

Understanding the Economics of Urgent Care Lab and X-Ray Services



In order to serve the immediate medical needs of presenting patients, urgent care centers necessarily include lab and x-ray as part of their service offerings. In fact, the availability of lab and x-ray services differentiate urgent care centers from other treatment options including walk-in primary care offices and retail health clinics. A center with lab and x-ray services can market itself as treating higher acuity patients with a wider range of symptoms.

Under conventional fee-for-service contracts, lab and x-ray add revenue that offsets the costs of providing those services and should contribute positively to a center's bottom line. Under these contracts, payers reimburse by CPT code, usually at a percentage over Medicare rates. However, many insurance companies (and Medicare itself) are shifting from fee-for-service to "case rate"—a flat reimbursement per visit that does not differentiate level of service, new vs. established, supplies, x-ray or lab services. Unless there is a carve-out for lab and/or x-ray, these services would be included in the flat rate.

Flat rate contracts can be beneficial depending on the patient mix—a premium is paid for low-acuity patients but some patients requiring lab, x-ray and complex procedures will reimburse less than under fee-for-service. Lab and x-ray are still essential to patient care but can become costs without offsetting revenue. It is thus important for urgent care operators to understand the profitability of offering lab and x-ray services in their centers.

The Financial Analysis

The financial analysis of lab and/or x-ray performance emulates a profit-and-loss statement, in which lab and/or x-ray are treated as their own stand-alone businesses. In its simplest terms, this analysis shows how much money lab and x-ray brings in versus what is paid out to provide these services. Table 1 illustrates the types of data that are utilized in the financial analysis.

Table 1: Financial Analysis of an Urgent Care Laboratory and/or Radiology Program

	Collections by CPT code on services associated with lab and x-ray.
Net Revenue	Assumptions could include share of flat-rate visits that include lab or x-ray—visits that the center would not have seen (or would have referred elsewhere) if these services were not provided.
Supplies and Maintenance	For x-ray includes maintenance, parts, service agreements, radiation monitoring, and operating supplies. For lab includes the costs of instant tests, collection kits, and other supplies.
Equipment Costs	Depreciation incurred on durable lab and x-ray equipment. For example, a Piccolo machine or x-ray processor. May also include financing costs and/or lease expenses on non-owned equipment.

Professional Services

- **Radiology Over-Read** For x-ray includes fees paid to consulting radiologist for over-read services that are paid by the center. For lab includes fees paid to a reference laboratory for send-out labs that are paid by the center.
- **Send-out Labs** When a lab tech or x-ray tech is employed, this includes his/her hourly rate, overtime, paid vacation, payroll taxes, health/dental insurance, retirement funding and other expenses of employment. When other employees—such as medical assistants assigned to other tasks—assumptions could include an allocation of these employee's loaded costs based on time spent in x-ray and lab-related tasks.
- Technician Salary, Taxes and Benefits** Assumptions could be made as to the amount of the center's square footage dedicated to lab and/or x-ray, the pro-rata share (based on square footage) of utilities and other occupancy costs, the share (based on percent of collections) of billing and IT services, etc.
- Share of Rent and General Overhead, Cost of Billing and IT Services** Assumptions could be made as to the amount of physician time that is spent on lab and/or x-ray related tasks, typically based on the percentage of revenues or revenue units that are lab and/or x-ray related.
- Physician Time and Revenue-Based Incentives**

Direct revenue—net collections on CPT codes directly attributable to lab and x-ray services—as well as the direct costs of supplies, equipment, professional services and personnel—should be fairly easy to identify using the center's billing and accounting systems. The challenge comes in understanding lab and x-ray's share of indirect revenue—especially flat rate visits that would not have been served if lab and x-ray were not available—and indirect costs, such as lab and x-ray's share of general overhead, physician time and cost of billing and IT services. The accuracy of the financial analysis is dependent on the amount of detail that goes into its assumptions.

Ways to Control X-Ray and Laboratory Expenses

Manage Staffing Costs: Center staffing costs may be determined by state laws requiring the use of radiologic technologists (RTs), who are trained in more advanced radiological procedures than what typically occurs in urgent care centers. In states that allow it, a medical assistant with a basic or limited x-ray machine operator's certificate can capture most of the extremity, arm, leg and chest x-rays needed in an urgent care center but at a much lesser loaded salary expense. In centers with low volume—either in start-up phase or during slow hours—physicians have also been known to take their own x-rays, eliminating the need for a staff position. If a center is required to have an RT but has insufficient x-ray demand to keep that RT productive during all hours of operation, the RT should be cross-trained as a medical assistant or front office specialist. Otherwise the personnel cost of the RT will likely wipe out any profit potential of the x-ray program. The same logic can be applied to the employment of a laboratory technician, although lab techs are not commonly found in urgent care centers.

Control Reference Laboratory Utilization: Urgent care centers typically perform CLIA-waived pregnancy, strep, glucose, mono and urine dip tests on-site and collect specimens for all other tests to be sent to a reference laboratory. Typical send-out tests include urine culture, complete blood counts, comprehensive metabolic panels, GC/Chlamydia cultures, wound cultures, throat cultures, Thyroid panels, H Pylori, and Amylase/Lipase blood tests.

Depending on the payer, the urgent care center may bill for the collection and test, with the urgent care paying the reference lab's fee. The difference between what the center collects and the processing fees it pays is its profit. Clearly the urgent care operator should understand what the center is collecting versus what it's paying to determine whether there are any money-losing tests that could be avoided.

Alternatively, the center may bill only for the collection, with the reference laboratory billing the patient or insurance directly for the actual test. In fact, some insurance companies mandate their members' samples be sent to the payer's designated lab. When this occurs, not only is the patient inconvenienced with multiple bills but the lab revenue is realized by the reference laboratory rather than the urgent care center. This arrangement typically results in less margin for the urgent care center and because the center cannot control the reference

laboratory's pricing—there is no transparency to providers and patients as to the cost of lab tests, the center is unable to quote the price of lab tests to self-pay patients, and patients who are dissatisfied with the reference laboratory's billing/collections practice will likely place blame with the urgent care center.

Develop a Comprehensive X-Ray Over-read Policy: X-ray billing and profitability is also determined by over-read practices. Every urgent care that provides x-ray should have a policy for over-read. Practices range from no outside radiologist utilized, to selective over-read of non-extremity and pediatric x-rays, to over-read of all x-rays. Over-read is typically for "confirmation" and not "diagnosis." Billing arrangements include:

The urgent care center bills the technical component (modifier -TC) and the consulting radiologist bills the professional component (modifier -26) of the x-ray.

The urgent care bills for the x-ray and the consulting radiologist is paid a fixed fee per over-read (or is employed on a full or part-time salary basis) by the urgent care, with costs absorbed by the urgent care center's overhead.

o The radiology function is controlled and billed by the radiology group (typical in multi-specialty or hospital operated facilities).

An over-read policy that is overly broad, or over-read fees that are too high, can wipe out the center's profit on its x-ray program. Especially when providers rely heavily on "STAT" reads for diagnosis, with the availability of such leading to increased utilization by providers. Key is to balance the objectives of providing quality medical care, controlling professional liability, and assuring x-ray is economically feasible to offer in the center.

Conclusion

The availability of on-site lab and x-ray services differentiates urgent care centers from walk-in primary care practices, retail health clinics and other delivery channels and is essential to the accurate diagnosis and treatment of patients. However, as with any service, lab and x-ray need to contribute positively to the center's bottom line if the center is to continue offering these services in the future. The shift from fee-for-service to case rate reimbursement makes it increasingly difficult for centers to recoup the cost of lab and x-ray. Therefore, it's more important than ever for the urgent care operator to understand the economics of these services. Performing a financial analysis of lab and x-ray services can provide insights that influence provider utilization, staffing models and clinical best practices.

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