept the initial response from the third party and be prepared for at least three-six challenges.

- 14 Prepare a **Third Party Credit Master** containing Practice fees, reimbursements with their effective dates and faithful maintain this document.

4. Third-Party Strategy

1. Selective Contracting

- a. Billing globally for referred services with a technical Cost Recovery payment to the hospital

2. Payers expect annual contract updates.

- Maintain a detailed **Third-Party Calendar**

Payer	Contract Period	88305-26 <i>As % of 2024 Medicare</i>	88305	Notes
Commercial 1	10/1/22-9/30/24	85.82 215%	211.07 272%	<u>2 Year ICP Contract:</u> Year 1 = 2.00% increase Year 2 = 2.00% increase (Based on 2022 CF of \$75.80) Medicare Advantage will be reimbursed at 100% of Medicare Fee for Service
Commercial 2	Effective Date 2/15/2023	89.46 224%	169.31 218%	<u>Contract</u> <u>Tier 4 Fee Schedule</u> - Based on 221.7% of 2022 RBRVS defaulting to the Market Fee Schedule for all else. contract. <u>Next Renewal is on 1/1/2025</u>



4. Third-Party Strategy

3. Utilize published rates when negotiating contracts

- a. There may be attractive published rates from payers for statewide contracts or regional reimbursement.
- b. The **Worker's Compensation schedule** may be an effective point of reference. Below are the rates for the 88305 in Connecticut (prior to March 9, 2024):

88305	Workers Comp	Medicare 2024	Multiplier
PC	83.35	36.92	2.26
TC	84.08	38.26	2.20
TOTALS:	\$167.43	\$ 75.18	2.23

- c. While workers compensation volume is limited in pathology, it represents 3-5% of the volume in radiology and is given credibility when negotiating contracts.
- d. At 220-226% of the 2024 Medicare fees, this reimbursement level for the Blues and commercial carriers might rate a "B."



4. Third-Party Strategy: Carve Out Codes

4. Carve Out procedures

- a. Propose **10 codes** but settle for **5**
- b. Payers like to have their regular fees accepted but will listen to your argument for carve outs

NOTE: The 4 CPT codes below from the 2021 Medicare Database represent approximately 70% of total payments.

CPT	2020 wRVU	Number of Services	wRVU Total	Total Payments	% of All Payments
88305	0.75	5,846,249	4,384,687	\$173,936,789	38.8%
	2020	5,292,068	3,969,051	\$162,735,370	36.8%
	Variance 2021 vs 2020	554,181 10%	415,636 10%	11,201,419 7%	
88307	1.59	830,182	1,319,989	56,032,462	12.5%
	2020	799,571	1,271,318	\$55,619,814	12.6%
	Variance 2021 vs 2020	30,611 4%	48,671 4%	412,648 1%	
88341	0.56	2,224,488	1,245,713	51,936,755	11.6%
	2020	2,068,491	1,158,355	\$49,570,765	11.2%
	Variance 2021 vs 2020	155,997 8%	87,358 8%	2,365,990 5%	
88342	0.70	1,119,129	783,390	32,116,226	7.2%
	2020	1,020,631	714,442	\$30,363,712	6.9%
	Variance 2021 vs 2020	98,498 10%	68,948 10%	1,752,514 6%	



4. Third-Party Negotiations: Fee Transparency

Fee Transparency Analysis		State:	ALL
2021	Medicare Utilization Database	CBSA:	ALL
2020		Place of Service:	Facility (F) Professional
		Provider Type:	Pathology

		25%-tile	50%-tile	75%-tile	90%-tile
88305	2021	129	173	225	271
	2020	129	175	220	268
88307	2021	259	315	400	640
	2020	255	310	396	490
88341	2021	80	108	150	211
	2020	77	106	150	204
88342	2021	113	144	188	250
	2020	113	142	182	249
88173	2021	189	233	296	382
	2020	186	230	293	381



4. Third-Party Negotiations: Fee Transparency

2021 Medicare Utilization Database

Professional Fees Charged by Prominent Pathology Departments

CPT Charge : 88305-26 and 88307-26

In Order of Charge for 88305 - Low to High

Place of Service: **Facility**

National at 75th percentile for comparison

Location		2020 Medicare Database Charge	
		88305-26	88307-26
Johns Hopkins	MD	144	275
Mass General	MA	159	350
UCLA	CA	167	400
Yale New Haven	CT	180	405
Memorial Sloan Kettering	NY	180	400
<i>75th Percentile</i>	<i>National</i>	225	400
Cleveland Clinic	OH	242	729
MD Anderson	TX	327	552
Dartmouth	NH	445	809



4. Third-Party Negotiations: Fee Transparency

88305-Professional Component Fees

Sort: 50th percentile high to low

State	50%	75%
Nevada	\$336	\$349
Alaska	\$284	\$380
Wisconsin	\$271	\$337
New Hampshire	\$262	\$445
Texas	\$250	\$285
Indiana	\$220	\$230
South Carolina	\$212	\$217
Florida	\$210	\$245
Missouri	\$206	\$230
Illinois	\$204	\$260
Kansas	\$200	\$222
Ohio	\$198	\$242
Connecticut	\$195	\$245
Iowa	\$187	\$241
Georgia	\$181	\$208
Mississippi	\$180	\$205
Rhode Island	\$180	\$193
Virginia	\$178	\$200
National Average	\$173	\$225
New Jersey	\$173	\$193
North Carolina	\$170	\$180
Kentucky	\$164	\$211
California	\$163	\$231
Nebraska	\$162	\$200
Delaware	\$160	\$160

Colorado	\$159	\$212
Massachusetts	\$159	\$174
West Virginia	\$156	\$211
Vermont	\$155	\$162
Minnesota	\$154	\$188
New York	\$150	\$195
Oklahoma	\$150	\$188
Utah	\$150	\$165
Pennsylvania	\$148	\$195
Maryland	\$148	\$177
Michigan	\$144	\$195
North Dakota	\$143	\$179
Louisiana	\$140	\$178
New Mexico	\$138	\$179
Tennessee	\$137	\$188
Alabama	\$125	\$214
South Dakota	\$125	\$160
Oregon	\$120	\$161
Montana	\$120	\$122
Wyoming	\$120	\$120
Maine	\$119	\$119
Arkansas	\$115	\$126
Washington	\$114	\$192
Arizona	\$99	\$173
Hawaii	\$83	\$133
Idaho	\$73	\$126



4. Third-Party Strategy

Other Strategies

1. Piggybacking on hospital contracts
 - When payers are willing to recognize a % of charges
 - Take advantage of hospital cost of billing, 3% vs 5-8%
2. Determine hospital reimbursement as a function of Medicare technical rates
 - They are often 3x to 5x Medicare TC
3. Meet with third parties at the hospital or practice laboratory site
 - Provide a tour of the department
 - Introduce the most effective practice negotiator
 - Involve hospital finance or the director of managed care

4. Third-Party Strategy

Other Strategies

1. Address new business or reduced referred/ global billing immediately
2. Payer data is based on the most recent experience
 - a. Planned changes should be addressed quickly while history is favorable
 - If there is a loss of a large GI or GU group resulting in less global billing
 - + If there are new referring MD that will increase global activity
 - b. Consider adjusting a multi-year arrangement early to take advantage of the swing in activity
 - Extend the term
 - Offer a lower COLA to encourage a new deal
 - c. By reducing global payments when a large referring group is leaving to open their own POL and increase payments for professional services, a 2-3% annual COLA can result in 6-8%+ more revenue. The next renewal will begin with an increased baseline.

This requires close attention to trends. *[Al Sirmon to present]*

Do Your Homework Before You Negotiate

For Hospital Negotiations

Use current and prior year Classified and Departmentalized Profit and Loss Statement

1. Classified P&L
 - a. Income segregated between patient billing and other
 - b. Expenses segregated between
 - Direct Lab Cost
 - Selling General Administrative
 - Physician Expense
2. Departments
 - a. Hospital
 - b. Outreach
 - c. Administrative



ABC Pathology
Profit and Loss Statement
For the Year Ending December 31, 2022

1 Income		% of Total Income			
2	Insurance and Patient Collections		<u>Total</u>		<u>Hospital</u> <u>Outreach</u> <u>Administration</u>
3	Anatomic Path and Cytology	88%	\$ 7,000,000		\$ 3,502,360 \$ 3,497,640 \$ -
4	Professional Component of Clinical Lab	6%	\$ 500,000		\$ 500,000
5		94%	\$ 7,500,000		\$ 3,502,360 \$ 3,497,640 \$ 500,000
6	Less Refund	-2%	\$ (150,000)		\$ (90,000) \$ (60,000)
7	Net Insurance & Patient Collections	92%	\$ 7,350,000		\$ 3,412,360 \$ 3,437,640 \$ 500,000
8	Hospital Management Contracts	6%	\$ 450,000		\$ - \$ 450,000
9	Other Income	3%	\$ 200,000		\$ - \$ 200,000 \$ -
10	Total Income		<u>\$ 8,000,000</u>	100%	<u>\$ 3,412,360</u> <u>\$ 3,637,640</u> <u>\$ 950,000</u>
11	Direct Lab Cost		100%		43% 45%
12	Salaries Taxes and Benefits	14%	\$ 1,081,000		\$ 1,081,000
13	Supplies - Medical	6%	\$ 450,000		\$ 450,000
14	Repair and Maintenance	2%	\$ 150,000		\$ 150,000
15	Computer and LIS Software	2%	\$ 125,000		\$ 50,000
16	Depreciation	1%	\$ 100,000		\$ 125,000
17	Rent	1%	\$ 60,000		\$ 100,000
18	Auto Expense	1%	\$ 50,000		\$ 60,000
19	Total Direct Lab Cost	25%	<u>\$ 2,016,000</u>		<u>\$ -</u> <u>\$ 2,016,000</u> <u>\$ -</u>
	Income Before SG&A & Physician Expenses	75%	<u>\$ 5,984,000</u>		<u>\$ 3,412,360</u> <u>\$ 1,621,640</u> <u>\$ 950,000</u>
20	Selling General and Administrative Expense				
21	Salaries Taxes and Benefits	5%	\$ 405,000		\$ 172,751 \$ 184,156 \$ 48,094
22	Billing Cost	7%	\$ 588,000		\$ 272,989 \$ 275,011 \$ 40,000
23	Accounting	0%	\$ 25,000		\$ 10,664 \$ 11,368 \$ 2,969
24	Legal	0%	\$ 15,000		\$ 6,398 \$ 6,821 \$ 1,781
25	Supplies - Office	0%	\$ 10,000		\$ 4,265 \$ 4,547 \$ 1,188
26	Utilities	0%	\$ 9,000		\$ 3,839 \$ 4,092 \$ 1,069
27	Bank Charges	0%	\$ 1,000		\$ 427 \$ 455 \$ 119
28	Total S G & A Expense	13%	<u>\$ 1,053,000</u>		<u>\$ 471,332</u> <u>\$ 486,449</u> <u>\$ 95,219</u>
29	Income Before Physician Expenses	62%	<u>\$ 4,931,000</u>		<u>\$ 2,941,028</u> <u>\$ 1,135,191</u> <u>\$ 854,781</u>
30	Physician Expense		100%		60% 23% 17%
31	Salaries Taxes and Benefits	57%	\$ 4,550,000		\$ 2,730,000 \$ 910,000 \$ 910,000
32	Insurance Malpractice	3%	\$ 200,000		\$ 120,000 \$ 40,000 \$ 40,000
33	Total Physician Expense	59%	<u>\$ 4,750,000</u>		<u>\$ 2,850,000</u> <u>\$ 950,000</u> <u>\$ 950,000</u>
34	Net Income	2%	<u>\$ 181,000</u>		<u>\$ 91,028</u> <u>\$ 185,191</u> <u>\$ (95,219)</u>



If You Base Part of Your Contract on Medicare, Beware

Medicare Ten Year Change Medicare National Payment Amount

	<u>2015</u>	<u>2024</u>	<u>Ten Year Change</u>	
			<u>\$</u>	<u>%</u>
88305TC	\$ 34.14	\$ 35.62	\$ 1.48	4%
88307TC	\$ 221.35	\$ 208.71	\$ (12.64)	-6%

How much did salaries and wages increase during these 10 years?

How much did your supply and maintenance contracts increase during these 10 years?



Do Your Homework Before you Negotiate

For Payor Negotiations

1. Is the Payor paying according to contract?
2. If not, why?
 - a. Paying the wrong amount
 - b. Denials
 - c. Patient Responsibility
3. How does the contract compare to Medicare?



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ABC Pathology
Summary of Activity - Current Year Compared to Prior Year
December 31, 2022

	2022		2021		Variance	
	YTD		YTD		\$	%
Gross Charges	\$ 17,000,000		\$ 18,000,000		\$ (1,000,000)	-6%
Adjustments to Gross Charge	\$ (9,230,000)		\$ (9,000,000)		\$ 230,000	3%
Net Charges	\$ 7,770,000		\$ 9,000,000		\$ (1,230,000)	14%
Collections	\$ 7,000,000		\$ 7,200,000		\$ (200,000)	3%
Refunds	\$ (150,000)		\$ (150,000)		\$ -	0%
Net Collections	\$ 6,850,000		\$ 7,050,000		\$ (200,000)	3%
Bad Debts	\$ 835,000		\$ 1,200,000		\$ (365,000)	30%
Increase (Decrease) in AR	\$ 85,000		\$ 750,000			
Beginning Accounts Receivable	\$ 2,000,000		\$ 1,250,000			
Ending Accounts Receivable	\$ 2,085,000		\$ 2,000,000		\$ 85,000	4%
Key Performance Indicators						
<i>Net Collection %</i>	<i>D16/D12</i>	88%	<i>G16/G12</i>	78%		
<i>Bad Debt %</i>	<i>D18/D12</i>	11%	<i>G18/G12</i>	13%		
<i>Change in AR %</i>	<i>D20/D12</i>	1%	<i>G20/G12</i>	8%		
		100%		100%		
<i>Days in Accounts Receivable</i>	<i>D22/(D10/365)</i>	45	<i>G22/(G10/365)</i>	41		
Benchmarks						
<i>Cases</i>		40,000		45,000	(5,000)	
<i>CPT's</i>		100,000		110,000	(10,000)	
<i>CPT's per Case</i>	<i>D33/D32</i>	2.5	<i>G33/G32</i>	2.44		
<i>Average Charge per Case</i>	<i>D10/D31</i>	\$ 425.00	<i>G10/G31</i>	\$ 400.00		
<i>Average Charge per CPT</i>	<i>D10/D32</i>	\$ 170.00	<i>G10/G32</i>	\$ 163.64		
<i>Average Collection per Case</i>	<i>D14/D31</i>	\$ 175.00	<i>G14/G31</i>	\$ 160.00		
<i>Average Collection per CPT</i>	<i>D14/D32</i>	\$ 70.00	<i>G14/G32</i>	\$ 65.45		
<i>Gross Collection %</i>		41%		40%		



ABC Pathology
Summary of Activity By CPT
For the Year Ended December 31, 2022

Rank	% of Total		Units	Beginning		Contracts		Payments	Refunds	Bad Debts	Ending A/R	Net	Bad	Change	Days in AR	Average	Average
	Charges	CPT + Modifier		AR	Charges	Adjustments	Collection %					Debts %	in AR	Charge		Coplection	
1	31%	88305	30,000	\$ 617,647	\$ 5,250,000	\$ 2,314,199	\$ 2,678,690	\$ 57,400	\$ 288,262	\$ 643,897	89%	10%	1%	45	\$ 175	\$ 89	
2	26%	8830526	25,000	\$ 514,706	\$ 4,375,000	\$ 3,013,244	\$ 1,129,511	\$ 24,204	\$ 234,574	\$ 536,581	81%	17%	2%	45	\$ 175	\$ 45	
3	14%	8830726	20,000	\$ 282,353	\$ 2,400,000	\$ 573,139	\$ 1,847,180	\$ 39,582	\$ 7,263	\$ 294,353	99%	0%	1%	45	\$ 120	\$ 92	
4	7%	8834126	6,000	\$ 141,176	\$ 1,200,000	\$ 928,818	\$ 193,111	\$ 4,138	\$ 76,209	\$ 147,176	70%	28%	2%	45	\$ 200	\$ 32	
5	6%	88341	5,000	\$ 117,647	\$ 1,000,000	\$ 484,438	\$ 464,077	\$ 9,945	\$ 56,429	\$ 122,647	88%	11%	1%	45	\$ 200	\$ 93	
6	4%	8830426	5,000	\$ 76,471	\$ 650,000	\$ 537,616	\$ 65,337	\$ 1,400	\$ 45,198	\$ 79,721	57%	40%	3%	45	\$ 130	\$ 13	
7	4%	88342	2,000	\$ 70,588	\$ 600,000	\$ 349,667	\$ 216,050	\$ 4,630	\$ 35,912	\$ 73,588	84%	14%	1%	45	\$ 300	\$ 108	
8	4%	8834226	2,000	\$ 70,588	\$ 600,000	\$ 479,698	\$ 77,687	\$ 1,665	\$ 41,280	\$ 73,588	63%	34%	2%	45	\$ 300	\$ 39	
9	2%	88304	3,000	\$ 45,882	\$ 390,000	\$ 228,807	\$ 138,821	\$ 2,975	\$ 23,396	\$ 47,832	84%	15%	1%	45	\$ 130	\$ 46	
10	2%	8831226	1,000	\$ 36,471	\$ 310,000	\$ 257,258	\$ 29,643	\$ 635	\$ 22,185	\$ 38,021	55%	42%	3%	45	\$ 310	\$ 30	
11	1%	8830926	1,000	\$ 26,471	\$ 225,000	\$ 63,117	\$ 159,892	\$ 3,426	\$ 4,292	\$ 27,596	97%	3%	1%	45	\$ 225	\$ 160	
	100%		100,000	\$ 2,000,000	\$ 17,000,000	\$ 9,230,000	\$ 7,000,000	\$ 150,000	\$ 835,000	\$ 2,085,000	88%	11%	1%	45	\$ 170	\$ 70	



ABC Pathology
Summary of Activity By CPT for Hospital
For the Year Ended December 31, 2022

Exhibit 11

Hospital

Rank	% of Total		Units	Beginning		Contracts			Refunds	Bad Debts	Ending A/R	Net	Bad	Change	Days in AR	Average Charge	Average Copllection
	Charges	CPT + Modifier		AR	Charges	Adjustments	Payments	Collection %				Debts %	in AR				
1	45%	8830526	25,000	\$ 514,706	\$ 4,375,000	\$ 3,013,244	\$ 1,129,511	\$ 24,204	\$ 234,574	\$ 536,581	81%	17%	2%	45	\$ 175	\$ 45	
2	25%	8830726	20,000	\$ 282,353	\$ 2,400,000	\$ 573,139	\$ 1,847,180	\$ 39,582	\$ 7,263	\$ 294,353	99%	0%	1%	45	\$ 120	\$ 92	
3	12%	8834126	6,000	\$ 141,176	\$ 1,200,000	\$ 928,818	\$ 193,111	\$ 4,138	\$ 76,209	\$ 147,176	70%	28%	2%	45	\$ 200	\$ 32	
4	7%	8830426	5,000	\$ 76,471	\$ 650,000	\$ 537,616	\$ 65,337	\$ 1,400	\$ 45,198	\$ 79,721	57%	40%	3%	45	\$ 130	\$ 13	
5	6%	8834226	2,000	\$ 70,588	\$ 600,000	\$ 479,698	\$ 77,687	\$ 1,665	\$ 41,280	\$ 73,588	63%	34%	2%	45	\$ 300	\$ 39	
6	3%	8831226	1,000	\$ 36,471	\$ 310,000	\$ 257,258	\$ 29,643	\$ 635	\$ 22,185	\$ 38,021	55%	42%	3%	45	\$ 310	\$ 30	
7	2%	8830926	1,000	\$ 26,471	\$ 225,000	\$ 63,117	\$ 159,892	\$ 3,426	\$ 4,292	\$ 27,596	97%	3%	1%	45	\$ 225	\$ 160	
100%			60,000	\$ 1,148,235	\$ 9,760,000	\$ 5,852,889	\$ 3,502,361	\$ 75,051	\$ 431,001	\$ 1,197,035	88%	11%	1%	45	\$ 163	\$ 58	

Office

Rank	% of Total		Units	Beginning		Contracts			Refunds	Bad Debts	Ending A/R	Net	Bad	Change	Days in AR	Average Charge	Average Copllection
	Charges	CPT + Modifier		AR	Charges	Adjustments	Payments	Collection %				Debts %	in AR				
1	73%	88305	30,000	\$ 617,647	\$ 5,250,000	\$ 2,314,199	\$ 2,678,690	\$ 57,400	\$ 288,262	\$ 643,897	89%	10%	1%	45	\$ 175	\$ 89	
2	14%	88341	5,000	\$ 117,647	\$ 1,000,000	\$ 484,438	\$ 464,077	\$ 9,945	\$ 56,429	\$ 122,647	88%	11%	1%	45	\$ 200	\$ 93	
3	8%	88342	2,000	\$ 70,588	\$ 600,000	\$ 349,667	\$ 216,050	\$ 4,630	\$ 35,912	\$ 73,588	84%	14%	1%	45	\$ 300	\$ 108	
4	5%	88304	3,000	\$ 45,882	\$ 390,000	\$ 228,807	\$ 138,821	\$ 2,975	\$ 23,396	\$ 47,832	84%	15%	1%	45	\$ 130	\$ 46	
100%			40,000	\$ 851,765	\$ 7,240,000	\$ 3,377,111	\$ 3,497,640	\$ 74,949	\$ 403,999	\$ 887,965	89%	10%	1%	45	\$ 181	\$ 87	

Combined

100,000	2,000,000	17,000,000	9,230,000	7,000,000	150,000	835,000	2,085,000	88%	11%	1%	45	\$ 170	\$ 70
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ABC Pathology
Summary of Activity By Payor
For the Year Ended December 31, 2022

Rank	% of Total Charges	Location	Units	Beginning			Contracts			Ending A/R	Net	Bad	Change	Days in AR	Average Charge	Average Coplection
				AR	Charges	Adjustments	Payments	Refunds	Bad Debts		Collection %	Debts %	in AR			
1	40%	Medicare	40,000	\$ 800,000	\$ 6,800,000	\$ 4,423,389	\$ 2,236,412	\$ 47,923	\$ 154,122	\$ 834,000	92%	6%	1%	45	\$ 170	\$ 56
2	30%	Blue	30,000	\$ 600,000	\$ 5,100,000	\$ 2,172,793	\$ 2,887,884	\$ 61,883	\$ 75,706	\$ 625,500	97%	3%	1%	45	\$ 170	\$ 96
3	15%	Yellow	15,000	\$ 300,000	\$ 2,550,000	\$ 1,565,676	\$ 937,102	\$ 20,081	\$ 54,552	\$ 312,750	93%	6%	1%	45	\$ 170	\$ 62
4	10%	Green	10,000	\$ 200,000	\$ 1,700,000	\$ 1,068,141	\$ 598,977	\$ 12,835	\$ 37,217	\$ 208,500	93%	6%	1%	45	\$ 170	\$ 60
5	5%	Self	5,000	\$ 100,000	\$ 850,000	\$ (0)	\$ 339,625	\$ 7,278	\$ 513,403	\$ 104,250	39%	60%	0%	45	\$ 170	\$ 68
	100%		100,000	\$ 2,000,000	\$ 17,000,000	\$ 9,230,000	\$ 7,000,000	\$ 150,000	\$ 835,000	\$ 2,085,000	88%	11%	1%	45	\$ 170	\$ 70



% of Total		Beginning		Contracts				Net Collection	Bad Debts	Change in	Days in	Average	Average		
Charges	CPT+Modifier	Units	AR	Charges	Adjustments	Payments	Refunds	Bad Debts	Ending A/R	%	%	AR	AR	Charge	Collection
1	31% 88305	9,000	\$ 185,294	\$ 1,575,000	\$ 327,130	\$ 1,255,500	\$ 26,904	\$ 11,398	\$ 193,169	98%	1%	1%	45	\$ 175	\$ 140
2	26% 8830526	7,500	\$ 154,412	\$ 1,312,500	\$ 833,245	\$ 453,375	\$ 9,715	\$ 29,032	\$ 160,974	93%	6%	1%	45	\$ 175	\$ 60
3	14% 8830726	6,000	\$ 84,706	\$ 720,000	\$ 53,813	\$ 675,180	\$ 14,468	\$ 1,875	\$ 88,306	99%	0%	1%	45	\$ 120	\$ 113
4	7% 8834126	1,800	\$ 42,353	\$ 360,000	\$ 279,655	\$ 70,308	\$ 1,507	\$ 9,744	\$ 44,153	86%	12%	2%	45	\$ 200	\$ 39
5	6% 88341	1,500	\$ 35,294	\$ 300,000	\$ 121,216	\$ 176,850	\$ 3,790	\$ 4,223	\$ 36,794	97%	2%	1%	45	\$ 200	\$ 118
6	4% 8830426	1,500	\$ 22,941	\$ 195,000	\$ 165,067	\$ 23,715	\$ 508	\$ 5,751	\$ 23,916	78%	19%	3%	45	\$ 130	\$ 16
7	4% 88342	600	\$ 21,176	\$ 180,000	\$ 95,964	\$ 81,540	\$ 1,747	\$ 3,344	\$ 22,076	95%	4%	1%	45	\$ 300	\$ 136
8	4% 8834226	600	\$ 21,176	\$ 180,000	\$ 146,159	\$ 28,458	\$ 610	\$ 5,093	\$ 22,076	82%	15%	3%	45	\$ 300	\$ 47
9	2% 88304	900	\$ 13,765	\$ 117,000	\$ 62,708	\$ 52,650	\$ 1,128	\$ 2,185	\$ 14,350	95%	4%	1%	45	\$ 130	\$ 59
10	2% 8831226	300	\$ 10,941	\$ 93,000	\$ 79,130	\$ 10,881	\$ 233	\$ 2,757	\$ 11,406	77%	20%	3%	45	\$ 310	\$ 36
11	1% 8830926	300	\$ 7,941	\$ 67,500	\$ 8,706	\$ 59,427	\$ 1,273	\$ 303	\$ 8,279	99%	1%	1%	45	\$ 225	\$ 198
100%		30,000	\$ 600,000	\$ 5,100,000	\$ 2,172,793	\$ 2,887,884	\$ 61,883	\$ 75,706	\$ 625,500	97%	3%	1%	45	\$ 170	\$ 96

Blue Allowable per Contract	Medicare Rate	Blue Mode	Blue Denial %	Comments
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Per Payor Report 30,000 \$ 600,000 \$ 5,100,000 \$ 2,172,793 \$ 2,887,884 \$ 61,883 \$ 75,706 \$ 625,500

