OPTUM360°

Stopping the invisible revenue bleed

A guide for finance operations

A mandate for renewed focus on revenue loss

Hidden revenue leakage puts hospitals in vulnerable position

Every year, millions of dollars in expected provider reimbursement goes uncollected. The average facility loses approximately 2–3% of its appropriate annual revenue to preventable leakage. Hospitals that cannot easily access concrete data about the scope and nature of revenue performance deficiencies are left in an extremely vulnerable position. Without a precise picture of expected and actual revenue, hospitals face avoidable financial losses under the administrative burden of identifying and remediating payment variances.

A primary challenge for providers is the slow, steady revenue loss, or leakage — from underpayments, inappropriate denials and other reimbursement discrepancies — that may seem insignificant and is often undetected. However, the cumulative impact on the bottom line makes it worthwhile to examine and stem the leakage.

Data spotlight

Gaining ground in write-offs for the median 350-bed hospital[1]

$7.4M Dollars written off in 2017 (2.1% NPR)

$4.6M Dollars written off in 2019 (1.3% NPR)

38% Decrease in write-offs from 2017 to 2019

Changing health care landscape threatens hospital reimbursement

It's no secret that the health care landscape has been undergoing significant changes. The financial implications of shifting regulations are undeniable, and progressive finance leaders must continually accommodate new rules to ensure future success. Hospitals that keep payment integrity on the executive radar ensure their organization is well-positioned to contend with evolving reimbursement methodologies, regardless of the form they ultimately take.

Aside from health reform, three environmental factors are adding to the complexity of revenue cycle operations. Understanding and preparing to cope with these factors is integral to success.

Increased payer scrutiny and cash protection strategies:

Payers, facing their own revenue pressures, are increasingly passing on their pain to providers. Hospitals must contend with payer tactics such as rate rollbacks, delayed payments and increased contract complexity.

The perpetual cycle of claim denials:

Although the amount of final denial write-offs has decreased across the industry in the last few years, payers have become less lenient on appeals. Providers must be able to track and analyze the causes and effects of claim denials, as well as underpayments, on their revenue.

Changing payment methodologies:

Value-based payments can mean greater reimbursement risk as payers evaluate providers on different, more complicated criteria to reward more efficient and effective care delivery.

Achieving payment integrity

Supporting staff to achieve a zero-tolerance vision

In light of industry challenges, finance leaders face a renewed imperative to stem avoidable losses. Reducing avoidable revenue loss requires the ability to isolate reimbursement performance data as a key indicator of financial health. Providers should have a zero tolerance for inaccurate reimbursement.

The right technology is an essential element to support day-to-day operations and efficient workflow while providing transparency and visibility to management.

Employing data and services to elevate operational performance

An effective strategy for achieving revenue integrity involves technology that quickly and accurately identifies payment variances based on contract terms. Maintaining those terms in your system requires continuous updates to complex information. Many organizations fall behind on updates due to staff bandwidth. However, accurate contract data and automated variance detection will significantly increase collector efficiency and strengthen reimbursement accuracy.

Technology-enabled services give organizations more options than in the past. A service provider can use specialized technology to ensure access to up-to-date contract terms and identify and track underpayments. In addition to handling underpayment recovery, a seasoned service provider will be able to recommend proactive system and process improvements that will prevent or minimize future payment defects.

Conquering contract complexity and compliance

Payer contracts are significantly complex and require considerable maintenance to ensure your reimbursement adheres to contract terms. Regardless of whether your organization chooses to maintain its contract system and manage underpayments internally or in partnership with a vendor, there are critical focus areas and capabilities that can significantly affect success.

In this paper, we examine a number of ways to improve and streamline recovery of appropriate revenue. By prioritizing specific areas, making process improvements and using in-depth reporting to develop targeted strategies, a provider organization can recover accurate and appropriate reimbursement that may have otherwise been lost to underpayments and denials.

Optum Underpayment Recovery Service provides experienced staff to perform commercial payer contract maintenance and recover inappropriate underpayments. Our proprietary calculation engine focuses and streamlines payment variance detection and underpayment collection to ensure more accurate reimbursement.

PART 1 Prioritizing revenue recovery efforts

Dependably eliminate false discrepancies

Reliable calculation engine drives success

Hospitals need the ability to precisely calculate expected payments to ensure reimbursement accuracy. This requires a calculation engine that can apply rules to detailed charge codes, diagnoses, procedure codes, revenue codes and patient demographic data. Based on the organization's specific contract terms, the engine calculates expected payment for each account.

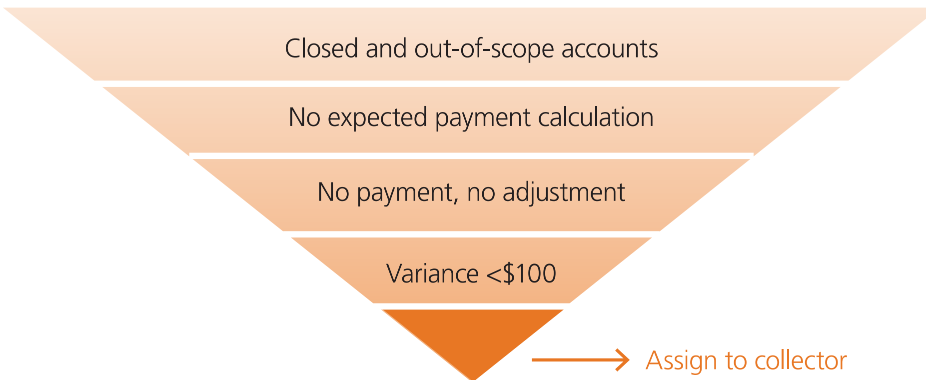
Calculation engines are nothing new, but many fail to keep up with ever-changing payer contracts and reimbursement updates. As a result, collector work lists often include accounts that seemingly have a payment discrepancy when they have actually been paid correctly, resulting in unnecessary, fruitless work.

The most effective calculation engines allow hospitals to verify the accuracy of claim payments down to the line-item level for all contracts and can be easily updated when contract terms change. An accurate calculation engine also sifts out false discrepancies before they reach the collector work queue, so collectors can spend their time on productive follow-up, rather than cleaning up their work lists.

Filter payment variances to target high-impact accounts

A calculation engine often identifies a larger volume of underpaid accounts than collectors can address. It's important to filter out accounts with no recovery opportunity, such as those for which the timely filing deadline has passed. The remaining accounts should be sorted by date to ensure that collectors prioritize accounts closest to their timely filing deadlines. The flexibility to automatically assign accounts to separate work queues by payer, discrepancy type or dollar amount can further streamline processes and reveal trending issues.

Work list filtering process



REAL RESULTS

Using the Optum calculation engine, a medical center in the Northwest applies custom rules to filter out false payment discrepancies, ensuring that collectors only manage the portion of claims that contains payment errors.

By investigating these payment discrepancies, this client dramatically enhanced the appropriateness of payments, which also had the effect of increasing collector productivity from $300,000 per collector per year to more than $2 million.

One client medical center saw a revenue adjustment of

$8 million

in underpayments annually with four FTEs.

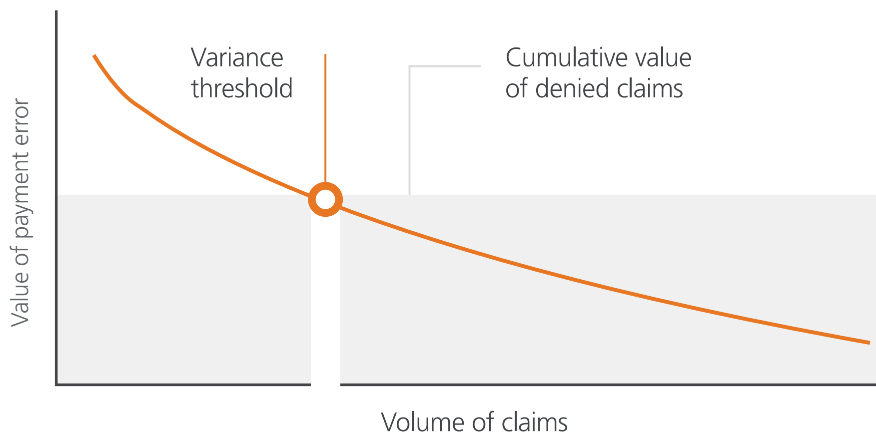
Don’t overlook low-dollar accounts

Consider the total value of low-dollar discrepancies

Most organizations have a variance threshold — the minimum dollar value of a line item payment discrepancy that will be pursued with a payer. Typically, the variance threshold ranges between $500 and $1,000, and lower-dollar claims and line-item denials are written off as contractual allowances.

The bulk of payment discrepancies, however, are far smaller. With the increase in physician group acquisitions, hospitals today are looking for ways to handle an increase in high-volume, low-dollar variances.

Correlation between dollar value and volume of payment errors



Observing a variance threshold plays out similarly at the majority of health systems. By and large, hospitals fare well on recovering high-dollar variances, but the volume of this type of account is low. On the other hand, hospitals often write off smaller payment discrepancies, since each one is not valuable individually, even though the volume is much higher.

The often hidden reality is that the total value of the higher-volume, lower-dollar variances is significant, perhaps even exceeding the total value of high-dollar recoveries.

Address small variances for a big impact

It isn't necessary to write off these high-volume, lower-dollar underpayments, and those "contractual allowances" can have a substantial financial impact. The typical hospital experiences thousands of payment discrepancies each month. A hospital that writes off just 250 variances every month valued at an average of $500 each, forgoes $1.5M of annual revenue. Many hospitals far exceed this conservative estimate. With industry trends poised to drive leakage even higher, organizations should consider the cumulative value of these low-dollar variances and write-offs.

Many best-practice hospitals pursue payment variances as low as $20. However, it's not cost-effective to work low-dollar discrepancies individually. Effective recovery requires the support of efficient automation to accurately identify and group the variances for bulk appeal submission. A combination of experienced revenue recovery specialists, automation and efficient processes enables providers to recover a large volume of low-dollar underpayments efficiently at minimal cost.

$1.5M

Revenue forgone annually by writing off just 250 variances per month averaging $500 each

PART 2

Boosting collector efficiency

Automated reports identify trends

Spending time up front to identify payment discrepancy trends can streamline the collection process. Small-variance accounts that are not cost-effective to pursue individually become profitable when pursued as part of a larger trend.

Effective solutions must facilitate reporting that reveals trends across inaccurately reimbursed services. They must also offer customizable reports to identify accounts that were paid inaccurately based on the same specific attributes. For example, if a payer contract stipulates a separate payment for certain classes of high-cost drugs, a custom report could show all claims that include those drugs to ensure that the carveout was paid correctly. When collectors identify a particular trend with one payer, they can easily apply the same filter to similar claims across all payers.

When hospitals spend time looking for trends, remediating one small discrepancy can eliminate substantial payment inaccuracies. Trends can indicate procedural issues beyond contract-related payment errors. Identifying lower-than-expected remittances from government payers may reveal various revenue cycle process improvements that will both accelerate payment and improve the accuracy of reimbursement.

Preparing claims in bulk maximizes productivity

Streamline recovery using enabling technology

When collectors find systemic issues affecting numerous claims, the easiest way to pursue those opportunities is to submit the same payment discrepancies in bulk to each payer. You need technology that can identify and group those accounts to increase efficiency while improving revenue integrity. In addition, it should generate appeal letters and automatically submit them to payers, saving collectors the time required to complete appeals documentation.

PART 3 Optum Underpayment Recovery Service

Many challenges prevent health care organizations from collecting accurate and appropriate payment for care provided. Payer contract management is complex and time-consuming. Providers are often paid inaccurately on a large volume of claims, but they aren't adequately staffed to address the associated revenue leakage. That's why Optum developed Underpayment Recovery Service: to help provider organizations maintain accurate contract data, pinpoint variances and recover payment discrepancies.

This service incorporates people, process and technology to help providers achieve a new level of payer compliance and revenue integrity. We provide and manage the services staff, deliver expertise and analysis, and develop performance strategies for rapid and sustainable results. Supporting technology automates collection activity and workflow to drive accurate, efficient recovery, while allowing providers to refocus resources for greater overall productivity and results.

Smart organizations are looking to exchange capital expenses for operating expenses. Service engagements on a contingent basis will drive return on your investment, both financially and operationally.

Laying the groundwork for future success

Responding to the changing health care reimbursement landscape

Many legacy calculation engines and bolt-on contract management and compliance products lack the flexibility needed to contend with the health care reimbursement landscape, including payment reform initiatives. As the industry moves toward an inevitable future of bundled, global and outcomes-driven payment, revenue cycle excellence will require seamless operational coordination across the continuum of care.

Optum is working with provider organizations to integrate institutional and professional payment data for a holistic view of reimbursement and payer performance in various care settings. Visibility across the continuum is facilitating more effective communication and negotiation with payers. More importantly, Optum has established a forward-focused data infrastructure to accommodate the constraints of new payment methodologies and requirements.

Revenue capture and accurate reimbursement have never been more important. Consider the significance of contract compliance and revenue integrity as you build a strategy for your organization's financially sustainable future.

Learn more about Optum® Underpayment Recovery Service.

1. Advisory Board 2019 Hospital Revenue Cycle Benchmarking Survey.

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11000 Optum Circle, Eden Prairie, MN 55344

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