Increasing Cash Flow While Decreasing Bad Debt: a Case Study
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Company profile

A 120-bed Midwestern hospital needed to increase cash flow and cut operational costs.

EXAMPLE:

- Revenues: $60 million
- Estimated cost of collections-patient balances: $275,000
- Bad Debt: $2.4 million

Business situation

All of the major indicators looked bad. The hospital’s gross revenue days outstanding (GRDO) was too high, write-offs were actually at the maximum, and the percentage of discharge A/R over 90 days was way out of control. The hospital CFO needed to do something soon, but the Patient Accounting Manager didn’t have enough staff to effectively deal with the problem.

Solution

The hospital engaged KeyBridge Medical Revenue Management’s ARM unit to implement a cash recovery plan as an extension of their business office. KeyBridge designed a program to accomplish the following goals:

1) Increase the amount of revenue received by the hospital,
2) Reduce the volume of accounts charged off as bad debt,
3) Decrease the hospital’s overall cost in dealing with self-pay accounts receivables,
4) Reduce the burden on the hospital’s staff in properly servicing self-pay accounts,
5) Preserve the image of the hospital while maintaining the dignity and goodwill of the patients.

KeyBridge
Medical Revenue Management

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The Result

The hospital experienced a:

- 16% decrease in overall collection fees
- 29% increase in netback outsource collection operations
- 9% decrease in write offs and an FTE reduction in workload

The chart below illustrates the dramatic change in cash flow.

![Cash Flow Comparison Chart](chart.png)

Services

The services provided to the hospital by KeyBridge:

1) Predictive Dialing and Statement Generation:
   Incoming and outgoing day and evening telephone calls were being actively made through the use of a predictive dialer combined with a comprehensive program of statement generation to ensure timely follow up with patients.
2) Human Performance Technology:
Account representatives skilled in the use of KeyBridge’s proprietary Human Performance Technology and negotiation techniques lowered resistance and motivated payment. Payment arrangements were set up and monitored by the KeyBridge staff and payment coupon reminders were sent to patients to help ensure payments were made on time.

3) Electronic Insurance Eligibility:
Electronic verification of Medicaid and commercial insurance eligibility allowed the hospital to be notified of possible reimbursement opportunities and protected patients from receiving unnecessary notices and phone calls on a balance that could have been resolved.

4) Charity Care Eligibility Verification:
KeyBridge’s Charity Care eligibility system identified patients who qualified for charity care. This helped fulfill the hospital’s mission statement and also met the needs of those patients who truly needed assistance.

5) Bad Debt Identification:
Bad Debt was identified in real-time in order to facilitate the timely release of accounts when warranted. KeyBridge provided reporting features stating the reason for non-collection, which enabled the hospital to help identify possible changes in their internal process.

6) ARM Consultation:
KeyBridge provided feedback about the hospital’s registration process that clearly identified areas that could be improved. Obtaining more demographic information at the time the patient registered allowed KeyBridge to have more efficient contact with the patients.

Summary
Overall, the hospital:
- Increase cash flow
- Significantly reduce the A/R outstanding days
- Reduce the cost in collections by eliminating labor, telephone and postage costs
- Reduce bad debt write offs and fees through early liquidation at discounted costs

In addition, the hospital gained internal staff focus by allowing their personnel to concentrate on high-payoff activities and core competencies. KeyBridge was able to accomplish these significant financial benefits while maintaining excellent patient relations through the use of human performance technology in communication, along with patient-friendly feedback and follow-up.