

# Are You Collecting What You Are Owed?

Presented by Justin Jakubik

# How does your hospital keep track if you were paid according to your contractual terms?

No Current Process in Place

Manual Review

Contract Management Software

What is Contract Management?!

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# Introduction



Healthcare providers operate at a distinct disadvantage in dealing with insurance payers – especially when it comes to reimbursement



Reimbursement complexity has far reaching impacts on the health of your revenue cycle and the health of your facility



Insight and process efficiency is critical to reducing your reimbursement complexity and level the playing field with payers

# Agenda

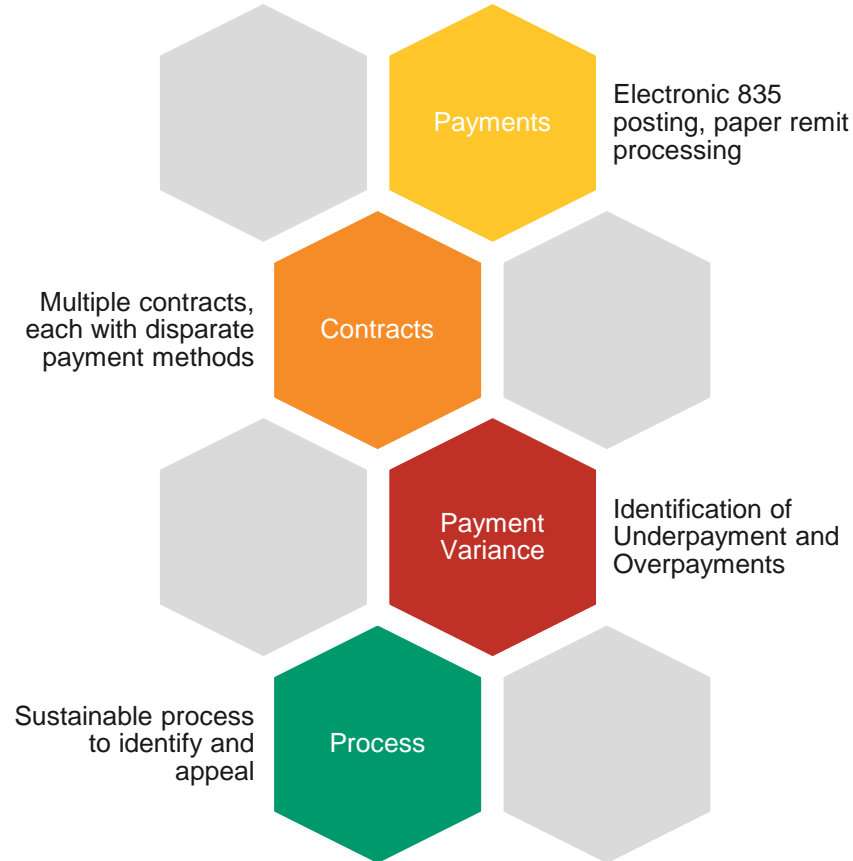
# Agenda

- Provider Disadvantage
- Areas of Focus Using Technology
- Creating an Effective Contract Management Process

# Provider Disadvantage

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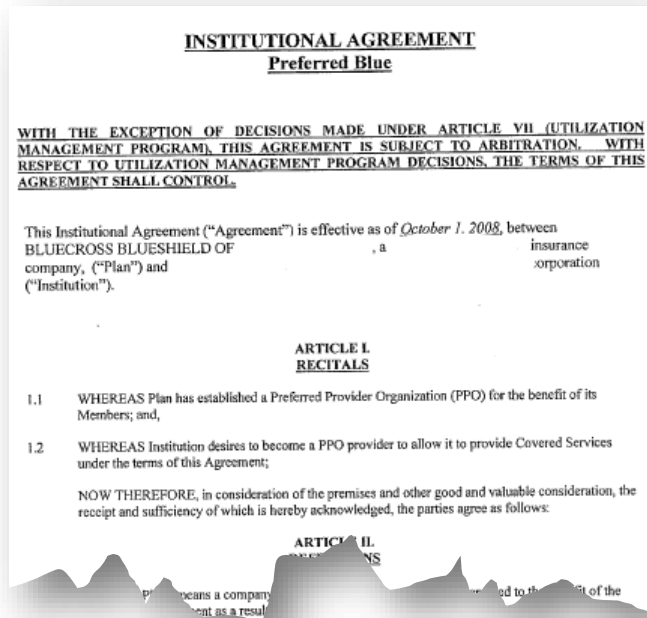


# Provider Disadvantage - Payments

- Providers must manage payments from multiple sources
- Not all payments come from an 835
  - Paper remittance makes payment management extremely difficult
- Other sources (lockbox, etc.) also result in further decentralization of payment management and further complicate collections



# Provider Disadvantage - Contracts



Payer contracts simplify a provider's reimbursement – I know what I am owed for services rendered

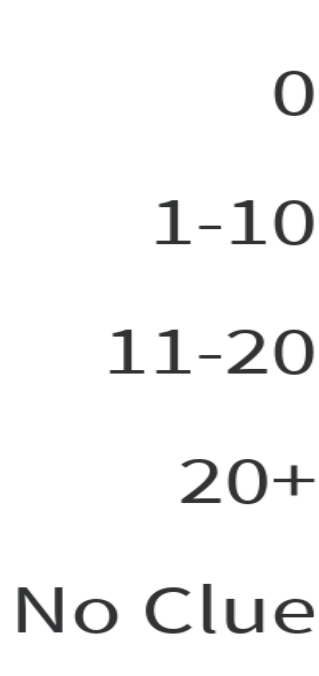
– True/False?

Payer contracts are becoming more complex due to shifts towards value-based reimbursement models that are changing the way hospitals are paid for services.

# Provider Disadvantage - Contracts

- Payer contracts can be broken down multiple ways, increasing complexity
  - Contract per payer, per facility/system
  - Contract per payer, per facility, per insurance type (HMO, PPO, etc.)
  - Contract per payer, per facility type, per insurance type
  - Contract per payer plan, per facility
  - etc.

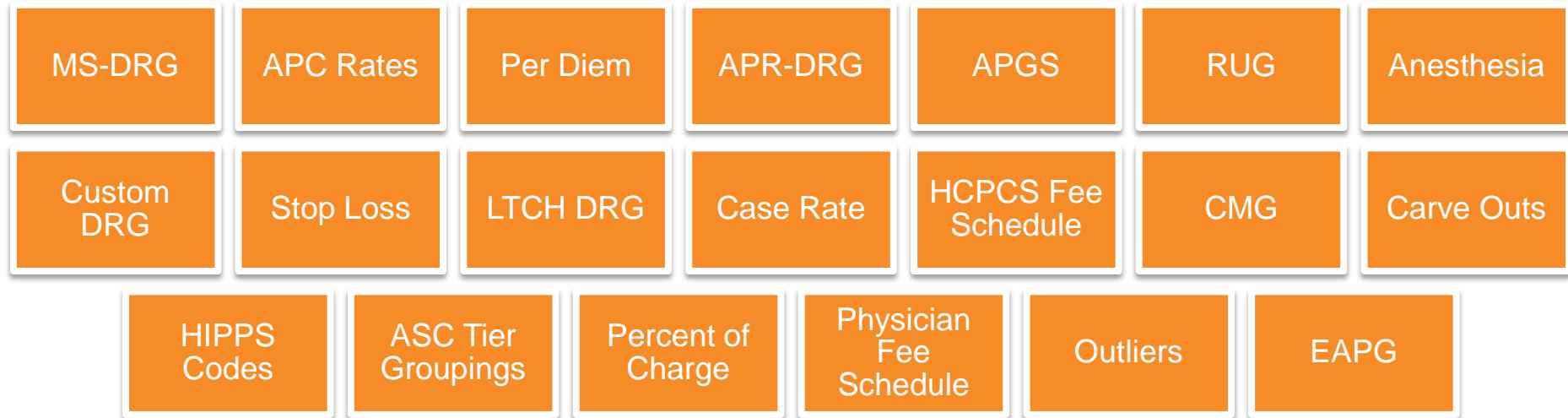
# A facility can have many contracts. How many contracts do you have?



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# Provider Disadvantage - Contracts

- Payers offer multiple reimbursement methodologies
- Some methodologies are non-negotiable (Government)



# Provider Disadvantage - Contracts

- Contract maintenance is burdensome
  - Frequent updates (annually, quarterly)
  - Effective Dates
  - Amplified by the number of contracts
- Visibility into contract performance is limited
  - How do you enter a negotiation with proper data to maximize your reimbursement?

# Provider Disadvantage - Variance

- Identification of payment variance is difficult
  - Contract modeling to calculate expected payment amounts
  - Collection of claim and remittance data to expose to reporting mechanism is a challenge
    - Ability to report on overpayments for future takebacks
  - Periodic reporting eliminates some underpayments from appeal process
    - Timely filing deadlines missed

# Provider Disadvantage - Process



- How do you establish a sustainable process for variance reporting and appeal?
- Disparate claims, remittance and variance systems, processes and teams makes it difficult to accomplish
- Inability to establish repeatable process to manage variances

# Provider Disadvantage - The Result



# Provider Disadvantage - The Result

**1 in 14**

- Approximately 1 in 14 healthcare claims is paid inaccurately, mainly because it is so complicated  
- **HFMA**

**7%-11%**

- According to **MGMA**, approximately 7%-11% of claims are underpaid

**>33%**

- More than 1/3 of providers do not appeal claims, leaving money on the table that could easily be collected  
- **HFMA**

# Provider Disadvantage - ROI Opportunity

“It is estimated that the average healthcare organization **loses 5% of annual revenue** to leakage that is considered preventable through an effective Denials and Contract Management Strategy.”

*2016 Healthcare IT Forum, Advisory Board*

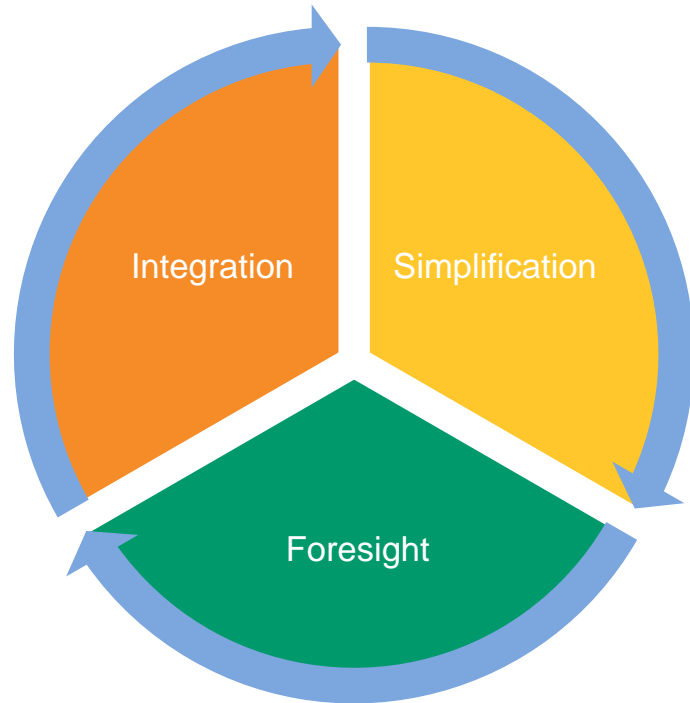
Facilities across the state lose revenue to the same “silent revenue killers”, underpayments and invisible denials.

- With an effective strategy for managing underpayments, could you re-capture just 0.5% of your revenue?



# Areas of Focus Using Technology

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# Areas of Focus Using Technology – Simplification

- Simplify payer contract modeling
  - Leverage solutions for modeling contract terms to enable claim “pricing”
  - Make expected/allowed reimbursement data available throughout the claims process
  - Minimize overhead on contract update processes
    - Automatically update Medicare/Medicaid fee schedules
    - Automate notifications for expiring contracts
    - Seamlessly handle effective dates

# Areas of Focus Using Technology - Foresight

- Foresight should be 20/20
  - Underpayment recovery efforts calculate contractual allowable on claims post-billing
  - Significant insight that only provides hindsight perspective
  - Leverage allowable calculations in pre-billing
    - Prioritize claim workflow based on expected reimbursement to accelerate A/R
    - Validate allowables against Chargemaster – avoid leaving more money on the table

# Areas of Focus Using Technology - Integration

- Inject expected reimbursement amounts into your billing processes
  - Predict cash flow & understand where your cash is:
    - Pre-billing, front-end rejects, payer adjudication, denials, variance
- Automate payment variance identification and workflow
  - Eliminate manual labor associated with running/viewing Excel reports and other intensive review processes
- Review/Appeal variances with claim, EOB and other relevant data
  - Give identified variances context for easy decision making

## Denials & Underpayments

\$25

Cost to work a denied claim

65%

Percentage of denied or underpaid claims that go unresolved

- MGMA

# Creating an Effective Contract Management Process



# Creating an Effective Contract Management Process

Underpayments stem from four main causes:

1. Providers billing incorrectly and/or not providing appropriate clinical documentation for the services provided
2. Payers pricing claims using incorrect contract terms
3. Payers calculating the allowed amount incorrectly and providers not immediately identifying the incorrect amount
4. Contract terms being interpreted differently by the payer and the provider

Becker Hospital Review



# Creating an Effective Contract Management Process

Focus on these key areas can help prevent underpayments from occurring and increase collection rates when they do:

1. Contract Organization and Documentation
2. Review Contract Terms Regularly
3. Assign Accountability to Key Individuals
4. Manage by Metrics
5. Create Consistent Workflow and Appeal Process

# If an implementation/review was to begin tomorrow, would you know where all of your contracts are currently located?

Yes

No

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# Thank You



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