HEALTH CARE EXECUTIVE BRIEF

Patient financial clearance: when outsourcing makes strategic sense

Health systems are under tremendous margin pressure, a situation not expected to ease anytime soon. A Modern Healthcare study indicates that in just one year hospital margins dropped 14 percent from 2012 to 2013, falling from 3.6 percent to 3.1 percent.[1] In 2021, the typical hospital may see operating margins of 2.5 percent according to The Advisory Board predictions.[2] As expenses outpace revenue growth, hospital executives are looking at all options to cut costs and improve care.

by Angela Brown

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HackensackUMC Mountainside, a joint venture partner of LHP Hospital Group, Inc., found itself in this situation a few years back. Outsourcing allowed their health system to save money, streamline front-end processes, reduce rework and improve the patient experience.

Outsourcing: where and why

Outsourcing enhances health system performance, especially for functions that do not generate revenue or require face-to-face interaction with patients, such as purchased services and accounts receivable (A/R) collections. Certain parts of patient access also meet this criteria, including financial clearance. Financially clearing patients for payment involves obtaining insurance eligibility, verifying benefits; seeking payer authorization for services; calculating patient liability; collecting out-of-pocket expenses; providing financial counseling if needed; and identifying alternative payment sources. By outsourcing financial clearance to a centralized facility, your health system can save labor costs, streamline processes, gain valuable physical space, increase point of service (POS) collections, improve patient satisfaction and free up time for more strategic issues.

The benefits of financial clearance outsourcing are clear-cut for many health systems, especially when they compare their patient access results to industry benchmarks. Health systems with POS collections under 2 percent of net patient revenue, more than 4 percent claim denials and/or a net collection rate below 96 percent should consider financial clearance outsourcing. Another important benchmark is days out for scheduled procedures. Patients who receive less than three days' notice of their financial liabilities are often less likely to pay, putting the hospital at risk of collecting the amounts owed. McLanahan says cost to collect per account can also be telling.

Nine parameters to secure the best partner

Once your health system identifies financial clearance as a good outsourcing option, finding the right partner is the next step. Look for vendors who can integrate front-end functions such as financial clearance, with back-end processes to connect all the dots in the revenue cycle. This approach not only puts accountability for results on one vendor, it enables holistic solutions that optimize revenue.

Another strong consideration is technology compatibility. Vendors whose solutions are technology-neutral can work with your existing systems and even provide new insights and transparency to improve productivity. Vendor solutions not tied to a specific platform also offer more flexibility and opportunities for future expansion.

A key to outsourced financial clearance efficiency is a physical center of excellence where synergies and resources can be maximized. Health systems should look for vendor facilities equipped with the latest hardware and financial clearance programs, and staffed by quality teams with direct health system experience.

Ongoing training is also essential because of ever-changing insurance contracts, eligibility requirements and financial assistance programs. A consistent program of staff education, observation and call monitoring indicates a strong commitment to quality assurance.

Diligent vendors track, analyze and report on key performance indicators (KPIs) including days out for scheduled procedures, dropped calls, productivity, POS collections and quality by person and area, in real time. Other qualifications that your health system should look for are:

> Our first thought was to lower overhead by reducing payroll, which led us to outsourcing. We soon learned that outsourcing not only saved us money, it streamlined our front-end and back-end processes and improved the patient experience.
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> Prior to outsourcing, our cost to collect was too high.
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> For us, the training piece went beyond good content modules. We looked for leaders and mentors who could develop the financial clearance staff and make sure they delivered the patient experience Mountainside is known for.
>
> **MERVIN MCLANAHAN, EXECUTIVE DIRECTOR, LHP HOSPITAL GROUP**

- **Implementation speed.** An experienced vendor can assess your health system needs, learn processes and policies, and transition the financial clearance function within 30 days. Implementing technology as well as staffing should take no more than 90 days.
- **Licenses.** Credible financial clearance centers provide documentation of all applicable city, state and federal regulatory and licensing requirements.
- **Disaster recovery.** Only firms with a written disaster recovery plan and a reasonable downtime average should be considered.
- **Future capabilities development.** The pace of change in health care calls for vendors who continually enhance their services in response to the consumer-driven environment and Affordable Care Act trends.

THE BOTTOM LINE

There are many reasons to consider outsourcing your financial clearance function including patient satisfaction, improved efficiency, accelerated registration throughput and reduced cost to collect – but the key incentive is to protect and increase your margins.

Outsourcing financial clearance enables timely, accurate insurance verification and patient liability calculations to lower your health system risk and increase POS collections.

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Angela has more than 20 years of experience consulting hospitals in best practice revenue cycle management. She is responsible for leading client strategy and ensuring implementation and support satisfaction for revenue cycle outsourcing, safety net services and managed care services. Before joining nThrive, Angela served in multiple roles including: Revenue Cycle Director in a for-profit health system, Interim Hospital Leadership, Project Management for Information Systems, and Site leader for multi-facility projects incorporating integrated revenue cycle technology and operational services. Angela earned a Master's in Business Administration with a concentration in healthcare administration from the University of Phoenix.

1. "Fewer hospitals have positive margins as they face financial squeeze," Modern Healthcare, June 21, 2014.
2. "Assuming current course and compass, 2021 not so pleasant," The Advisory Board Company, accessed, December 10, 2015.