

Real-time contract analysis improves reimbursements now and later

Baylor College of Medicine successfully challenges issues with payer contract performance, negotiates better contracts, and promptly captures patient fees

Client. Houston-based academic faculty practice plan, including more than 1,200 physicians in 21 clinical departments.

Challenge/Objective. Manage payer contract performance and reduce payment errors on over 50 unique managed care contracts generating more than 500,000 claims annually; increase leverage with payers during contract negotiations; and reduce patient bad debt.

Resolution. Experian Health Contract Manager and Analysis verifies line-item contractual allowed amounts for all applicable claims, monitors payer compliance with contract terms and models the financial implications of proposed contracts; Experian Health Patient Responsibility Pricer estimates patient liability for timely, accurate collections.

Results. Recovered \$4.2 million in additional revenue; systematic payment errors corrected; improved negotiating position with payers; and higher patient collections at the time of service.

“Experian Health consistently gives us valuable insight into ways to enhance our financial performance.”

—Richard Allison, Director of Baylor MedCare,
Baylor College of Medicine

Client

As with many medical groups, Baylor College of Medicine's managed care contracts were not performing as expected. The lack of a standard underpayment analysis tool resulted in a hit-and-miss approach to identifying and correcting payment errors across the college. Manual processes developed to audit contract performance were labor intensive, expensive and only sporadically identified payment errors. The inability to verify contract performance resulted not only in revenue losses and inefficiencies, but also made it challenging to determine how terms proposed by payers during contract negotiations would influence actual reimbursement.

In addition, Baylor noticed patient co-insurance and deductible amounts were on the rise, but it struggled to collect the correct patient responsibility at the time of service because front desk staff could not accurately determine what the payer would allow for the service. Without the ability to capture the exact patient portion due, the college faced lengthy billing delays, patient confusion regarding their financial responsibility and increased write-offs.

Challenge/Objective

After several attempts to establish effective internal, manual contract compliance procedures, Baylor concluded that automating claims valuation was the only way that underpayments could be consistently identified and recovered. “We created extravagant spreadsheets and databases, but we never got above 15 percent to 16 percent in monitoring claims,” says Richard Allison, Director of Baylor MedCare at Baylor College of Medicine.

The group also faced additional challenges that affected payment, including inaccurate registrations, posting issues and a fragmented denials management process.

Baylor College of Medicine

“Our approach was uncoordinated and depended on the judgment and resources available in each area of the practice. We needed a tool that could track claims across all departments so we could have a unified front in dealing with payers concerning claim disputes and contract negotiations.”

The practice’s manual approach to estimating a patient’s out-of-pocket financial obligations was equally limiting. “We relied on a spreadsheet we developed internally, but the estimates we developed were just our best guess and could only be produced for a handful of procedures,” says Allison. “While we did use these estimates to pre-bill patients, we had to refund a fairly large number of patients for overpayments, which was extremely time-consuming.”

Resolution

Baylor considered several external contract compliance solutions before choosing Experian Health for a pilot in 2002. Eighteen months after testing Contract Manager in two of its departments, Baylor expanded its use of the application to an additional three departments. The second implementation was complete in just 15 business days, with new departments receiving recoveries in the same month. Today, the group uses Contract Manager in all clinical practice departments.

“In addition to enabling our staff to effectively identify and recover underpayments, Experian Health’s contract management tool has helped us to establish and maintain credibility with our payers,” says Allison.

Baylor later added Contract Analysis to run “what if” scenarios during contract negotiations, helping the group to better understand how new and alternate contract terms will affect payment for the precise mix of services it provides.

“Having the ability to use real claims data to evaluate proposals from payers has been invaluable. To the naked eye, a potential contract may look favorable until you run it against your actual claims information. What you discover can be very eye-opening,” says Allison.

“Knowing the true impact of proposed terms on reimbursement really helps accelerate the negotiation process and gives us leverage with payers that we previously did not have.”

Baylor views Contract Analysis as a critical tool both for modeling contracts and for putting together counterproposals, particularly in terms of outlining how changes to any number of variables may affect the financial performance of the practice at large as well as that of individual departments. For example, when the college recently received a contract proposal from a payer that initially looked like an increase, Allison’s team was able to determine it was the same as the current contract from a revenue perspective and negotiate different terms.

Aside from leveraging Contract Analysis to secure more favorable payment rates, Baylor also utilizes the tool on a frequent basis to pull data for a variety of internal purposes. “Having all of our claims information in a format that we can filter and analyze keeps us a step ahead in a number of respects and gives everyone across the organization a more complete understanding of our payer contracts.”

Baylor also now taps the same contract data to produce patient estimates. Through its use of Patient Responsibility Pricer, Baylor leverages the fully defined contracts stored in Contract Manager to estimate the patient portion due based on the payer allowable for each procedure. As a result, front office staff is able to more accurately determine how much to collect from patients at the time of service for all procedures across the college.

“It’s nice to have a printed estimate with clear, outlined disclaimers so patients understand there may be additional charges before they sign,” says Allison, who estimates the practice generated more than 18,000 estimates in 2011 representing more than \$27 million in charges. “Providing this information to patients at the time of service allows us to properly counsel them regarding their out-of-pocket responsibility, enhance our communications and ultimately collect more revenue.”