Insights and actions for successful results

February 2012

Revenue Cycle Strategist

hfma
healthcare financial management association

www.hfma.org/rcs

Penn Medicine Prognosis: Reduced Costs, Increased Revenue

By Thomas Cooper, Margaret Dowling, and Steven F. Honeywell

Penn Medicine's Physician Groups automated cash postings to reduce costs and improve administrative efficiency.

With more than 2 million patient visits a year, Penn Medicine stood to realize significant potential savings by automating its posting processes. Penn had already developed a disciplined approach to revenue cycle management, tracking key statistics, such as gross and net days in accounts receivable (A/R), payment collection trends, and bad debt expense. At the end of FY10, improved business processes had significantly reduced bad debt expense over a five-year period, but there was still an opportunity to improve collections from contracted payers.

An effective A/R follow-up process requires skilled employees familiar with Penn's systems and payers. These skilled employees are in short supply in the Philadelphia market. However, by automating cash posting and reconciliation activities, experienced employees could potentially be reallocated to A/R follow-up.

Penn Medicine's Physician Groups decided to leverage a 2011 practice management system conversion to automate cash posting and reconciliation. The project's goals were to:

> Eliminate paper and reduce costs associated with handling and storing paper
> Reduce manual posting of payments received from patients and payers
> Improve timeliness and accuracy of payment posting
> Automate cash reconciliation for both patient payments and insurance payments
> Reduce administrative costs

The automation project was to run concurrently with the end of the billing system conversion, and the original timeline was about nine months from start to finish. The Physicians' Billing Office (PBO) team developed a project plan that moved along a "collections continuum," starting with easier components and ending with components that posed more difficult technical challenges.

To move the project quickly, the team was staffed with vice presidents, directors, supervisors, and managers from patient accounting, corporate finance, and IT, along with representatives from the new billing system company. These individuals were empowered to make decisions in project meetings, and were then accountable for implementing those decisions within their groups as the project progressed.

The starting point on the continuum was individual lockboxes for multiple physician practices, manual posting from paper documents, and the old billing system. The end goal was to move as close to 100 percent automation as possible. The project was officially launched in January 2011.

The team wanted to move along this healthcare "collections continuum" rapidly, maintaining staff engagement and meeting existing revenue realization goals concurrent with the implementation of a

new practice management system. A financial services firm was selected to provide banking and clearinghouse services, and was asked to provide project resources, such as a project manager, a business process consultant, and healthcare EDI specialists, to help accomplish Penn Medicine's goals.

Building the Infrastructure

As plans for implementing the new billing system were finalized, the PBO team began building the infrastructure to support automation. Dual monitors were ordered for cash posting staff, because an interim stage in the plan was to convert manual posting from paper explanations of benefit (EOBs) to electronic images provided by a new consolidated lockbox. The team installing the new billing system was asked to participate in brainstorming sessions with the bank to develop a lockbox and information reporting system that would support a consolidated accounting process for all of Penn Medicine's physician practices.

The starting point on the continuum was individual lockboxes for multiple physician practices, manual posting from paper documents, and the old billing system.

Specific requirements of the new system included:

- Consolidating 35 individual physician practice lockboxes to two lockboxes (patient payments and insurance payments)
- Transitioning 30-plus bank accounts to one bank account
- Associating a payer plan code to each insurance check to facilitate cash reconciliation by payer
- Integrating check and automated clearinghouse (ACH) information to produce a consolidated cash management file for uploading to the practice management system

Project requirements seemed simple at the beginning, but working through the details turned out to be more complex than expected. The claim-tracking function of the new billing system had to be tested before lockbox consolidation to ensure that payments received through the new consolidated lockboxes would be properly allocated to individual physician practices.

The new billing system assigned specific posting rules by payer to automate the transfer of patient responsibility. Payers with similar posting rules were grouped into "super payer" plan codes. These super payer codes also routed electronic remittance advices (835 files) and tracked cash receipts by payer. To accommodate this structure, thousands of insurance check MICR lines (the bank routing and account numbers printed at the bottom of each check) were assigned to super payer groups as part of the new lockbox process.

Integrating ACH payments also proved challenging, as payer information was inconsistent. Penn Medicine asked the bank to develop customized file mapping to "normalize" ACH data for import into the cash management file. This task added time to the project schedule, but resulted in cleaner data. Flexibility in both the billing and banking applications allowed files to be customized over a period of several weeks, and the cash management files were imported successfully.

The new banking and control infrastructure was completed just weeks before implementation of the new billing system. PBO staff began posting from lockbox images using newly installed dual monitors. Once the new billing system was live, patient payments were posted automatically via a file transmitted from the consolidated patient lockbox.

An immediate benefit was that most of the PBO's 16,000 monthly patient checks posted without manual intervention. Along with being the actual posting file, the patient lockbox file served as a cash reconciliation file. A second file from the insurance lockbox completed the cash reconciliation process. After conversion, all cash reconciliation occurred within the PBO practice management system without the use of any external databases or spreadsheets.

Automating Cash Posting

PBO staff then turned their attention to automating the manual posting process. Goals for this phase of the project were to acquire as many direct 835s from payers

About Penn Medicine

Penn Medicine consists of the Perelman School of Medicine and the University of Pennsylvania Health System (UPHS, established in 1993). The Perelman School of Medicine comprises 28 basic and clinical departments, and more than 1,800 faculty members and 2,200 students and trainees. Penn's Perelman School of Medicine is consistently among the nation's top three recipients of federal funding from the National Institutes of Health.

The health system includes three hospital facilities, several comprehensive outpatient facilities in southeastern Pennsylvania and southern New Jersey, a practice plan, a primary care physician network, and home care and hospice services. The health system maintains more than 1,500 staffed beds, resulting in more than 80,000 inpatient admissions, and provides more than 2 million outpatient visits each year.

as possible, and then to use EOB conversion technology to create and post "manufactured" 835s for payers not offering direct 835s. Although the PBO already exceeded the industry average for direct 835s, posting 74 percent of insurance claim payments automatically, there was still opportunity to receive electronic data from smaller managed care payers, which might raise the automated posting rate to 85 percent or more.

The bank was engaged to bring in these secondary payer 835s, identifying the data files to the appropriate super payers to facilitate posting. This was a tremendous help from a resource perspective, as PBO IT resources were occupied with other parts of the project.

Several of the higher volume payers could not segregate data or payments by National Provider Identifier (NPI), causing commingling of data and dollars for Penn Medicine entities sharing a tax ID. Fortunately, the respective hospital and physician patient account numbers have unique attributes that allow each encounter to be identified to a particular Penn Medicine entity.

Colleagues from the hospital billing office were engaged, and a process was developed to have the bank "split" 835 data based on the patient account number, so that separate data files could be produced for physician and hospital payments. The bank is developing a report showing the amounts sorted into each 835 file, and Penn Medicine treasury will transfer the appropriate amounts to each entity in cases where payers combine payments by tax ID.

For the next phase of the project, the bank will convert EOB images to manufactured 835s. The work performed previously to rationalize super payer groups has been beneficial, as the new billing system requires that 835s manufactured from each day's lockbox deposit be "split" into separate files by super payer to facilitate posting.

WEB EXTRA

See Training Tips from Penn Medicine at www.hfma.org/rcs.

At this time, more than a week of training has been delivered, most of it in one- or two-hour increments, but supervisors and managers have provided additional hours of support to individual employees as needed.

Each patient record in the manufactured 835 will be populated with a payer code from the original claim used to validate the data lifted from EOBs. Tables relating these payer codes to super payer groups have been developed so that data can be sorted into the appropriate files for delivery to the PBO.

Other pre-work included developing business rules for populating claim status codes, which are typically not printed on EOBs, and developing a crosswalk and business rules to map payer adjustment reason codes to HIPAA standard codes. Testing of manufactured 835s began in late 2011.

Training

Training occurred at multiple points during the project. At the initial implementation kickoff meeting, PBO staff reviewed the various services to be implemented, and previewed information available on the bank's web portal. After data began flowing, system users were trained via a combination of system demonstrations via webinar and on-site visits to address specific business issues. Tip cards and PowerPoint reference tools were provided for individual reference.

At this time, more than a week of training has been delivered, most of it in one- or two-hour increments, but supervisors and managers have provided additional hours of support to individual employees as needed. Training, and business process "fine-tuning," will continue as the project moves forward. (See Training Tips from Penn Medicine at www.hfma.org/rcs.)

Current Project Results

Automating cash posting at Penn Medicine's Physician Groups has already resulted in several efficiencies that have contributed to reduced costs and increased revenues for the organization:

- Reduced FTEs involved in cash reconciliation from three to two individuals.
- Redeployed five FTEs from posting to value-added processes, such as A/R follow-up. Penn Medicine's follow-up team typically collects between $100,000 and $250,000 per FTE per month, so redeployment of staff will potentially increase revenues by $500,000 to $1.25 million per month.
- Improved service to the physician practices and other business partners by providing easier access to deposit and remittance information, which allows them to provide better customer service by resolving patients' billing questions more quickly.
- Improved resolution time for payer checks sent to the wrong Penn entity through electronic access to deposit and EOB information.
- Facilitated more timely and accurate A/R follow-up through consistent posting of standard denial and adjustment codes.

Although significant benefits have already been realized, the project has exceeded the original timeline. Reasons for the extra time range from variations in payer data, which required technical work-arounds, to the need to allow time

for employees to adapt to business process changes before moving to each new stage of the project. Project completion is now estimated for mid-2012.

Lessons Learned

What lessons can Penn Medicine offer to other providers contemplating an automation project? First, there are clear benefits in terms of both increased revenue and reduced costs related to handling paper. However, the timeline for this type of project is probably closer to two years, and adequate time needs to be allocated for employee training and support during business process changes. Finally, it is important to expect technical challenges in the areas of data mapping to accommodate variances in payer information, as well as system integration challenges, because automation projects involve multiple systems. In Penn's case, there were data connections to the old practice management system, the new practice management system, a document imaging system, and the bank's information portal.

Thomas Cooper is associate vice president, finance, corporate controller/treasurer, University of Pennsylvania Health System, Philadelphia (thomas.cooper@uphs.upenn.edu).

Margaret Dowling is senior vice president, product management, PNC Healthcare, Philadelphia (margaret.dowling@pnc.com).

Steven F. Honeywell is senior director, professional fee billing, University of Pennsylvania Health System, Philadelphia (steven.honeywell@uphs.upenn.edu).