KaufmanHall

STURDY MEMORIAL HOSPITAL

Challenges:

- Moving from percent of charges payment structure to a more complex reimbursement model

- Understanding potential revenue impact of new agreement proposed by payer

- Monitoring payment variances to ensure payer compliance with contract terms

Solution:

- Engaged Kaufman Hall's Contract Management experts to analyze the terms of the proposed new agreement and help the hospital negotiate a better deal

- Implemented Kaufman Hall's Contract Management software to equip its Finance team with robust data and analytics to simulate managed care contracts, estimate third-party contractual allowances, and analyze denials, for improved decision making

Results:

- Avoided a significant loss in expected reimbursement by re-negotiating the terms of the proposed agreement

- Rapidly identified a payment compliance issue and recouped more than $50,000 that would otherwise have been lost

Contract Management Solution Empowers Sturdy Memorial Hospital in Payer Negotiation

As the healthcare industry transitions to more complex reimbursement models, maximizing net patient revenue has become a greater challenge for hospitals and health systems. Many organizations are tapping into the power of contract modeling and analytics tools to help them better predict and manage reimbursement and leverage a data-driven approach for improved payer negotiations.

Sturdy Memorial Hospital, a not-for-profit acute care community hospital in Massachusetts, was recently presented a contract moving them from percent of charges to inpatient APR-DRGs and outpatient fee schedules. They were promised a revenue neutral change, and they wanted to confirm that was the case. Due to the complexity of the changes, they engaged Kaufman Hall's experts to model the results of the proposal.

Even though Sturdy Memorial did not have the Kaufman Hall Contract Management solution installed at the time, our team was able to get the hospital's dataset (six months of claims, payments and adjustments) and contracts (current and proposed) loaded into the system within two weeks of receiving a signed agreement. Over the course of five weeks, the team worked closely with the hospital's Finance Department, providing a baseline report using current claims and rates and results for multiple proposals.

"The contractual analysis showed no problems with the inpatient piece. We were getting paid according to DRG," said Jeanine Levinson, Director of Budget and Reimbursement for Sturdy Memorial. "But we saw variances on the outpatient side – the same variances over and over again. It led us to wonder, is it something we're doing or is the payer's logic not working as intended? We found that in moving to a fee schedule, there were hospital-specific conversion factors for different services that were triggering different logic in reimbursement than we expected. For example, wound care provided in the clinic is reimbursed differently than wound care in the ER."

The initial proposal resulted in a significant loss in expected reimbursement for six months on 24,850 claims. The second proposal reduced the loss substantially. While the rates were still not yet garnering the promised, revenue neutral amount, by taking it upon themselves to validate the contract proposal, Sturdy Memorial was able to work with the payer to move toward agreeable rates.

As the negotiation continued, the organization was able to develop confidence in their approach toward executing a new agreement. "In the past, performing a payer review was a very manual process," Levinson said. "We compared actual payments to charges and did all of the analysis in Excel. With Kaufman Hall's help this time, we were able to look at the whole picture very easily."

Taking Quick Action to Correct Payment Compliance Issue

Seeing the value of sophisticated modeling and analytics tools in supporting contract negotiations, Sturdy Memorial moved to license Kaufman Hall's Contract Management solution for internal use following the execution of a new agreement with the payer. The hospital quickly found additional value from the software, beyond any of the capabilities of the organization's Meditech EHR system.

Within 30 days of user training on the new Contract Management system, Sturdy Memorial was able to determine its reimbursement on the same payer's claims was inaccurate. By running reports and speaking with the payer, the Finance Department determined they were not billing properly to receive additional reimbursement on surgical procedures – something that was not an issue under the previous percentage of charge contract.

"There were multiple procedures during the same episode," Levinson said. "We were getting paid for the first one, but not subsequent procedures."

Claims were refiled within the payer's 90-day window, and additional payments were processed, resulting in more than $50,000 in revenue that would have been lost had Sturdy Memorial not been monitoring payment performance so closely through the Contract Management system. The Kaufman Hall solution imports actual postings from provider billing systems or Health Information Systems to ensure underpayment reports are precise.

"Revenue codes are so important to the payer, even though they had only provided the CPT code," Levinson explained. "We were able to create linkage between the revenue code and CPT code in our system to ensure there will be no leakage moving forward."

Empowering staff to take corrective action and navigate a rapidly evolving environment is the goal of Kaufman Hall's Contract Management solution.

"We were very limited in the amount of data we could grab historically," Levinson said. "Now we have a much more robust data set, good experience under our belt, and a system that gives us confidence."

For more information on Kaufman Hall's Contract Management solution, visit www.kaufmanhall.com/contractmanagement or contact us at info@kaufmanhall.com.