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AHRA is the premier association for imaging professionals. Since 1973, the organization has led the industry in information, education, and professional support. Its programs—including its journal, Radiology Management; conferences; publications; and annual meeting and exposition—establish standards of excellence throughout the profession. In addition, AHRA’s Certified Radiology Administrator (CRA) program is the first and only professional credential tailored specifically for radiology administrators. The CRA is designed to elevate professional standards, enhance individual performance, and recognize administrators who demonstrate knowledge essential to the practice of radiology management. The AHRA Education Foundation supports the membership and radiology professionals in the US and abroad by granting scholarships and conducting research that enhance the effectiveness of imaging and healthcare disciplines.

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*Financial Management in Radiology*
Acknowledgments

A project of this magnitude succeeds only because of the many people who have given their time and talents to ensure that a quality product is made available to AHRA members. We would especially like to thank Agfa HealthCare for their generous gift to help this resource become a reality. We would also like to thank those members who became authors, on both the first edition and this second edition, offering their knowledge and expertise as they wrote and rewrote content. In addition to the authors, we would also like to thank those who reviewed various drafts and gave as invaluable feedback. Finally, we would like to thank the AHRA staff, especially Deb Murphy, for their hard work, dedication, and gentle reminders of deadlines for all they have done to make this project happen. We could not have done it without you.

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Introduction

Since the inception of the Certified Radiology Administrator (CRA) credential in 2002, AHRA: The Association for Medical Imaging Management, the preeminent organization for leaders in medical imaging management, has strived to develop educational materials in support of the exam. The AHRA Professional Development book series covers all the domains of the CRA exam: Financial Management in Radiology, Operations Management in Radiology, Communication & Information Management in Radiology, Human Resource Management in Radiology, and Asset Management in Radiology. The first edition of the finance book was produced in 2004 and this second edition continues the tradition of addressing material in depth to aid the continuing education of the imaging administrator. With a healthcare climate that is ever changing, updating the material to be more in line with current practices was necessary to keep those in the industry positioned to be the best leaders possible.

The authors and reviewers of this book represent a cross section of today’s imaging profession, including academic medical centers, community and rural hospitals, freestanding imaging centers, and private enterprise. This range of experience allows a broad perspective of ideas and expertise.

In Part 1, Fundamentals, the focus is on understanding financial statements and the standards that guide financial reporting.

In Part 2, Revenue Generation, payment sources, pricing and contracting, maximizing reimbursement, and collection are addressed.

In Part 3, Cost Controls, budgeting options and strategies are reviewed, with examples and means of measuring productivity discussed.

In Part 4, Future Planning, aspects of equipment selection and new business development are laid out.

In Part 5, Compliance and Ethics, staying on the right side of the law by using corporate compliance planning and resolving ethical dilemmas is addressed.
As the healthcare delivery and payment system continues to evolve with new payment and reimbursement structures, knowledge and understanding of these changes will be paramount to being a successful manager of limited financial resources. Ever present pressures to manage healthcare costs will mount, and it’s critical for imaging administrators to develop expertise in financial management of the services they provide. *Financial Management in Radiology, second edition,* is an important resource in an imaging leader’s tool kit and an invaluable reference over time.

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Abbreviations

AAG-HCO  Audit and Accounting Guide for Health Care Organizations
ABC  activity-based costing
ABN  Advance Beneficiary Notice of Noncoverage
ACA  Affordable Care Act
ACO  accountable care organization
AFDC  Aid to Families with Dependent Children
AHA  American Hospital Association
AICPA  American Institute of Certified Public Accountants
AMA  American Medical Association
APC  ambulatory payment classification
AWP  average wholesale price
BBA  Balanced Budget Act
CAC  Carrier Advisory Committee
CCI  Correct Coding Initiative
CDM  charge description master
CDML  CDM line item number
CF  conversion factor
CMD  contractor medical director
CMHC  community mental health center
CMS  Centers for Medicare and Medicaid Services
CON  certificate of need
COP  Conditions of Participation
CPA  certified public accountant
CPOE  computerized physician order entry
CPT  Current Procedural Terminology
CR  computed radiography
CRA  certified radiology administrator
DME  durable medical equipment
DMEPOS  durable medical equipment, prosthetics, orthotics, and supplies
DOJ  Department of Justice
DR  digital radiography
DRG  diagnosis-related group
EBIDA  earnings before deductions for interest, depreciation, and amortization
EBITDA  earnings before deductions for interest, taxes, depreciation, and amortization
EHR  electronic health record
EMR  electronic medical record
EOB  explanation of benefits
EPO  exclusive provider organization
FCA  False Claims Act
FDA  Food and Drug Administration
FI  fiscal intermediary
FICA  Federal Insurance Contributions Act
FMAP  Federal Medical Assistance Percentage
FQHC  federally qualified health center
FTC  Federal Trade Commission
FTE  full-time equivalent
GAAP  Generally Accepted Accounting Principles
GPCI  Geographic Practice Cost Index
HCFA  Health Care Financing Administration
HCPCS  Healthcare Common Procedure Coding
HCPCS  Healthcare Common Procedure Coding System
HEW  Department of Health, Education, and Welfare
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHS</td>
<td>Department of Health and Human Services</td>
</tr>
<tr>
<td>HIM</td>
<td>Healthcare information management</td>
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<tr>
<td>HIPAA</td>
<td>Health Insurance Portability and Accountability Act</td>
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<tr>
<td>HMO</td>
<td>Health maintenance organization</td>
</tr>
<tr>
<td>HOPPS</td>
<td>(OPPS) Hospital Outpatient Prospective Payment System</td>
</tr>
<tr>
<td>ICD</td>
<td>International Classification of Diseases</td>
</tr>
<tr>
<td>ICD-10</td>
<td>International Classification of Diseases, 10th Revision</td>
</tr>
<tr>
<td>ICD-10-CM</td>
<td>International Classification of Diseases, 10th Revision, Clinical Modification</td>
</tr>
<tr>
<td>ICD-10-PCS</td>
<td>International Classification of Diseases, 10th Revision, Procedure Coding System</td>
</tr>
<tr>
<td>ICD-9</td>
<td>International Classification of Diseases, 9th Revision</td>
</tr>
<tr>
<td>ICD-9-CM</td>
<td>International Classification of Diseases, 9th Revision, Clinical Modification</td>
</tr>
<tr>
<td>IDTF</td>
<td>Independent diagnostic testing facility</td>
</tr>
<tr>
<td>IPPS</td>
<td>Inpatient Prospective Payment System</td>
</tr>
<tr>
<td>IS</td>
<td>Information systems</td>
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<tr>
<td>IT</td>
<td>Information technology</td>
</tr>
<tr>
<td>IVP</td>
<td>Intravenous pyelography</td>
</tr>
<tr>
<td>LCD</td>
<td>Local Coverage Determination</td>
</tr>
<tr>
<td>LMRPs</td>
<td>Local medical review polices</td>
</tr>
<tr>
<td>MAC</td>
<td>Medicare Administrative Contractor</td>
</tr>
<tr>
<td>MCAC</td>
<td>Medicare Coverage Advisory Committee</td>
</tr>
<tr>
<td>MCO</td>
<td>Managed care organization</td>
</tr>
<tr>
<td>MedPAC</td>
<td>Medicare Payment Advisory Commission</td>
</tr>
<tr>
<td>MEI</td>
<td>Medicare Economic Index</td>
</tr>
<tr>
<td>MMA</td>
<td>Medicare Modernization Act</td>
</tr>
<tr>
<td>MPFS</td>
<td>Medicare Physician Fee Schedule</td>
</tr>
<tr>
<td>MPPR</td>
<td>Multiple Procedure Payment Reduction</td>
</tr>
<tr>
<td>MSA</td>
<td>Medicare Medical Savings Account</td>
</tr>
<tr>
<td>MS-DRG</td>
<td>Medicare Severity Diagnosis-Related Group</td>
</tr>
<tr>
<td>NCCP</td>
<td>National Correct Coding Policy</td>
</tr>
<tr>
<td>NCD</td>
<td>National Coverage Determination</td>
</tr>
<tr>
<td>NDC</td>
<td>National Drug Code</td>
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<tr>
<td>NPV</td>
<td>Net present value</td>
</tr>
<tr>
<td>OCE</td>
<td>Outpatient Code Editor</td>
</tr>
<tr>
<td>OIG</td>
<td>Office of the Inspector General</td>
</tr>
<tr>
<td>PE</td>
<td>Practice expense</td>
</tr>
<tr>
<td>PFD</td>
<td>Personal, fatigue, and delay</td>
</tr>
<tr>
<td>PHI</td>
<td>Protected health information</td>
</tr>
<tr>
<td>PMPM</td>
<td>Per-member-per-month</td>
</tr>
<tr>
<td>PPO</td>
<td>Preferred provider organization</td>
</tr>
<tr>
<td>PTO</td>
<td>Paid time off</td>
</tr>
<tr>
<td>RAC</td>
<td>Medicare Recovery Audit Contractor Program; recovery audit contractor</td>
</tr>
<tr>
<td>RBRVS</td>
<td>Resource-Based Relative Value Scale</td>
</tr>
<tr>
<td>RIS</td>
<td>Radiology information system</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on equity</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on investment</td>
</tr>
<tr>
<td>RVU</td>
<td>Relative value unit</td>
</tr>
<tr>
<td>S&amp;I</td>
<td>Supervision and interpretation</td>
</tr>
<tr>
<td>SGR</td>
<td>Sustainable growth rate</td>
</tr>
<tr>
<td>SI</td>
<td>Statistical indicator</td>
</tr>
<tr>
<td>SSI</td>
<td>Supplemental Security Income</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, weaknesses, opportunities, and threats</td>
</tr>
<tr>
<td>TANF</td>
<td>Temporary Assistance for Needy Families</td>
</tr>
<tr>
<td>TOWS</td>
<td>Threats, opportunities, weaknesses, and strengths</td>
</tr>
<tr>
<td>TPA</td>
<td>Third-party administrator</td>
</tr>
<tr>
<td>UAF</td>
<td>Update Adjustment Factor</td>
</tr>
<tr>
<td>ZBB</td>
<td>Zero-based budgeting</td>
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</tbody>
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