SEE YOUR REV CYCLE DIFFERENTLY

AR CHECK-UP:

The providers' guide to healthy accounts receivable

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Claim Management

If your healthcare organization is like most others, accounts receivable (AR) is the largest and most important asset on your books. There's no question you must manage it carefully; otherwise you run the risk of rising bad debt losses, lower operating margins and poor cash flow – the lifeblood of your operation.

But with so many moving parts in today's healthcare revenue cycle, it's hard to know where to start.

First, a thorough check of your AR vital signs can let you know how you stack up against industry best practices. Just knowing where things aren't up to par, however, won't solve the problem. As with any diagnosis, the next step is to understand root causes so you can move on to appropriate treatment.

This ebook not only gives you a snapshot of AR key performance indicators (KPIs), but also zeroes in on three common AR pain points: declining patient payments, claim denials and inefficient processes. For each one, we define the issue, explain why it's happening and recommend practical solutions.

What's inside:

1 **AR vital signs (kpis)** and recommended ranges

2 Why and how to deal with **declining patient payments**

3 How to step up the **attack on claim denials/**

4 What to do about **AR process inefficiencies**

5 **Outcomes** you can expect

1 2018 CAQH Index: A Report of Healthcare Industry Adoption of Electronic Business Transactions and Cost Savings

1 AR vital signs (KPIs) and recommended ranges

While you can measure AR performance in many ways, these KPIs rise to the top for their impact on the bottom line and your ability to influence outcomes. The ranges shown are overall best practice and can vary with organization type, size and location, but they're a good place to start.

Metric	Calculation	Best practice
Days outstanding	Total outstanding AR / charges taken from last 90 days	**< 30 days**[1]
AR over 90 days	AR aged over 90 DFD / total billed AR	**< 20%**[2]
Claim denial rate	Percent of claims denied by payers	**< 5%**[1]
Claim submission speed	# of days before sent to payer	**95% within 5 days of procedure**[2]
Clean claim rate	# of claims sent without edits	**98%**[1]
Net collection rate	Total payments / total charges (less bad debts and refunds)	**> 95%**[1]

Collections, patient payments and claim denials are finance executives' most pressing problems.

If you see room for improvement in your organization, you're not alone. A recent survey of healthcare chief financial officers and revenue cycle leaders said their most pressing revenue cycle issues were collections and patient payments, with claim denials high on the list.[3]

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1 "5 RCM benchmarks for ASCs to know and improve upon," by Brian Zimmerman, Becker's ASC Review, November 2, 2016.
2 "Benchmarking to improve ASC outcomes," Becker's ASC Review, October 21, 2015.
3 Revenue Cycle Challenges and Recommendations for 2017, by Jonathan Wiik, HFMA, February 2017.

2 Why and how to deal with declining patient payments

We don't have to tell you that the way patient payment statistics have changed in the last few years is startling – you live with the reality every day. Just 34% of patients can pay the full amount owed at point of service,[4] and 80% of newly insured patients are considered high risk to not pay because of skyrocketing deductibles, increased co-pays and tight household budgets.[5] More than half of healthcare provider bills go unpaid,[6] and sending bills to collections doesn't offer much relief, with only about 15% recovered.[7]

80%
of newly insured patients are high-risk to not pay

More than
half
of healthcare bills go unpaid

High deductible health plans grew
50%
in five years

Much of the problem stems from patients taking on more financial responsibility, or becoming what we call "self-payers." Because of the Affordable Care Act (ACA), the number of high deductible health plans grew almost 50% between 2011 and 2016.[8] Employer plan deductibles also rose nearly 50% between 2009 and 2014[9] and continue to creep up. Some experts say 20 to 30% of an ambulatory surgical center's (ASC) revenue comes from patients as payers, which calls for a strict collections process.[10] Unfortunately, more than half of healthcare provider bills go unpaid,[11] and sending bills to collections doesn't offer much relief, with only about 15% recovered.[12] Medical bills are now the biggest cause of U.S. bankruptcies.[13]

Employer plan deductibles also grew almost
50%
in five years

More than
60%
60% of patients don't know what they'll owe

To add insult to injury, some people don't know what, if any, insurance they have or what they may qualify for. Others don't understand the financial obligations associated with high deductible health plans, leaving many underinsured. In fact, more than 60% of patients don't know how much they'll owe before they receive care.[14]

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4 "10 things to know about healthcare collections & patient financial responsibility," Becker's Hospital CFO Report, March 08, 2016.
5 "Do high deductibles mean high risk for physicians?" by Donna Marbury, Medical Economics, December 10, 2013.
6 "Tackling the growing self-pay revenue problem, 5 steps to get cash from your self-pay portfolio," by Shawn Yates, Becker's Hospital CFO Report, July 19, 2016.
7 Perspective on Patient Payments, by James Margolis and Christina Pope, MGMA, April 2010.
8 "CDC: Americans with High Deductible Health Plans Skyrocket since ACA," by Michael Wyland, Nonprofit Quarterly, June 9, 2017.
9 "Employer health plan deductibles see big 5-year jump," by Jayne O'Donnell, USA Today, September 10, 2014.
10 "This is the No. 1 reason Americans file for bankruptcy" by Maurie Backman, The Motley Fool, USA Today, May 5, 2017.
11 "Hospitals seek out new ways to reduce bad debt, focus on self-pay patients," by Crystal Ewing, ZirMed, November 14, 2017.
12 The Perfect Plan for Prompt and Painless Patient Payments, by Tim Ledbetter, HIMSS16 Conference, March 2, 2016.
13 "This is the No. 1 reason Americans file for bankruptcy" by Maurie Backman, The Motley Fool, USA Today, May 2, 2017.
14 The Perfect Plan for Prompt and Painless Patient Payments, by Tim Ledbetter, HIMSS16 Conference, March 2, 2016.

2 Why and how to deal with declining patient payments

Patient payment treatment options

As dire as the patient payment situation may seem, there are remedies to improve AR health and increase patient satisfaction with the healthcare experience. Here are a few we recommend:

- **Waystar patient estimation** provides a breakdown of costs, what insurance should pay and what patients will owe. This helps patients plan, allows you to collect payment earlier and reduces AR days.
- **Waystar patient notebook** connects providers and patients before, during and after their visits. Patients can see and pay statements securely online or set up a payment plan on their own, speeding collections and eliminating costly printing and mailing.
- **Waystar patient statements** take the confusion out of complicated medical bills with easy-to-understand formats, payment options and delivery methods. Patients pay quicker and with less stress.
- **Waystar patient payments** makes it easier for patients to pay by enabling you to accept credit cards, debit cards, ACH, cash and paper checks. You'll collect more and they'll be happier and more loyal.
- **Waystar coverage detection** finds hidden insurance your self-pay and charity patients may not know or tell you about. In minutes, you can tap up to 15% billable insurance to increase collections and reduce bad debt.

3 How to step up the attack on claim denials

Did you know commercial payers deny about 12% of ASC claims for the top 10 CPT codes? The rates are 6% and 26% for Medicare and Medicaid, respectively.

This happens for many reasons due to both payers and providers. Payers write complex contracts enforcing timely filing rules and appeal limitations, dispute medical necessity and find creative ways to deny or underpay claims. Overworked provider teams using outdated systems make patient registration mistakes and coding errors, and they often don't have enough resources to handle mounting claims volume. Even though two-thirds of denials could be appealed or recovered, 65% are never worked because the process eats up about $118 per claim in time and labor.[15]

There's nothing new about insurance claim denials; they've been around as long as insurance itself. What's new is the way healthcare providers are fighting back. Rather than chasing denials after the fact, smart organizations proactively flag and prevent errors that can lead to denials and continually monitor claims so they can intervene quickly if there's a problem.

2/3

of denials can be appealed or recovered

65%

of denials are never reworked because of time and labor costs

Treatment options for claim denials

It's easy to think denials are a moving target with little chance of being hit. Not so. Sophisticated technologies and data analytics give providers new intelligence and processes to prevent denials, decrease AR days and reduce write-offs, through solutions such as these:

- **Waystar claims management** is a real-time claims submission solution with electronic connections to virtually all payers. Using crowdsourced payer edits and rules, it delivers first-pass clean claims rates over 98% for faster submissions and payments.
- **Waystar claims monitoring** lets you see claims status as soon as they hit payers' adjudication systems. Automatic monitoring notifies you of pended claims so you can intervene early and get paid faster.
- **Waystar denial & appeal management** automatically surfaces and routes workable denials, auto-populates and sends appeals, and tracks and reports performance for comprehensive denial management and reduction.

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15 "Denial rework costs providers roughly $118 per claim: 4 takeaways" by Kelly Gooch, June 26, 2017.

4 What to do about AR process inefficiencies

About 20 million Americans have joined the ranks of the insured since 2010,16 increasing the load on already-strained revenue cycle management (RCM) systems and teams.

Payment processing automation and standardization help, but revenue cycle inefficiencies accounted for 15% of the trillions spent on healthcare.[17] Admittedly, the healthcare payment system was designed for business-to-business, not patient-to-provider transactions and is struggling to keep up with the surge in patient responsibility.

Some see a downward spiral in efficiency. According to one report, by 2022, 30% of healthcare dollars will to go to waste because of disjointed, inefficient payment processing and paper-based billing and administration costs.[18] The facts bear this out. Despite the federal mandate for payers to support electronic funds transfer (EFT) and electronic remittance advice (ERA), providers and payers have been slow to adopt electronic claims management processes. For example, in 2015, just 62% of medical health plans had adopted electronic payments and one third of ERA was still fully manual.[19]

15% *Revenue cycle inefficiencies accounted for 15% of healthcare spending*

$90b *Industry-wide electronic payment processing could save $90 billion annually*

20m *more Americans have health insurance than in 2010*

30% *of healthcare dollars will be wasted on inefficient payment processing*

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16 "Nearly 20 Million Have Gained Health Insurance Since 2010," by Nicholas Bakalarmay, The New York Times, May 22, 2017.
17 "25 things to know about revenue cycle management, by Brooke Murphy, Becker's Hospital CFO Report, January 30, 2017.
18 "Trends in Healthcare Payments," CIPROMS Medical Billing, June 17, 2015.
19 2016 CAQH Index:®A Report of Healthcare Industry Adoption of Electronic Business Transactions and Cost Savings.

4 What to do about AR process inefficiencies

AR process inefficiency treatment options

Fortunately, the unfavorable trajectory isn't a given. Providers own parts of the payment process outright (reconciliation, for example) and have the power to make significant efficiency improvements. Of course, the more providers and payers who step up, the better. An industry-wide increase in electronic payment processing could save an estimated $9 billion per year[20]—a savings that would benefit all parties. Here are a couple of great solutions to get the ball rolling:

- **Waystar remit & deposit management** automates bank reconciliation to streamline workflow, reduce errors and post payments more quickly. You'll spend less time fixing manual mistakes and more time closing AR days and appealing denials for better cash flow.

- **Waystar claims monitoring** lets you see claims status as soon as they hit payers' adjudication systems. Automatic monitoring notifies you of pended claims so you can intervene early and get paid faster.

20 "CAQH: Hospitals could save $9 billion with electronic transactions," by Jack McCarthy, Healthcare IT News, January 16, 2017.

Outcomes you can expect

Your organization's financial health relies on your AR health. When it's well-managed, monitored and maintained, it can be a valuable asset that supports and advances your overall mission and profitability. The benefits of healthy AR are obvious, but worth repeating:

- **Strong operating margin**
- **Positive cash flow**
- **Low bad debt losses**
- **High patient satisfaction and loyalty**

EXPLORE OUR ALL-IN-ONE PLATFORM

Eligibility

Verify insurance coverage to reduce claims rejections and denials

Revenue Integrity

Find missing charges and capture revenue you're due

Claim Management

Automatically submit and track claims, and reduce AR days with intelligent-driven workflow

Denial Management

Prevent denials and automate appeals

Contract Management

Gain control over payer negotiations, manage your contracts and recover owed revenue

Patient Financial Experience

Collect patient payments, determine propensity to pay and improve the patient experience

Agency Management

Get insights into outsourced agency effectiveness

Social Determinants of Health

Use data on broad factors that influence healthy to improve clinical outcomes

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ABOUT WAYSTAR

Waystar simplifies and unifies the healthcare revenue cycle with innovative, cloud-based technology. Together, our technology, data and client support streamline workflows and improve financials for our clients, so they can focus on their patients.