

Reimbursement Accuracy Challenges within a Contract Management System

To Our Healthcare Clients and Friends:

According to Moody's Corporation, the US hospital median operating cash flow margin decreased to 8.1 percent in fiscal year 2017, marking the lowest level seen since the 2008-09.* Hospital leadership is under constant pressure to make innovative decisions to decrease costs while at the same time expanding revenue. Some of these financial dilemmas can be eliminated by the presence of a well-regulated contract management system. Many hospitals fail to secure millions of dollars in revenue due to absent, incomplete, or incorrect contract data in their contract management systems. These facilities 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 *Revint Insights*, we will discuss the challenges hospitals face with loading contracts accurately into a contract management system. We will take a deeper dive into ways hospitals can identify and fix common areas of miscalculations and discuss ways in which Revint Solutions has been able to provide our clients with a more safeguarded approach to contract calculations. By sharing our insights on specific scenarios that have resulted in annual increases of millions of dollars, our team hopes to outline a pragmatic approach that can lead to improvement with any hospital's bottom line.

References:

*<https://www.beckershospitalreview.com/finance/moody-s-preliminary-nonprofit-healthcare-profitability-margins-at-10-year-low.html>

BACKGROUND

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

CHALLENGES

The complexity of correctly calculating reimbursement leads to common challenges that require adaptation for all hospitals:

CHALLENGES CONT'D...

Discreet Contract Language

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 into the logic of the contract management system accurately and timely. 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 identification.

Ambiguous Contract Terms

Ambiguous contract provisions are another common culprit of revenue leakage. In Revint Solutions' experience, the individual who maintains the contract management rules must interpret ambiguous provisions instead of working with the contract negotiator to clarify the ambiguity during contract execution. Revint Solutions has identified discrepancies in the interpretation, especially with outpatient hierarchy of payment terms. It can be unclear if the payment terms apply only to specified coding (e.g., ER rate applies to Revenue Code 45X only), or if the coding used is to identify the procedure, and therefore the payment rate applies to the patient encounter. Understanding contract hierarchy can also enhance hospital revenue by programming the contract management system to price the high dollar reimbursement rates first. For instance, programming outpatient case rate carve out rates prior to surgical rates.

Ongoing System Maintenance

Maintaining your contract management system is a constant challenge. Hospitals are missing significant amounts of reimbursement due to not mapping third party plans to the appropriate contract. For example, Meritain is allowed to access Aetna rates when a hospital is contracted with Aetna. This instance played out specifically when Revint Solutions found that Meritain was paying at Aetna Outpatient surgical rates, but not reimbursing for implant carve outs when they are specifically outlined in the Aetna contract language. These underpaid dollars were missed by our client's teams, as Meritain was not mapped to price at Aetna's rates in the contract management system. Clients can proactively ensure that such underpayments are avoided by keeping their contract management systems up-to-date with complete payer mapping. By doing so, such variances become immediately imminent after the claim is processed for payment.

New System Build & Claim Edits

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, it is imperative to communicate with the charge master team in order for the necessary edits to be created to ensure proper billing. For instance, changing the Revenue Code attached to a CPT (Revenue Code 250 vs. Revenue Code 636) can enhance facility revenue if a specific Revenue Code is reimbursed. Facilities have the ability to flip a Revenue Code and/or CPT based on payer requirements; however, if there is a gap between loading contracts and charging, organizations can run the risk of not implementing coding edits that will enhance revenue. The ability to understand contracted rates versus CDM charge amount is essential as analyzing the difference between these rates can prevent revenue loss.

Necessary Manual Intervention

Every contract management system has limitations to programing 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. Furthermore, it is important to highlight that a contract management system's pricing can only be as accurate as the claim that was billed. Contract management systems lack the ability to identify coding errors, late or missing charges, or changes to clinical coding that do not make it to the claim. A process to identify these accounts, as well as the proper training for your team, is required to manually validate proper payment in these areas.

INSIGHTS

Revint Solutions has identified processes for ensuring payment accuracy in a contract management system that 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 the 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 charge master department. Working jointly provides the ability to execute contract billing requirements that will maximize revenue.
- Monitor payment discrepancies will provide an opportunity for the 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. Revint Solutions 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. Revint Solutions partnered with this client to not only amend the contract management rules, but also to collect on the historical underpaid dollars.

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. Revint Solutions has assisted our clients in finding those critical factors to increase their profitability, and is here to help with any of your facility's needs.

We are pleased to have the opportunity to present this information to you. If you have any comments or questions, please contact me at (484) 844-1358.

Truly Yours,
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Meet the Author | Vanessa Fix

Vanessa has over 18 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.



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RESULTS

We provide a full suite of reimbursement services to over **1,600** healthcare organizations in the U.S. and help recover over **\$475 million** of underpaid or unidentified revenue for our clients annually across **48 states**.

EXPERIENCE

We employ **500+** employees with over **20 years** of healthcare experience to bring the best of cutting-edge **analytical tools** to the revenue integrity space.

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We offer the most value in every engagement by expanding our capabilities to support your entire **revenue cycle management process**.