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Improving Collection Partnerships

By Emily Grace, Communications Specialist

In today's health care environment, providers face growing self-pay revenue and declining insurance reimbursements. Maintaining a trusted partnership with a collection agency can offer a cost effective way for providers to manage receivables while focusing on providing quality patient care.

To create this trusted partnership, a fundamental understanding is needed of each other's business operations. Collection agencies should educate themselves on the business of health care and providers should be knowledgeable on the business of collections.

"There is a huge knowledge gap between providers and collection agencies," said Aaron Waldie, director of patient accounting for Truman Medical Center. "Some providers have no understanding of how collection agencies operate and vice versa."

A panel discussion was held at ACA International's Spring Forum in March on what providers look for in collection partnerships. Panelists included Waldie, Shaun Magill, chief operating officer for H & R Accounts, and Tom Gavinski, vice president of I.C. System.

Sharing Information

Many times the first step in developing a trusted partnership is taking the time to understand each other.

"If we're going to succeed in this endeavor, we have to figure out a way to become partners rather than having a strictly client/vendor relationship," Waldie said.

Knowing the business practices and policies of both parties is important. The panelists believe charity care is one area where this applies. Does the collection agency truly understand the provider's charity care policies and procedures?

"Collection agencies need to be aware of the specific nuances of a provider's charity care program," Waldie said. "Each provider can have a wide variety of criteria for determining charity care eligibility."

It can also be important for a provider to share their internal collection processes with a collection agency. Agencies need to know what methods the provider is already employing, such as scoring, discounts or negotiation of payments.

"Duplicating efforts doesn't save anyone anything," Waldie said. "Collection agencies have a lot to offer providers, but providers can also share a lot of information with agencies."

Pricing

When first entering into a relationship, many providers focus solely on the expense of using a collection agency.

"Many CFOs have the responsibility to examine and cut costs in every department, from the nursing staff to the

patient accounting department," said Magill. "They see a large line item for collection fees and struggle looking at the big picture to realize the revenue it brings in."

According to Waldie, providers lack understanding of the expenses collection agencies incur. Scoring, legal services, printing and mailing all directly affect a collection agency's bottom line. These expenses aren't incurred by the provider and agencies are able to spread them over many clients to provide cost efficiencies.

"The only way providers are going to understand pricing is if agencies open up a dialogue," Waldie said. "Agencies need to find a way to be transparent without sharing trade secrets and explain you get what you pay for."

Collection Techniques

Another way to build a strong partnership is to pre-determine a collection strategy, finding the balance between collection results and customer service. It is important for providers to maintain positive reputations in their local communities and often expect a softer collection approach than other creditors.

"We're seeing a lot more expectations for customer service collections versus what I call demand collections," Gavinski said. "In light of the public scrutiny, some clients have said customer service is more important than collections."

continued on page 3

Did You Know...

ACA members can voluntarily commit to align their practices with ACA's *Health Care Collection, Servicing and Debt Purchasing Practices – Statement of Principles and Guidelines*. Those who are committed to the principles agree to:

- Service all health care accounts using a process that is consistent with the expectations of their health care provider clients.
- Collect patient accounts in a fair, consistent manner that reflects the public's high expectations of health care providers and the collection agencies and debt purchasers who communicate with their patients.

To view other commitments set forth by the guiding principles, visit ACA's Web site at www.acainternational.org/hcguidelines.



Balance Sheets Effectuated More by Current Recession than in 2001

A TransUnion health care survey found approximately three in four respondents reported the current recession has negatively impacted their balance sheets more than the 2001 recession, with the number of uninsured and underinsured patients continuing to be a major issue for the health care industry.

Nearly every survey respondent (96 percent) said their health care organization is experiencing a rise in the uninsured/underinsured patient population. More than 41 percent of health care administrators stated the increasing uninsured/underinsured population was the most important issue facing their organization. Other issues ranked as the most important included: an inefficient collection process at the front-end and back-end of the revenue cycle (17 percent), multitude of financial assistance programs and rules (15 percent), higher co-pays and deductibles (13 percent) and more regulatory scrutiny (13 percent).

According to TransUnion, the impact to a health care organization's bottom line comes down to their self-pay patients' ability to pay, and in a timely manner. To date, the weighted average of a consumer becoming 90 or more days delinquent on any credit obligation is at an all-time high in the U.S. TransUnion's *Credit Risk Index*, a statistic developed to measure the changes in consumer credit risk, has elevated more than twice as much in the current recession as compared to 2001.

"What this means for health care organizations is that it is more important than ever to develop strategies to effectively manage the collection of receivables from self-pay patients," said Milton Silva-Craig, executive vice president of

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TransUnion's health care business unit.

The volatile economy also may have played a role in survey findings that indicated 83 percent of respondents have seen self-pay patient populations at their health care organizations increasing in the last 12 months. The remainder of the respondents indicated this population remained about the same.

"Fiscal policies now are a balancing act between cash maximization and bad debt reduction," said Robert LeWinter, the vice president of Regional Claims Recovery. "Enhanced and early charity care identification play[s] a critical role in self-pay account resolution by reducing what was previously inflated bad debt, while complying with regulatory required care to the uninsured. We have also experienced a cash realization on charity reduced accounts that previously were unpaid and written off as bad debt."

Approximately two-thirds (65 percent) of survey respondents indicated their health care organization had a bad debt percentage between one and five percent. About 23 percent of respondents indicated they had bad debt percentages between 5.1 and 10 percent.

For more information about the TransUnion survey, visit <http://newsroom.transunion.com/easyir/home.do?easyirid=DC2167C025A9EA04>.

Health Care Reform Expands Insurance Coverage for Young Adults

Approximately 30 percent of young adults aged 19-29 are uninsured, according to the *Current Population Survey* (March 2008). Recent health care reform legislation expands the opportunity for young adults to access quality, affordable health coverage.

Under the Patient Protection and Affordable Care Act, enacted on Mar. 23, 2010, group health plans and health insurance issuers offering group or individual health insurance

coverage that provides dependent coverage of children must continue to make such coverage available until the child turns 26.

The provision does not extend dependant coverage to children of children. Additionally, state rules and individual insurance providers will still have the option to extend coverage beyond the age of 26.

The Secretary of the Department of Health and Human Services (HHS)

is charged with issuing regulations defining the dependents to which coverage must be made available. Regulations had not been issued at the time of publication.

Although the provisions under the Act are not effective until Sept. 23, 2010, HHS is working with major insurance companies to voluntarily bridge the coverage gap between now and the September effective date.

New Rules Proposed for Autodialed and Prerecorded Message Calls

The Federal Communications Commission (FCC) announced a proposed rule to amend regulations implementing the Telephone Consumer Protection Act (TCPA) to impose heightened restrictions on businesses placing autodialed and prerecorded message calls to consumers.

Currently, those entities subject to the TCPA and its corresponding FCC rule are required to obtain prior express consent from a consumer when placing autodialed and prerecorded message calls to the consumer's wireless number. The proposed rule, however, would require debt collectors and all other parties to obtain a consumer's express written consent to receive autodialed and prerecorded message calls.

Additionally, the TCPA and FCC regulations currently prohibit any person from placing a call using an artificial or prerecorded voice to deliver a message to a consumer's residential telephone line unless (1) the calling party has the consumer's prior express consent; (2) the call is made to a consumer with whom the calling party has an established business relationship

at the time the call is made; or (3) the call is made for a commercial purpose but does not include or introduce an unsolicited advertisement or solicitation.

The proposed rule amends TCPA regulations by prohibiting placing prerecorded message calls to a consumer's residential number without prior express written consent, although the rule exempts commercial calls and prerecorded health care calls. The exemptions, however, only apply to residential numbers.

ACA submitted comments to the FCC on the proposed amendments to the TCPA regulations and has implemented an all-out strategy to fight this onerous regulatory amendment. More information about this initiative can be found on the ACA Web site at <http://www.acainternational.org>.

Improving Collection Partnerships

continued from page 1

Patient complaints, valid or not, ending up in the newspaper can be very damaging to a provider. "The CEOs and CFOs I work with tell me do whatever I need to do to collect, but don't receive any complaints," Magill said.

Many providers are now requiring call recording in their request for proposal process. While call recording can be a significant capital investment for collection agencies, panelists believe the technology can benefit both the provider and agency.

"Call recording has been very helpful in dealing with patient complaints," Waldie said. "It takes all of the hearsay out of it."

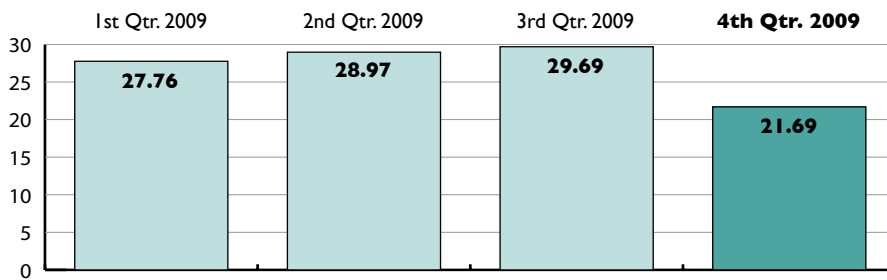
Communication and understanding are important elements of any agency/provider partnership. With the implications of the new health care reform still largely unknown, it will be critical for collection agencies and providers to maintain this partnership for the viability of both organizations.



DATA WATCH

Full-Time Employees Involved in A/R Management

U.S. hospitals responding to a HARA survey reported a large decline in the number of full time employees (FTEs) involved in A/R management. The number of FTEs dropped to 21.69 in the fourth quarter of 2009 from 29.69 the previous quarter. Compared to the same time last year, hospitals responding to the survey indicated they had 27.21 FTEs.



Source: HARA Report on Fourth Quarter 2009, vol.24, no.1, 2009, with permission from Aspen Publishers, Inc., www.aspenpublishers.com.

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Kim Rath, editor
Emily Grace, associate editor

ACA International
P.O. Box 390106
Minneapolis, MN 55439-0106

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