salud
revenue partners

200 Elmwood Ave. Suite 2-C
Lafayette, IN 47904
765.637.2400
info@saludrevenue.com

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REVENUE CYCLE UPDATE

Revenue cycle expertise, data analytics, workflow optimization and problem solving: We make your performance improvement our responsibility.

Cracking a tough nut in accounts receivable: Balance-due paid claims

By Jesse Ford, CEO

At a time when providers are under increasing pressure to find new sources of revenue and savings, most are downplaying an opportunity hiding in plain sight. It may not have such an easy or immediate payoff as unpaid accounts, but it can have a substantial impact on finances.

I am speaking about balances due on paid claims. How much this amounts to depends entirely on each organization and the payers they work with. Among our clients we see as much as 63% of accounts already have payments on them, and those with a balance due ranging from just a few dollars to several thousand dollars. The question is whether you have the savvy and the technology to work the accounts cost-effectively enough to make the effort worthwhile. At one large system paid claims are 58% of all claims, and account for 41% of total accounts receivable.

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Cracking a tough nut in accounts receivable: Balance-due paid claims *(continued from page 1)*

Unpaid accounts are often younger than paid accounts and have a higher probability of resolution. It makes a lot of sense to focus on them, but not to the extent of ignoring balance due accounts. Finance, the CFO, and ultimately the board of directors would want to know if there is that much money on the table.

Having aged accounts receivable is also a detriment to performance on HFMA MAP keys, such as aged AR as a percentage of total AR and net days in AR.

These aren't just arcane performance indicators. Accounting's responsibility is to determine the value of open accounts receivable. Paid accounts pose a challenge because accounting needs information on whether the balance remaining has value. If accounting fails to accurately predict the value of AR, the provider may over- or underestimate the amount of money it can expect to receive, which affects financial decisions.

Patient accounts needs to be a good partner to finance and accounting by ensuring that the AR is clean – meaning only collectible balances remain open in the AR.

Balances remaining after payment are often collectible. There are many areas to look at, some of them fairly straightforward:

- **Split billing:** Services for some payers must be billed separately on two claims, such as one for emergency room and another for inpatient stay. The ER bill gets paid, but the inpatient claim might just sit unpaid on the books.
- **Line-item denials:** If a portion of a claim is denied, an appeal may be possible on the balance remaining. (Salud identifies line-item denials by obtaining claim statuses robotically.)
- **Underpayments:** Some insurers simply don't pay what they are supposed to.
- **Patients are not charged.** It is amazing how often this happens. With the patient share of total health spending on a sharp rise, this is a real area of focus today.

Many accounts with significant balances reflect process breakdowns on the part of providers and payers.

- **No secondary insurer is contacted.** We see many cases where there is a secondary insurer, but the balance is never transferred.
- **An incorrect copayment, coinsurance or deductible is recorded.**
- **Either automated remittance posting systems or manual payment posting do not recognize and take appropriate contractual adjustments.** Some providers take contractual adjustments for major payers at the time of billing, then do not take additional adjustments at the time of payment posting. When the estimated contractual rate is modeled incorrectly, and the payment doesn't match, an inappropriate balance remains.
- **Billing errors:** A provider may have errors in claims data, resulting in a payments that are different than expected. For instance, missing a modifier can impact reimbursement negatively, while unbundling CPT codes may suggest a higher reimbursement than what the provider is entitled to. A procedure code/bill type may be inconsistent with the place of service. A procedure/revenue code may be inconsistent with the patient's age or gender.

Some billing errors may show up as denials, but some will just result in a different payment.

The most effective solution, of course, is doing everything possible to prevent inappropriate balances on the front end. I cannot emphasize enough the important of setting up the 835 Electronic Remittance Advice posting accurately, including information about the payee, the payer, the amount and any payment identifying information. The patient accounts department needs to evaluate each CAS and remark code to figure out which should result in a contractual adjustment, a balance transfer (to a patient or secondary insurance) or no further action, leaving the balance on the account. Many organizations focus on estimating contractual adjustments at the time of billing, but if the 835 process does not handle remittance appropriately, that effort is for naught.

This takes organization and planning. You need a strategy for each bin of AR. Analyze paid account balances. Search for root causes. Segment work so that staff focus on collectible bins. Make decisions on adjustments. Fix your payment posting processes.

Our experience shows that this granular, intricate work can pay off in a healthier bottom line. And it shows the patient accounts team is doing its part to keep the organization financially strong.