

## Keys Issues to Consider When Selecting a Healthcare Payments Solution

The world of healthcare is moving to electronic remittances due to regulatory forces and efforts by larger providers and payers to reduce costs. Managing the flow of remittances from payer to provider is becoming complicated and supporting dual paths with paper remittances and electronic remittances further increases the challenge. Healthcare providers small and large are looking for solutions to streamline the process so they can focus on providing healthcare rather than be encumbered with payment processing.

Smaller providers face significant technology and specialized labor investments to keep up. Large providers face the challenge of efficiently handling the dwindling supply of paper remittances and managing a complex Electronic Data Interchange (EDI) environment. Traditionally, paper remittances arrived with the paper check. Thus, providers knew they had received cash associated with a particular group of claims and it was appropriate to retire the claims. Now, electronic remittances can be paid with electronic funds transfers (EFT) or paper checks; conversely, paper remittances may be paid with checks or EFTs. Matching each payment to the remittance before retiring the claim is more challenging.

The following outlines issues and lays the groundwork for selecting an appropriate payments system by addressing the challenges and opportunities for electronic and paper remittance workflows, framing key criteria for vendor selection, and providing an overview of key due diligence questions and pricing structures.

## Electronic Remittances-Getting into the Game

HIPAA has successfully driven payers to implement electronic remittances. Some of the benefits associated with electronic remittances are lower ongoing unit costs, capture of more detailed remittance data, and posting consistency.

With these benefits come new challenges. Contrary to the original goal, not all 835 files are created equal. There are literally hundreds of different fields in the file where data may be populated and many fields are similar, meaning one payer may interpret the data to be placed in a field quite differently than another payer. This creates a requirement for the provider to be able to map each payer's 835 differently and be prepared to monitor and maintain each payer's 835 mapping scheme, as they change frequently and without notice. Additionally, there are ongoing costs associated with maintaining EDI expertise to manage connection to payers, set up FTP sites, manage passwords, and deal with audits to validate and ensure data is received and uploaded accurately and securely. Finally, there may be the more fundamental challenge of addressing the existing practice management system's inability to load 835 files. The provider may need to make upfront technology investments in new systems.

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While large provider groups have often already made a significant investment in EDI technology and personnel, smaller groups may desire to outsource this function. Vendors typically have the latest technology and processes (audits, existing payer connections) for managing the electronic remittance flow. Vendors offer solutions that can connect to large payers daily to check for new remittance files, map downloaded 835s into a customized format, consolidate 835s from multiple payers into a single delivery channel and/or file, hold 835s until a payment is verified, and manage connectivity issues. While some clearinghouse organizations can deliver electronic remittances for a large number of payers, their services are limited. Specifically, clearinghouse organizations cannot provide information on whether or not the cash for these payments has been received. Conversely, vendors with lockboxes and/or bank partners may have an integrated solution to report actual cash received on a given remittance prior to its posting.

### Paper Remittances-Not Going Away Yet

While electronic remittances offer significant efficiencies, many small payers will continue to remit via paper due to technology limitations. Some small providers request paper since there is no technology expertise within their existing staff; however, staff is then required to handle the items and archive the paper into filing cabinets. It goes without saying that there is a higher unit cost associated with processing paper remittances and the manual process is time-intensive for staff. Paper also presents the challenge of posting inconsistencies among staff members, which can lead to lost revenue situations.

To manage the rising unit costs associated with paper, providers are turning to specialized vendors that extract various levels of information detail from explanations of benefits (EOBs) and input this data into an 835 file. Vendors often choose to focus on the data extraction side of the equation and partner with banks that provide lockbox services to handle the mail and make deposits.

The nature of data extracted depends on the provider's requirements. Simple solutions provide for the extraction of limited data sets - billed amount, contractual discount, paid amount, and patient responsibility. The most simple of these solutions extract data only at the claim level. These solutions offer a low price with minimum implementation time investment by the client.

More complex solutions add in the capture of service line data, since this is frequently used in physician practice posting. Even more sophisticated services offer customized code crosswalks from specific payer paper remark codes to ANSI codes. While some vendors offer what may be called "out-of-the-box" solutions, more advanced offerings typically require a significant time investment by the provider group. Provider constituencies must agree on code crosswalks, exception processing, and archive management.

Some vendors offer an archive to store paper remittances. Moving the paper out of the office lowers the risk of accidental disclosures of protected health information (PHI). Online archives allow authorized personnel from any location to see any remittance, a benefit to multi-location providers.

Given the higher extraction costs associated with the more complex EOB conversion products, vendors may offer price discounts if a provider is able to deliver an 837 file by which the vendor is able to perform look-ups of claims being paid on remittances. By locating claims in the 837 claims files and loading data elements from these claims, less data extraction is required from the paper EOBs. This process is fairly complicated and is typically only available to high-volume providers.

### Key Considerations for Vendor Selection

Vendors offering a combined solution with paper and electronic processing capabilities are an attractive option given the inherent complexity of supporting both. For practices looking to outsource all remittance processing, such an offering makes the effort more manageable. Larger provider groups may have multiple systems at multiple locations and receive claims payments for all locations from a given payer on a single remittance. The processing challenge then is to separate data from a single remittance for posting into multiple systems.

In order to evaluate payment solutions and vendors, the following should be discussed as part of the due diligence process:

- Does the solution include a payment capture option? These are typically offered in lockboxes or from banking partners.
- Is the solution able to provide a reconciliation of actual payment information (checks or EFTs) to the remittance document?
- How many payers is the solution provider “connected” to? How many payers does the vendor regularly exchange files with? The later response is often the more informative since the day-to-day exchange of files and the continual challenges a vendor must deal with to handle the nuances of each payer’s files are better indicators of EDI savvy.
- Is the solution provider an active member of key industry groups, such as X12, WEDI, and NCPDP? Do they sit on work groups? Their presence and participation in these forums will indicate knowledge beyond marketing hype.
- Does the vendor have a standard 835 template? What are the customization options? Does the vendor have an implementation guide to support their standard 835?
- What type of audits, such as a SAS70, does the vendor have performed by external entities? Similarly, is the vendor accredited by organizations such as EHNAC?
- Ask for references and look for similar-sized vendor clients that likely have similar levels of process complexity.

### Managing and Comparing Pricing

What data is really required? Pricing is typically based on per-claim line and/or service line captured and the differences in cost are a function of data extracted. The solution provider should detail what data elements are extracted for the cost. Additional costs might include mapping efforts, remark code crosswalk development, custom electronic remittance file development, OCR template development per payer, etc. Initially, most providers typically ask for all claim, service line, and remark code data; however, outside of physician practices, service line detail is often not required, so why incur the cost of the additional data extraction?

For practices not actively measuring payment versus contract by procedure, very basic data extraction may suffice. For more complex implementations, ask about the vendor's implementation services. What is included in the price? What are minimum volumes and/or monthly fees? What is the typical implementation timeline per payer and overall?

### Conclusion-Establishing ROI

For small provider groups, solution ROI will not relate to FTE reduction; rather, staff performing manual posting functions can now be redeployed to pursue revenue enhancing opportunities such as denial management; secondary billing, and patient pay collections. Other ROI considerations relate to quality and consistency of posting, which translates into fewer posting errors and potentially greater revenue collection. A good solution will address the correct posting of remark codes for each payer at the outset and ensure that those rules are followed consistently thereafter. For larger provider groups, solution ROI is typically much broader, covering FTE reductions (posting groups), lower technology investment (labor and equipment), and greater consistency. However, to achieve these savings, a larger provider group, with its more complex requirements, must be willing to make a larger upfront investment of time.

As demonstrated, there are a number of key issues which need to be considered when selecting a solution for payment acceptance and remittance processing. What data is critical? Does the organization require a paper-only system, an electronic system, a hybrid system, a multi-location system? What type of vendor should be chosen? What is included in the vendor's pricing? Exposing some of these critical differences and success factors early in the investigative process will help immensely in the overall selection process. Healthcare Payments Solutions began for many as an outgrowth of regulatory mandate. Now it is clear they have become a key business component.

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