



Shifting the Paradigm: How Outsourcing Can Help Prevent Healthcare's Financial Processing Ailments

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As the burdens that weigh heavily on healthcare providers continually increase in number and complexity, no aspect of a healthcare organization's operation is spared. The steady rise in costs — that drive the demand for tighter expense management and process efficiencies — have impacted all internal areas, and the financial/accounting office is no exception.

For healthcare CFOs and Treasurers, streamlining in-house financial processes so that they can maximize efficiency and cost-effectiveness has never been more critical. But according to the results of a recent survey of large national healthcare providers conducted by The Bank of New York Mellon Treasury Services,* the industry still has far to go.

Responses from survey participants (which comprised CEOs, CFOs, and patient financial services managers at 151 large U.S. healthcare facilities) revealed that their organizations commonly overlook several key operating areas — such as contract management, eligibility verification, denial management, and Point-of-Service payment collection — where process automation or other improvements could easily increase patient satisfaction, reduce costs and/or increase revenues.

The survey also showed these areas share two important commonalities:

1. They have key impacts on organizational revenues; and
2. they are usually performed manually in-house.

The Answer is Out There

Just as many industries have grown to realize — and readily accept — the benefits of outsourcing certain internal processes (i.e., IT and HR) that are both integral to operations and significant to the bottom line, the time has come for healthcare providers to recognize the viability of outsourcing key financial processes as well.

Given that in-house management of financial processes for healthcare providers can be costly, time-consuming and counterproductive to healthy bottom-line revenues, effectively managing these processes via outsourcing offers considerable benefits. The good news is that proven solutions already exist — the challenge is for healthcare providers to pinpoint the right ones.



Defining the Cure

Financial process outsourcing is defined as the full or partial lift-out of services via third-party tools and/or automating processes with the aim of functional improvement. For the healthcare industry, outsourcing offers solutions associated with a variety of financial operations, including: contract management, eligibility determination, claims processing, secondary/tertiary billing, denial management, debt collection, credit balance management/refunding, accounts payable, Web payments and reconciliation.

As an alternative to handling these services in-house (and the up-front costs of doing so), financial process outsourcing is designed to provide gains that benefit multiple areas of the treasury operation, by:

- **increasing cash flow** by speeding patient account posting and identifying denied payments;
- **improving accuracy** with tools developed to address a provider's particular needs;
- **streamlining financial processing** by reducing manual operations via services that enhance reporting capabilities, provide electronic document imaging and offer workflow tools to better manage a staff's priorities; and
- **better managing ongoing growth.**

While patient care remains the number-one priority for the healthcare industry, the fast and accurate application and processing of payments is critical for maintaining a precise snapshot of a healthcare organization's true financial condition, and thus, its longevity.

Overcoming the Roadblocks: Dispelling Some Common Outsourcing Myths

As with many industries that have not yet fully embraced the outsourcing concept, the idea of farming out financial processes conjures feelings of uncertainty and discomfort for many healthcare providers for a variety of reasons.

MYTH 1 - THE HEALTHCARE PROCESS IS TOO COMPLEX TO OUTSOURCE.

Because the industry operates within the constraints of an intricate set of financial processes that are dictated by strict policy, rules and regulations, providers may question an outside vendor's ability to fully comply with the intricacies of those restrictions (e.g., the need to secure personal health information within a complex payment system). They may also question whether the cost to bring on a third-party is cost justified because of the perceived learning curve.

In reality, however, many healthcare providers already outsource various core financial processes (e.g., primary billing, collections and eligibility verification) with high levels of satisfaction,* and often with great success.

According to The Bank of New York Mellon Healthcare Financial Outsourcing Survey, for example, a majority of respondents that outsource various financial processes indicated that they were unlikely to take the process back in house when their contracts expired. Additionally, these same respondents indicated a desire to use outsourcing to further automate or improve other labor-intensive, in-house processes as well.*

The process can (and does) work within the industry's tough constraints. And, it works well enough to justify exploring additional financial outsourcing solutions within a healthcare organization's financial office that may have not been previously considered. Outsourcing more standard financial processes (such as cash posting) that devour healthcare organizations' time also frees them to focus on more complex processes in house, such as resolving denied claims, — that have the potential to bring in additional revenue.

MYTH 2 - OUTSOURCING IS NOT COST-JUSTIFIABLE.

Can bringing in a third party, especially to a large operation, truly be cost effective? For many providers, effectively answering the question — and performing the associated research — can be burdensome in and of itself. The real question, given today's escalating costs and regulatory minefield may be: can today's healthcare organizations afford not to work with a third-party specialist?

Regulatory forces alone are making it more and more imperative for the industry do the homework required to meet its standards. The Health Information Portability and Accountability Act (HIPAA), for example, requires adherence to strict standards to protect patient confidentiality.

Experienced financial outsourcing vendors, however, offer proven, secure processing (i.e., advanced, HIPAA-compliant technology, systems and operations, etc.). Moreover, those departments that have historically relied upon outsourcing, such as IT and HR, have proven that outsourcing vendors are capable of successfully handling sensitive, confidential information.

MYTH 3 - HEALTHCARE PROVIDERS LACK THE RESOURCES NECESSARY TO IDENTIFY APPROPRIATE OUTSOURCING OPPORTUNITIES.

For healthcare providers, unearthing potential outsourcing opportunities and savings can seem incredibly daunting. But expert outsourcing vendors themselves have, in many cases, already laid the groundwork.

Experienced vendors can help organizations pinpoint needs and identify areas with high outsourcing opportunity. They can assess existing workflows to help uncover hidden inefficiencies, such as manual operations that increase processing time and cost, unmanaged exception item processing/workflows, and reporting inefficiencies that cause time spent chasing paperwork.

MYTH 4 - THE HEALTHCARE PROVIDER FORFEITS ALL CONTROL OF AN OUTSOURCED PROCESS.

Outsourcing rarely means a comprehensive 'takeover' of an entire treasury operation. Financial processing tools can be outsourced for select treasury services — and even facets of services. Further, even if an entire operation is outsourced, the healthcare provider should remain completely in charge of how the process is both implemented and carried out. And choosing an outsourcing partner who delivers on this key provision is one of the many guidelines for a successful third-party relationship.

MYTH 5 - FINDING THE RIGHT OUTSOURCING PARTNER IS NEXT TO IMPOSSIBLE.

You can find the right partner by breaking down the process to define what's important for your organization in such a relationship. Three overriding concerns are important to consider.

First, because of the unique requirements and perceived risks in outsourcing healthcare financial processes, selecting outsourcers with superior credentials is of the utmost importance to help ensure smooth transitions and implementations.

Next, recognizing outsourcing solutions that are based not only in efficiencies but that are sensitive to the delicate nature of patient care is imperative. An effective outsourcing partner recognizes both your organization's particular needs as well as the macro needs of an industry that must always maintain the patients' perspective.

And finally, choosing successful outsourcing partnerships is wholly possible when the search is based on a specific set of criteria that have been vetted as strategically important to your organization. (Please see "Where to Begin?" on page 4 for more specific information on how to choose the right vendor.)

Outsourcing Healthcare Financial Processing: Where to Begin?

A GUIDE FOR FINDING THE RIGHT PROVIDER

Experts in healthcare financial management outsourcing possess the tools needed to address the industry's cost-cutting needs.

FORM A DECISION COMMITTEE

It's a good first step for healthcare providers considering outsourcing to form a crossfunctional team to guide the outsourcing decision-making process.

To help ensure that you consider all areas that will potentially factor into vendor selection, include representatives from your organization's management team, patient accounting or financial services team, purchasing, technical staff and legal counsel, at a minimum. This enables all ends of the organization to contribute to – and approve of – the process from the start.

DEFINE A SCOPE OF WORK

Reviewing your requirements, capabilities, operations and problematic areas early in the process of seeking an outsourcing solution may help you avoid potential miscalculations when defining what should be outsourced.

Consider the following when seeking to formally define your comprehensive outsourcing needs:

- Specific product requirements
- Implementation timing needs
- Support resources provided by the outsourcer, such as training, customer service and marketing initiatives
- Quality expectations and type/timing of quality measurements

- Decision criteria for choosing an outsourcer
- Expectations for technology investments that may be required

IDENTIFY POTENTIAL PROVIDERS

Current vendors, consultants or peer organizations can often provide a host of sources for spring-boarding your search for a vendor that fits your organization.

Industry publications and their Web sites, such as Healthcare Finance News, Health Data Management, Hospital News, Hospital and Health Networks magazine and HFM magazine often provide profiles on potential providers and available services to initiate a good 'first' list of candidates.

Professional associations, such as the Healthcare Financial Management Association (HFMA), the Medical Group Management Association (MGMA) and the Metropolitan Chicago Healthcare Council (MCHC) also offer valuable information.

A variety of organizations have annual conferences and tradeshows that highlight outsourcing vendors and available solutions including: The Healthcare Information and Management Systems Society (HIMSS), HFMA, the American Association of Healthcare Administrative Management (AAHAM), the MGMA and America's Health Insurance Plans (AHIP).

DEVELOP A REQUEST FOR PROPOSAL (RFP)

With a clearer vision of your outsourcing needs, the next step involves developing a detailed outline of your requirements and should also include the following:

- Ongoing support needs, including customer service and internal training
- Implementation deadlines and level of support desired throughout the process
- Locations where funds and information processing will take place
- Service level agreements
- Desired terms for the final contract
- Outlines of a vendor's problem/resolution process
- Amount and location of staffing for the service
- General 'rules of engagement'

Your RFP is your opportunity to specifically detail your terms and conditions, acceptance and pricing structure criteria. Your thoroughness at this stage will be in direct proportion to the ultimate success of your outsourced solution.

LOOK FOR FLEXIBILITY

You may need a vendor with a demonstrated capability for handling challenges when unexpected events occur – especially during the initial implementation phase. Make sure you choose a solution that offers a well-defined plan detailing the vendor’s responsiveness during unforeseen circumstances, and a plan for communicating smaller issues before they grow.

WORK WITH SOMEONE WHO OFFERS VALUE, NOT JUST A LOW PRICE

When price is the only consideration, the resulting solution may be limiting in many of the things that are of value to your organization. Sticking to what’s important, including a list like the following, will help you build a solution that meets your high expectations:

- **Open and regular access** to a provider’s outsourcing team reveals whether a workflow is consistently meeting your unique requirements.
- **Frequent and detailed communication** allows for issues of concern to be continually addressed and increases the provider’s ability to effectively manage the effort while holding the vendor accountable.
- **A high level of expertise** is indicated by a demonstrated history of success in the areas you’re looking to outsource.
- **A demonstrated commitment to customer service** provides further peace of mind that delivery of services will meet expectations.



Pinpointing Benefits

Outsourcing addresses a multitude of issues that have long plagued back-office healthcare processes, including lengthy processing times, cash application delays, enormous paper trails and ineffective reporting systems that can slow the business side of patient services.

Through the support provided by a vendor's dedicated implementation and customer service team, outsourcing is designed to infuse an operation with additional expertise and resources without the need for providers to rebuild or expand their organization themselves. Outsourcing also allows healthcare providers to standardize processes across offices and operate under better controls and tracking — all with the goal of increasing service levels while lowering internal costs.

Traditional, back-office healthcare financial processes that can be easily outsourced include:

- **Claims processing** to automate the billing process and provide upfront edits that improve the accuracy of the claim with the first submission.
- **Payment collection** via lockbox services to collect patient and commercial insurance payments; convert paper explanation of benefits (EOBs) to electronic posting files; re-associate electronic remittance advices (ERAs) and payment data; provide document imaging; and increase the number of electronic payments and remittances.
- **Patient self-payments** via the Web, phone, call center or recurring debit processing. Also, services to capture all patient/non-patient credit card, check and debit card payments at the time of service; issue automated receipts; reconcile deposits and generate audit and management reports.
- **Eligibility services**, such as online confirmation systems for patient identity and insurance eligibility that improve the accuracy of claim submissions and reduce the need for manual insurance verification.
- **Credit balance/refunds management** to automate the refunding of credit balances to patients and/or payers.
- **Bad debt collection** via a third party to assist with collecting debt that has been written off.

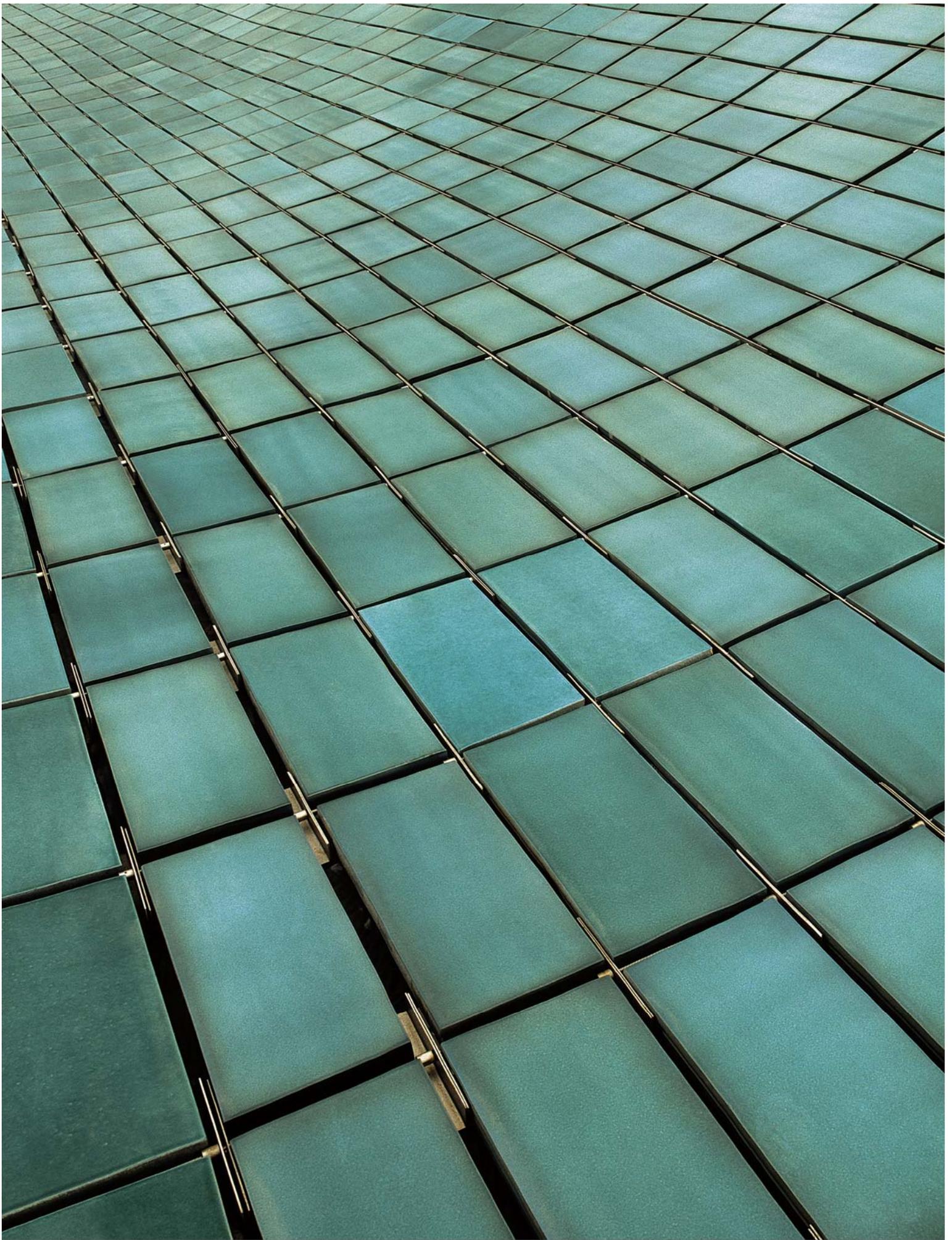
A New Way of Thinking

The healthcare industry is facing a watershed in its history — a burgeoning need for services within a landscape of eroding profit margins and intensifying regulations. Cost-saving measures are imperative.

As the successful outsourcing of other sensitive processes has already proved: any labor-intensive, back-office function stands to gain from the outsourcing route. Such solutions have the potential to increase the cost effectiveness of entire platforms through the delivery of streamlined processes while also accounting for the unique risks and needs of the healthcare environment.

Whether assisting with revenue cycles, managing claims or improving and streamlining remittances, financial process outsourcing has a real place in the future of healthcare. Healthcare providers just need to change the current financial paradigm of their industry, and begin taking advantage of the proven benefits of outsourcing.

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**The Bank of New York Mellon Healthcare Financial Outsourcing Survey, conducted by Warabak Research, June 2007, of 151 large healthcare providers with hospital or affiliate groups with 300+ beds, physician practices or an affiliate with 100+ physicians or outpatient/cancer center.*

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