

Small Balance Strategies

MD AAHAM

February 24, 2021



Introduction

- Small Balance AR Management is a challenge for nearly all healthcare providers, regardless of shape and size
- Optimizing the process represents both a Revenue Improvement as well as a Cost Reduction opportunity

This presentation suggests a structured approach to solving the problem

Who am I?



Jeff Means

Jeff is a co-founder and the CEO of Colburn Hill Group, a Revenue Cycle Management technology and services company committed to delivering superior results to its healthcare provider customers. He has designed, supervised the development and launch of several successful technologies. Jeff holds a B.S. from the U.S. Military Academy (West Point) and an M.B.A. from the University of Chicago.

Agenda

- Problem Statement
- Common Strategies
- Emerging Techniques
- Self Assessment
- Summary

There is always a little more....

... toothpaste in the end of the tube. You can expend a lot of energy getting *one more brushful* – but when does it make sense to call it quits?

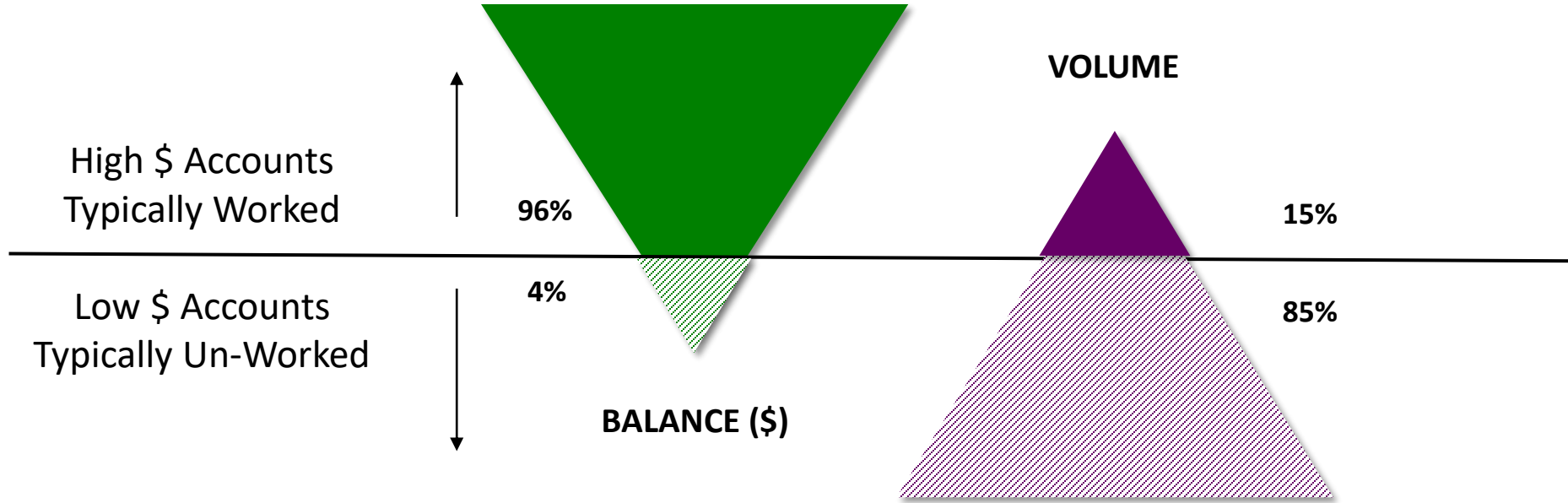


Poll Questions 1&2

The Low Balance Predicament

Most Hospitals are not adequately staffed to work all uncollected Low Balance accounts.

Each tranche of smaller balances yields less cash at increased operating cost.

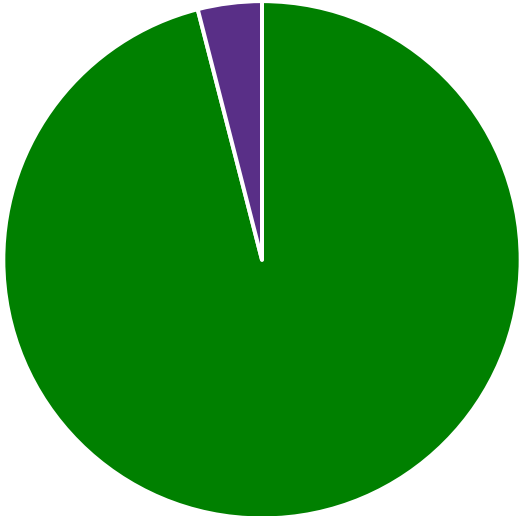


Bottom Line: a cost focus means low balance claims are unworked by PFS staff

Revenue vs Cost Focus

100% of a Healthcare Provider's Revenues are managed by Revenue Cycle

$$\frac{\$1\text{B NPSR} \times 1\% \text{ Improvement}}{\$10\text{M}}$$



~4% of a Healthcare Provider's total Costs are considered "cost to collect"

$$\frac{\$1\text{B NPSR} \times 4\% \text{ Cost to Collect} \times 10\% \text{ Improvement}}{\$4\text{M}}$$

Revenue Initiatives tend to contribute more to the bottom line than Cost Initiatives



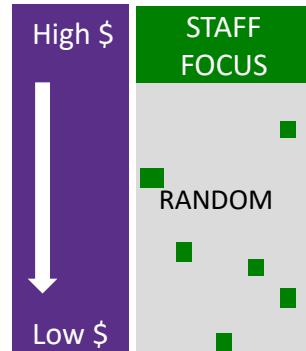
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Poll Questions 3&4

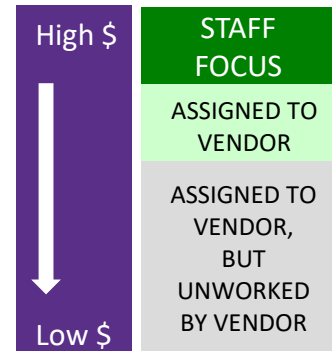
Traditional Approaches

Let Staff Decide



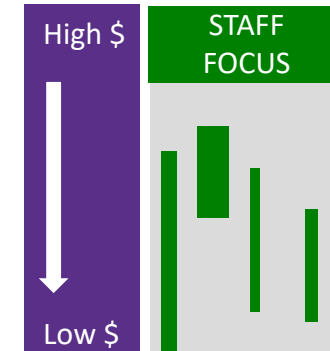
- Assign staff to all accounts
- Focus on high \$, but work low \$ when they have capacity

Outsource



- Use a vendor to work low balances
- Vendor applies the same 80/20 rule to their inventory

Work by Issue

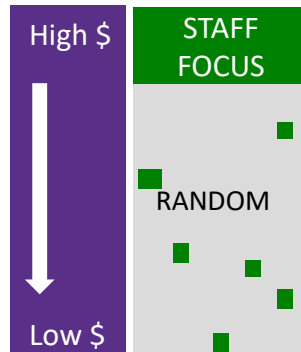


- Assign staff to high value accounts
- Periodic campaigns to work “issues”

All of these approaches leave accounts unworked, resulting in annual “cleanups” where large numbers of low balance claims are adjusted off

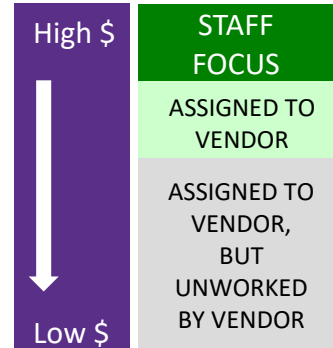
Practical Tips

Let Staff Decide



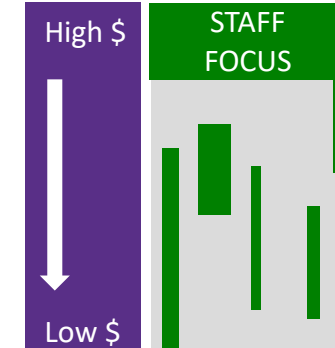
- Enforce disciplined follow up workflow on high \$ claims **first**
- Focus on quality of work over quantity
- Quantify the ROI of additional follow up capacity

Outsource



- Consider compensation mechanisms that create incentives to collect more
- Contractually enforce performance SLAs
- **HELP** your vendors – you both benefit
- If practical, split vendor AR between two for competition

Work by Issue

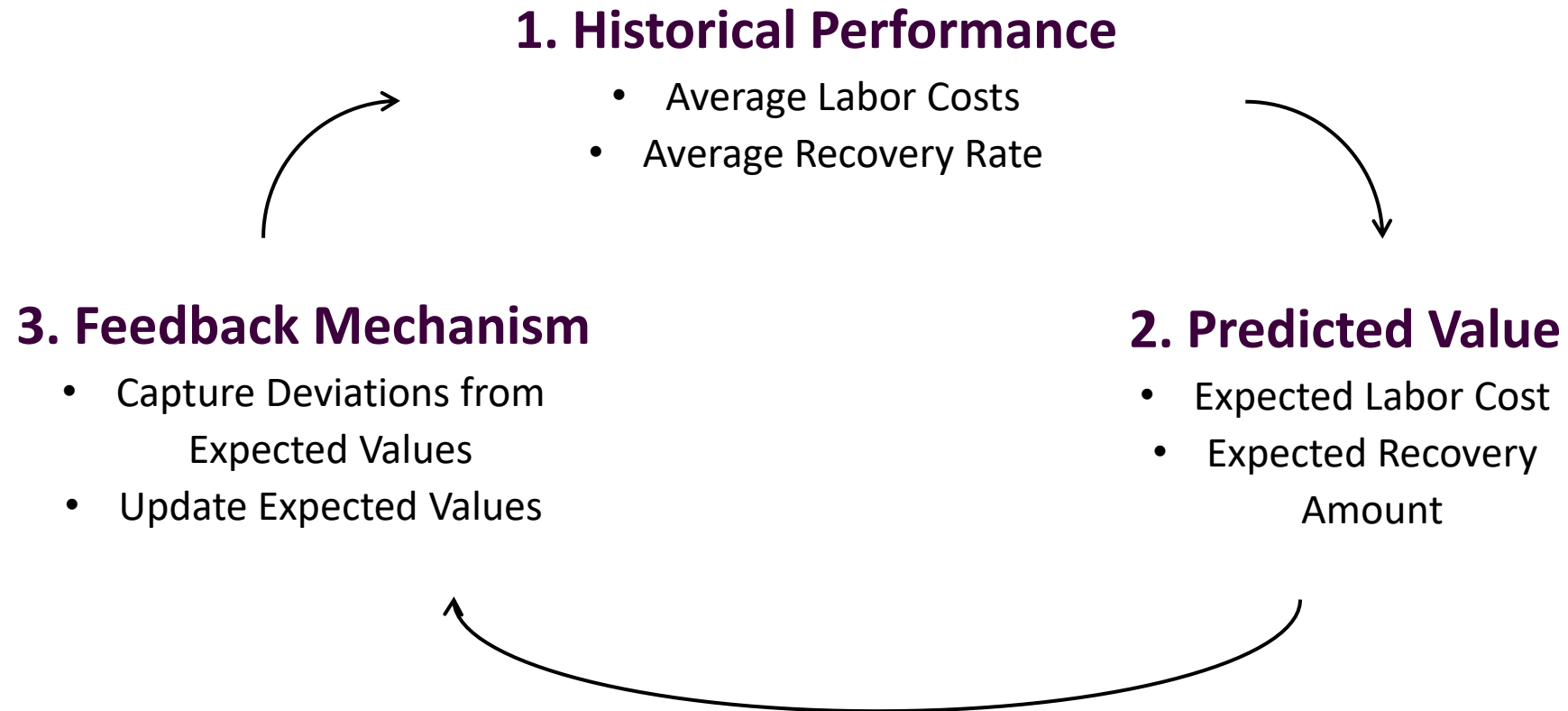


- Use analytical tools to identify “like” accounts
- Build repeatable processes
- Leverage automation whenever possible
- Create upstream feedback mechanisms

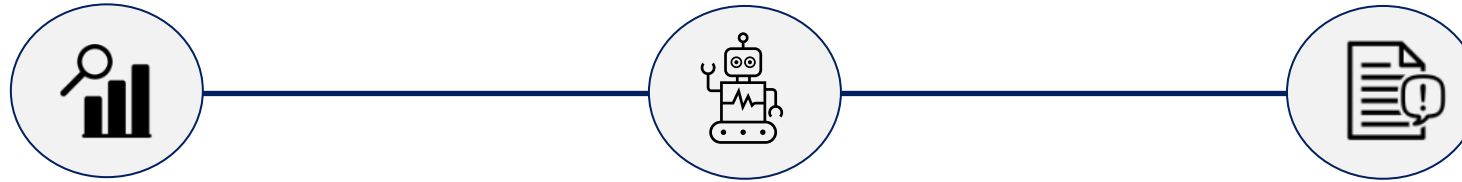
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Emerging Techniques – Machine Learning



Emerging Techniques - RPA



Advanced Analytics

- Integration of data across systems
- Rules engines to identify like accounts in a repeatable way
 - Predictive analytics to segment and prioritize work

Robotic Process

Automation (RPA)

- Emerging tools to automate common, repeatable processes

Integrated Workflow

- Better account selection leads to more valuable follow up
- Systematic data logging to provide improved process visibility

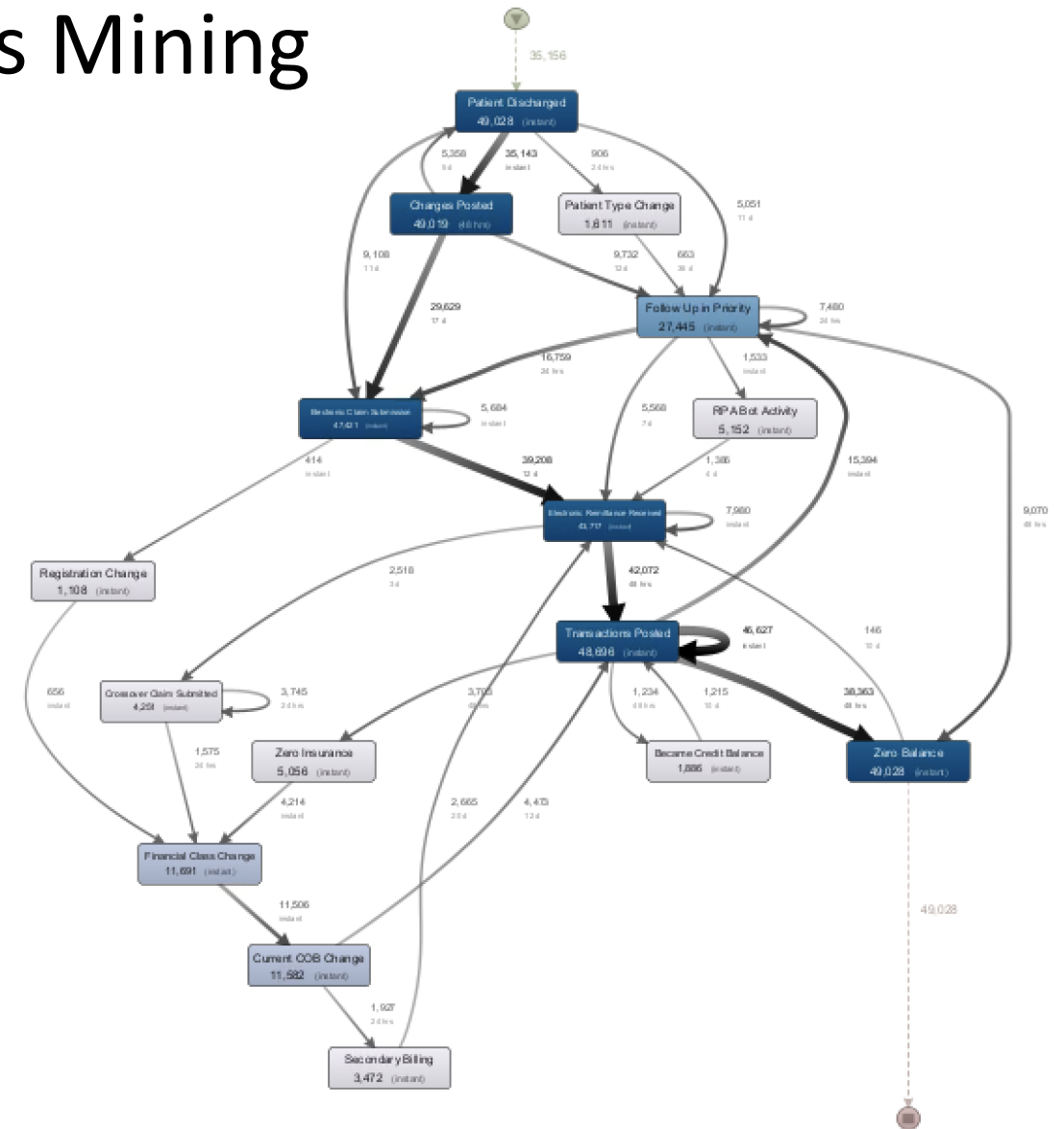
Robotic Process Automation involves using computers to mimic the key-strokes and mouse clicks that a person would perform to complete a task

Emerging Techniques – Process Mining

Create an “Event Log” from available time-stamped activities (from all systems available)

Apply AI techniques to “Discover” the actual processes happening in the organization

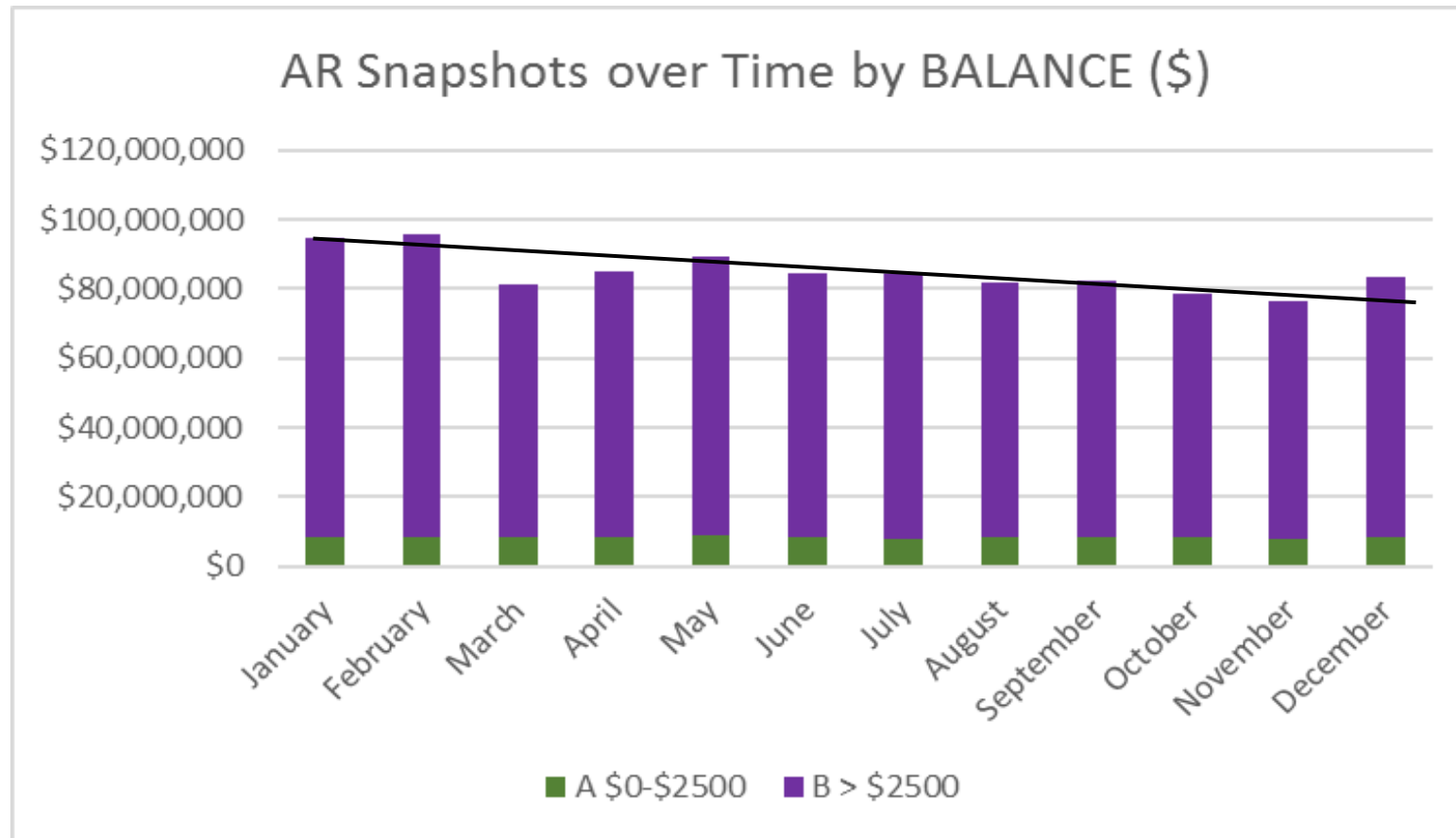
Perform “Conformance Checking” to measure and create interventions on process variants



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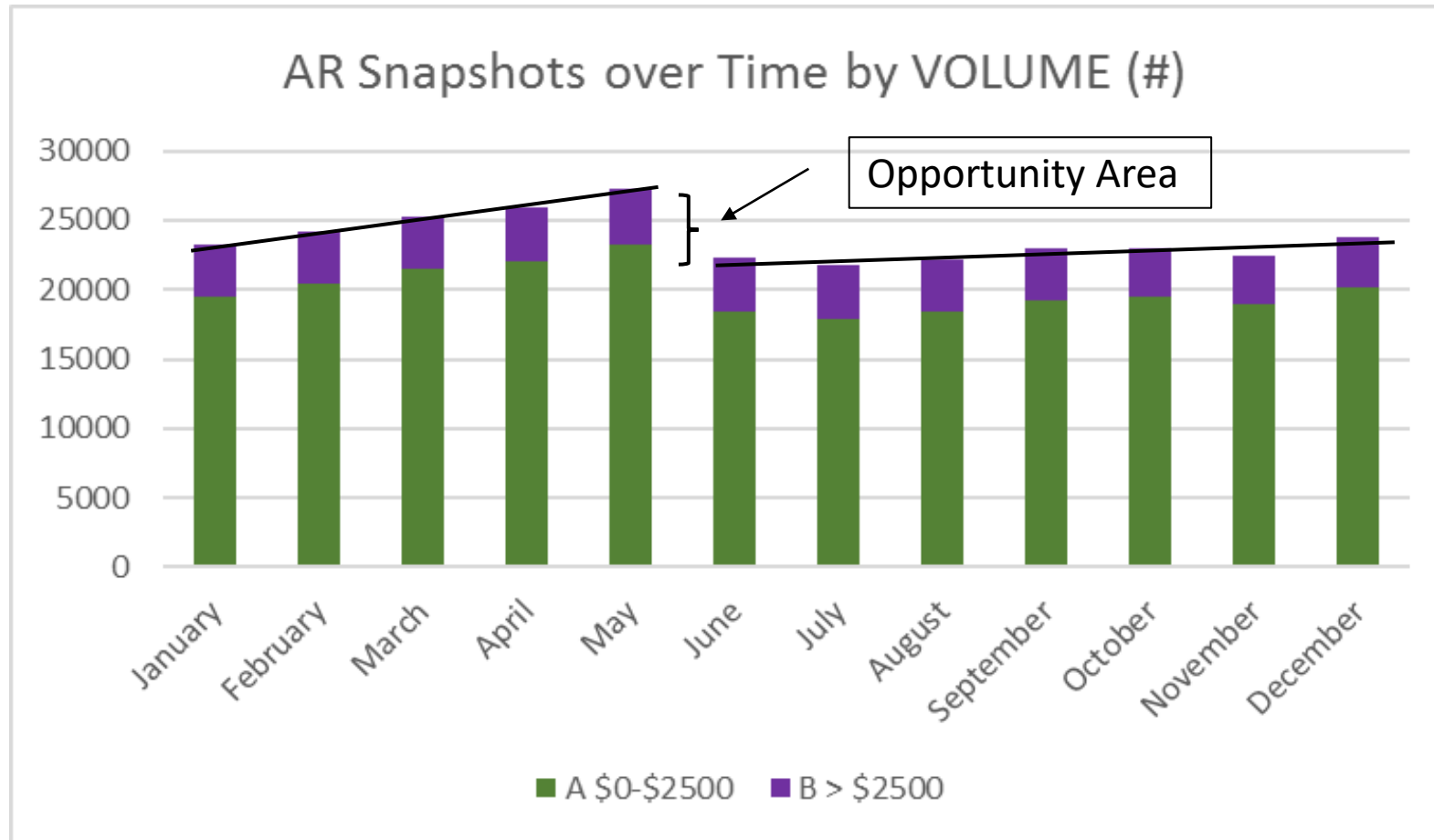
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AR Trend Analysis



Downward AR (\$) trend throughout the year, driven by improvement in high \$ accounts

AR Trend Analysis



Trend by Volume (# Accounts) shows the departments is understaffed and consistently falls behind

Step 1: Evaluate Required Follow Up Capacity

The focus of this staffing analysis is Insurance Follow Up

To complete this evaluation, calculate your required capacity, as follows:

$$\text{Required Capacity} = \text{Registration Volume} \times \frac{\text{Initial Denials Rate} \times 2}{1}$$

EXAMPLE: Required Capacity = 30,000 x 10% x 2 = 6,000

Conclusion: to keep AR constant, 6,000 accounts per month must be resolved to \$0 balance.

Sources of follow up are: denied claims, unadjudicated (lost) claims, secondary billing issues, paper correspondence, and cash posting errors. Generally, 2x denial rate is a conservative estimate.

Step 2: Evaluate Current Follow Up Capacity

Most AR Managers measure staff productivity by “number of accounts worked” (per person per day). A conservatively accepted standards is 40 accounts per person per day (800 per person-month).

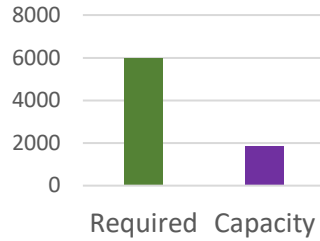
To calculate your capacity, multiply the number of FTEs doing follow up by 800 and then multiply by 33%

Follow Up Capacity = Average Productivity x 33%

EXAMPLE: Follow Up Capacity = 5,600 x 33% = 1,848

On average, an account that requires follow up is worked 3 times to get the balance to \$0. (This is usually due to incorrect follow up, non-productive “touches” and hand offs between staff.)

Step 3: Compare Required to Current Capacity



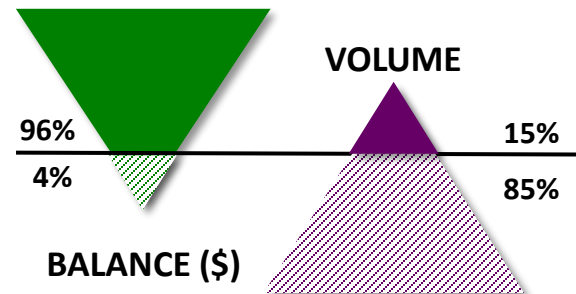
Required Capacity = 6,000

Follow Up Capacity = 1,848

Actual Capacity is less than 1/3rd the Required Capacity. If this were true, the AR would be growing at an alarming rate ...

How can this be?!?

Remember that the distribution of AR is NOT even.
There are far more low dollar accounts than high dollar accounts.



Summary

- Most providers leave cash collections opportunity hidden in their small balance AR
- Harvesting this opportunity is difficult, but usually can be done with a significant return on investment



Questions?

For additional information, feel free contact CHG at
info@colburnhill.com

OR

Join us for.....



A Different Discussion on the Future of RCM

Despite many voices clamoring on about "AI!" and "RPA!" (all saying much the same thing), Colburn Hill stands out in the din.

Our bots don't shout - they just quietly complete their work in an average of 12 seconds.

It is our analytics that have a lot to say...join us for some conversation.

Join us for a 30-minute discussion of the Colburn Hill approach to analytics and automation.

March 2nd, 12:00 EST on Zoom

Email kspaulding@colburnhill.com for the link

