



Cash Acceleration During Turbulent Economic Times



To Our Healthcare Clients and Friends:

In this edition of *IMA Insights*, we will discuss cash acceleration and accounts receivables mitigation strategies that Revenue Cycle Leadership Teams can implement to accelerate cash now and place the hospital or health system in a position for long term success.



BACKGROUND

Significant changes are taking place in the healthcare industry. These changes are the result of the Affordable Care Act, hospital and payer consolidations and continual adjustments to insurance plans. When combining these changes with volume reductions, lower reimbursement rates and increasing costs, provider financial performance becomes negatively impacted. To remain financially viable and relevant, hospitals and health systems need to ensure that their respective Revenue Cycle operations are successfully collecting cash in a cost effective manner. It is critical that Revenue Cycle leadership teams focus on clinical and financial integration, leveraging current technology, scrutinizing and redesigning work flows to improve outcomes, analyzing associated labor cost, and implementing aggressive cash acceleration processes. Accounts receivable (A/R) mitigation and cash goals will become increasingly difficult to accomplish as the industry evolves, thereby negatively impacting financial performance and operations. We cannot discuss all the details of implementing a cash acceleration strategy in this forum, but we will include a list of key areas and concepts to consider when embarking on this course of action.

CHALLENGES

In addition to the challenges stemming from the current environment, many Revenue Cycle departments do not operate efficiently, leading to higher collection cost, longer lag time in the collection process and lost financial opportunities. This impedes the institution's ability to focus on enhancing cash collections and accelerating the liquidation of the existing accounts receivables resulting in significant financial stress to the organization.

Within the revenue cycle processes, there are numerous failure points which are difficult to manage. For example, patients may be treated without full financial clearance, or a high-dollar third party claim may not be worked for an extended period. These and other issues combine to produce negative revenue results, which could threaten the financial viability of the institution. In addition, intradepartmental communication within the Revenue Cycle is traditionally poor, and there is a notable lack of formal, integrated Patient Access and Patient Accounting training which causes breakdowns in communication and therefore reduces the probabilities of resolving issues.

Patient Access and Patient Accounting Departments frequently under utilize existing technology. Underutilization of technology may prevent efficient follow up protocols, the tracking of staff productivity and may lead to the inappropriate categorization of denials and underpayments resulting in lost opportunities. To be successful, Revenue Cycle departments must know, or learn, the capabilities of the systems they utilize, to ensure they are maximizing the benefits from their investment in technology.

Exploring options within your hospital information system or another commercial product, when feasible, may increase Revenue Cycle efficiency, with a corresponding decrease in the average cost to collect, and increase in cash collections. In the case of Point of Service Collections, a solution as simple as a "patient payment estimator" combined with training would provide staff with the ability to increase patient collections and reduce the costs for billing and collection activities. Patient Access staff would be given critical information needed to address patient balances prior to service rather than waiting until the insurance pays and a bill is generated.

INSIGHTS

Understanding and implementing cash acceleration strategies is a key component of Revenue Cycle operations. In the following section, steps are outlined that can be taken to position the Revenue Cycle operation for future success. These recommended steps provide insight into how cash collections can be accelerated and the cost-to-collect can be reduced. The outline can be used to compare aspects of current operations with associated industry best practices.



CASH ACCELERATION STRATEGIES

Patient Access Department

- o Point of Service Collections
 - Calculate the opportunity cost of an up-front collections program (e.g., accelerate cash flow and reduce the cost to collect)
 - Implement or enhance supporting technology
- o Financial Clearance/Denial Prevention Strategies
 - Understand and screen for all available federal and state programs
 - Identify charity care patients as soon as possible and manage the requirement of IRC §501(r).
 - Financially clear all non-emergent patient encounters
 - Complete real-time financial clearance of emergent encounters
- o Patient Access Registration Quality
 - Analyze and redesign system usage (e.g., alerts, field-level help instructions)
 - Implement a Quality Assurance program (e.g., patient ID, forms/signatures, demographic information, insurance data) Implement specialized software to track accuracy by staff member
- o Patient Access Staff Productivity Standards
 - Assess potential for re-engineering of functions and processes
 - Develop a cross-functional training program
 - Monitor and track staff productivity
 - Use productivity standards to identify possible reductions in labor cost

Patient Accounting Department

- o AR Stratification/AR Analysis
 - Understand key A/R components and ensure follow-up coverage based upon account balances and account age
 - Focus on the total number of high-dollar accounts that have aged
- o Third Party Follow-up Work Flow Strategies
 - Develop exceptions-based automated work lists
 - Establish work lists by dollar tier and age of account
- o Business Office Staffing Analysis
 - Organize and redesign processes to ensure A/R mitigation to meet cash goals and exceed industry leading practices for cost-to-collect
 - Use productivity standards to determine feasibility of reductions in labor cost
- o Follow-up Productivity and Quality Standards
 - Create daily productivity and quality baseline to monitor and track staff productivity
 - Provide billing and A/R follow-up training
 - Enforce productivity and quality baseline, in collaboration with Human Resources
 - Implement automated productivity and quality monitoring program
- o Pre-Billing/Post-Billing Denial Management
 - Maintain Discharged Not Final Billed (DNFB) via exception-based automated work flows
 - Track claim holds, by exception
 - Develop an automated departmental feedback loop to create a seamless communication process with clinical and ancillary departments
 - Analyze denial patterns to quantify causes and financial impact
 - Produce denial-specific automated work lists (technical, clinical, informational, etc.)
- o Underpayment Recovery and Strategy Planning
 - Establish a dedicated underpayment unit
 - Stratify underpayment A/R by dollar tier
 - Develop exceptions-based automated work lists



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SUMMARY

While focusing on thriving as the industry evolves, Revenue Cycle leaders must remain centered on designing, implementing and maintaining efficient processes and maximizing the utilization of technology. Continually monitor your processes to ensure operations are efficient, "hand-offs" are minimized, and staff is held accountable for their work quality, which is paramount in the current environment. The key financial metrics used to monitor the effectiveness of the current and redesigned processes include, but are not limited to, Days Cash on Hand, Operating Margin, Cash/Net Patient Service Revenue, Uncompensated Care percentage and the Cost-to-Collect. There is publically available information that will assist in the development of metrics that will provide reasonable comparison with industry best practices. If implemented and managed pro-actively, the cash acceleration processes and work flow automation recommendations listed above will position the institution for long term success.

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We are pleased to have the opportunity to present this information to you. If you have any questions or need assistance in planning and/or implementing cash acceleration processes or labor cost reduction analysis, please do not hesitate to contact either Kim Hollingsworth at (610) 517-1386 or me at (484) 832-9940.

Truly yours,

Ron Camejo

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MEET THE AUTHOR - Ron Camejo

Ron Camejo is a healthcare professional with over 15 years of experience in the revenue cycle management field, which includes Patient Access, Patient Accounting, and project management. During his 10 years as part of the IMA Consulting Team, Ron has successfully worked and managed dozens of projects across the revenue cycle continuum.



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