



Case Study



BUSINESS-TO-BUSINESS

STREAMLINING A HEALTHCARE SYSTEM'S BACK OFFICE DELIVERS ACROSS-THE-BOARD SAVINGS

A Case Study in EOB Automation

A quickly growing California-based, non-profit medical group with nine facilities provides outpatient healthcare services at a rate of 613,000 visits annually. The following case study explains how The Bank of New York Mellon Treasury Services helped the healthcare provider automate its Explanation of Benefit (EOB) processing to achieve enhanced cash posting and productivity while employing best-in-class practices in its back-office functions.

OUR VALUE PROPOSITION

Provide the industry's best total global treasury solution, as evidenced by operational excellence, exceptional service, product leadership and consultative expertise.

THE CUSTOMER CHALLENGE

Exponential Growth Overburdening a Manual System

As the health system expanded its suite of outpatient services over recent years to meet the needs of the state's growing population, patient visits throughout the system had been steadily increasing. One critical area of the healthcare provider's business directly impacted by this growth was the back office.

CONTACT US

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The staff struggled to keep abreast of a growing influx of EOBs, payments and the associated exception processing that accompany this paperwork. Delays in applying payments heavily impacted patient billing, as well as customer service calls. Efforts to complete secondary billing functions, as well as denied and reject note postings, were also subsequently affected as they tried to manage the mounting daily workload.

With limited resources already working beyond capacity to handle payment claim processing, the health system faced serious staffing issues and client satisfaction concerns.

THE BANK OF NEW YORK MELLON SOLUTION:

Accelerating Processing Through Automation

In its search for a solution more enduring than hiring temporaries or requiring mandatory overtime, the healthcare organization turned to its remittance processing bank partner, The Bank of New York Mellon Treasury Services. Immediately, our focus narrowed to how the healthcare system handled payer remittances at the point of receipt, where 70 percent of the cost to process payments and claims are incurred.

The healthcare system received an average of 136,000 checks annually, with an accompanying 480,000 EOB pages to process — an influx that was quickly increasing along with its patient load. Additionally, the system required the capture of all claim fields — an extensive amount of data — in order to accurately post payments to patient accounts. The time and effort required to manually apply this amount of information caused lags of up to three days in the provider's cash posting process.

These delays negatively impacted all of the secondary processing that relied on the data from those remittances, such as underpayments, denials, contractual allowance processing, financial class updates and patient statement billing. Delays in processing the mountains of data from the initial point of receipt were draining all aspects of the healthcare provider's back-office functions. Staffing issues were merely the symptom of the problem, not the cause.

ERADICATING PAPER EOBs

The Bank of New York Mellon proposed implementing an automated EOB data capture and posting solution to accelerate remittance posting times while reducing associated costs. As part of the healthcare provider's existing lockbox process, The Bank of New York Mellon was strategically positioned to link automated EOB processing with an image storage and accessibility package to offer an effective solution.

A detailed cost/benefit analysis projected that the upfront costs involved in automating the healthcare provider's system, including direct labor, data lift initiatives (technology and personnel needed), imaging and EOB workflow fees were more than offset by the opportunity costs involved. These savings included the direct and hidden costs of remittance posting delays; resource costs to resolve numerous customer complaints; as well as reductions to bottom-line profits from delayed funding.

Additionally, by using one of The Bank of New York Mellon's existing technology associates as part of the solution, the healthcare provider was able to eliminate the need for separate vendor contracts, billing and set up costs.

MANAGING THE DATA - THE DENIAL CODE SOLUTION

A major problem for the healthcare system was its process for handling the immense amount of denial claim data it required for resubmitting claims that were rejected or denied the first time.

Because payers in the healthcare insurance industry use a variety of nonstandard or proprietary adjustment/denial reason codes, standard HIPAA (Health Insurance Portability and Accountability Act) codes, or even both on EOBs, managing these claims is a time-consuming task for healthcare providers. Adding to this complexity: some providers use denial codes that are entirely different from those on an EOB.

The Bank of New York Mellon suggested capturing all of the denial codes and associated remarks and containing them in the daily transmission along with the EOB claim data. To overcome the challenge of varying payer codes, The Bank of New York Mellon solution incorporated 'cross-walk tables', which allow a provider to map the payer's proprietary or HIPAA code to the code and/or remark that is compatible with its system. Although potentially cumbersome to incorporate into an automated system, taking the time to set up this part of the solution meant gaining quick access to denial information — a critical component of collecting cash due.

If the healthcare provider chooses, a Denial Management module is also available with an automated EOB system that enables them to track and resolve denied claims, as well as to identify the root cause of the denials to prevent repeated occurrences.

THE OUTCOME

A fully dedicated project team, comprised of staff from all involved parties, worked diligently throughout the implementation process to ensure accurate transmission of claims data from the remittances; compatibility with the patient financial billing system; and the transfer of rules for incorporating undocumented processes to the automated process.

By executing on clearly defined and measurable tasks, responsibilities and timeframes to meet critical deadlines, the healthcare provider moved to a fully automated system within eight months, realizing an increase in automated posting rates of 70 percent just five months into the project.

Automating the healthcare provider's EOB processing operation exceeded its management's expectations to achieve savings throughout the posting process: The provider:

- accelerated cash posting of 90+ percent of all-payer remittances to the patient accounting system via electronic file within 24 hours of payment receipt;
- reduced cash posting errors by 50 percent;
- increased secondary claims submission due to accelerated remittance posting rates;
- enhanced its researching efforts by 50 percent or greater;
- decreased cash posting staff by 50 percent;
- improved A/R Days Outstanding by one day (or more);
- reduced annual injury benefit expense by \$365,000; and
- simplified overall processing and adjustment procedures.

Despite the commitment involved with staffing and planning resources necessary to transition to an automated system, the healthcare provider was able to resolve the cash posting backlogs that were the root cause of an overburdened back office. The provider now maintains a streamlined operation despite increases in remittances that would otherwise threaten the viability of its business.

The Bank of New York Mellon offers a full suite of working capital management solutions for the healthcare industry. Our expertise as a leading provider of cash management services can help you streamline your revenue cycle with solutions that include document image, image exchange and accounts receivable check conversion processing to support conversion of paper EOBs, payment to EOB/ERA reassociation, and automation of secondary billing and denial management. Contact us at **1 800 424 3004 (Option 2)** or visit www.bnymellon.com/treasury for more information on our proven solutions.

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