

Multi-Million Dollar Gains via Revamped Claims Processing



The hospital system operates under a complex, multi-million dollar master services agreement (MSA) with a nearby medical school. Under the MSA's terms, the school's physicians would submit claims to the system, which often proved to be a tremendously complicated task for the system to handle.

Problem to Solve

When running a hospital system providing more than \$1 billion in uncompensated care annually, it's imperative to be a careful steward of resources to maintain the system's financial stability – and continue to provide high-quality patient care. In such an environment, any significant financial gains that the system could achieve through improved productivity and efficiency would potentially deliver long-lasting, care-enhancing benefits.

The hospital system operates under a complex, multi-million dollar master services agreement (MSA) with a nearby medical school. Under the MSA's terms, the school's physicians would submit claims to the system, which often proved to be a tremendously complicated task for the hospital system to handle, due to high patient volume and the MSA's complicated terms.

The hospital system knew that its MSA claims processing was rife with errors and inefficiencies but did not know how to optimally resolve these issues. Lacking the in-house experience and objectivity to properly assess its MSA claims processing on its own, the system turned to Freed Associates (Freed) to provide the necessary degree of

review and analysis and recommend improvements. Freed was chosen for this engagement based on its extensive experience at improving claims processing practices and accuracy.

Strategy and Tactics

The hospital system's MSA claims were handled by a contract office tasked specifically with this work. Over an average month, this office handled more than 60,000 claim lines and paid \$6 million to nearly 175 physicians.

Freed began its engagement by conducting a rigorous assessment of the contract office's current work and prior history. This included reviewing the job descriptions and skills of the staff members who worked in this office and analyzing the typical workflow of a relative value unit (RVU) claim processed by the office, including RVU payment rate calculations, and processes for handling appeals and refunds.

Concurrent with its review of the contract office staff and RVU-based claims processing, Freed also analyzed the terms of the system's MSA contract, as well as multiple additional standalone contracts and clinical shared services agreements (SSAs) created as supplements to the MSA. This analysis was done to ensure that the system was fulfilling its parts of these contracts without overpaying for physician services rendered.

This review included analyzing current payment levels for medical administration and on-call coverage. These payments were especially scrutinized because they were higher than typical industry standards, and they had not been recently critically compared to similar payments made to other large teaching facilities in the state and nation.

Unsurprisingly, Freed's assessment and analysis revealed multiple opportunities for improvements within the contract office. Notable changes included the office eliminating manual entry of physician time logs and instead implementing an online time-entry system for physicians featuring a quarterly reconciliation process, as well as correcting the claims adjudication software, which was pricing claims incorrectly. Overall, nearly all existing facets of RVU-based claims processing were improved, including claims accuracy, processes for handling appeals and refunds and enhanced invoice validation processes.

Structurally, Freed recommended that the contract office provide additional claims processing, editing and denial training for staff members and improve internal workflow and division of job responsibilities in the department, including adding additional claims analyst roles. The department also needed to increase its transparency and objectivity in decision-making regarding its multiple standalone contracts and SSAs.

Results

Through Freed's assessment, analysis and improvement recommendations, the hospital system is now enjoying increased claims processing savings and greater contract office efficiency. For example, simply by implementing new invoice validation processes, the system could enjoy annual cost savings of more than \$1.3 million annually.

Additionally, the hospital system's leadership now has better understanding of the contract terms in its MSA, standalone contracts and SSAs, and has identified new pathways toward making updates to future negotiated contracts with the medical school. This improvement alone could yield significant long-term cost savings for the system.

Throughout this engagement, Freed emphasized to the hospital system the importance of maintaining positive momentum through continuing work maintenance and sustaining realized results. Going forward, this reorientation and improvement in claims processing may also significantly improve collaboration and communication between the hospital system and medical school, making this effort a win/win for all involved.