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Banking Systems and the Healthcare Revenue Cycle

Revenue Cycle Stability

The how's and why's of Bank-
Based Revenue Cycle Services



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- Revenue Cycle:
 - All administrative processes related to collecting all fees owed for services to patients.
- Revenue Cycle: *More Practical Definition*
 - A near-futile attempt to collect all the monies owed in a world with thousands of moving parts.

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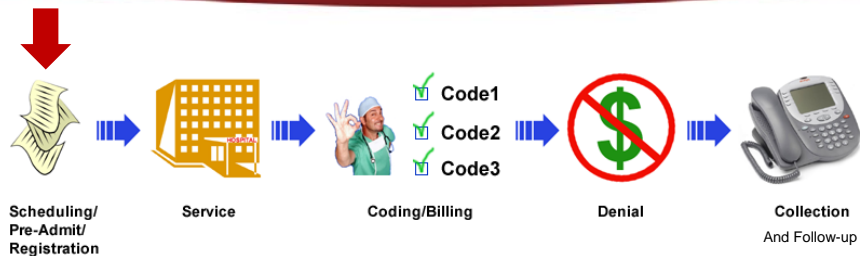
- Revenue Cycle: A *strategic* concept

- Unify all patient administrative initiatives under a common goal: optimize operating margin

“Declining cash flow margins ranked high among critical risks [to hospital sustainability], while the chief risk mitigant cited was ‘management and governance actions [of the hospital].”

[source: *Not-for-Profit Healthcare Rating Roadmap* (April 2009), a special report from Moody's Investors Service]

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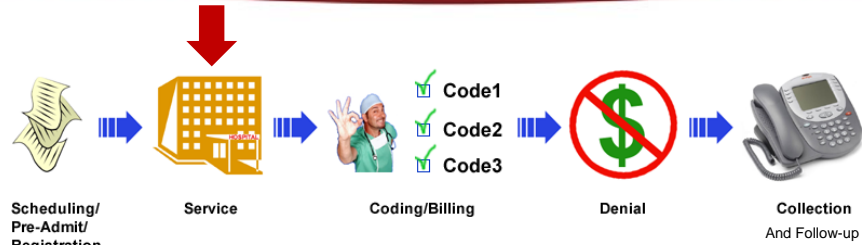
Action:

A Pre-Registrar calls the patient to collect insurance and patient information

Risks to Payment:

- Bad demographic data
- Bad patient insurance
- Lack of insurance pre-authorization

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Action:

Nurses coordinate with insurance company as case develops

Risks to Payment:

-Lack of concurrent insurance authorization

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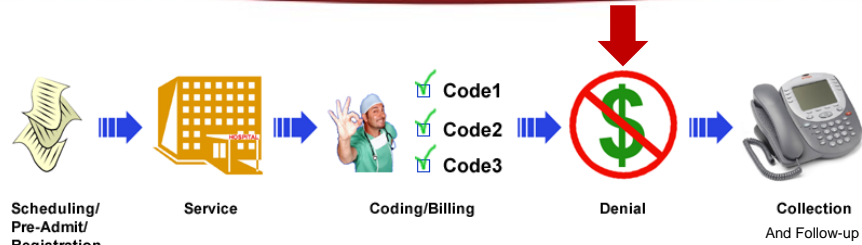
Action:

Coders translate doctor's charts into bills and bills are sent to payers

Risks to Payment:

-Use of wrong code
-Delay in billing
-Attachment of wrong visits to bills

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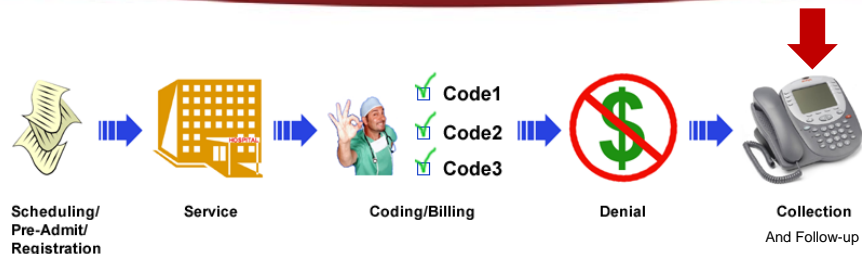
Action:

Payer denies claim for some reason

Risks to Payment:

- Untimely appeal of claim
- Pre-mature write-off/lack of attempt to appeal

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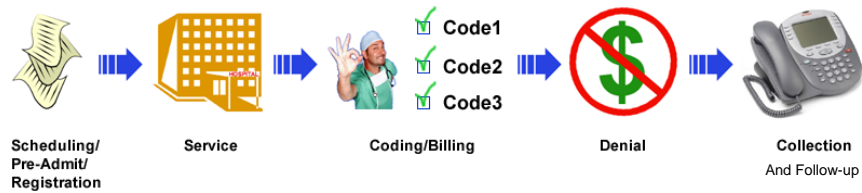
Action:

Hospital AR follow-up staff notice old, open balance and investigate

Risks to Payment:

- Could have been denied and it is too late to appeal
- Open balance too small and too old for cost/benefit... write-off

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Bottom Line:

Denial and Payment data is the **keystone data** for
“solving Revenue Cycle.”

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- The Hospital perspective on Revenue Cycle
 - Cost Center, not an “opportunity center”
 - Hard costs to make improvements, but with soft potentials on ROI
 - Overall supportive of strategic revenue cycle
 - More and more pessimism about the sustainability of change

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- “Financial Institution” perspective on Revenue Cycle
 - AR Valuation (Asset Pricing)
 - Long-term Viability (Risk Assessment)
 - Stability Indicators (Rating)

“In today's uncertain environment, access to low-cost capital may depend on your organization's ability to clearly communicate its strategy for maintaining financial sustainability in the face of economic and regulatory challenges.”

[source: *Effectively Communicating with Credit Markets, HFMA 12/30/2009*]

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- Bank’s Current Impact on Revenue Cycle
 - Bond ratings can drive financial practice
 - Rating and Bank Covenants can drive “tactical” revenue cycle decision making
- Bank’s Current Involvement in Revenue Cycle
 - Lockbox Services
 - Patient Payment solutions
 - Extended Lockbox Services (value-added data)

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- Banks positioned to “Solve Revenue Cycle”
 - The keystone Revenue Cycle data flows through Banks every day
 - Banks therefore can solve operational improvement issues for Hospitals while solving transparency and risk management issues for themselves.

“To provide [assurances to hospital sustainability], hospitals and health systems must first maintain *transparent communications* on financial performance.”

“*Operational improvement* has emerged as a top issue for providers and investors alike.”

[source: *Effectively Communicating with Credit Markets*, HFMA 12/30/2009]

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- Banks Should Grow “Up-Revenue Cycle”
 - Extend into denial management
 - Extend into denial avoidance
 - Extend into services that “back up” the revenue cycle workers with on-demand talent

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- With Up-Revenue Cycle Solutions:
 - Banks are impacting the financial stability of their services and lending clients
 - Banks can realize substantial revenue
 - Banks have a foundation to expand into the smaller hospital market in services, and eventually lending

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- At a Minimum:
 - The Revenue Cycle Improvement market is exploding due to permanent financial pressures
 - Banks should realize that they have the provider's keystone Revenue Cycle data
 - Providers should be made aware the banks have their keystone Revenue Cycle data

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- The Next Step:

Providers should be looking to banks to “Solve Revenue Cycle”

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Benchmark
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The Emerging Role of Banks In Health Data Processing

Richard E. Mobley
Vice President Healthcare Services
BancTec



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Lockbox for Healthcare (Basic Services)

- Bank provides P.O. Box (remit address)
- Bank receives mail
- Bank opens and sorts mail
- Bank deposits checks
- Hardcopy EOBs / Attachments delivered to Provider
- Optional – Image Lockbox
 - Archives checks and EOB / Attachment images with limited viewing abilities

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Lockbox for Healthcare (Specialized Services)

- Bank provides basic lockbox services plus...
- Converts EOBs to a version of an 835
- Captures patient pay data and creates a postable file
- Provides user interface and image archive for viewing EOBs, Claims, ERAs, and correspondence
- Transaction reporting / Data Analytics
- Offers healthcare clearinghouse services to provide additional electronic transaction capability
- Provides additional services
 - automated secondary billing
 - denial and contract management
 - automation of cash posting
 - contractual allowance processing
 - reject note posting
 - financial class updates
- Provides pre-funding of claims and/or patient credit services

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Challenges / Benefits

- Lockboxes have evolved to commodity status.
 - Typically won / lost based on credit relationship.
- The lockbox business is capital-intensive and requires a high-cost footprint (people, process, technology), geographically dispersed.
- Seems large distributed models might be retrenching --
Consolidation?
Outsourcing?
- The opportunity is to deliver solutions that have such value as to extend the lockbox business. A logical product-line extension to a base business drives organic growth.
- Currently it's a collection of widgets. Real dollars are found in a comprehensive service that ties into A/R management

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Challenges / Benefits

Current / Available / Future State
Paper Lockbox / Image Lockbox / Data Transformation

- I.e., Dollars translated into Data
- Limited and unsophisticated remittance posting modules (3rd-party tools available)
- EOB conversion is essentially a labor displacement model. ROI unsure.
- Develop pricing model that extends downward to smaller providers