Webinar Transcript

Managing Financial Complexity: Synchronizing Revenue Cycle and Finance Teams

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Andy Haskins (Slide 3)

Although the healthcare industry has made strides in leveraging technology to streamline many clinical and financial operations, there are still many pockets of cumbersome and error-prone manual processes.

Although heavy investment has been made by organizations, healthcare cost to collect % remains high and is often increasing.

Today review a few current challenges that are critical to understand in our environment

And Susan and I will share strategies used to overcome them in order to meet critical KPIs:

- Days AR
- Days Cash on hand
- Cost to collect

But first I want to let Susan introduce LMH Health.

Susan May (Slide 4)

I joined LMH Health almost two years ago.

- LMH Health is a 174-bed, community-owned, not-for-profit hospital that serves the healthcare needs of the Lawrence, Kansas, Douglas County and the surrounding communities.
- Founded in 1921, LMH has expanded to include the hospital, new medical clinic, primary and specialty care practices, and the future LMH Health West Campus.
- LMH Health was ranked 6 times among the 100 Great Community Hospitals by Becker's Hospital Review from 2013 to 2018.
- Additionally, Hospitals and Health Networks named LMH one of Health Care's Most Wired Hospitals 7 consecutive years from 2011 to 2017.
- We are currently in process of Revenue Cycle system conversion

At the time I accepted my position, it was with the knowledge that we would be implementing a new patient accounting system. As crazy as it may sound, I was excited to be a part of the implementation. Having gone through a system conversion in the past, I knew it would require every current process be evaluated to identify opportunities for improvement.

Andy (Slide 5)

Billers & Posting teams face many unique challenges that can slow down their processes.

Remittance processes, including matching/reconciliation prior to posting, manual & electronic posting and correspondence can be very manual and time consuming.

The cause for these processes often comes from outside sources.

Insurance payers are up to their old tricks, just with new forms… Cutting into your margins or slowing down payments

This is no longer new – but still time consuming and costly: payer credit cards

Once organizations have this under control, and then new payers join list. It takes significant time and effort to stay on top of it.

TPAs are now charging for ACH Payments. If you haven't seen those, talk to someone in finance, you are likely getting a bill for those ACH payments.

Many of these TPAs send credit cards and essentially handcuffing healthcare organizations. Saying either pay the slightly less fee for an ACH or stay on credit card.

Reverting back to check: slows payment (checks cut, mailed, deposited, etc.) – keep the float

On the patient side, patients on becoming savvy consumers… multiple factors lead up to this. The average patient age is decreasing, media is pushing for us as patients to get involved, and then obviously higher deductibles across the board. This results in high patient days AR.

Chances are if your organization is not in acquisition mode or considering it… you are a target. So when a merger happens there needs to be a drive for centralization. Often times the process outside of the EMR and the GL take a back seat. Results in reduced efficiency and manual processes.

New system implementations or conversions require process and technology automation to minimize additional manual steps.

Andy (Slide 7)

When I speak with healthcare finance leaders a typical question I ask is, what percentage of your remittances are electronic?

It is a good measurement but doesn't tell the whole story.

More relevant question is, what percentage of time do your posters spend actually posting? And, who else, whether it is IT or finance, is also involved before the remit is posted?

So how do we reduce the manual processes?

The best way is a clearly defined enrollment strategy… which requires data.

- What where your last month's highest EOB submitters?
- What where your last month's highest payers that paid by check?

- What where your last month's highest payers that paid by credit card?

This information is required for your strategy so you can enroll your highest violators.

This requires a dedicated resource because enrollment is not easy. And when you reach peak enrollment, if you move on to other priorities, you regress.

A subset of this is monitoring how you get paid, and how much that is costing you. What is your true cost to collect.

Important to note the difference between enrollment and conversion.

Many organizations work with partners that convert. Which is use scanning technology to pull data off an EOB to create an 835 or ERA (light).

While the technology is exciting, it is reliant on the data coming in from the EOB, which can be missing elements, creating a need for manual intervention

Even if conversion works perfectly, it does not tackle the core issue… receiving EOBs/Checks in the mail which is slower. Slow payments, slower posting, higher days AR, lower cash on hand.

For this reason, enrollment is preferred as the primary way for efficiency. Conversion is a secondary policy.

So, have you ever heard, why don't you just post the cash?

Sounds easy right?

For the vast majority of organizations, it is critical to match the payment received before you post.

So how do you match payments to 835s?

Stop me if you have heard this process before.

Someone from Finance comes into the office in the morning and opens the bank website, looks at the ACH payments from the day before. They open a spreadsheet from the shared drive and copies those ACH payments and pastes them into a new tab and saves the spreadsheet.

Then someone in revenue cycle opens up the shared spreadsheet and looks at those ACH payments and then goes into the revenue cycle system or clearing house for those 835s. Once thy find those 835s there is probably some color coordination that takes place in the spreadsheet.

It is very typical, about 90% to 95% of healthcare organizations.

So you've done all the work to get to a high level of enrollment. You have 835s coming in, but you are stopping to review each one.

This is a touch all process.

There is a better option. Use the TRN (claim) data in the payments to auto match. Hold 835s until payment comes in, then push to your revenue cycle system.

This streamlines your process and reduces the manual work.

To summarize… you need to reduce your paper volume. Be that in a lockbox or your billing office.

It is critical to find a banking partner that will help you do it. Although in banking it is counterintuitive because you are reducing your volume, but it is the only way to utilize some of the automation processes.

Your organic growth depends on a cost sustainment process. We'll cover M&A later.

Andy (Slide 8)

Susan, I know LMH faced many of these challenges when aligning your payment posting and reconciliation processes. Could you tell us, what got you started on this journey?

Susan

Of course! As the new director, it was very important for me to understands the operations of the department. This included understanding:

- The Workflows
- The current patient accounting system
- Staffing needs

In evaluating our current lockbox workflow, we found many manual processes and inefficiencies.

- Lockbox received correspondence, EOBs, insurance payments, and patient payments.
- The correspondence, EOBs and credit card payments were packaged up and mailed to the facility overnight.
- Patient Accounting staff would sort, stamp and scan those documents into imaging system
- Credit card payments were manually processed
- Correspondence was delivered to the staff for action

This process was taking approximately 48 hours per week to complete.

I contacted you, Andy, as our lockbox vendor and asked how we could do better.

Andy

Susan, how has payment automation helped LMH improve its processes?

Susan

All correspondence and EOBs are now scanned into our lockbox portal and no longer mailed to the hospital, which reduced shipping and scanning costs. We reduced patient accounting staff time in processing correspondence and credit card payments from 48 hours to just over 22 hours per week.

By leveraging payment automation, we reduced manual insurance claim processing by preparing payments for posting and reconciling them to our financial general ledger. It created efficiencies in

patient accounting workflow, limited manual tasks and decreased paper remittances from payers, allowing us to shrink processing time, curb costs and lower error rates.

Andy

Susan, as I mentioned earlier, managing credit card payments is a common challenge providers are facing. Was this an issue? Was this is a challenge for you at LMH Health.

Susan

It was an issue for us. In fact a controller came to my office and said she was moving the banking fees from her budget to mine because she felt she didn't have any control over it.

We have seen a significant increase in insurance companies paying claims with credit cards. The fees associated with the credit card payments increase our cost to collect. With this solution CommerceHealthcare® identifies the payers that are paying with a credit card and then they enroll them into the EFT. So our staff doesn't have to manage it.

Last summer we had one payer go from no credit card fees to more than $500,000 in one month. Commerce identified this payer and quickly got us back to ACHs.

Andy

This is just another factor of calculating your cost to collect.

You have also been able to leverage the technology to help prepare for a new patient accounting system. We are going to touch on that a little bit later in the presentation.

But before we move on. Have you had any other major initiatives over the past year?

Susan

Yes. In preparation for the system conversion we have looked at many processes. We have brought on a new bad debt vendor with significant savings in contingency fees. We also brought on a new eligibility vendor. This was a very recent change, but the numbers are showing positive results with higher rate on Medicaid conversion.

We expect to see higher efficiency with the new patient accounting system. We are looking at all roles within Patient Accounts. We want to focus more on patient facing activities such as price estimations, face-to-face financial counseling at the time of service.

Andy (Slide 10)

Tackling insurance payers is the beginning. Once perfected…the focus moves to patient responsibility.

Consumerism & Patient Satisfaction is at the top of all HC executive lists. Whether that be during procurement processes or during system/process implementations, having the patient in mind is more critical now than ever.

This is a good thing. Most of us are patients. And if we are not the patient, we are guarantors, or trusted advisors to family and friends. (Because we're in the business…so we get it.)

As deductibles increase, so do patient questions and expectations.

To avoid payment delays or worse, non-payments, it is critical to perfect front end discussions/collection focus and reduce collection times and associated fees on the backend.

So, on the front end we are talking about point of service collections, technologies and processing.

And from the back end, how are you collecting from the patient after insurance responsibilities have been adjudicated?

Are you collecting in house? Are you using a vendor? Or perhaps something in between with payment plans.

If collecting in house, what are the statement fees, personnel follow up fees, and what is the reduced percentage chance for collection?

If using an early out vendor, when do you send? Day 0 or 1? Is your organization paying for low hanging fruit?

And if you are using payment plans, are you using a plan to cover the easy stuff… the patients who can and want to pay? Are you streamlining the impossible stuff… patients who can't or don't want to pay?

Susan, how is LMH tackling this increasing difficult task?

Susan

We are not currently outsourcing to an early out. We are carrying that within.

We do offer payment plans. We just extended them to 18 months. After 18 months we do use a vendor who will do the patient financing, but that is with interest and so not maybe the most ideal situation. But it does give the patient more options.

Here at LMH we are really focused on give patients flexibility and meeting their financial needs.

Yesterday CMS announced their new requirements related to price transparency. We have already started looking at solutions for that, having patient facing estimates where they can put in procedure and payer information, which will give them real time out of pocket estimation.

We are looking at other patient financing options. There are a lot of services out there. We currently use one, but it is important to always check and see if there is a better option for our patients.

Andy (Slide 11)

Here is a snapshot of client who uses our patient financing services.

Before they used our patient financing option, they were offering an internal plan from 6 months to 3 years.

After about 6 months you are really funding your own AR and that means you are losing out on your ability to utilize your own capital.

Not to mention how much effort and time is spent for your team to follow-up with patients. How much are you spending on statements?

There are a lot hard and soft costs tied up in it.

This particular client decided to offer patients a zero percent interest rate up to three years.

There is a high adoption with more than 7,200 patients enrolled. What they found is only 8% of those balances are returning and going to collections. So, they have a much higher rate of collection then they did before.

It also means no more follow up, no more statements from a back-end perspective.

And from a finance, capital perspective, up front funding every 14 days.

Andy (Slide 13)

Maximizing capital is critical. Access to collect it has challenges. In M&A especially

During a Merger or an Acquisition, once agreement complete, and teams combine…

There are common goals across revenue cycle and finance.

- Achieving Standardization – Across all organizations
- Controlling costs - creating a cost structure across technology and personnel

Too often organizations spend most of their time on EMR. The acquired organization is rolled into an existing Tax ID creating a shell of a structure.

But it is not implemented down all the way through. Not combining bank accounts or lockboxes.

This could be because of competing priorities or implementation fatigue.

Or from a finance perspective, it could be intentional. You may want to keep a separate organization for finance.

But keeping a separate structure under the shell isn't always the more effective and creates a lot of manual work and processes.

Andy (Slide 14)

Example of a client that had a broken structure resulting from a lot of mergers.

The blue lines represent data across all of their inputs and outputs. (patients and payers)

They had three banks, one primarily for patient payments, one for insurance payments, and one from an old acquired organization.

They also had multiple clearinghouses

Here's the point, there was multiple places to go to get that information making it very difficult, not just on the posting side, but from a financing side.

They had a fragmented enrollment process where one vendor enrolled 835s and client enrolled checks… leading to missing 835s forcing multiple daily website views to pull missing 835s.

Andy (Slide 15)

Here is how we simplified it…

Combined all of their bank accounts and lockboxes to a one to one to their 10 tax ids.

Streamlined both the needs of revenue cycle and finance… rolled up their tax ids from old legacy accounts into one.

Critical they had a partner who integrated with their EMRs and bridge the finance and revenue cycle departments.

Lead with your lending institution and often times treasury follows. If revenue cycle is not involved your just going to get what every process that organization has.

More and more revenue cycle leaders are getting involved in decision-making on having a primary payment bank that could be separate from their primary lending bank.

Andy (slide 17)

Process implementation post M&A & Implementations have same desired effects:

- Uniformity
- Simplicity
- Cost reductions

During a conversion there is unfortunately a need for increased data intervention, impacting an already strapped Posting & IT teams.

So how to you minimize the extra burden?

Engage in the technology processes we discussed earlier (enrollment, credit card elimination, auto-reconciliation) as a part of the process.

We typically suggest engaging in a process 9-12 months prior to the estimated conversion date.

Susan, could you share how LMH is approaching system conversions?

Susan

Having gone through previous conversions, I understood the difficultly of posting payments for claims created in two different systems.

CommerceHealthcare is able to segregate our new and legacy payment data in comingled remittances, reducing error and smoothing the overall system implementation process.

Through general ledger and cash posting reporting, we can now monitor old and new accounts receivable without having to spend staff resources determining which payments go where. Innovative splitting technology generates posting files for both systems and then reconciliation reports tell the organization where the money belongs.

Andy

The Key to segregate remittances is to ensure that this happens after they are auto-reconciled with their payments.

If you segregate first, this doubles the matching work and double the searching,

Also, comingled remits are easier to segregate if they're in an electric form

Andy (Slide 18)

Strive to move from a "touch every to touch by exception" mentality

- This is in every aspect of your "pre-posting process"

Most have core EMR/Revenue Cycle/ERP systems in place or going there in the next few years

Review workflows across finance/revenue cycle (both dollar and data) to find gaps and pain points

Many archaic processes exist and there are savings to be had

Set a strategy and find trusted partner to conquer.