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Crowe Healthcare Webinar Series

Healthcare Cash Balance Reconciliation and Automation, Reduce Your Risk

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Agenda & Learning Objectives

Awareness of an industry wide pain point that may be building at your organization

Recognize where you are on the spectrum of performance today, if your organization is at risk and steps to resolve

Understand best practices in automated cash reconciliation

Grasp pitfalls to avoid



Pain Point

- **Health systems and hospitals** across the country **spend a substantial amount of time** performing the daily cash reconciliation of:
 - 1) Posted to the bank
 - 2) Posted to the patient accounting system (AR subsidiary ledger)
 - 3) Posted to the general ledger
- **Complexities** exist in **identifying a deposit** and **properly coding it** for posting to the general ledger if it is a **non-patient deposit**
- **Large unapplied cash balances** are common and a **constant risk/pain point**
- These **reconciliations often lag** and are **performed by experienced and expensive accountants**



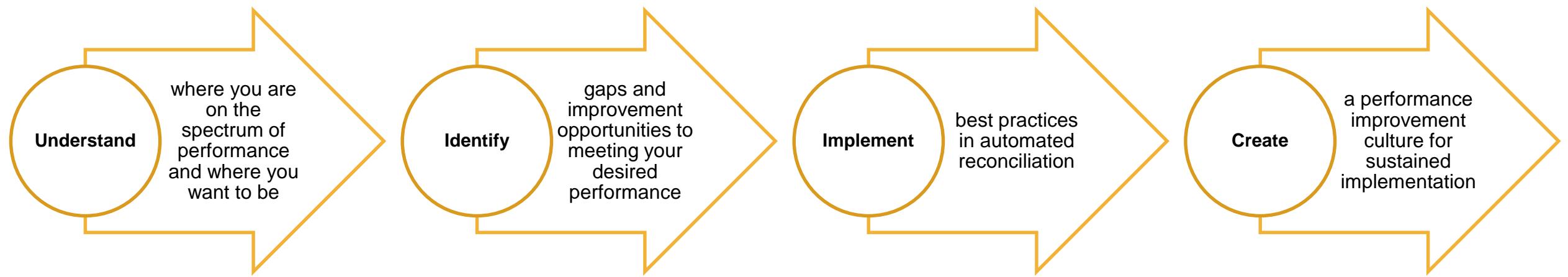
Check Point

What is your role at your organization?

- A. Finance/Accounting
- B. Revenue Cycle
- C. Decision Support
- D. Net Revenue
- E. Reimbursement



Steps to Resolve



Understand **where you are** on the spectrum of performance today



Under-Performing

- A Treasury department is not established and the role is decentralized and covered by other non subject matter experts in other departments
- Multitude of bank relations, limiting operational and cost efficiency
- Daily cash reporting is manual with no or limited use of Treasury tools or workstations to automate cash reporting
- Cash reconciliation from the bank, to the patient accounting system, to the GL is not performed on a routine basis and is manual
- Communication and collaboration does not exist between Treasury, Patient Accounting and General Accounting

Sufficient Performance

- Treasury department is established with appropriately skilled resources to manage the full scope of cash/debt/investment operations
- A full rationalization of bank accounts has not taken place
- Daily cash reporting is partially automated
- Consistent templates are used in the reconciliation process and reconciliation from the bank, to the patient accounting system, to the GL is performed monthly
- Communication exists between Treasury, Patient Accounting and General Accounting to work on reconciling cash

Best Performance

- Centralized Treasury operation with consistent processes, procedures, and systems
- Banking relationships and accounts have been streamlined and rationalized to optimize controls/price/service for cash deposits
- Treasury workstation provides daily automated balance and transaction reporting
- An automated tool is used to perform a daily match and reconciliation between the bank, the patient accounting system and the GL
- Communication and collaboration exists between Treasury, Patient Accounting and General Accounting to optimize the cash deposit and reconciliation processes

Understand **where you want to be** on the spectrum of performance in the future



Under-Performing

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Identify gaps and improvement opportunities to meeting your desired performance and take steps toward best practice improvements

Business Operations

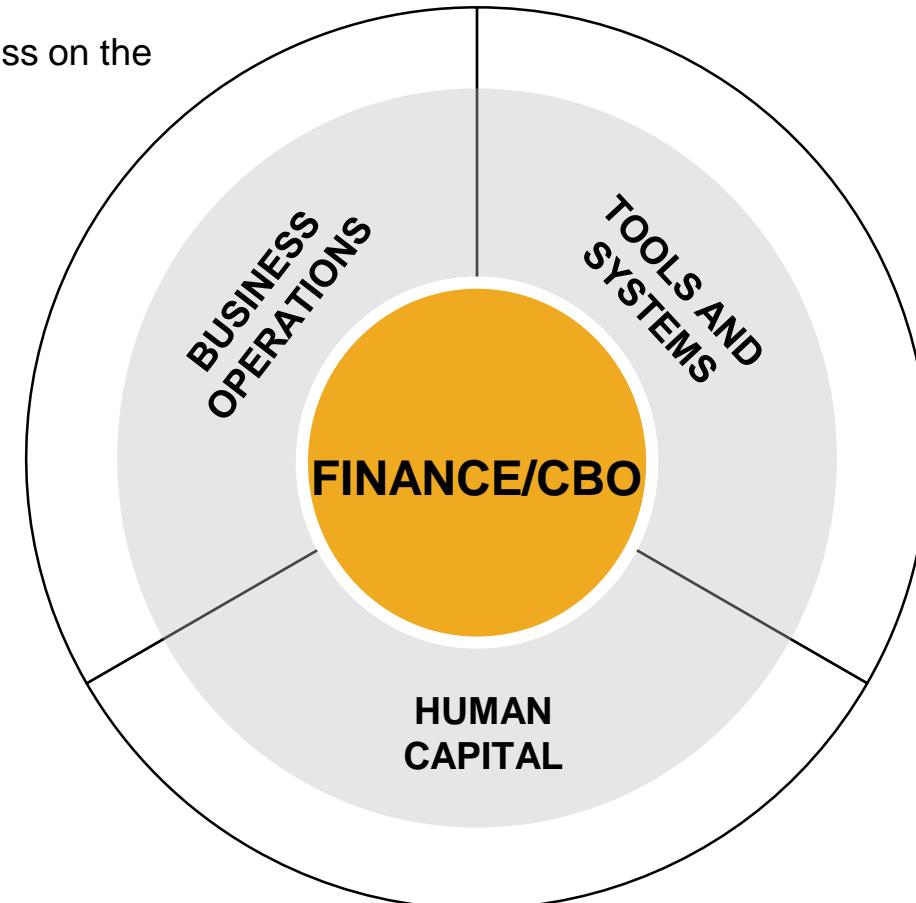
- What front-end processes can be corrected to create a best in class process on the back-end?
- What manual tasks should and can be eliminated?
- What bottlenecks and issues in existing processes decrease your internal effectiveness?

Tools and Systems

- Do you have work flow and automation technologies in place?
- Are you using technology effectively and are your systems scalable for growth?

Human Capital

- Do you have the right people in the right positions, and the optimal organizational design, to support your processes?



Check Point

How much time per FTE do you spend per month reconciling your cash accounts?

- A. Less than 20 hours
- B. Between 21 – 60 hours
- C. Between 61 – 80 hours
- D. Greater than 80 hours



Create an Interdisciplinary Steering Committee

- An essential element to improving cash reconciliation is to break down historical operating silos
- Create an interdisciplinary steering committee with the following constituents:
 - 1 Finance
 - 2 Revenue Cycle
 - 3 Treasury
 - 4 Information Systems



Streamline Your Cash and Banking Structure

- A interwoven web of data is created on cash deposits from multiple bank accounts, lock box structures and merchant processors
- Leading practices are to standardize your bank accounts to one bank relationship for your depository account and to organize lockboxes into patient and non-patient
- The more you streamline and standardize your cash and banking structure, the easier it will be to reconcile your cash



Pull Out Paper from Processes and Evaluate your Technology Options

- 1** Utilize automated banking feeds from your banking providers and Bank Administration Institute codes to obtain information to help you track posted payments
- 2** Consider alternative payment strategies*:
 - Collecting copayments in advance of appointments
 - Implementing patient payment portals
 - Exploring going cashless
- 3** If you have a payor that doesn't provide an electronic 835, obtain a manufactured 835 solution
 - Multiple companies offer (banking and revenue cycle)
- 4** Evaluate technology options that not only perform a two way match between the bank and your patient accounting system but rather perform a three-way match between the bank, your patient accounting system and your general ledger



Check Point

How many of you are using **innovative reconciliation technologies**?

What types of technology?

- A. Automated general ledger account reconciliation tools
- B. 2-way match solutions between the bank and the PFS system
- C. 3-way match solution between the bank, the PFS system and the GL
- D. A & B
- E. A & C
- F. B & C
- G. All of the Above



Best Practice #4

Perform a Daily Reconciliation

- With the large volumes of payment transactions coming into a health system each day, the only way to control unapplied cash balances is to perform a daily reconciliation
- Implement best practices steps 1 – 3, so your daily reconciliation is ***automated and exception based***
- We have all heard the old saying “haste makes waste”



Create a Performance Improvement Culture

- Senior management should **drive the performance** improvement change within the organization
- **Combine centralized governance** with decentralized implementation when implementing improvement opportunities
- **Engage employees** throughout the journey
- **Build periodic reporting** on tangible key performance metrics and intangible measures into the process



*Source: APQC, Transformational Change, Making it Last, 2014

Check Point

How many of you have an interdisciplinary steering committee to resolve this pain point?

- A. Yes
- B. No
- C. Uncertain



Example Pitfalls to Avoid

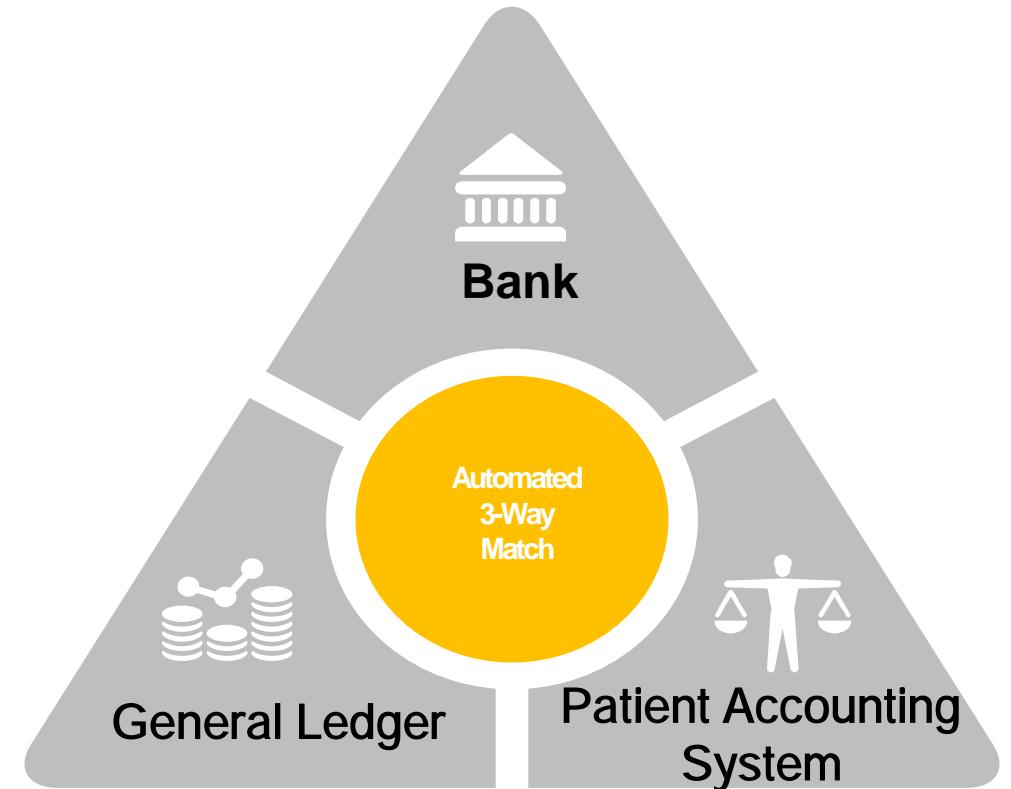
Pitfall #1: Implementing a technology solution without pulling out the paper and doing a process redesign

Pitfall #2: Implementing a technology solution that does not perform a daily reconciliation

Pitfall #3: Implementing a technology tool that does not perform a 3-way match to the general ledger

What's Needed for an Optimal Spectrum of Performance

- An **automated reconciliation tool** will be created that **performs the three way match of a deposit** between:
 - 1) the bank
 - 2) the AR subsidiary ledger (the patient accounting system)
 - 3) the general ledger
- Standardized Bank Administration Institute codes would assist in identifying a **standard bank deposit mapping to general ledger account codes**
- Automated reconciliation tool **coupled with process improvements** whereby the expensive accountants are spending their time **only pursuing and resolving exceptions**



Thank you

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