

Kettering Health Network maximizes reimbursement and optimizes revenue cycle processes

Changing reimbursement models place more payment liability with the patient. At the same time, national health care reform ties patient satisfaction to Medicare reimbursement. For both of these reasons, health systems are recognizing the need to improve the accuracy and efficiency of up-front cash collections during patient registration, and to reduce billing rework later in the revenue cycle.

Like many health care providers under pressure to lower costs and enhance patient care, Kettering Health Network (Kettering), a not-for-profit network headquartered in Dayton, Ohio, was looking for ways to optimize revenue cycle processes and workflow and improve reimbursement accuracy.

Comprised of seven hospitals, eight emergency rooms and more than 75 outpatient facilities in Greater Dayton and Northern Cincinnati, Ohio, Kettering identified two areas of opportunity to improve revenue performance: collect underpaid accounts receivable from government payors and increase point-of-service (POS) collections through better patient estimates to mitigate bad debt.

The underpayment and POS collections challenge

Kettering recognized it was experiencing an increase in underpaid accounts receivable due to a legacy, out-of-date contract management system that hampered managing contract inventories and contract rate and payment schedule analysis. In addition, 55 percent of Kettering's revenue stemmed from Medicaid and Medicare patients, yet it lacked insight into government payor reimbursement rates because the legacy system's capabilities were focused on commercial payors—a large gap.

Bad debt also was increasing due to missed and late patient payments. Kettering's ongoing patient liability challenges, stemming from a heavy uninsured and under-insured patient mix, were made worse by a depressed national economy and increasing deductibles and co-pays. Sixty percent of patients paid accounts in full, while the remaining 40 percent paid only 5 percent of their bill. The costs of trying to collect grew over time as paper bills were mailed, calls were made, and collections agencies engaged.

"We needed a single partner that could help us increase our reimbursement accuracy on the front and back end," said Larry Zumstein, vice president, Revenue Management and Patient Accounts, Kettering Health Network. "We wanted a solution that would get us accurate, to the penny, patient bill estimates based on our payor contracts, especially with government contracts like Ohio Medicaid, which prices very differently than other states. We also needed a solution to help increase our POS collections."



\$40 million

in underpayments
identified in **7 years**
with more than
95% recovered

\$6.1 million increase
in upfront cash
collections in **year 2**

Revenue cycle solutions designed for sustainable success

Kettering launched an initiative to improve technology and processes, as well as position Kettering staff to take a more proactive approach to poorly performing contracts. nThrive's Contract Management was identified as a comprehensive solution that would help Kettering staff accurately forecast and capture all net revenue contractually owed to them and automate the entire contracting process. The automation gave staff the ability to calculate net accounts receivable at claim submission and identify accounts with suspected underpayments. To address Kettering's bad debt issue, the new contract management system also offered auto-generated reports on all payors—including Ohio Medicaid—to help Kettering monitor payor performance and quickly identify variances that warranted follow up. For example, Kettering was able to identify that the Ohio Medicaid HMO claims were not being paid correctly, something they had not identified previously. Online tools and letter templates to easily resubmit unpaid or underpaid claims helped simplify the collections process.

Kettering also selected nThrive's CarePricer® bill estimation solution to provide accurate, patient-friendly estimates at the point of access. CarePricer calculates patient out-of-pocket responsibility by leveraging payor contract information from nThrive's Contract Management and combining it with historic charges and patient benefits, enabling staff to provide accurate estimates. The paired solutions also made it easier for Kettering to work with self-pay patients by applying Kettering's self-pay policy stored in nThrive's Contract Management to offer an automated discount based on a patient's ability to pay. This discount also was applied to the account in the patient accounting system, eliminating manual adjustments and saving staff time. At Kettering, the staff of five that made the manual adjustments prior to implementing Contract Management were then freed up for higher priority tasks. Zumstein noted that quoting correct estimates and billing accurately according to patient's ability to pay improved patient satisfaction at Kettering. "It is important to patient satisfaction and patient relations to have a smooth billing process – where a lot of patient dissatisfaction occurs," said Zumstein.

Knowing that systems only serve to support people in the sensitive area of patient financial liability, Kettering also conducted staff training to help employees overcome reluctance to talk about payment responsibilities. The training promoted awareness among staff that most patients appreciate the opportunity to discuss financial responsibility before care is provided.

"The financial aspects of health care have become very complicated," said Zumstein. "We are very fortunate to have a revenue cycle management partner like nThrive so we can focus on serving our patients and our community. By engaging nThrive, we have been able to improve standardization, optimize revenue cycle performance and enhance high-level effectiveness in payor contract modeling and management."

System achieves significant positive financial outcomes

nThrive's CarePricer and Contract Management have been instrumental in helping Kettering to realize significant revenue, but these solutions have provided even greater advantages working together. Kettering has now set up a pre-registration team of financial counselors who are able to give patients more accurate treatment estimates in advance of the service based on Kettering's actual payor contracts.



nThrive's track record in improving financial performance coupled with the ability to integrate its revenue cycle solutions with Epic, our enterprise solution, provides the best practices and financial accuracy needed to help our organization realize sustainable, long-term success."

**LARRY ZUMSTEIN, VICE
PRESIDENT, REVENUE
MANAGEMENT AND PATIENT
ACCOUNTS, KETTERING
HEALTH NETWORK**

POS collections

Since Kettering started using CarePricer to proactively provide pre-service estimates, Kettering has seen a direct correlation to increased POS collections. In year two, the health system experienced a \$6.1 million increase in upfront cash collections from the prior year, with one-third to 50 percent of payments now collected at the point of service. Many patients who are informed during pre-registration of their estimated out-of-pocket expenses now bring a check already written for the correct amount. Kettering's new collection process also is reducing bad debt collection percentages since there are fewer dollars to collect. Since year two, the organization has had a continuous decrease in its bad debt and charity. In four years, Kettering has experienced an overall increase of more than \$36 million in upfront cash collections.

All of these operational efforts to improve POS collections also have increased patient satisfaction. Kettering patients receive accurate estimates in a timely fashion and engage with staff members who are better prepared to provide patient-specific benefits and payment options.

Underpayments

In the early stages of implementation, Kettering was able to capture 50 percent more in underpayments, representing \$3 million per year, which was yielded primarily from government payors not pursued previously. This was a significant boost to the bottom line given that the network had already incurred the patient care expense. In seven years, Kettering identified more than \$40 million in underpayments and recovered more than 95 percent of that amount.

"As we continue to grow to better serve our community, it is critical to have a proven and trusted partner for revenue cycle performance that can deliver results year after year so that we can focus on delivering quality care," said Zumstein. "nThrive's track record in improving financial performance coupled with the ability to integrate its revenue cycle solutions with Epic, our enterprise solution, provides the best practices and financial accuracy needed to help our organization realize sustainable, long-term success."



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