

Billing Department Revamp Pays Multimillion Dollar Recurring Returns



The billing department of a public health care system had several long-standing cash collection issues, resulting in the organization routinely needing to write off large amounts in uncollected charges. The billing department needed to converge all of its revenue cycle paths and streamline internal processes to collect cash more efficiently and effectively.

Problem to Solve

When operating a public health care system with more than 1,000 physicians across multiple facilities, it is vital to maintain billing integrity and accuracy. Instead, disparate and unaligned billing systems, processes and cultural practices were annually costing this organization several million dollars in billing-related deficiencies.

Although the health care system had recently upgraded its patient accounting software and expanded electronic medical records to its specialty and ancillary departments, its billing department retained several long-standing cash collection issues. For many years, the organization had routinely written off large amounts in uncollected charges. The billing department needed to converge all of its revenue cycle paths and streamline internal processes to collect cash more efficiently and effectively.

Lacking the internal bandwidth and expertise to objectively assess its billing processes and implement improvements, the health care system turned to Freed Associates (Freed). The principal goals of this engagement: streamline revenue cycle processes, increase cash collections and reduce collection costs.

Strategy and Tactics

The crux of Freed's work would be to analyze the health care system's current billing practices, identify areas for improvement, and make necessary updates. This included strategically reviewing the department's organizational structure around staffing reporting channels, supervisory oversight processes and management, and staff member skills relative to their workload and responsibilities.

The engagement began with analyzing the billing department's accounts receivable (AR) data and discovering the greatest pain points in the workflow. The team reviewed uncollected dollars by age and payer category, based on comparing receivables older than 60 days with those under the department's desired 60-day threshold.

This analysis showed that while most of the department's AR was being collected, a substantial portion of AR was older, underpaid or denied and thus still outstanding. A small portion of this unpaid AR still resided on an older, standalone billing system which the department was retiring. This AR was subsequently outsourced to an external vendor for handling. The larger bulk of unpaid AR, stored on the department's newer billing system, was scrutinized to determine the root causes for delinquent payment.

The analysis revealed that the department's denials unit needed to be separated from its account follow-up unit to improve collection results, since these two workgroups have different workflows and required skillsets. Properly handling denials is much more challenging and time-consuming than simply following up on accounts, and staff members who had previously been tasked with doing both were insufficiently prioritizing handling denials. In response to this separation of denials and account follow-up, the team developed nearly 20 new denial-reduction policies and procedures, including clear steps for resolving specific denials. This included close oversight of the denials unit, with daily monitoring of results, weekly denial team staff meetings, and monthly reporting.

The team recommended that billing department leaders should proactively meet with department heads whose departments were causing the greatest number of denials to permanently eliminate such denials. Monthly reports would track denial resolution progress.

Lastly, the team evaluated a significant backlog of billing claims in the department's electronic billing system and assessed the workflow and skillset of staff members tasked with resolving these problems. The team also worked with the health care system's information technology department to update data elements in the health care system's patient accounting system mapping on claims forms. This eliminated the need for staff members to repeatedly make several edits to such forms. Instead, staff members could submit clean claims to payers.

The team prepared and conducted a comprehensive training session with claims follow-up staff to set expectations on conducting and documenting claims-handling steps. The training session also provided attendees with newly established general productivity benchmarks.

Results

Based on multiple interventions and process and policy improvements, the billing department achieved a nearly 25% increase in cash compared with its average collections in prior months. Denials decreased by nearly \$1 million within six months and were headed even lower. The department's billing backlog was cut in half, by nearly \$4 million, within four months. All of these gains were accomplished through a more efficient and effective billing department, ultimately saving on long-term collection costs.

Conclusion

In retrospect, there were three primary factors that contributed to the ultimate success of this project and significant improvements in the health care system's billing department:

1. Analyzing accounts receivable and denials, with a focus on the root causes of issues in these areas
2. Documenting issues and spearheading conversations with other departments about permanent resolutions
3. Closely monitoring staff performance, evaluating their skills and experience and providing extensive training on both individual denial and follow-up cases, as well as on effective appeals and documentation methods