

Performance Strategies



Help Address the Economic Downturn with Financial Clearance Tools

Vol. 3, Issue 1, 2009

Weather the Economic Storm with Financial Clearance Tools



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Coping with Economic Upheaval

Recent economic conditions have forced many industries — and individuals — to focus on one thing: financial survival. Contrary to the popular belief that healthcare is immune to recession, hospitals are feeling the pinch of the economy. Many are struggling to avoid bankruptcy and others are just trying to stay the course.

The harsh economic times are wreaking havoc with hospital revenue cycles. About 15% of Americans currently do not have health insurance. And for every 1% increase in unemployment, 1.1 million people lose their health insurance, according to the Kaiser Family Foundation, Menlo Park, Calif. Those with health insurance also are struggling. The Commonwealth Fund estimates that about 25 million people have some insurance but still can't afford to pay their medical bills.

As a result, hospitals must find ways not only to collect every dollar they earn, but also collect it efficiently. The Advisory Board Company, a Washington, D.C.-based research firm, recommends accelerating revenue capture as part of a four-pronged approach to surviving the economic storm (including securing patient volumes, containing operating expenses, and reprioritizing capital allocations). The Advisory Board encourages hospitals to improve revenue capture by:

- Developing a comprehensive self-pay strategy.
- Reforming accounts receivable days management as payors delay reimbursement.
- Refining coding and denials management.

Zeroing in on Pre-Service Financial Clearance Services

Hospital leaders must focus on the growing need for effective pre-service financial clearance services. With pre-service financial planning, patients do not feel surprised or shocked when they get their bill and therefore can make informed and better payment choices. The hospital can work with patients to determine the optimal payment method prior to service instead of relegating financial matters to the back end of the patient encounter.

To achieve optimal performance, three financial clearance services — eligibility verification, bill estimation and financial advocacy — must work in concert.

Eligibility verification: Through eligibility verification, the hospital verifies coverage and limitations before rendering services. Having that knowledge upfront is essential for revenue cycle success in the current environment.

Bill estimation: Bill estimation determines the patient's estimated out-of-pocket liability. This enables administrative staff to notify patients upfront about their portion of the cost of service and help them determine an optimal payment plan. Providing patients with such information early in the process is key to getting paid. Once patients leave the hospital, the chance of the bill being paid drops dramatically. The value the hospital can expect from the receivable drops to 90% of the bill at 60 days, 80% at 90 days, 73% at 120 days, 67% at six months and just 45% at one year.

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Financial advocacy: The financial advocacy function determines patients' ability and likelihood to pay, and enables the hospital to identify alternative sources of assistance, such as a state or hospital charity program or Medicaid. By identifying these alternate reimbursement sources upfront, hospitals avoid engaging in lengthy and costly collection efforts that often prove futile for patients that do not have the ability to pay.

Leveraging Technology Upfront

Using financial clearance tools before services are delivered, hospitals can verify eligibility in real time and pre-service. These tools can automate financial clearance tasks, helping hospitals:

- More accurately estimate patient balances for insured, underinsured and self-pay patients. For the insured, the system uses the insurance contract terms and the service codes for that visit. The system calculates the patient's deductible copayment, coinsurance, out-of-pocket maximum, and how much of the deductible and out-of-pocket amounts have been met to determine the payment.
- Determine the most appropriate payment methods, including alternate sources for uninsured and underinsured patients. To maximize collections, hospitals should provide flexible payment options, both at the point of service and over the duration of the payment plan. Staff should be able to accept credit and debit cards and e-checks.
- Screen for the patient's propensity to pay their healthcare bills. The system can calculate a payment plan that is based on the hospital's policy and each patient's ability to pay, which is determined from family situation questionnaires and credit scores. This credit check does not impact the patient's credit rating or score.
- Validate demographic and plan information critical to eligibility verification and accurate billing.

By automating clearance tasks, hospitals shift the focus from collecting payment after the patient visit to the point of service.

The keys to success are establishing community-sensitive financial assistance policies, investing in the necessary enabling technologies and adjusting workflow to support new operational best practices. McKesson's [next-generation enterprise revenue management system](#) includes financial clearance tools as part of a comprehensive, integrated solution for managing an organization's revenue cycle. Hospitals that do these things properly will find the right balance between margin and mission in this challenging new world of patient financial responsibility.

NOTE: You can learn more about how to help your organization survive the economy by reading the *Performance Strategies* issue on "[Reducing Bad Debt](#)."

Dave Mason is vice president and general manager of provider solutions for RelayHealth, a business unit of McKesson. He has responsibility for the operational management of services and systems related to financial clearance, settlement solutions and connectivity services through RelayHealth's intelligent network for providers, healthcare institutions and consumers. Mason has 30 years of healthcare management experience. He joined RelayHealth in 2007 with McKesson's acquisition of Per-Se Technologies, where he was president of the company's Hospital Solutions division. Prior to that, Mason was CEO and executive director of Quantum Radiology. He has served in various practice management and administration positions, including at Georgetown University Hospital in Washington, D.C., and Northside Hospital in Atlanta, Ga.

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HIMSS White Paper Recommends Strategies to Address Pre-Service Challenges

A Healthcare Information and Management Systems Society (HIMSS) white paper released in 2008 reviews how to re-engineer the revenue cycle for the new consumer-directed healthcare environment. A section of the white paper reviews pre-service challenges and recommends:

- Collecting all medical and financial data at the point of scheduling the appointment.
- Verifying insurance information before the first contact and then re-validating it at every contact after that.
- Asking referring physicians to provide all relevant information to the provider so that the services comply with medical necessity requirements.
- Validating coverage using eligibility systems, with work-listing to review errors so corrections can be made prior to service or claim generation.
- Checking self-pay patients for Medicaid eligibility.
- Estimating out-of-pocket expenses and providing pricing transparency tools to assist the patient with understanding the cost of care and to set payment expectations.
- Managing self-pay receivables according to HFMA Statement 15, designating care cost as “collectible, charity care or bad debt no later than the time of service.”

The white paper notes that information technology and online tools can automate these pre-service checks to validate demographic information, medical necessity, insurance eligibility, and propensity to pay. Review the [white paper](#) on the [HIMSS Web site](#). A table for technology that enables front office best practices in revenue cycle management starts on page 18.

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