

REVENUE CYCLE PRINCIPLES SERIES

Part Six

Creating an Integrated Approach to Improving Accounts

Receivable Issues at Community Hospitals

Rethinking the Traditional Outsourcing Approach

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Revenue Cycle Principles Series, Part Six

Creating an Integrated Approach to Improving Accounts Receivable Issues at Community Hospitals

A “Connected Approach” to AR management — an alternative to outsourcing

Almost every hospital in the US deals with the same issue on a daily basis — not having all the resources necessary to adequately collect all the different areas of Accounts Receivable (AR). This is particularly applicable to specific areas that are difficult to collect such as medical denials, appeals and workers compensation. By improving this process, hospitals can not only improve cash collections, but also net income.



This issue is exacerbated at smaller, community hospitals. A smaller staff inherently means there is less opportunity for specialization, and more chances for issues to arise with staff turnover. The traditional approach to dealing with this has been outsourcing either portions of AR or all of it.



Advances in technology, such as [HealthTech's AlphaCollector](#), now present the opportunity to take a different approach. Being “connected” can provide the desired results without the traditional feeling of losing the control of your AR that outsourcing often introduces.

What is outsourcing and why do we need an alternative?

The strict definition of outsourcing provided by the Oxford World Dictionary (listed to the right) certainly does not do justice to the emotions that any discussion of the topic evokes. The Wikipedia definition gets the conversation a little closer to reality, but it still doesn't address the issues of control, core business functions, loss of jobs, or the overriding concern that the decision to outsource or not is one related to success or failure. These definitions also fail to address the pervasive feeling that once the decision to outsource has been made, it is very difficult to reverse.

Wikipedia definition²

“A precise definition of outsourcing has yet to be agreed upon. The term is used inconsistently; however, outsourcing is often viewed as involving the contracting out of a business function — commonly one previously performed in-house — to an external provider.³ In this sense, two organizations may enter into a contractual agreement involving an exchange of services and payments. Of recent concern is the ability of businesses to outsource to suppliers outside the nation, sometimes referred to as offshoring or offshore outsourcing.

In addition, several related terms have emerged to grasp various aspects of the complex relationship between economic organizations or networks, such as nearshoring, multisourcing^{4,5} and strategic outsourcing.⁶ One of the biggest changes of recent years has come from the growth of individuals using online technologies to use outsourcing as a way to build a viable service delivery business that can be run from virtually anywhere in the world. The preferential contract rates that can be obtained by temporarily employing experts in specific areas to deliver elements of a project purely online means that there is a growing number of small businesses that operate entirely online using offshore outsourced contractors to deliver the work before repackaging it to deliver to the client.

One common area where this business model thrives is in provided website creating, analysis and marketing services. All elements can be done remotely and delivered digitally and service providers can leverage the scale and economy of outsourcing to deliver high value services at vastly reduced end customer prices.”

Oxford World Dictionary Definition of Outsourcing¹:

“To obtain (goods or service) by contract from an outside supplier: there can be no question of outsourcing components from other countries.

To contract (work) out: you may choose to outsource this function to another company or do it yourself.”

¹Oxford World Dictionary, www.oxforddictionaries.com

²Wikipedia, <http://en.wikipedia.org/wiki/Outsourcing>

³Overby, S (2007) ABC: An Introduction to Outsourcing. CIO.com.

⁴ (Q4 2006)Mandatory Multisourcing Discipline Business Trends Quarterly

⁵ (2006) Mandatory Multisourcing Discipline

⁶ see Holcomb & Hitt, 2007

Challenges with the current outsourcing model

The current model of dealing with problem AR – whether it is just a few accounts or the entire business office rests with the issue of control. The vast majority of hospitals in the US use some form or another of outsourcing – self-pay collections through a collection agency are a good example. Once the agreement is entered, the accounts are delivered to the agency/vendor and the hospital waits to see what the results will be.

In most cases, the traditional controls that are employed at the facility level – daily cash sheets, account reviews, productivity assessments etc. are not performed at all and if they are performed, they are only done once a month when the vendor submits their invoice. This scenario is what creates the impression that the facility has effectively lost control of both the process and the results.

With outsourcing the facility has no way to interact with the detail of AR performance on a day-to-day basis. The collection systems that the vendors use are usually incompatible with the facilities and are not accessible to the hospital. This disconnect makes it difficult to discontinue the relationship and restore facility specific processes if outsourcing fails.

Transitioning accounts/AR to and from a vendor is time consuming and disruptive. The decision to terminate an outsourced relationship due to poor performance is sometimes delayed due to this and also the lack of available internal talent to resume the collection activity. Additionally, the coordination of requests between the hospital and vendor is typically laborious and creates timing and accountability problems. Patient enquiries often take much longer than normal to resolve which unfortunately leads to poor customer satisfaction.

All in all the outsourcing experience is a dark hole with the exception of that one day a month when the statement of the prior month's activity lands in your inbox!!!

THERE TRULY IS A SIMPLER AND BETTER WAY.

Being Connected – a different approach to outsourced AR management

SaaS-based collection management and reporting software ([AlphaCollector](#)) that is now available can not only improve a hospital's collection productivity, but it can also provide an effective alternative to the traditional outsourcing model.



Once implemented, the software not only provides an immediate improvement to in-house collection efforts, but it also provides a seamless tool for transferring and managing AR with outside vendors. Because the vendor is essentially working on the same collections platform as the hospital, there is no time delay between what the vendor accomplishes and what the hospital sees.

The facility can easily transfer accounts to an outside vendor in a matter of minutes, and the reverse is also true, accounts can be recalled and slotted into the hospital's workflow at any point in time. Other advantages are that the hospital and the vendor use exactly the same workflow, the same audit mechanisms, and the same management reporting tools. As a result, processes and procedures are aligned and incentives are inherently built into the software.

Working on the same system at the same time with an **integrated request log feature** eliminates any timing difference in the communication and execution of requests between the facility and the vendor – in both directions. The hospital is able to audit and review account activity, notes, vendor productivity and account resolution in real time; thus, creating a level of accountability that is not possible with the current outsourced model.

Account Number	Balance	2011	2012	2013
10000000	1000000	1000000	1000000	1000000
10000001	1000000	1000000	1000000	1000000
10000002	1000000	1000000	1000000	1000000
10000003	1000000	1000000	1000000	1000000
10000004	1000000	1000000	1000000	1000000
10000005	1000000	1000000	1000000	1000000
10000006	1000000	1000000	1000000	1000000
10000007	1000000	1000000	1000000	1000000
10000008	1000000	1000000	1000000	1000000
10000009	1000000	1000000	1000000	1000000
10000010	1000000	1000000	1000000	1000000
10000011	1000000	1000000	1000000	1000000
10000012	1000000	1000000	1000000	1000000
10000013	1000000	1000000	1000000	1000000
10000014	1000000	1000000	1000000	1000000
10000015	1000000	1000000	1000000	1000000
10000016	1000000	1000000	1000000	1000000
10000017	1000000	1000000	1000000	1000000
10000018	1000000	1000000	1000000	1000000
10000019	1000000	1000000	1000000	1000000
10000020	1000000	1000000	1000000	1000000
10000021	1000000	1000000	1000000	1000000
10000022	1000000	1000000	1000000	1000000
10000023	1000000	1000000	1000000	1000000
10000024	1000000	1000000	1000000	1000000
10000025	1000000	1000000	1000000	1000000
10000026	1000000	1000000	1000000	1000000
10000027	1000000	1000000	1000000	1000000
10000028	1000000	1000000	1000000	1000000
10000029	1000000	1000000	1000000	1000000
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10000031	1000000	1000000	1000000	1000000
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10000066	1000000	1000000	1000000	1000000
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10000097	1000000	1000000	1000000	1000000
10000098	1000000	1000000	1000000	1000000
10000099	1000000	1000000	1000000	1000000
10000100	1000000	1000000	1000000	1000000

Integrated Business Intelligence reporting improves management efficiency

Key advantages of the connected AR approach using AlphaCollector



- ✓ You control the data and the process – you can assign business (and recall it) seamlessly within the system.
- ✓ Because the vendor is required to work their section of AR on the (your) collections platform, there is no need to extract and transfer multiple sets of data once the software is setup.
- ✓ Your collection metrics and workflow will be mirrored in AR worked by the vendor.
- ✓ Daily management of your AR is not just limited to accounts worked by the facility.
- ✓ Productivity & accountability is improved as everyone is working on the same system with the same data.
- ✓ Communication between the facility and the vendor is improved.
- ✓ Built in Business Intelligence and management reporting tools improves oversight and reduces time necessary to audit performance.

Conclusion

Call it what you like — outsourcing or connected AR management — advances in technology have introduced the ability for hospitals to achieve better results from this process and retain control as part of the package.

HealthTech’s SaaS-based application AlphaCollector has the ability to be installed and operational with very little up-front costs. It is also able to be distributed to all stakeholders through the Internet – much like iTunes. Requiring your vendors to manage their portion of your accounts receivable on your collections management system requires the vendor to adhere to your standards and philosophy and be accountable for results in real time.

Circumstances around revenue cycle management change rapidly. A “connected” approach gives the facility the control necessary to make changes if and when necessary without ever being held hostage by your vendors. Not only will collection management software improve your AR performance, it will provide you with the platform to get better results in all phases of the collection cycle – including your “outsourcing” vendors.

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