

Paid in full: A top capabilities checklist to build your best practice recovery and collections program



There has never been a more critical time for U.S. health care providers to adopt best practice capabilities when it comes to billing and payment. Reduced reimbursement levels from government and commercial payors, a more complex payor landscape, heightened scrutiny on compliance and the related elevated chances of audit risk are compelling hospital leaders to re-examine their current billing and collections processes.

All of these changes can lead to lengthened receivable (A/R) days, revenue leakage, lengthened collection cycles and reduced cash flow. At the same time, efforts to improve margins aren't just a defensive measure, they enable investment in improvements to succeed under health reform.

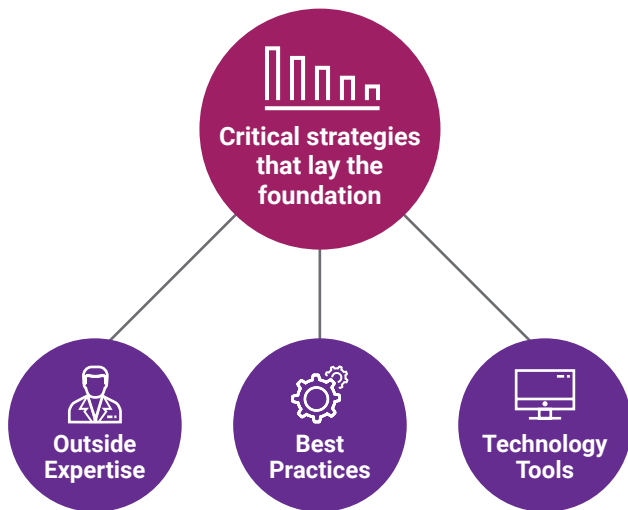
A robust recovery and collections program can include a broad range of activity, but there are three critical strategies that lay the foundation: **outside expertise, best practice processes and technology tools** to enhance compliance and validate payment accuracy with all payor types. To help you examine your current recovery and collections processes and business office functions, we offer you the top 15 capabilities of a best practice recovery and collections program.

Outside Expertise

Most hospitals already outsource strategic portions of their collections function to address underperforming segments of the A/R or augment limited staff resources, but the current market environment presents significant reasons to re-examine what is being outsourced.

According to Black Book Market Research's annual Satisfaction Survey of all revenue cycle management stakeholders, nearly half of the nation's hospitals plan on diving deep into full revenue cycle management outsourcing.

Top 15 Capabilities of a Best Practice Recovery and Collections Program



Outside Expertise

- 1 Staff experience
- 2 Value
- 3 Experience and client references
- 4 Rate structure and SLAs
- 5 Data
- 6 Benchmarks
- 7 Partnership
- 8 Proprietary technology

Best Practices

- 9 Denial management
- 10 Underpayments

Technology Tools

- 11 Interfaces
- 12 Underlying infrastructure
- 13 Specialized
- 14 Smart worklists
- 15 Dual reimbursement models

Chances are, there are additional opportunities to leverage third parties for either full or partial outsourcing competencies to optimize A/R management and achieve greater cash predictability. Here's what to look for:

1 Staff experience. The experience of the vendor's team of resources should be evaluated for credentials and experience. Staff members should possess the necessary accreditations and certifications for the functions that they perform. For example, denials work may require registered nurse auditors and/or coding specialists with clinical knowledge, understanding of billing requirements and coding accuracy skillsets.

Look for a vendor that can offer experienced health care personnel either remotely or onsite, as well as ample bench strength in people resources in case you wish to scale your engagement.

Key functional roles should include managed care analysts, registered nurses, coding, billing, collections and compliance specialists. Last, make sure the vendor's staff possesses extensive experience working with health care providers similar to your organization.

2 Value. Don't just factor the cost of the vendor services – think broader and long term. Hospitals typically focus on the cost-to-collect, often at the expense of the amount of cash collected. For that reason, many organizations have a built-in bias against engaging third-party vendors because they perceive that they can't afford it, since the vendor partner is paid a percentage of collected balances. In most cases, the gains in

efficiency and higher cash collections volume covers the cost of the service and then some. Focus on the collection return, net of the vendor's fees.



Focus on the collection return, net of third-party vendor fees. The efficiency gains and higher cash collections volume will **cover the cost of the collection service, and more.**

3 Experience and client reference. During the discovery phase, the potential vendor should explain how it has solved similar problems to yours and its success rate with previous clients.

4 Rate structure and service level agreements. Make sure the potential vendor explains the minimums for its performance, namely key performance indicators and service level agreements. For example, what percentage of accounts will be touched and what are the accounts/receivables minimum? Be sure to set certain milestone dates. Some vendor proposals may include incentives for exceeding set goals, or penalties if goals are not met. Be sure to explore all of these options in the contract format.

5 Data. It should be clear from the outset what data the vendor will need to support its activities. What will be expected from your existing systems, and what is the process required to extract data? How often will data need to be provided? If the vendor has expertise in extracting from the systems in place, consider leveraging vendor resources versus using your own in-house resources.

6 Benchmarks. By leveraging the expertise of a third party, health system leaders can benchmark themselves with best practice organizations and determine where to focus first, identify process gaps and opportunities for improved cash flow and revenue cycle performance improvement.

7 Partnership. Partner with vendors that offer access to comprehensive data resources. In many cases, an expert resource can provide comprehensive analysis of overall revenue cycle activities and suggest how to redesign workflow and processes, optimize staffing and enhance technology utilization. These are all benefits beyond the collections function itself.

8 Proprietary technology. Look for vendors that specialize in health care and offer software to the marketplace. Many revenue cycle services companies employ a “leave behind” technology approach, transferring ownership of the technology to the client at the end of the engagement. Under this arrangement, the technology is used by the vendor’s team, who then train the internal users on the system. This is one way for a hospital to gain more value out of a technology purchase than the traditional approach of buy upfront, implement, and train.

Best Practice Processes

Because there are numerous reasons for unpaid accounts, organizations need to stay on top of the process and review for best practices. Streamlining the collections process and increasing in-house staff productivity can be achieved by careful review of key pain points.

9 Denial management. Processes in this area of the revenue cycle are labor intensive and time consuming, which is why high performing hospitals take the approach to shift from denial management to denial avoidance through process improvements earlier in the revenue cycle. Resolving claim denials requires a significant amount of staff expertise and information management to track, correct and re-submit claims.

Best practice hospitals adopt specific processes and methods

driven by technology. Consider engaging outside experts and automating technology to stratify accounts by payor type, reason and department to fix the source of the problem.

Automated and intelligent workflow technology can improve overall efficiency by routing denied or pending claims to the appropriate resources for resolution. It should include functionality that will group claims by payor, enabling staff to efficiently resolve multiple issues each time they contact a payor. In general, technology-enabled services should result in accelerated payment, reduced A/R days, and fewer write-offs.

It’s also important to track specific key performance indicators and report back to your team on performance to improve accountability:

- Payor and type
- Reason
- Department
- Percentage of revenue submitted
- Denials as percent of gross revenue
- Denials overturned as a percent
- Payor rejects as percent of remit revenue processed

Some vendors offer a **powerful combination** of managed care expert consulting and technology for denials management.

Last, invest in developing processes to pre-determine if services meet medical necessity criteria and ongoing education to staff and physicians on medical necessity.

10 Underpayments. It’s an arduous task to track and recover dollars lost from managed care payors. Identifying and correcting underpayments requires effective modeling of complex payor contracts and staying on top of the most detailed contract terms. Best practice is to engage subject matter experts to accurately identify underpayments and compliance risk, as well as gain leverage in contract negotiations by understanding the bottom line effect of complex contracts.



Engage subject matter experts

as a second set of eyes to uncover previously unidentified underpayments and provide leverage in contract negotiation.

Be sure to explore the potential of engaging outside experts to conduct zero balance audits to add significant value. Engaging a second set of expert eyes on accounts deemed 'paid' and terms of payor contracts can identify and recover previously unidentified underpayments. Automated payment systems are typically the culprit in incorrectly accounting that the bill has been paid in full by the payor. Innovative hospitals also adopt enabling technologies to appeal underpayments electronically to payors for faster response, as well as submit claims to secondary payors.

Technology Tools

It's long been accepted that the best revenue cycle performers use "high-impact" work flow technologies that bolt on to the hospital's enterprise platform, i.e., its patient accounting system (PAS). Such surround technologies for recovery and collections include, but are not limited to, contract management, denial management and collection management.

11 Interfacing. What current patient accounting system or other related revenue cycle technology do you have in place? If engaging an outside vendor to enhance your collections efforts, make sure their tools and systems can interface or are interoperable with your existing technology environment.

12 Underlying infrastructure. Assess the financial, time and resource implications of the underlying infrastructure of the technology tools you are considering. A more affordable system platform overall is Web-based, also known as software-as-a-service (SaaS), because it is deployed easily and doesn't require internal resource drains—no onsite installs, and the system and its upgrades are maintained by the vendor. SaaS solutions also are scalable to flex up and down to the number of internal users needed, should the hospital need to increase staff to work an uptick in claims volume or A/R backlog, for example.

13 Specialized. Health care technology and services companies that focus on the hospital revenue cycle are preferred. Vendors that offer billing and collections technology for other industries may present themselves as capable, but health care is too complex and requires specialized functionality.

14 Smart worklists. Using robust technology solutions that offer automated, customizable business rules can help drive A/R processing and guide collections staff to focus on the right accounts at the right time to return the highest revenue.

15 Dual reimbursement models. Be prepared to manage technology systems for two different payment systems. Managing billing and collections for both fee-for-service and fee-for-value claims will require automating and modeling technology to present service and fees as a comprehensive episode payment and then administer payment reconciliation. Providers also need to obtain the capability to aggregate data to calculate the various cost components of an episode of care for purposes of strategic planning, budgeting and building physician engagement.



Be prepared

to manage technology systems for billing and collections for both fee-for-service and fee-for-value claims.

nThrive Extensive Solutions

While there is no silver bullet to reduce costs and accelerate net revenue collections, nThrive offers a host of advisory services, technology solutions, technology-enabled outsourcing services and full business outsourcing by highly skilled experts to help increase cash flow, reduce A/R days, sustain best practice performance and achieve overall operational improvement.



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