



Reimbursement Accuracy Challenges within a Contract Management System



To Our Healthcare Clients and Friends:

Hospitals fail to secure millions of dollars in revenue due to absent, incomplete and incorrect contract data in their contract management systems. Many are unaware of such losses or belatedly discover the revenue leakage. Other hospitals attempt to address the problem by manually handling expected reimbursement. This manual intervention becomes costly, further impacting the profitability of the hospital. In this edition of *IMA Insights*, we will discuss the challenges hospitals face with loading contracts accurately into a contract management system, and provide you with *insight* into identifying and fixing common areas of miscalculations. If you can implement even some of these recommendations, it could result in a significant improvement to your bottom line.



BACKGROUND

Hospitals typically manage contracts with hundreds of plans, each with their own unique and complex payment structure that can make it difficult to keep track of your healthcare facility's contractual reimbursement. With increasing regulations, clinical coding changes, and evolving reimbursement models, complexity in your contract management system is steadily on the rise. The complexity leads to common challenges for all hospitals.

CHALLENGES

Getting to the level of detail required to describe the complexity of commercial payer contracts is a constant challenge. There are critical contract terms that can only be identified in the language, rather than the rates section of a contract. It is imperative that these terms, such as definitions of observation cases, allowing payment to be greater than billed charges, or yearly rate inflators get programmed in the contract logic. These types of terms are frequently ignored on both the provider and payer side, creating a situation where the discrepancy could exist for an indefinite period of time without being identified.

Ambiguous contract provisions are another common culprit of revenue leakage. In our experiences with clients, we often see the individual who maintains the contract management rules interpreting ambiguous provisions instead of working with the contract negotiator to clarify the ambiguity at contract execution. Often we identify discrepancies, especially with outpatient hierarchy of payment terms. It can be unclear if the payment terms apply only to the specified coding (e.g. ER rate applies to rev code 45X only) or if the coding used is to identify the procedure and therefore the payment rate applies to the patient encounter. Understanding hierarchy can also enhance your revenue, by programming your contract management system to price the high dollar reimbursement rates first. For instance, programming outpatient case rate carve out rates prior to surgical rates.

Maintaining your contract management system is a constant challenge. Hospitals are missing significant amounts of legitimate reimbursement due to revenue leakage related to coding changes without renegotiation of contract terms. Every October, CMS releases coding changes that may affect your current contract payment terms. For example, effective October 1st 2015, due to ICD-10 changes rehabilitation claims are no longer grouped to MS-DRG 945 or 946. If your facility has contracts for rehabilitation services based on MS-DRG, regardless of whether the term was renegotiated or not, your contract management system logic should have been modified to identify rehabilitation claims based on revenue codes. Without adjusting logic for coding changes, your facility could be at risk for revenue losses.

Substantial revenue leakage can occur when changes to specific claim edits are not communicated. When programming the contract terms, specific CPT and/or revenue code requirements should be communicated to the chargemaster team in order for the necessary edits to be created to ensure proper billing and reimbursement per the contract terms. For instance, changing the revenue code attached to a CPT (250 versus 636) can



enhance your facility revenue, if a specific revenue code is reimbursed. Your organization has the ability to flip a revenue code and/or CPT based on payer requirements. However, if there is gap between loading contracts and charging, you run the risk of not implementing coding edits that will enhance your revenue. The ability to understand your contracted rates versus your CDM charge amount is essential. Analyzing the difference between these rates can prevent revenue loss, from a result of the payer capping the contracted rate at the line item charge amount.

Every contract management system has limitations to programming full accurate payment terms. There are complicated outlier calculations as well as payment terms, such as readmissions, and coordination of benefits, that cannot be handled by contract management systems. A manual process is required to validate proper payment.

INSIGHTS

Processes for ensuring payment accuracy in a contract management system are critical to maintaining a healthy bottom line. Optimal contract management system performance can be achieved through improvements in people, processes and technology. Below are some helpful tips.

- Establish communication procedures between the contract negotiators and those maintaining the contract management system. The ability to ask contract interpretation questions prior to programming the contract terms can reduce the possibility of costly errors. This also provides a forum for the negotiator to learn the challenges with certain payment terms, thereby avoiding them in future.
- Develop and maintain a continually updated contract management system designed to increase revenue. This requires having the knowledge of coding updates and identifying which contracts require updates.
- Incorporate effective methodologies and processes to ensure accuracy of expected reimbursement through regularly scheduled internal audits.
- Establish partnerships between those maintaining the contract management system and the chargemaster department. Working jointly provides the ability to execute contract billing requirements that will maximize revenue.
- Monitoring payment discrepancies will provide an opportunity for collection of lost revenue. Often times, discrepancies follow trends and variance patterns, which allow staff to recognize if a change in the contract management system is necessary.
- Create a workflow to identify cases where the contract management system cannot accurately calculate reimbursement and create a process to manually confirm the accuracy of payments.

Our clients have experienced significant revenue losses due to many of the pitfalls discussed above. IMA Consulting recently identified an opportunity of approximately \$1.9 million in underpaid dollars for one client, which went undetected by this client because the contract management rules were incorrect.



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SUMMARY

Loading contracts accurately in a contract management system is vital to preventing millions of dollars of revenue leakage for a hospital. As discussed above, there are many challenges hospitals face to calculate expected reimbursement correctly. Implementing new processes like those mentioned above will require an initial investment in time, but the reward of maximizing your revenue is well worth the investment. There may be one or two of these insights that stand out for your organization and represent the best return on investment for you. IMA Consulting has assisted clients in finding those critical factors to increase their profitability.

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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 with evaluating your hospital's exposure to the information presented above, please do not hesitate to contact me at (484) 844-1358.

Truly yours,

Vanessa Fix

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MEET THE AUTHOR - Vanessa Fix

Vanessa Fix has over 15 years of progressive leadership experience in the healthcare industry in both provider and consulting settings. Vanessa is experienced in managed care payment review for hospitals and health insurance companies, contract negotiations and implementations, strategic planning, balanced scorecard and provider network analysis. Her strengths are in project management, process improvement, system analysis, and performance improvement.

Vanessa is a Director in the Underpayment Recovery division at IMA Consulting which specializes in the identification and recovery of underpaid dollars from both government and commercial payers. To date, the Underpayment Recovery group has identified millions in underpaid dollars for clients. The Underpayment Recovery team independently models the contracts based on the provisions, terms & conditions included in the agreements and, thereby, determines if the contract was correctly administered.



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