

Money Matters

Washington state regional healthcare system uses contract revenue cycle management system to increase collections and improve workflow.

Like many healthcare systems, Providence Health System's Washington region, which consists of five acute care hospitals, two affiliated physician groups, and eight hospice and long-term care facilities, had trouble managing its contracts with payer partners. The organization is part of one of the nation's leading healthcare provider systems, which comprises four independent regions with more than 750,000 health plan members, 21 hospitals and 30,000 employees and physicians.

Providence-Washington has a single contract negotiator responsible for all major contracts for every facility, and each facility has a CFO responsible for negotiating smaller agreements. It also has a centralized office that handles all managed care billing and collections, but complex terms and conditions, as well as a plethora of paper copies, were creating administrative confusion. Underpayments and denied claims were increasing, and collections on underpaid accounts were not meeting expectations.

The amount of money collected wasn't close to matching financial expectations, according to Matt Blackmore, Providence-Washington manager of payer contracting. "Our calculation engine was identifying a large number of underpaid accounts, but our team of collectors didn't have the time or resources to capture and organize the data, nor could they follow up on every underpayment," he says.

Realizing that improper contract

revenue cycle management had a costly impact on the organization's bottom line, Blackmore and Mike Butler, former Providence-Washington CFO and current Providence corporate CFO, wanted to find a better way to manage contractual data to improve collections performance and streamline administrative processes.

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Changing Ways

To organize all of the problem accounts and optimize collections, Providence-Washington started to design its own system and internal processes for tracking accounts and identifying why underpayments and revenue leakage occurred. Led by Blackmore and Butler, the organization wanted to create a solution that could be cost-effectively integrated across multiple departments. They were determined to build a system that would identify and collect on revenue opportunities and deliver proactive strategies for eliminating the systemic issues that caused revenue leakage in the first place.

After several attempts to create their own contract revenue cycle

management system, Blackmore and Butler decided to outsource the job. They turned to Concuity Inc., a Hayward, Calif.-based provider of contract revenue cycle technology and revenue recovery services for healthcare providers. "The company's ClearContracts solution was intuitive and fit perfectly with our push to regionalize contracting, right down to the status and reason codes," says Blackmore. "It allowed us to get more people involved in the contracting process, as well as to provide a means to capture and organize data and to reduce the resources needed to get the job done."

Implementation, which included staff training and the electronic loading of paper contracts into ClearContracts, began in May 2002 and lasted about four months. Using an application service provider platform, the new contract revenue cycle management system integrated seamlessly with Providence-Washington's existing accounts receivable and other business systems, including its incumbent calculation engine. In fact, the new system took the output from the calculation engine and organized the data into comprehensive activity lists used to drive the daily activities of collectors. This enabled the collectors to prioritize their own accounts, quickly find operational requirements of electronically stored contracts, display account details in letters to payers while referencing all prior contacts, and create reminders for all follow-up activities.

During this time, the regional healthcare system augmented its

collections team with revenue recovery experts from Concuity. This ensured there would be no stagnation of collections during implementation, and it allowed the organization to successfully integrate best practices for managing contracts, teaching contract administrators and collectors how to better identify and collect underpayments and to proactively reduce revenue leakage that was moving forward. "One of the biggest discoveries we made was finding contracts and loopholes that we didn't even know existed," Blackmore says. "There were a few instances when we attempted to recover revenue from a payer and found there were smaller subsequent agreements that offset the contract terms we were utilizing."

Collections Heaven

The new contract revenue cycle management system freed up Providence-Washington's collectors to work on more accounts with fewer personnel than anticipated. By centralizing contract data in one location and providing a better means to analyze information, collectors could prioritize and focus on high-yielding claims instead of getting bogged down on accounts that offered little

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chance of reimbursement. In fact, because the technology was so successful in streamlining collections processes, the regional healthcare system chose not to hire up to four additional professional collectors.

The result was soon evident in the organization's financial performance. In less than four months, not only was ClearContracts implemented, training complete and paper contracts loaded, but collectors had payers already committing to nearly \$1.37 million in additional payments, \$1.24 million of which was actually collected.

Through the introduction of technology and best practices for

managing the entire contract revenue cycle, Providence-Washington automated administrative processes, increased collections and improved workflow. By arming their collections staff with the tools to gather and better understand contractual data and providing a means to track payer performance, Blackmore and current Providence-Washington CFO Dan Harris developed long-term strategies for combating underpayments and driving collections. In less than a year since implementation, the regional healthcare system has increased collections by more than \$2.4 million.

Looking ahead, the new Providence-Washington team intends to use the contract revenue cycle management system to further improve operational efficiencies and its bottom line. "We are confident that we can enhance collections and drive contract and payer performance even more," says Harris. "In addition to focusing on underpayments, we are currently investigating ways of using the system's existing functionality to develop strategies for combating denials, as well as its modeling feature to strengthen our contract negotiating skills."

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