

## **\$1+ Million Annual Gain for Recovery Unit via Operational Optimization**



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### **Problem to Solve**

Revenue recovery can make a significant difference to a health care system's profitability. While health care organizations typically have dedicated revenue recovery teams, their processes are usually manual, error-prone and insufficient for fully recouping claims overpayments.

The finance department of a large health care system knew it had a recovery issue, but it had not looked in-depth at its recovery unit performance and financial outcomes in several years. Recent staff turnover within the finance department provided a fresh opportunity to assess the recovery unit's operational workflows, financial performance and staffing levels. The department was open to all possibilities, from keeping the unit's operations and structure unchanged, to outsourcing operations externally, to something in between. The department needed an objective assessment of its recovery unit with a series of next-step recommendations.

Lacking the in-house objectivity to properly assess its recovery performance on its own, the finance department leadership turned to Freed Associates (Freed) to provide the necessary degree of objective review and analysis and recommend improvements. Freed was chosen for this engagement based on its extensive experience with business optimization projects and prior leadership experience with this health care system.

## Strategy and Tactics

Based on finance department data, in the prior year, the recovery unit identified \$5.9 million in claims expense recuperation opportunities and collected \$2.2 million through recovery. The unit engaged in three primary areas of recovery: claims overpayments to providers; pay and chase processes; and stop-loss recoveries.

Freed began its engagement by rigorously assessing the recovery unit's prior history and current work. This included reviewing financial reports of identified overpayments and monies recovered by several provider categories, as well as the job descriptions and skills of the principal staff members who worked in this unit. Freed also interviewed staff members regarding operational workflows in the three main areas of recoveries.

All of Freed's assessment and analysis was done with an eye toward achieving greater efficiencies, process improvements and associated financial gains. Freed created a recovery unit enhancement roadmap, divided into sequential steps, which would enable the finance department to:

- **Achieve efficiencies** by automating claims overpayment identification and implementing an automated take-back process for overpayments made to providers
- **Improve the accuracy of expense reporting** through a general ledger transfer process for overpayments made to providers within the health care system's affiliated providers
- **Reduce the volume of overpayments** through a strengthened feedback loop with the health care system's claims and system configuration teams
- **Improve cash collections** on overpayments made to non-participating providers, with a focus on follow-up on high dollar overpayments
- **Increase cash collections** in "pay and chase" and stop loss processes with a focus on appealing denials and responding to questions from brokers

## Results and Conclusion

Based on Freed's assessment, analysis and improvement recommendations, the recovery unit stands to immediately increase its estimated recovery collections from \$2.2 million to \$3.25 million annually, a recurring yearly gain of more than \$1 million. In addition, Freed provided several longer-term recommendations around improving unit workflows, policies and procedures which, when implemented, stand to provide even greater financial gains to the department.

Freed's analysis and recommendations also indicated the potential to reduce recovery unit staffing, which will save the finance department additional labor costs. For example, by automating overpayment identification, this eliminates the need for prior manual review of monthly paid claims. Additionally, new appeals workflows and steps documented in updated pay and chase and stop loss policies and procedures will increase future overall

recoveries and contribute to unit staff efficiencies.

Long-term, the health care system's finance department stands to achieve significant financial gains from proactively having its recovery unit operations reviewed and optimized.