BILLING

Outsourcing Day-One and Day-60 Early-Out Programs for Health Care Accounts Receivable

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In over a decade with KeyBridge Medical Revenue Management (www.keybridgemed.com), **Scott Koenig** has implemented a proven formula focusing on technology, management systems, and communication skills development. He is a past president and current board member of the Ohio Receivables Management Association and a past president and current board member of the Medical Dental Hospital Business Associates, a national trade association for firms specializing in health care accounts receivable management.

Harsh economic conditions have hurt health care accounts receivable (A/R). Volume has been reduced, patients' ability to pay has been pinched, and thanks to increasing deductibles and co-pays required by employer-provided insurance plans, health care providers' patient-pay receivables have mushroomed. The practice of outsourcing patient-liability A/R to outside vendors for recovery has existed for some time. These vendors reach out to patients on behalf of the provider to recover patient-pay balances. This outsourcing process typically takes place after an acceptable statement cycle has completed, usually 60 days from when the patient balance was identified.

Many health care providers are now outsourcing accounts the day the first statement to the patient is generated. This practice adds incoming customer service calls and statement generation to the processes already being performed by the vendor, reducing the provider's workload.

Early-Out Processes

The job of processing accounts associated with patient-pay balances is shared between the health care provider and the vendor when a day-60 early-out process is implemented. Typically the provider handles tasks during the statement cycle, and the vendor handles outgoing communication efforts after the initial statement cycle is complete.

In a day-one process, the first statement to the patient is either sent by the provider or the vendor, with the vendor taking over from there. The biggest change is that all incoming customer service calls during the initial statement cycle are handled by the vendor.

Impact

The major difference providers experience between day-one and day-60 programs is in the staffing required to handle the volume of incoming customer service calls. A study conducted by KeyBridge Medical Revenue Management of Lima, Oh., revealed that incoming call volume during the initial statement cycle requires a minimum of 0.35 full-time equivalents (FTE) for every 1,000 accounts entering the process each month. This ratio equates to an additional two FTEs for a typical 200-bed community hospital to handle the calls during the first 60 days of the statement cycle.

Since many providers are currently struggling to turn a profit, it makes sense to outsource these functions to lower costs and avoid hiring internal staff. A more compelling reason to outsource is the core competencies required to do it well. Most providers are skilled at processing accounts from a coding or billing perspective, and then following up to ensure that the bulk of payments are received in a timely fashion. But assembling a staff that has communication skills in the areas of negotiation, closing, and rapport building can be daunting. These skills are not required to perform the bulk of duties in the provider's business office and often are seen as less important. Hiring a top-quality vendor to provide this expertise can fill an important void and substantially increase cash flow, patient satisfaction, and staff morale.

An advantage of day-one programs is the vendor's ability to be flexible with a provider's internal work standards and processes while utilizing the efficiencies of scale that many vendors possess. An example would be the ability to begin to communicate with and collect from patients before day 60. The primary advantage of day-60 programs comes from segregating the statement phase from the outbound contact phase. The former requires more of a customer-service mentality, while the latter is driven by payment negotiation and closing skills.

The common denominator with both programs is that coordination between the provider and vendor is crucial. Depending on the account turnover operations of the provider, accounts can frequently deviate from being a true patient liability balance. For example, accounts on hold for financial assistance processing, contractual allowance adjustment, or employee discounts can cause problems when inadvertently released into a day-one or day-60 program.

The biggest coordination problems usually occur in day-60 programs, since accounts can be in any of a number of dispositions at the time the vendor takes over, including active A/R; early-out A/R with other vendors; loan programs; bad debt; and charity care. Coordinating such accounts necessitates sufficient training of provider staff and vendor coordination of operations.

Recovery

One of the most important advantages to consider when implementing an early-out program is lower cost of recovery. These cost benefits become clearly evident in a day-60 program, where patient contact procedures are enacted that can cause a noticeable lift in the provider's cash flow. These programs typically reduce internal costs by utilizing efficiencies built into vendor operations. Day-one programs go a step further toward cutting expenses by eliminating internal statement costs and reducing labor and overhead involved in customer service functions.

Occasionally providers take issue with day-one programs, since the vendor is compensated with commissions earned in the statement cycle. This issue can easily be abated by understanding that the main difference in services provided between day-one and day-60 programs is when statement generation and incoming customer service functions are outsourced. The costs incurred per account processed actually increase with the additional work performed with a day-one approach. Whether the fees are earned during the statement cycle or not, the reimbursement of costs incurred per account to the vendor has to occur at a logical level. The provider and vendor must find the price point that makes sense for both parties.

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Selecting a Vendor

Of course, neither a day-one nor a day-60 program will work without a quality vendor to outsource to. The most important thing a provider should consider is that the expertise of the vendor's staff should trump the expertise of the provider's staff. Key among that expertise is the ability to effectively communicate with patients during the billing process. Effective communication can easily eliminate the majority of issues that block providers from collecting what is owed in a timely fashion.

The outsourced vendor must possess excellent communication, rapport-building, and negotiation skills, or the provider will benefit only from cost reductions due to economies of scale. The right vendor can provide an increase in patient relations and most importantly, revenue.

The same goes for technological and operations capabilities. A vendor's technological and operations systems should be designed for the purposes they are contracted for, and should use proven methods that produce results that outweigh the provider's capabilities. These include:

- Real-time payment acceptance
- Online payment portals
- Automated payment plan follow-up
- Proactive charity care follow-up
- Analytical tools for process improvement.

Both day-one and day-60 early-out programs have advantages in reducing recovery costs and increasing a health care provider's cash flow, but day-one programs offer a cleaner transition to the outsourced vendor along with minimizing account coordination issues. Day-one programs also allow for an increase in expertise through the talents of the vendor's staff. As with any outsourcing, the correct choice between day-one and day-60 depends on the needs and capabilities of the health care provider along with the quality of the vendor. ■

Medical Providers Should Beware of Alienating Patients When Using Early-Out Programs

The most substantial effect a medical provider's outsourcing of a day-one or day-60 early-out collection and accounts receivable program to a vendor has on the patient is a lack of continuity resulting from multiple points of contact with both the provider's and the vendor's staff. This situation is mostly seen in day-60 programs where there is a different telephone contact between the statement cycle and the early-out phase. The change in telephone contacts can lead to confusion or skepticism on the patient's part. Most providers prefer that the handoff to the vendor be as seamless as possible, with no indications to the patient that the business has been outsourced.

Day-60 programs also can accentuate situations where a patient has an account in both the statement cycle and the early-out phase. Unless procedures are implemented that allow combining both accounts on a single payment schedule, the patient may view the program as less than optimal. —SGK