Uncompensated care and bad debt continue to be among the healthcare industry’s most pressing problems. The changes and challenges for the U.S. healthcare industry today are widely publicized. Employers have seen dramatic rises in healthcare costs, while employees have watched their healthcare deductibles as much as double from the previous year or, in some cases, seen healthcare disappear as an employment benefit.

Meanwhile, unemployment statistics and the number of Americans without any form of healthcare insurance, with recent estimates at 45 million, continue to rise. These are compelling reasons for U.S. healthcare providers around the country to redouble their efforts to effectively manage their accounts receivable (A/R) and patient billing issues.

Many healthcare providers are researching best practices from other industries, like the financial and banking industry, to understand and adapt similar principles in managing A/R. Meanwhile, government and tax regulations also are prompting providers to re-examine their current business processes. Beginning in the 2009 tax year, IRS Form 990 Schedule H will require not-for-profit hospitals to classify their spending for both charity care and bad debt. The need to understand how best to address the many facets of legal compliance, including tracking and reporting on patient accounts, has ensured that these issues will remain at the forefront among the healthcare industry’s concerns for the foreseeable future.
A Self-Pay Solution

One of the ways healthcare institutions can effectively meet these challenges is to implement a revenue cycle self-pay solution in order to automate the process for determining whether a patient is eligible for charity or other financial assistance. These types of software utilize third-party data sources, custom business rules, analytic scoring models, and automated interview processes along with workflow tools to identify a patient’s ability and capacity to pay for medical services or qualify for charity and other financial assistance such as Medicaid.

A revenue cycle self-pay solution can provide many tangible benefits to hospital administrators, including:

- Reducing bad debt through improved collections, addressing both time-of-service and back-end collections
- Improving cash flow from both self-pay patients and self-pay-after-insurance patients (those with deductible and co-insurance balances)
- Reviewing charity write-offs to determine whether those given charity care meet the provider’s charity criteria/policy
- Reducing costs associated with the collection process
- Improving processes and associated cost savings in both the charity interview and Medicaid interview

The last of these benefits merits further discussion. The Medicaid and charity interview process is essentially a series of in-depth questions that a financial counselor asks a patient to determine their preliminary qualification for public aid or the hospital’s charity program. The financial counselor uses the patient’s answers to these questions, along with supporting documentation, in calculation for completing enrollment forms for these programs.

For many healthcare facilities, gathering this kind of data is labor-intensive, as is the process of completing the enrollment forms. The ability of hospitals to enroll patients in these programs is often limited by the difficulty individual staff members face in deciphering the thousands of rules and qualifiers that must be met in order for a patient to qualify for the programs. The manual process also relies on patient self-reported data rather than independent third-party data to accurately validate the patient-reported information.

Many hospital administrators are either not aware that technological solutions exist to assist with this challenge or require guidance about where to look for best practices on research, implementation and successful adoption, so that when they do fully engage, they are able to optimize ROI.

The successful implementation of a revenue cycle solution depends upon a broad process comprising at least the following steps.

**Step One: Get Leadership Support**

If a hospital is interested in such a program, gaining senior leadership sponsorship is the critical first step. Depending on the hospital or hospital system and its size, the steward of change should be the CFO or vice president of revenue cycle or patient financial services. Technology alone cannot produce the type of return needed to justify implementing such a system. Implementation requires a change management mentality across the enterprise that can be achieved only with the support of hospital leadership, including a willingness on the part of leaders to change processes, focus, and perhaps even philosophy.

To gain support of senior leadership, each hospital should have documentation and measures of shortcomings around revenue cycle performance and create a plan for improvement, possibly working with a solution provider or a consultant to build a business case for moving forward.

**Step Two: Conduct a Gap Analysis**

Once senior leadership has committed to the concept of a new solution process, the project leaders should conduct a policy and environmental review, or gap analysis. This analysis should address the following questions:

**Does the hospital’s current charity policy and process support the organization’s healthcare mission and financial goals?** All too often, hospitals improperly implement their charity programs based upon their written policy. Hospitals with the mission to provide free services to those who cannot pay often find that they have no objective way to reliably determine whether a patient is actually qualified to receive the free services. The result can be a chasm between the hospital’s mission and its actual practices.

Hospitals also should be aware of the growing need for them to accurately segment charity accounts from self-pay accounts. In fiscal year 2009, hospitals will be required
to audit and complete IRS Form 990, Schedule H in documenting the amount of charity care provided to their patients. There has also been a focus both nationally and at the state level on the question of whether hospitals should be required to deliver certain specific amounts of charity care in order to meet their community benefit requirements and, potentially, to keep their tax-exempt status.

Have macro-economic factors changed the financial performance of the hospital or health system? If a hospital’s financial risk changes when a factory shuts down or the largest employer in an area moves to a high-deductible health plan for its employees, the hospital needs to adapt its policies and implement process changes that help manage these macro-economic events. The hospital may need to change its charity program, self-pay discounts or time payments to meet its financial objectives and maintain its overall community benefit mission.

Can current policies and/or future policies be efficiently and practically supported internally? If the needs of a hospital or the Medicaid program requirements change, how quickly can the hospital adjust its policies and respond to these changes? Without a systematic approach or solution, changes could take months to roll out. With a system that can easily interpret policy and keep track of all public aid changes, a hospital can avoid a lapse in compliance or loss of potential reimbursement.

Can current policies and systems support an objective financial segmentation of patients, and can such a segmentation be supported by quantitative data and analysis? For some hospitals, the ability to determine whether a patient is a self-pay patient or is eligible for charity or public aid comes down to an individual decision made by a financial counselor. Defending subjective decisions is often challenging. By contrast, a revenue cycle self-pay solution is typically based upon objective rules and calculations that are rigorously tested by utilizing quantitative data analysis. Such analysis allows for predictable, policy-based results that can stand up well to an audit of the hospital’s polices.

Are there underutilized reimbursement programs that can improve cash flow and profitability? There are a number of such programs available. Under Section 1011 of the Emergency Medical Treatment and Active Labor Act, for example, hospitals are entitled to apply for reimbursement for uncompensated care. Many hospitals underutilize this program and leave the opportunity for reimbursement unattended. Victims of Crime is another program for reimbursement that sometimes is underutilized. Under this program hospitals may seek reimbursement on a first-come, first-served reimbursement policy. Self-pay solutions should support the ability to request these funds quickly. There are many Medicaid programs that have different qualifying requirements. The ability to sort through the requirements and place a patient in the most appropriate program is paramount to being reimbursed for services and for maximizing reimbursement.

**Step Three: Investigate Options**

The next step in successfully implementing a self-pay solution is to identify the best tools and systems to fill those gaps. Several tools are available to hospital administrators related to revenue cycle solutions. To identify the best-in-class systems and tools that best meet its needs, a healthcare organization should start by gathering references for the new solution. Before moving forward with a new solution provider, it is critically important to ask to speak to some of the prospective vendor’s customers. In-depth interviews with these customers should include prepared questions and identify specific topics of interest.

**Step Four: Prepare for Implementation**

To ensure the continued success of the new processes required to implement a revenue cycle self-pay solution, it is critical to establish ownership and accountability. A major component of ownership is departmental and staff alignment, along with change management and adoption. For a revenue cycle self-pay solution, such alignment is necessary among administrators handling registration, financial counseling and collections.

Administrators in these positions should work together to identify the project’s scope and priorities for change. As with all successful implementations, reviewing best practices of peers or parallel industries is a strong starting point. In addition, by mapping end-to-end processes for each affected department, these administrators can identify overlap and redundancies, many of which could be automated by the new solution.

After the selection process, the project leaders should establish measurable goals to manage the expectations of the organization’s executive team. Examples of measurable goals and improvement targets include:
Identity validation

Insurance eligibility verification

Patient financial segmentation and analytic capabilities

Support of point-of-service collections

Improvement in workflow and task administration

Enhancement of security

Improvement in collection systems and capabilities

Attempting to solve all self-pay revenue cycle issues at once can create distraction, so it is important to stay focused on specific areas at first. Priorities for improvement should be based upon the areas of pain within the hospital. For example, if a hospital sees a large number of uninsured patients, then patient financial segmentation may be a greater concern than insurance verification. Other priorities may be based upon improving point-of-service collections for patients with high-deductible insurance plans. Each hospital should set priorities where improvements will significantly affect its bottom line. Nonetheless, a successful solution should be used to serve other areas of the revenue cycle as the needs of the hospital evolve.

Step Five: Train Support Staff
Proper training of hospital support staff is imperative. A consistent training program ensures that the flow of benefits from the solution will be uninterrupted, even in times of staff turnover. Ongoing training and cross-training, consistent expectations and measurement, incentives for desired behaviors, and the use of measures of employee satisfaction are just some of the tactics that should be used in the training process.

Also important is the assessment of employees’ need for training in the A/R process. Key to a successful implementation is a consistent approach to patient communications. Registrars and financial counselors should be given easy-to-use job aids that they can reference when meeting with patients.

To ensure the continued success of the new processes required to implement a revenue cycle self-pay solution, it is critical to establish ownership and accountability.

When communicating with patients, registrars should be prepared to answer potential questions such as:

Was my financial information assessed, and is there any impact?

This information is incorrect or not up-to-date; how can it be corrected?

How can I see the financial information you have on file for me?

The hospital’s legal and/or training departments should participate in developing appropriate responses to these or similar questions. The registrar also should be provided with sample responses to use once a patient’s financial situation is assessed, depending on the scenario.

<table>
<thead>
<tr>
<th>Sample responses to four self-pay patient payment scenarios</th>
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<tbody>
<tr>
<td><strong>Records show the patient has the ability to pay</strong></td>
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<tr>
<td>“Payment of your hospital charges is due in full. While accessing your patient account (financial) information, it has come to our attention that you appear to have financial resources that allow you to pay the amount owed (account balance) in full. How will you be paying for your services today?”</td>
</tr>
<tr>
<td><strong>Records show the patient has some ability to pay</strong></td>
</tr>
<tr>
<td>“Payment of your hospital charges is due in full. However, because of your patient account (financial) information, I may be able to approve you for a down payment and payment plan. (Offer plan.) Does this interest you?”</td>
</tr>
<tr>
<td><strong>Records show the patient may be eligible for a discount offer</strong></td>
</tr>
<tr>
<td>“Payment of your hospital charges is due in full. However, because of your patient account (financial) information, I may be able to approve you for a discount plan that (hospital name) has implemented for uninsured patients.” (Offer details of discount program and/or payment plan.)</td>
</tr>
<tr>
<td><strong>Records show the patient has no ability to pay</strong></td>
</tr>
<tr>
<td>“Payment for your hospital charges is due in full. However, your patient account information suggests that you may qualify for a financial assistance program. In order for us to best assist you, you will need to meet with a patient advocate to be interviewed for the best possible assessment for financial assistance programs.”</td>
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* These responses are for illustrative purposes only and are not intended as specific advice or recommendations. You will need to craft your own responses based on legal requirements and company-specific policies and procedures.
Step Six: Implementing KPIs

By identifying measurable key performance indicators (KPIs), a hospital can determine the value of a new solution. KPIs that should be measured include:

- Days revenue outstanding
- Reimbursement from self-pay, public programs and private insurance
- Level bad debt versus charity care
- Patient satisfaction

A self-pay solution is useful only if it can fulfill all of the identified KPIs. Moreover, these KPIs should be revamped annually to ensure that continuous improvement targets are established for the staff’s use of the solution.

In a recent patient segmentation analysis study, one hospital found that it did not have the correct name, address or Social Security information on file for 31 percent of its total population. Using a self-pay solution, the hospital’s registrars began to ask patients additional questions, greatly improving the quality of patient information within the system. The benefits of the improved patient information flowed down to other areas of the revenue cycle, improving collections and reducing retuned mail processing.

Using the self-pay solution, that same hospital discovered that 75 percent of its population could have qualified for Medicaid or charity assistance. By alerting financial counselors to this information, the counselors could fast-track eligible patients for interviews and have them enrolled in these programs, enhancing the hospital’s community commitment and greatly improving Medicaid reimbursement.

The Keys to Success

No doubt that achieving a high ROI for the implementation of a self-pay solution is the end-state objective of such a solution. But such success depends on effective preparation, organizational commitment and process improvement. Other critical elements include buy-in from the C-suite, in-depth gap analysis and research, and an effective change management plan that includes consistent, cross-functional, and departmental training. Moreover, a revenue cycle self-pay solution can remain an integral part of a hospital’s financial administration department only as long as the organization constantly measures its performance against objectives and previous performance and sets ongoing improvement targets. The commitment needed to meet all of these requirements for success is exactly that same level of commitment that a hospital must always have to continue performing at the highest level in the midst of challenging new rules and regulations and other dynamic change in the healthcare environment.

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