Payer and Patient Responsibility Trends: Leveraging Data to Improve Future Financial Performance

June 14, 2018

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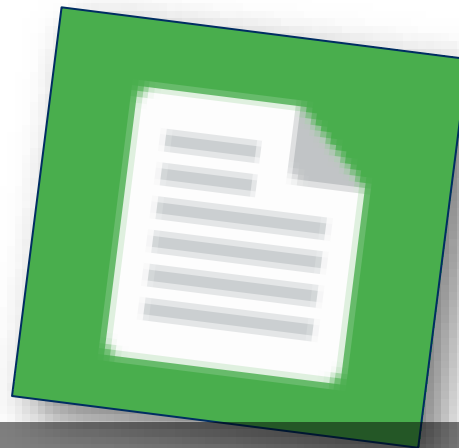
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Smart decisions. Lasting value.™

Today's Speakers

Eric Boggs
Partner
Crowe LLP

Alex Garrison
Manager
Crowe LLP

Ian Stewart
Sr. VP Revenue Cycle R1
Formerly Sr. VP Revenue Cycle
Presence Health

Agenda

1. **Introductions**

2. **Learning Objectives**
   o Understand payor performance variation & trends in 2017
   o Learn effective business intelligence strategies for drilling into opportunities
   o Determine methods for establishing a culture around data driven decision making
   o Discuss examples of effectively prioritizing improvement opportunities

3. **2017 Managed Care Payor Performance Comparison**

4. **Business Intelligence Strategies & Planning**

5. **Establishing a Culture Around Data**

6. **Driving & Prioritizing Net Revenue Improvement**
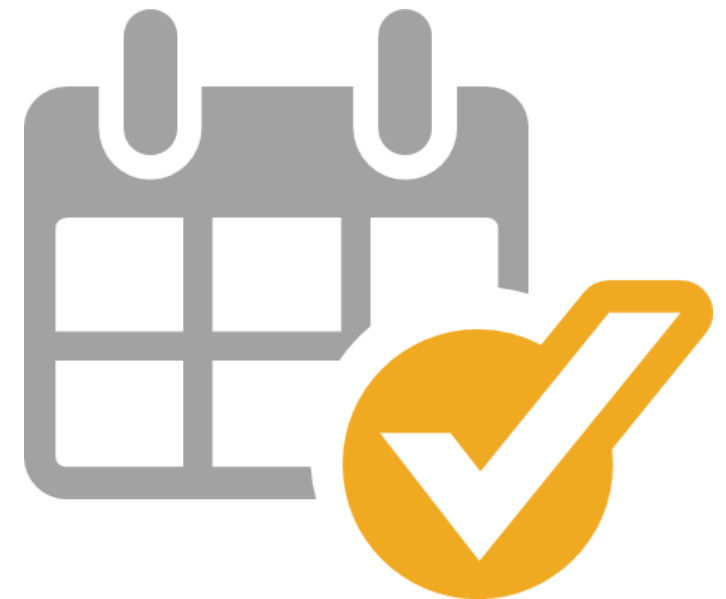
2017 Managed Care Payor Performance Comparison

Accounts Receivable KPI Comparison

2017 Accounts Receivable KPIs by Managed Care Payor					
KPI Description	Payor A	Payor B	Payor C	Payor D	Payor E
Average Time to Payment	59.4	55.8	57.3	66.0	52.6
Takeback % of Debit AR	1.3%	1.7%	1.0%	3.5%	1.5%
True AR > 90	28.4%	24.3%	28.5%	38.2%	26.2%
True AR Days	67.7	52.2	65.2	61.1	59.3

TRUE AR Days by IP/OP					
IP/OP	Payor A	Payor B	Payor C	Payor D	Payor E
Inpatient	81.9	59.0	73.7	63.6	67.0
Outpatient	55.2	46.6	57.8	58.8	52.6
Total	67.7	52.2	65.2	61.1	59.3

- Overall, most managed care payers appeared to show similar performance around time to payment and AR > 90 % metrics, with the most noticeable exception being around payor D.

- Payor B showed the lowest TRUE AR & AR > 90 % KPIs in the period while making up nearly 58.5% of gross revenue between the four payors represented in this sample.

- The greatest deviation between payors around TRUE AR Days was due to inpatient accounts which largely drove unfavorable performance for both payor A & payor C.

- AR Days & aging metrics did not appear to correlate completely with average time to payment, however this could be influenced by focus on specific managed care payers by collection staff more than others. Additionally, the greatest deviation in age across payers seemed to appear across inpatient accounts.

Patient Responsibility KPI Comparison

2017 Patient Responsibility KPIs by Managed Care Payor					
KPI Description	**Payor A**	**Payor B**	**Payor C**	**Payor D**	**Payor E**
Bad Debt % of GPSR	2.3%	1.8%	2.0%	2.5%	1.9%
Charity % of GPSR	0.4%	0.5%	0.4%	0.4%	0.5%
Patient Responsibility % of Allowable	42.7%	22.2%	32.2%	38.8%	35.5%

Patient Responsibility % by IP/OP					
IP/OP	**Payor A**	**Payor B**	**Payor C**	**Payor D**	**Payor E**
Inpatient	20.2%	10.7%	13.7%	18.0%	15.1%
Outpatient	56.1%	31.4%	43.9%	60.1%	51.2%
Total	**42.7%**	**22.2%**	**32.2%**	**38.8%**	**35.5%**

- When assessing patient responsibility & uncompensated care metrics, more deviation was seen between payor B & other managed care payers. Payor B showed the most provider favorable KPIs across all KPIs on in the patient responsibility section.

- Comparably, payor A performed the poorest across all KPIs in the category with approximately 42.7% of allowables falling to patient responsibility on clean claims. Most notably, in outpatient cases, payor A allowables are made up 56.1% patient responsibility compared to 60.1% at payor D. This can pose significant net revenue risk for schedule outpatient procedures highlighted by payor A & payor D's nearly 4% uncompensated care rate for outpatients.

Denials KPI Comparison

2017 Denials KPIs by Managed Care Payor					
KPI Description	**Payor A**	**Payor B**	**Payor C**	**Payor D**	**Payor E**
Initial Denial Rate	11.1%	10.2%	7.5%	9.1%	10.0%
Authorization Initial Denial Rate	1.6%	0.9%	1.0%	0.9%	1.7%
Medical Necessity Initial Denial Rate	0.7%	0.4%	0.3%	0.6%	1.7%
Request for Information Initial Denial Rate	4.6%	3.9%	1.5%	3.2%	3.0%
Final Denial Write-offs (% of NPSR)	1.8%	0.8%	1.1%	2.4%	1.4%

Initial Denial Rate by IP/OP					
IP/OP	**Payor A**	**Payor B**	**Payor C**	**Payor D**	**Payor E**
Inpatient	15.0%	12.1%	10.4%	11.8%	13.5%
Outpatient	7.7%	8.7%	5.1%	7.0%	7.1%
Total	**11.1%**	**10.2%**	**7.5%**	**9.1%**	**10.0%**

- Overall initial denial rate fell between 9.1% & 11.1% across all but payor C, which fell significantly lower at 7.5%. This held true across both inpatient & outpatient denial rates. This appeared to be largely driven by reduced request for information denials from payor C in both patient types.

- When assessing final denials, most payers fell slightly higher than 1% of NPSR, however payor A & payor D were nearly double that of both payor B & payor C. Coupled with higher patient responsibility & uncompensated care, payor A & payor D appeared to show much higher net revenue leakage than other managed care payers. In addition payor A TRUE AR days also were bottom performing in the group.

Business Intelligence Strategies & Planning

Organizational Structure & Data

How is your organization structured around data and access? How does the structure relate to the revenue cycle & other related entities (finance, reimbursement, etc.)?
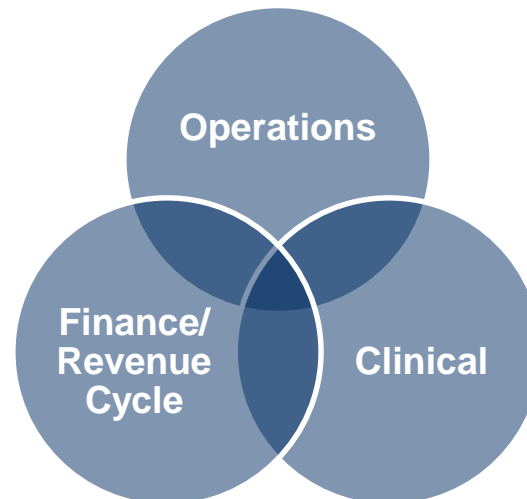
Centralized   Decentralized

⟵─────────────────────────────────⟶

Queue   Dedicated
System   Resources

⟵─────────────────────────────────⟶

Operations

Finance/ Revenue Cycle

Clinical

Organizational Structure & Data

How does data access & agility support both business intelligence & hunch mining?
What are some examples that would highlight the need to support hunch mining?

On Demand

Recurring Refreshes

Resource Intensive

Dedicated Development Cycles

Organizational Structure & Data

Are resources (human & technology) appropriate for YOUR needs?

Technology
- Web Portals
- Cloud-based applications
- Visualization Tools (Tableau, QlikView, Power BI, Etc.)
- PAS/EMR-based tools
- Homegrown vs. Purchased Applications

Human
- Functional vs. Technical Skillsets
- Shared or Dedicated Resources
- Flex vs. Static Needs

Establishing a culture around data driven decision making

Determining the Source of Truth & Integration

How do you determine & prioritize appropriate KPIs for performance monitoring?

- Who all is part of this process?

- How do you get buy-in from all stakeholders?

- Is this reporting static or evolving? How much change is allowed?

- What are the avenues for sharing this information (quarterly steering committees, denials committees, etc.)?

- Do you compare to external data? What are the preferred external sources, if any?

Driving, Prioritizing, & Monitoring Performance Improvement

Prioritizing and Monitoring Operations Improvements

How are opportunities prioritized for implementation? How do you get buy-in from other stakeholders for this prioritization?

Opportunity Value

Ease of Implementation

Largest System Buy-in

Data Driven Approaches

Third Party Review

Revenue Integrity Team

Prioritizing and Monitoring Operations Improvements

What are a few process improvement areas that are top of mind for you at the moment?

Denials

Price Transparency

POS Collection

CDI

Charge Capture

Underpayments

Crowe Revenue Cycle Index Score

"I need to understand how we compare with our peers..."

SIMILAR COMPARISONS

Quarterback rating   FICO score

Crowe Index Score:

St. Mary's Hospital

73.69

National ranking:
20

Peer grouping:
150-300 beds

Facilities in grouping:
99

Rank	Facility Name	Beds	Crowe Index Score
1		160	93.81
2		165	84.12
3		215	81.19
4		184	80.97
5		150	80.26
6		300	79.69
7		226	78.18
8		152	77.47
9		236	77.28
10		298	77.02
11		184	76.85
12		200	76.45
13		195	76.07
14		227	75.64
15		291	75.33
16		171	75.18
17		295	74.85
18		172	74.62
19		175	74.06
20	St. Mary's Hospital	178	73.69
21		180	72.74
22		155	72.73
23		220	72.62
24		151	72.04
25		211	71.95
	Mean Performance		70.82
26		155	70.69
27		225	70.15
28		224	70.15
29		201	68.86

Overall organizational performance

Key Performance Indicator (KPI)	Best Practice	Good	Average	Below Average	Poor
Bad debt		1.1-1.6%			
Credit days			0.5-0.8		
DNFB days		4.9-6.3			
Initial denial rate					> 11.4%
Insurance payment gap			12.0-19.5%		
Late charges			5.0-8.2%		
POS collection rate		26.0-38.1%			
Six-month lagged cash to net revenue		97.1-99.0%			
SPAI patient collection rate				26.1-32.1%	
True AR days					> 67.2
True AR > 90 days					> 45.4%

What if your organization was performing at "best practice"?

Key Performance Indicator (KPI)	Cash Acceleration	New Cash
Bad debt	–	$5,783,305
Credit days	–	$254,608
DNFB days	$942,637	–
Initial denial rate	–	$4,606,504
Insurance payment gap	–	$4,046,612
Late charges	$1,706,705	–
POS cash collections	$1,093,025	–
Six-month lagged cash to net revenue	–	$2,845,804
SPAI patient collection rate	–	$4,290,584
True AR days	$53,912,165	–
True AR > 90 days	$34,822,389	–

Thank you

Speaker Name

Eric J. Boggs | Principal

Crowe LLP

Office: +1 615 360 5522