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Building the "Economic Continuum of Care": How to Enhance Patient Satisfaction and Provider Results

Best Practices for Outsourcing Accounts Receivable to

Maximize Revenue Collections

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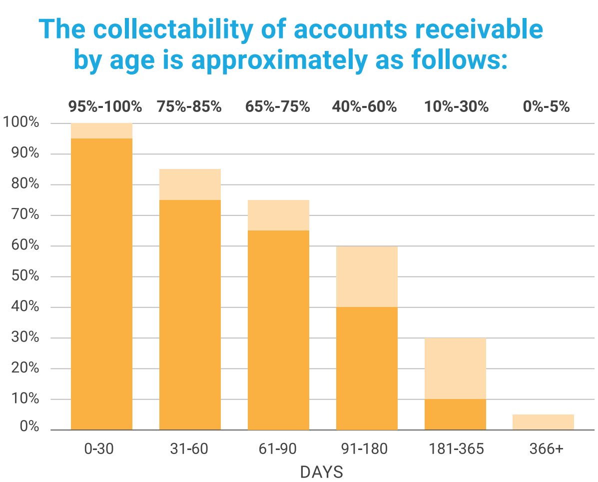
To recover from the financial impact of COVID-19 and build a resilient revenue cycle, healthcare providers need to take a proactive approach to resolving aged accounts receivable (AR) by actively working outstanding accounts early in the revenue cycle process. Left unworked, those accounts will age out, becoming less collectable over time.

The Problem

Many providers are leaving some portion of unresolved insurance accounts untouched due to staffing shortfalls, budget constraints or simply an influx of volume. As shown in the chart below, the collectability of AR decreases as those accounts age. Eventually, these aged accounts will be written off to bad debt.



Insights and Tips

Best practices dictate working AR every 30 days. If a provider does not have the staff available to review AR every month, consider outsourcing at the right time to balance internal team efforts with maximum cash generation. Though some providers may view outsourcing as an unnecessary cost, the financial benefits of outsourcing aged accounts outweigh the cost substantially.

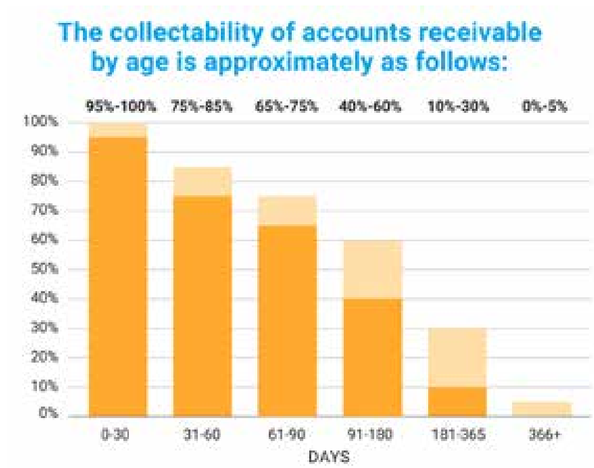
What percentage of AR has your organization worked in the past 30 days? To find out, run a report that identifies that percentage, then segment that information to see which categories of accounts are not getting worked. Revenue cycle experts typically see some pockets of unworked AR that often fall into categories of small balance accounts, denied accounts and/or aged accounts. Unworked accounts effectively can be outsourced, typically generating quick cash with a very high return on the investment.

Case Study 1: Increasing Collections by Five Times

A midsized regional hospital was under-resourced in its business office due to lack of qualified AR resolution employees available in its local marketplace. A segmentation of the hospital's AR revealed that once accounts reached 120+ days, the hospital staff was only working 2% of the accounts each month and collecting 15%, which equated to nearly $300,000 per month in collections.

To resolve these accounts, the hospital's business office worked them in-house for 120 days and then outsourced them at day 121. Within the first 30 days of the project starting, the outsource partner had worked 53% of the accounts that were over 120 days. The hospital staff historically would have been able to work only 4% of the accounts over the same time period.

Within 60 days, 79% of the 53% of accounts worked by the outsource partner had been resolved. These accounts were either paid, sent to self-pay for the patient portion or written off for a total resolution of 42% of



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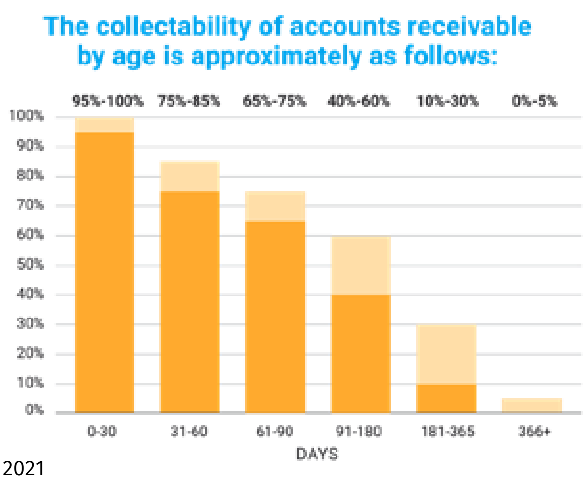
the AR. Collections increased by five times or nearly $1.5 million per month, with similar result trends projected for the following 60- to 90-day time period, as well.

Case Study 2: More Staff Muscle; More Cash Faster

To resolve small balance accounts, a multi-hospital system tapped healthcare revenue cycle artificial intelligence (AI) technologies of an outsource partner to resolve accounts that were not getting worked in a timely manner.

An AI-driven web bot was deployed on small balance, aged insurance accounts to do both claim status and to work pre-authorization, eligibility and timely filing denials including writing of appeals. The business office was understaffed and only able to work a fraction of these “lower value” claims on a monthly basis. The combination of the bot working more accounts and then re-deploying the existing staff to the accounts that the bot couldn’t work resulted in a 10-percentage point increase in recovery rate on these aged accounts within 6 months of the initial deployment of the bot. The overall recovery rate for this business is the highest it has been in the 5+ years of tracking recovery rates.



Conclusion

While it did cost the providers money in both case studies, the total return was far greater than the investment. For providers without enough staff to work AR inventory every 30 days, providers should consider prioritizing accounts by propensity to pay to utilize internal resources smarter and consider outsourcing at the right time to recover cash before the accounts are written off to bad debt, or age out and become less collectable. The financial reward to the organization will more than offset the cost.

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