

Sutter health approach



Accounting Concepts for Health Care Professionals Ona Johnson April 26, 2010 Sutter Health is a non- for-profit community based healthcare and hospital system based in Sacramento, CA. This system serves patients and their families in more than 100 Northern California cities and towns, Sutter Health doctors, hospitals and other health care service providers Join resources and share expertise to advance health care quality and access.

The organization takes its name from California pioneer John Sutter whose namesake fort was one of Sacramento's original European settlements. In response to the influenza epidemic of 1918, community leaders constructed the first Sutter Hospital in the vicinity of the fort, replacing an old adobe house that had previously served as a makeshift hospital. Sutter Medical Center, Sacramento occupies this site today. Other Sutter Health-affiliated hospitals date back to the 1800s and were some of Northern California's earliest health care providers.

In 1866, the predecessor of today's Sutter Medical Center of Santa Rosa opened its doors to residents of Sonoma County. Today in the United States there are nearly 47 million Americans uninsured and 80 percent of that comes from working families. The article by Souza and McCarty, " From Bottom to Top: How One Provider Retooled its Collections," covers how one of Northern California's largest providers, Sutter Health, approached implementing a new strategy to increase collections.

In collecting payments from new patients, services provided, comes from the need to implement new strategies on how and when to collect the payments. Sutter Health have made a successful new program to implement and

defined most problems within their AIR department, developed solutions to their problems and have recognized the need to ensure the program is continuously effective. (Souza) Sutter Health began committing itself to improving patient collections in 2006.

They began the task with their patient account representatives, collectors and other members of the central business office of its Sacramento/Sierra region. They are in due course to working their way forward with the registration staff, which will eventually be in charge of for many of the functions that the back-end collections that team is responsible for. Within the first three months of the project, the company reduced the number of accounts receivable days for the nine hospitals in the region from 65 to 59.

Each one of the A/R days equals \$13 million, which in turn means that Sutter Health collected an additional \$78 million (Souza). Before beginning the project, Sutter Health identified several areas in which the project needed to focus. There are three identified problems that would result in the staff of Sutter Health being unable to work efficiently. First, the patient financial services Staff or PFS could not access real-time information on key financial and operational indicators such as A/R days and cash collections.

To manage this problem they had to wait until the end of the month to do so. Next issue that they acknowledged was the hospital's accounting system did not allow managers to isolate and analyze select data or generate reports on demand to the level of detail required. Fixing this resulted in the region having to rely on specially trained programmers to develop the reports, which would be costly and cause delays in identifying and correcting the

problems. The third problem identified was the central business office (CBO) staff also suffered from the lack of real-time information.

The CBO was only able to enter accounts where they were assigned, with an outstanding balance. This made an issue to where the account representatives were unable to effectively prioritize or monitor their progress (Souza). Sutter Health began their Journey for increasing collections and reducing A/R days by focusing on empowering individual PFS staff members to assume responsibility for each account they deal with, allowing managers to have their own tools and receivables dashboards, thus implementing a denials management component.

In order to insure each staff member was obtaining their individual and team goals, each member was given their own business (Souza). The tools in which the PFS were given provided them with the tools to prioritize and automate account work lists, sort accounts in various ways and see at a glance their ranking with their work group and office-wide.

Managers were given their own dashboard and tools which able them to use query all aspects of receivables for trending purposes and identify problem areas, drill down to the patient account level, monitor revenue, payments, adjustments, receivables, and days for periods from the previous day and week to the previous 18 months, calculate average daily revenue by day and 30-day period, assess their performance for the month to date, and estimate likely results at the month end, view all receivables or select any segment for quick analysis, and generate timely reports on demand, including aging

analysis, A/R stratification, discharged not final billed (DNFB) analysis, credit balance analysis, and analysis of problem payers.

For example, registration staff, who are not accustomed to asking people for money, receive training that focuses largely on effective patient communications and includes role-playing and script rehearsal. The new program will of course include training for each staff member, but by ensuring that a new training system is in place to give their current employees at the information that is needed for the program it will keep costs down. There are several similar ways were Sutter Health could have approached retooling their collections department. In the article " Selling Written-off AIR," explains how selling off a hospital's AIR can be a benefit to the organization. Hospitals that sell their written-off bad debt have the potential to unlock a dormant asset, one that can have a positive impact on their bottom lines.

Understanding why hospitals should consider the sale of unpaid accounts receivables (AIR), how to mitigate concerns about such sales, and ways to optimize the financial benefit of selling written-off AIR is very important. Generally, the receivables that are of interest to potential buyers are one to three years old, and have spent approximately six months with the hospital's primary collection agency. These debts do not include Medicare or Medicaid patients, but the debt is evaluated for potential purchase based on a variety of factors, such as: the age of the debt the zip code of the debtor the size of the debt the age of the debtor Hospitals that wish to sell their written-off A/R should first make sure their objectives and the debt buyer's objectives parallel one another (Czerwinski).

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Selling A/R does not resolve issues the company might have within their AIR department but it is a quick and easy solution to resolve delinquent accounts the hospital has. When assessing the A/R department within a health organization the need to ensure that best practices for self-pay collections is in place. The article " Best Practices for Self- Pay Collections," gives an overview of best practices that have been validated by multiple leading healthcare groups. The article, further states, the following examples of best practices: success starts at registration start your self-pay population assess expected collection rates use predictive modeling The most successful hospitals focus first on using technology to screen their their self-pay patient interactions. Eller) The first step toward a smarter self-pay process is to have accounts receivable (AIR) managers segment the self-pay patient population based on two variables: expected collection rate and original balance. The original balance is most often retrieved from the hospital information system (HIS), however, measuring or assigning an expected collection rate (or payment likelihood prediction) to a patient is much more difficult. To determine the expected collection rate for patients, most hospitals look at past payment history, if available. They could also influence a service that provides patient credit scores and other payment predictor information.

Predictive modeling involves the use of automated tools to assess probability of payment. Predictive modeling also enables hospitals to catch fraudulent claims by identifying patients who submit incorrect information at registration. This is done by comparing the provided financial information provided by the patient with data received from third-party providers and/or credit bureaus. Once segmentation of accounts has been performed,

hospitals would then develop strategies to streamline and improve self-pay, starting with their communications (Eller). Sutter Health has approached solving issues within their PFS department by researching what impending problems that were in the department.

Sutter Health was doing well in finding those problems and finding a solution to fix the problem. Their approach did and will continue to take time to ensure each phase of the solution is implemented successfully. By slowly arranging the solution into their company they will continue setting themselves up for continued success of the program. Sutter Health was successful in the implementation of their approach; however that approach has taken time to see any profit. If the company wanted to see faster results of the improvement of the AIR there are other solutions, stated in the articles mentioned above, on how to see a positive result faster.

I would recommend that they take an approach in which to sell many A/R accounts that are delinquent. Sutter Health used this program and still continues with their current retooling of AIR. By combining both programs Sutter Health will profit. Selling off accounts that are already offending will ensure the company receives at least partial payment from those accounts, instead of possibly not receiving it all, even with the new programs in motion. By having those accounts already paid off, the CBO can focus on ensuring that accounts do not enter into delinquency. CBO will start with a clean slate, they will be able to be more efficient in managing their A/R that they are giving to administer.