Healthcare Reform and the Impact on A/R Performance: Buy or Build?

October, 2012

Jeff Porter, Business Development
Is This Your Patient?! 

While trying to figure out if insurance would cover her medical bills, Flo's mind wandered to simpler topics like quantum physics.
## Agenda

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Health Care Reform

What We Know

- Largest overhaul since ‘Care and ‘Caid in 1965
- Law calls for:
  - Insurance industry reform
  - Mandates coverage for most Americans
  - Creates more insurance options
  - Expands Medicaid

Source: “The Essentials of Healthcare Reform”, Sarah Densmoore,
Despite Health Care Reform and Its Unknown Implications

The patient is still experiencing…

- Shift to high-deductible consumer directed health plans
  (2009 = 7%; 2013 proj. 19% (2012 = 17%). Avg. $1,200 vs. $2,400 deductible).
  Source: National Business Group on Health, October 2012

- Increased out-of-pocket maximums

- Increased share of premium costs

- Cutting back / delaying medical care

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What Will Employers Do?

I'll drop health coverage for my employees, pay a small fine and save millions!

Who says Obamacare isn't cost-effective?
17.9% of U.S. GDP was spent on healthcare in 2010
Healthcare is of growing importance on U.S. economy – S&P Dow Jones Indices replaced Kraft Foods with UnitedHealthcare
Pressure to bring down healthcare costs as a result of an aging population
Extra spending isn’t resulting in longer life expectancies in U.S.

Source: Reuters, September 23, 2012
Hospital Margins Continue to Fall

- 750 hospitals studied for 6 years
- Hospitals included: major teaching; teaching; large, medium and small community
- All hospitals in the study had margins between 2.9% and 6.8%
- Major teaching hospitals had the highest profit margins
- Medium community hospitals struggled the most

Source: Thompson Reuters Action Database 2012
Cumulative Increases in Health Insurance Premiums, Workers’ Contributions to Premiums, Inflation, and Workers’ Earnings, 2000-2010

Every Year Since 2000:

- Premiums increased between 3 - 13%
- Earnings increased between 2 - 4%
- Workers’ contribution: inflation = 5.4x
- Workers’ contribution: earnings = 4.1x

Notes: Health insurance premiums and worker contributions are for family premiums based on a family of four.

What Does This Mean to Your Business?

Challenges…

**Industry**
- Stress from the unknown
- Increased burden on patient
- Higher deductibles / co-pays

**Financial**
- Increasing cost to collect
- Cost shift to front-end focus
- Costly technology

**Business Office**
- Need to do more with less
- New billing requirements/carriers
- Large shift/volumes to balance after insurance
- Costly hiring, training, re-hiring
- Reporting, processes

**Technology**
- Multiple systems / platforms
- System conversions
- Data is not information
Factors You Are Faced With…

What’s Your Best Path to Meet the Challenges?

- Identify cost to collect
- Opportunity costs: what is going untouched?
- Staffing, training, turnover, re-training
- Tools: Charity Care / Scoring / Segmenting
- Workflow technology to handle volume and increase efficiencies
- Reporting requirements
## Are You Measuring Outcomes?

<table>
<thead>
<tr>
<th>Description</th>
<th>Measurement</th>
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<tbody>
<tr>
<td>Medical Records</td>
<td>Days</td>
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<tr>
<td>Corrected Codes</td>
<td>Days</td>
</tr>
<tr>
<td>System Up Time</td>
<td>%</td>
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<tr>
<td>Front-end Accuracy</td>
<td>%</td>
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<tr>
<td>DNFB</td>
<td>Days</td>
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<tr>
<td>Billing</td>
<td>Days</td>
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<tr>
<td>Cash Posting</td>
<td>Days</td>
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<tr>
<td>Credit Balances</td>
<td>Days</td>
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<tr>
<td>Late Charges</td>
<td>Days</td>
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<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Cash as % of NPR</td>
<td>%</td>
</tr>
<tr>
<td>Full Adjudication</td>
<td>%</td>
</tr>
<tr>
<td>Rebilling</td>
<td>Days</td>
</tr>
<tr>
<td>% of AR Greater than 90%</td>
<td>%</td>
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<tr>
<td>Bad Debt Write Off</td>
<td>%</td>
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<tr>
<td>Denial Rate</td>
<td>%</td>
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<tr>
<td>AR Follow-up by FC</td>
<td>Days</td>
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<tr>
<td>Feedback Loop</td>
<td>Monthly</td>
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<tr>
<td>Call Center Complaint Rate</td>
<td>%</td>
</tr>
<tr>
<td>Call Center Answer Rate</td>
<td>Minutes</td>
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<tr>
<td>Call Center Wait Times</td>
<td>Minutes</td>
</tr>
<tr>
<td>Call Center Hold Times</td>
<td>Seconds</td>
</tr>
<tr>
<td>Call Center Abandon Rate</td>
<td>%</td>
</tr>
<tr>
<td>Staff Quality Assurance</td>
<td>Weekly</td>
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Crossroad: Buy or Build?

What is Your Cost to Collect?
- HR: Staffing, training, turnover, retraining
- Technology: IVR, predictive dialers, web portal
- Tools: Charity Care and workflow
- Reporting
- Space, utilities

Build (In-house)
- Hire or train existing staff
- Acquire or upgrade hardware and software (telephony, services, web applications, system integration)
- Opportunity cost on low hanging fruit (staff resources thinned?)
- Hard costs less? Soft costs more?

Buy (Outsource)
- Search vendors; RFP, ROI
- Go at-risk (i.e., performance-based)?
- Redeploy your staff to do other things core to your business
- Hard costs more? Soft costs less? What is your “net-back”?
What is HFMA Saying?

Developing and Keeping Top Revenue Cycle Talent

*Healthcare Finance Strategies* – October 17, 2012

- Demonstrate that **accountability** starts at the top
- **Culture** that prioritizes the revenue cycle – provide a clear vision for achieving high performance
- **Reward** those that excel – link advancement opportunity to achievement of revenue cycle goals
- **Specific, measurable, attainable, relevant, timely**
- **Incentive** payments to those that meet certain KPIs

Top 5 Takeaways from HFMA’s 2012 MAP Award Winners (*High Performance in Revenue Cycle*)
Taking the Right Approach in Outsourcing
August 2012 – **hfm Magazine**

**Strategies behind outsourcing:**
- Seizing improvement opportunities
- Remedying staffing inefficiencies
- Servicing noncore areas of hospital operations
- Accessing the latest clinical and business technologies
- Taking advantage of the benefits of outsourcing specialization
- Seizing investment opportunities

**Finding the right partner:**
- Seamless integration
- Deep and current experience
- Broad capacity
- Patient-centered orientation
- Cost considerations
- The right monitoring tools
- Running a pilot
- Systematic monitoring
What HFMA is Saying - *Buy or Build: Same Issues and Goals*

Patient-Friendly Collections: In-House Versus Outsourced

Sept 17, 2012 HFMA Patient Friendly Billing e-Bulletin

Cleveland Clinic and Integris

- Collecting patient $ is a delicate balance
- Must be patient-friendly/centered
- Patients do not distinguish between excellent care and collection post-service (must be seamless)

http://www.hfma.org/Publications/E-Bulletins/Patient-Friendly-Billing/Archives/2012/September/Patient-Friendly-Collections--In-House-Versus-Outsourced/
What HFMA is Saying - **Integris (Build)**

Patient-Friendly Collections: In-House Versus Outsourced

Sept 17, 2012 HFMA Patient Friendly Billing e-Bulletin

- **Goals:** Increase $ collected and improve patient experience
- Hired 6 additional staff and invested $400k in technology
- Paid for investment by 5th month; increased collections by over $350k/month
- **Why:** emergence of new technology and to improve patient-centered approach
- May not be for all – only if you can afford the technology, and recruit and train staff

www.hbcs.org
What HFMA is Saying - Cleveland Clinic (Buy)

Patient-Friendly Collections: In-House Versus Outsourced
Sept 17, 2012 HFMA Patient Friendly Billing e-Bulletin

- “Partner” vs. vendor approach
- Cheaper not always best; risky. Pay for “personal touch”.
- How it gets done…
  - 1. Evaluating Bids
  - 2. Negotiating Contracts
  - 3. Monitoring Performance (3 months and gone)
- “Patients First” principles adhered to by Partner
- Must meet the Clinic’s standards and values
What HFMA is Saying - Cleveland Clinic *(Buy)*

Patient-Friendly Collections: In-House Versus Outsourced

Sept 17, 2012 HFMA Patient Friendly Billing e-Bulletin

![Graph of Collection Agency Performance for Central (Since October 2011)]

Source: Cleveland Clinic

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To Buy is Not for All, But for Some…

- Collaborate with your partner; define your challenges
  - Share the risk – must be a balanced equation

- Acquire technology “off balance sheet”
  - IVR, web portal, scoring, workflow tools

- Extend your current business office resources
  - Manage the staffing flux – allow partner to become overflow

- Work together to
  - Accelerate cash collections
  - Improve reporting
  - Manage industry challenges
  - Control costs – internal and external
  - Maintain control – checks and balances
How Does it Work? You and Partner

Hospital Responsibilities
- Registration & Pos Cash Collections
- Financial Counseling
- Insurance Eligibility Verification
- Pre-reg & Pre-cert
- Scheduling

Partner Responsibilities
- Claim Editing Submission
- Insurance Follow-up
- Patient Billing & Collections
- Claim Adjudication
- Denial & Appeals Management
- Contract Management
- Patient Contact Center

Reporting & Analysis
Is This a Patient-Centric Approach?!
What’s Required, Whether Buy or Build?

Courtesy, Compassion and Respect

- When making any contact with the patient – smile!
- This may be the first time a patient has received a phone call from you or your outsource partner
- Accurate patient information (including your understanding of patient’s ability to pay) is a key to collecting payment
Things to Look For - Patient Facing *(Buy or Build)*

- Hospital-specific toll-free number
- 24/7 account access (web portal)
- Automated call distribution system
- Multi-lingual patient service representatives
- Predictive dialing/skills based routing
- Recorded calls for training and quality assurance
- Contact center reporting
- Interactive Voice Response (IVR)
- Real-time, online credit card processing
- Extended business hours
- Scoring technology (propensity to pay tools) and segmenting accounts to result in increased call resolution and identification of Charity Care
Who’s the Boss?!

“There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

-Sam Walton, Founder of Wal-Mart
“Draw a Line”…If Build

- **Revenue Cycle Management**: Do you have core competency?… Self pay follow-up; insurance billing and follow-up

- **Industry Experience**: Is in-house better for you vs. a partner exclusively in healthcare?

- **Charges Processed**: Is the amount of global $ handled by a partner an important metric or do you just care about your own AR?

- **Performance-Based**: Is your staff “just doing their job” good enough for you?

- **Tenured Staff**: What is average tenure of your RCM employees? Are they skills-based?

- **Customer Service**: What is incentive to collect? … quantity ($); quality (compassionate, sensitive/excellent record of patient satisfaction) or BOTH?

- **Technology**: What does it look like? Is IT developed in-house and innovative? Is there full integration with HIS systems? Are you ready for a conversion? Updated propensity to pay and scoring tools?

- **Communications to Patients**: What are strategies around unified, consistent patient outreach? … inbound and outbound calls, IVR, patient-friendly statements, web portal
“Draw a Line”… If Buy

- **Revenue Cycle Management:** Understand the core nature of the partner’s business...are they: Self pay follow-up; insurance billing and follow-up; full business office outsourcing, transitional business office staffing, bad debt, etc. – any or all?

- **Industry Experience:** Are they exclusively in healthcare? Does it matter to you? What experience with various HIS’s do they have (are they certified/credentialed if need be)?

- **Charges Processed:** Ask how much $X billion handled annually.

- **Performance-Based Pricing:** Will partner go at-risk and “put their money where their mouth is”?

- **Tenured Staff:** Are they US based? What is average tenure of RCM employees? Are they skills-based?

- **Customer Service:** What is incentive to collect… quantity ($); quality (compassionate, sensitive/excellent record of patient satisfaction) or BOTH?

- **Technology:** What does it look like? Is IT developed in-house and innovative? Do they offer propensity to pay and scoring tools? Is there full integration with HIS systems? Can they help with AR wind-down or full conversion to new HIS while your staff trains?

- **Communications to Patients:** What are strategies around unified, consistent patient outreach? … inbound and outbound calls, IVR, patient-friendly statements, web portal
Target Goal: Whether Buy or Build

After thorough discovery and research, improve your bottom line by leveraging technical and human resources through internal or external tools and services, resulting in increased business office stability and accelerated and increased revenues.
“An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.”

- Jack Welch, Former Chairman of General Electric
Thank You!

Questions?
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