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REVENUE CYCLE BASICS SERIES

Part Eight

Reducing the Cost to Collect
Using cloud-based workflow tools to reduce collection costs by up to 50%

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Reducing the Cost to Collect

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Introduction

The healthcare industry is in the middle of the greatest period of change in a generation. This is placing significant pressure on available resources and costs. The current model that almost all hospitals use to manage their accounts receivable (AR) is extremely resource intensive and not cost efficient. The development of cloud-based applications is revolutionizing workflow and provides the opportunity of saving hospitals up to 50% on their cost to bill and collect.

Almost every hospital in the US deals with the same set of issues on a day-to-day basis – not having enough resources to adequately collect all the different components of AR. This is particularly applicable to smaller facilities and specific areas that are difficult to collect – medical denials, appeals, Workers Compensation, etc. A smaller staff inherently means that there is less opportunity for specialization and more chance for staff turnover issues.

Advances in cloud-based technology and Software-as-a-Service (SaaS) delivery models (like HealthTech's myCLAIMIQ AlphaCollector™) now present the opportunity to take an entirely new approach to collections. "The Cloud" realizes the fully interconnected potential of the internet, while SaaS providers like HealthTech make the latest technological advances available instantly and economically. Being "connected" while using embedded workflow technology can eliminate non-value added activities; thus, improve resolution of claims and reduce cost at the same time.

myCLAIMIQ AlphaCollector is a cloud-based, Virtual Business Office platform that streamlines all AR activity.

What are the critical efficiency shortfalls with the current AR management model?

There are three principle areas that cause most of the inefficiency (excess cost) in AR management:

1. Lack of specialized talent to resolve difficult claims

2. Staffing model that is hospital specific, and staffed the entire year for the peak 3-4 months of claim activity

3. Staffing model focused on high cost employees to compensate for current PA (patient accounting) systems' inability to manage different types of claim activity

Below are each in more detail, including the underlying reasons and how cloud applications like myCLAIMIQ AlphaCollector provide an immediate remedy.

Issue 1: Lack of specialized talent to resolve more difficult/complex claims

The vast majority of AR is still collected on an account-by-account basis. The result is that most staff in

the business office end up being generalists. Other than Medicare, there is typically not enough AR in the smaller buckets to maintain/justify specialized billers and collectors. This lack of specialization often results in these complex claims being either underworked or outsourced altogether — often with mixed results and almost always with a higher cost.

If outsourcing is used as the alternative, the accounts are delivered to the agency/vendor and the hospital waits for the results. In most outsourced scenarios, the traditional controls that are employed at the facility level — daily cash sheets, account reviews, productivity assessments etc. — are not performed at all.   If they are performed, they are done only once a month when the vendor submits their invoice. This scenario is what creates the impression that the facility has effectively lost control of both the process and the results.

Issue 2: The current staffing model is built around the peak 3-4 month claim period – not the average workload

The vast majority of business offices staff their department to accommodate the peak season of claims activity. For most this is the winter season — December through March. These FTE's are then kept throughout the remainder of the year since good employees are a scarce resource.

This, however, can add at least 20-30% to your cost basis. There are very few departments that are allowed this luxury – nursing is often flexed at 4 hour intervals. The reason for this is that up until now there has not been a solution that can seamlessly help manage the workload and off-load excess inventory in peak times of activity. Transcription services were in the same place 20 years ago – now there are almost none left in facilities as technology has provided the mechanism to flex workload when needed.

Cloud-based virtual business office platforms* like myCLAIMIQ AlphaCollector provide the ability to move accounts between facilities or to external vendors instantaneously. Workload can be managed in 4, 8 or 24-hour increments. It is possible (as with transcription) to lower costs while still maintaining complete control of your AR — because everyone is still working in the same system.

Issue 3: The lack of effective workflow technology forces the business office to be staffed with more experienced, costly employees

Most work done by collectors in a business office can be classified as routine – claims statusing, requesting medical records from facility, requesting rebill, etc. These activities will not be done any better by a highly-experienced collector vs. an entry-level collector. There is no value added by having these tasks performed by your more experienced employees. The reason that business offices are heavily weighted toward high-cost employees is because there has not been adequate workflow tools to help segregate, and thus properly manage, the workflow. These tools would route routine activities to less experienced, less costly employees with no reduction in overall collections results.

* Morkel, "Virtualize Your Revenue Cycle," Revenue Cycle Basics Series - Part 7, 2012

Thought: Is any extra value created when a $20/hr. collector statuses a claim and enters it into a patient accounting (PA) system vs. a $13/hr. collector? No – the value is in where the claim goes after that point.

The PA systems of today are also not designed to be able to segregate different types of accounts and route them to different employees based on the status of the account. Therefore, these systems cannot take advantage of automated claims statusing technology or use lesser experienced FTEs to process lower level work. Current cloud based workflow technology allows each facility to define rules that drive what level of employee works each type of claim. As a result, denials get routed to experienced collectors, statusing is done automatically or by less costly employees.

Implementation of the strategy above has allowed HTSG's CBO to reduce our average hourly rate by 20% in the last 12 months using myCLAIMIQ AlphaCollector's workflow technology and myCLAIMIQ AutoStatus™ claims statusing tool.

Being Connected – a new approach to outsourced AR management

Cloud-based collection management and reporting software (myCLAIMIQ AlphaCollector) is now available. It can not only improve a facility's collection productivity, but it can also provide a more effective workflow to segment the workload – improving cash while reducing collection expense.

The software not only provides an immediate improvement to in-house collection efforts, but it also provides a seamless tool for transferring and managing AR with outside vendors. Because the vendor is working on the same collections platform as the hospital, there is no time delay between what the vendor accomplishes and what the hospital sees.

The facility can easily transfer accounts to an outside vendor in a matter of minutes. The reverse is also true - accounts can be recalled and slotted into the hospital's workflow at any time. Additionally, the hospital and the vendor use exactly the same workflow, the same audit mechanisms and the same management reporting tools. This means that aligned processes, procedures and incentives are inherently built into the software.

Key Advantages of using cloud based workflow technology:

- You can staff based on your current workload - not just on peak demand.

- Workload can be flexed with off-site employees or other facilities within your system (virtual business office concept).

- Productivity and costs can be improved by segregating work by complexity – lower level work can be done by entry-level employees.

- Your collection metrics and workflow will be mirrored in AR and worked by anyone on the system – facility, vendor, Virtual CBO facilities.

- Daily management of your AR is not limited to accounts worked by the facility.

- Productivity & accountability is improved as everyone is working on the same system with the same data.

- Built in Business Intelligence and management reporting tools improves oversight and reduces time required to audit performance.

Conclusion

Currently, the collections process within most health care facilities is very inefficient. The account-by-account approach to collecting (in conjunction with inefficient PA systems) creates a rigid staffing model that focuses on high cost employees for all levels of tasks and does not take advantage of specialization.

Furthermore, circumstances around revenue cycle management change rapidly. A "connected" approach gives the facility the control necessary to make changes as necessary to reduce costs, and increase productivity. Not only will cloud-based workflow technology like myCLAIMIQ AlphaCollector improve your AR performance, but it will also provide you with the platform to get better results in all phases of the collection cycle.

The Business Office of today has too many FTEs and too many high paid FTEs because we are not taking advantage of the entire Revenue Cycle workforce available in the United States. Much like the transcription function 20 years ago, we must stop thinking of resources as those that exist within our own four walls. Cloud-based technology allows us to expand our resource pool to all experienced collectors with an internet connection, including entry level employees. Not only will the model allow you to be more efficient, you will also be training the next generation of "experienced" revenue cycle professionals.