



Cash Matters: How a Point-of-Service Solution Can Stop “Paycheck-to-Paycheck” Living for Hospitals

By Earl T. Winter

Credit crunch hits hospitals. Hospital building, IT projects scrapped. Hospitals feeling the pinch. Credit crunch forces hospital to close. Hospital layoffs mounting. Facility cuts two service lines.

Headlines such as these are all-too-familiar in today's world, as the tough economic climate hits both healthcare service providers and their patients hard and close to home. Cash-strapped hospitals' ability to make vital investments in facilities, infrastructure, technology, equipment, new service lines and staff is threatened, along with their financial viability. With limited cash and other liquid reserves to borrow against, hospitals see lower credit/bond ratings, resulting in higher interest rates when they seek to borrow money for needed improvements (if they are able to borrow at all). While hospitals are struggling, the patients and the communities they serve are affected as well.

In a recent HFMA survey, 73 percent of hospital respondents reported a decrease in days cash on hand – with 22 percent seeing a decline of more than 20 percent. The same survey reports major drops in patient revenue over the last half of 2008 as well: 60 percent of rural respondents reported a decline in patient revenue, followed by 50 percent of hospitals in small cities, and “only” 34 percent in major urban areas.

A press release from the American Hospital Association reads: “Nearly all hospitals report that their ability to borrow funds to make improvements is getting worse or remains challenging. In a December [2008] survey, many hospitals reported that it was significantly more difficult or even impossible to access tax-exempt bonds and other sources of capital to make improvements. Nearly eight of 10 hospitals have stopped, postponed or scaled back projects such as facility upgrades as well as clinical and information technology planned or already in progress.”

In these times, days cash on hand – the amount of days a hospital would be able to pay expenses with cash – is an increasingly important measure of a hospital's short-term and long-term financial stability. In fact, one industry expert says that days cash on hand has become “the ultimate measure for healthcare.”

As in other areas of life, challenging situations often provide the needed “nudge” (or shove, in this case) to make appropriate adjustments in point-of-views, processes and procedures. For those healthcare service providers that have not yet moved their revenue cycle focus from the back end to the front end, there's no time like the present.

Today, the healthcare industry has shifted to a retail model, meaning that patients are assuming more and more financial responsibility for

their own healthcare, and providers can no longer solely rely on post-service payments from third-party payors. The healthcare industry is struggling because many are not set up to discuss financial responsibilities and expectations with individuals at the point of service. Providers are in effect leaving cash on the table because they don't know whom to ask for what – or how to handle the growing number of uninsured/underinsured. With a comprehensive point-of-service solution in place, hospitals and other healthcare service providers can quickly and painlessly adjust to healthcare's new “retail-like” environment, resulting in increased upfront and overall cash, reduced bad debt and better-served patients.

What should providers look for in a point-of-service system that will help them – and their patients – to navigate the new retail-based revenue cycle? Hospitals and other providers should seek an automated, “one-stop-shop” point-of-service collections solution that can streamline, simplify and clarify pre-registration and front-end operations.

With real-time, customized scripts based on a healthcare service provider's own business rules, an automated point-of-service system can intuitively guide patient access staff through the complex revenue cycle processes they now routinely handle. For example, the system should allow front-end staff to easily and consistently handle insurance eligibility verification, patient address/demographic validation, patient capacity to pay, patient payment-due, Medicaid and charity care qualification, discounting options, payment plans, and pricing transparency – all at the staff member's desktop. Such a system allows front-line employees to increase upfront cash collection, and to begin to close the gap and collect patient-pay balances on the front end.

Following are just a few benefits of an effective point-of-service solution – all of which result in more cash on hand for a facility and a much-improved balance sheet:

1. Increase in upfront cash: An effective point-of-service solution will provide front-line staff with scripts that tell them exactly how to handle each patient encounter. Combining patient demographic information with a facility's unique business policies, the scripts should tell the employee what the patient's financial responsibilities are – whether it's a co-pay for an insured patient or the whole amount for a self-pay patient with high capacity to pay. Gone are the days of “leaving cash on the table.” By allowing patients to pay using multiple methods – cash, check, credit/debit card – a provider also will see an increase in upfront collections.

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2. Decrease in outsourcing costs (e.g., early-out, primary): Accounts are many times referred to early-out vendors for collection, due to payment arrangements not being agreed on at point of registration. Also, accounts are regularly turned over to collection agencies that are basically uncollectible because the patient is eligible for charity and government programs. This costs everyone unnecessary time and money, and could potentially subject patients to unfair collection practices.
3. Reduction in return mail due to adequate, accurate patient information collected upfront: Verifying patient information on the front end is a critical step for a point-of-service system. Ensure statements and bills are delivered to patients instead of being returned through the collection of effective, reliable and controlled data at pre-registration or at the time of service.
4. Reduction in employee turnover: Recruiting, training and retaining the workforce to staff the patient access department can be difficult and costly. As the healthcare environment becomes more and more complex, sustainable investment in staff tools and training, as well as proper recognition and rewarding of staff, is critical. A comprehensive point-of-service solution effectively supports registrars and financial counselors, which results in an improved work environment with less turnover.
5. Reduction in A/R days outstanding: With a successful point-of-service solution, more cash is collected on the front end instead of waiting until post-service to resolve accounts. When a patient does receive a bill post-service, he or she is more likely to pay, because financial expectations have been discussed in advance of the patient receiving care (or leaving the facility). A payment plan may have been set up, allowing the patient to pay whatever he or she is able to pay on an ongoing basis.
6. Decrease in bad debt and increase in charity: On the front end, providers should seek to automate their charity care screening and documentation policies consistently through an online interface at point of service – ensuring that patient financial accounting is handled appropriately and in a non-discriminatory manner. Truly needy patients are identified, and standardized policies and procedures eliminate any guesswork in the handling of financial accounts and the reporting of charity care numbers. Within a short amount of time, the provider learns whether or not a patient qualifies for eligibility programs. The system can also be set up to ensure appropriate documentation is obtained and completed by the patient.
7. Accuracy of insurance information, reduced denials: An effective point-of-service solution will integrate insurance verification with other processes, producing a real-time, clear, accurate explanation of the patient's benefits and what is owed at point of service (i.e., co-pays, deductibles, co-insurance), delivered right to the staff member's computer screen.
8. Identification and proper processing of non-emergent ER patients: Reviewing financial expectations with non-emergent ER patients will often result in those individuals seeking care at a free clinic, primary care office or other more appropriate venue. A front-end solution allows ER staff to proactively discuss fees and care options once the patient has been triaged.
9. Pre-registration and cancelling of elective services not paid in advance of the date of service: A point-of-service solution allows the healthcare provider to work with patients on their expected financial responsibility, in addition to rescheduling those procedures that may be elective and cannot be paid for. Using a front-end solution allows the healthcare provider to review the expectation with the patient/guarantor prior to the date of service and to establish proper financial arrangements for the account to be paid.

Due to the current economic climate, many hospitals are being forced to operate “paycheck to paycheck.” By implementing a point-of-service solution that addresses healthcare’s retail-like revenue cycle, hospitals and other healthcare facilities can improve their balance sheets. They’ll see increased cash on hand, allowing them to upgrade their financial standing and focus on what matters most – delivering high-quality healthcare to the communities they serve.

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See www.ntelagent.com for more information.*