Self-Pay and Charity Analytics to Improve Collections and Charity Classification at St. Joseph Health

Presenters

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Agenda

- Productivity and Self-Pay Revenue
- St. Joseph Health: Case Study
- Changing Your Productivity Equation
What Does Productivity Mean?

Deliver more cash with same or less investment

- Eliminate low-return activity
- Focus activity in areas that generate more cash

Self-Pay Cash vs. Cost

- 30% of accounts generate 80+% cash
- Last third generates <2% of cash
Charity Processing

- Significant charity leaking into bad debt
- Generating little cash
- Diluting agency efforts and raising their costs
- Creating patient satisfaction risks
- Exposing provider to compliance risks

% Accounts in Typical Bad Debt That Qualified for Presumptive Charity

Source: PARO Decision Support

Predictive Analytics

Predictive analytics give us insight to the future and allow us to tailor our investment

<table>
<thead>
<tr>
<th>If We Knew…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>This account was worth very little cash</td>
<td>We would minimize our letter and calling efforts</td>
</tr>
<tr>
<td>This account was worth a lot of cash</td>
<td>We would make it a priority</td>
</tr>
<tr>
<td>This account wanted to pay but needed some help</td>
<td>We would make sure to outreach early with a CSR</td>
</tr>
<tr>
<td>This account was really living in poverty</td>
<td>We would prioritize counseling efforts or not send to bad debt</td>
</tr>
</tbody>
</table>
Predictive Analytics = Productivity

- Drive up cash: 10-30%.... Or more
  - Focus effort where there is upside
  - Avoid overinvesting when no value

- Improve charity and financial assistance
  - 25-35% of bad debt often reclassified

- Multiple solutions
  - No “one model” solution

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St. Joseph Health System

• St. Joseph Health
  – 14 acute care hospitals
  – $4.2 Bn net revenue
  – 3 regions (CA, TX, NM)

• Mission Hospital
  – Two acute care hospitals
  – 552 beds
  – Part of CA region

Mission’s Original Self-Pay Effort

“Bill Drop”

Self-pay accounts for Collection

≥$500

<$500

Financial Counseling

120-130 Days

Bad Debts, Collection Agencies

• Outsourced at day 60, then brought 100% in house to improve performance
• Worked in house: 4 collectors for 125 days
• All received same X-letter series
• Outbound calls on >$500, prioritized by balance
• Financial Counselors in hospital
  – 120 day effort to enroll; incomplete sent to bad debt
Mission’s Original Model Sagging

- More Uninsured
- More BAI
  - Higher volume of accounts
  - Higher value per bill
  - Commercial negotiated revenue, tight margins
    - BAI portion = profitability
- Resources not getting through the calling list
- Postage and other costs growing

Mission’s Change Path Forward

- Decided to embrace predictive analytics
  - “dialing for dollars was not gonna work”
- Selected PARO for presumptive charity; segmentation was ideal complement
- Picked our vendor
  - References
  - Comprehensive program: design, deployment, performance management
- From selection to live in 8 weeks
Mission’s New Collection Process

- Predictive analytic evaluates accounts at bill drop
- Assign to 1 of 5 segments based on value opportunity and patient payment pattern
- Segments have unique letter, message and call routines
  - Conserve effort when it is not needed or has no value

Each Segment is Unique

- Segment 1: Conserve effort; least value
- Segment 5: Invest; most value
Mission’s New Charity Process

- Presumptive charity score run at 100 days on every unresponsive account
  - Three screens: socio-demographic score, identified household assets and estimated HHI to FPL
- Non-charity sent to collections at ~125 days

Mission’s Realized Cash Increase

- Annual cash increase of $1.5 million
- Increase emerged after 3 months live
- Performance continues to improve
Mission’s Improved Charity/Bad Debt

- Charity increased by 10% from 2010 to 2011 and 35% further in 2012
- Bad debt decreased 12% from 2010 to 2012
- In 2012, 27% of bad debt reclassified to presumptive charity

Mission’s Employee Impact

- Lower work load enabled permanent reassignment of several Reps
- Reps getting better response when contacting patients.
  - More calls resulting in positive resolutions
  - Better discussions around financial expectation
- Reps more confident in dealing with patients due to comprehensive charity scrub
Mission’s Lessons Learned

• Follow-up support from analytic vendor critical
• Workflows and segmentation as much as the score
• Performance management major source of value
  – Stay current with the latest context
• Impact on employee satisfaction

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  • Changing Your Productivity Equation
Growing Cash Flow Importance

- HSA/HDHP membership >13.5 million lives, ~7.8% of lives in private plans (AHIP, 2012)
- Major cash flow impact in move to BAI

<table>
<thead>
<tr>
<th></th>
<th>Commercial Payer Only</th>
<th>S-P Small Balances</th>
<th>S-P Large Balances</th>
<th>Sample Collection Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td>% Paid By Commercial</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>90% yield/cost to collect 4%</td>
</tr>
<tr>
<td>Self-Pay Composition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$100 S-P bills</td>
<td></td>
<td>5000</td>
<td>2500</td>
<td>80% yield/cost to collect 5%</td>
</tr>
<tr>
<td>$500 S-P bills</td>
<td></td>
<td>1000</td>
<td>1100</td>
<td>55% yield/cost to collect 8%</td>
</tr>
<tr>
<td>$1,000 S-P bills</td>
<td></td>
<td>200</td>
<td>200</td>
<td>30% yield/cost to collect 11%</td>
</tr>
<tr>
<td>Net Cash</td>
<td>$864,000</td>
<td>$633,000</td>
<td>$521,700</td>
<td></td>
</tr>
</tbody>
</table>

Growing Satisfaction Issue

- When asked about satisfaction with billing process and willingness to recommend facility to a friend…

Source: Connance Consumer Survey, Sept 2012
Intuitive Solutions Fall Down

- Medium and large balance accounts generate most cash but 70% pay nothing
- High income does not equate to payment and income estimates have large error rates
- Credit score measures income vs. spending, not poverty or which bills are a priority
- Large portion of population lacks a credit file and yet has means and interest to pay
- Many in need will choose to not participate

Elements to Successful Execution

Changing productivity equation with analytics requires end-to-end process

1. Predictive Analytic and Segmentation

2. Segment-Specific Process and Messages
Different Question=Different Analytic

- Cash and Charity/FAP are different issues and therefore require different analytics

![Charity/FAP ≠ Collection]

- “Am I qualified”
  - Household income vs. guidelines
  - Household assets vs. guidelines
  - Yes/No

- “What will I pay”
  - Willingness and ability to pay
  - Individual as much as household
  - Ranges: $0 - balance due

Cascading Predictive Analytics

- Goal: assign account to the most appropriate follow-up and enable prioritized effort

- POS
  - Collection or Eligibility?

- Business Office
  - Collection Strategy

- Bad Debt
  - Presumptive Charity
Cash Productivity Framework

- Focus on Collection ROI, invest efforts where more effort = more cash

Cash Productivity Option #1

- Assign to intensive or basic follow-up based on expected cash value and Collection ROI
  - “Intensive” = higher expected cash opportunity
  - “Basic” = standard process, limited ROI for extra work
Cash Productivity Option #2

- Assign to segment-specific work routine
  - Each work routine delivers unique experience, consistent with patient need
  - Number of routines tied to infrastructure, experience, policies, revenue mix
- Analytic engine must solve for value and need

Presumptive Charity Option #1

- Utilize at end of Active A/R prior to bad-debt
- “Passing” written off to presumptive charity
- Remaining go to bad-debt for recovery
  - Simplify and focus late stage resource efforts
- Ensure auditor support and policies aligned
Presumptive Charity Option #1 Plus

FIRST...
• Evaluate prior to bad debt assignment
  - Comprehensive and proactive as last cascade

THEN CONSIDER...
• Reviewing placements from prior year and recall and reverse accounting for missed charity
  - Caution: Auditor advise critical
• Leveraging analytic at admission or discharge
  - Triage the efforts of financial counseling
  - Maximize opportunity to find other funding sources or obtain documentation for traditional charity
  - Caution: Can not use to automatically claim charity

Segment Workflow

• For each segment, there should be a specific work strategy

<table>
<thead>
<tr>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
<td>10</td>
<td>AM</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>AM</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>40</td>
<td>AM</td>
<td>3</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
<td>45</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
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Suggested Verbiage for Auto Messaging

AM-1: This is [insert hospital name here]. We are contacting you today regarding a recent visit to our facility. Please press zero to speak to a representative...

AM-2: This is [insert hospital name here]. We are contacting you today regarding a business matter from a recent visit to our facility...

AM-3: This is [insert hospital name here]. We have attempted to contact you previously regarding a business matter from a previous visit to our facility. It is important that...

AM-4: This is [insert hospital name here]. We have made several attempts to contact you regarding a business matter from a previous visit to our facility. It is important that...

AM-5: This is [insert hospital name here]. It is urgent that we speak with you regarding a personal business matter that is time sensitive. Please press zero to speak to a representative...

Calling Timeline Strategy

Payment By Time of Call
Segment Workflow Elements

- Timing of interaction
- Type of interaction
  - Letter
  - Phone
  - Message
  - On-line
- Message and tone
- Sequence of activities
- Duration

Performance Management

Monitor performance over time at the segment level to enhance performance

- External and internal contexts change
- Checking both segmentation and workflows
Picking a Predictive Analytic System

What system you pick can have major impact

- Sample of 10,000 accounts and $11.4MM in charges
- Compared estimated income (red) with socio-economic (yellow)
- Income alone would over qualify:
  - 2,070 patients
  - $1.9 million in charge

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Picking a Predictive Analytic System

About the analytic…

- What was the model built to predict?
  - Was it built specifically for healthcare?
- What data does the model access?
  - Does it utilize your historical data in model application development and deployment?
- How often do the model databases “refresh” or update consumer files?
- How much of your patient population is “score-able”?
Picking a Predictive Analytic System

About the deployment…

• Is the model a score only model or a comprehensive solution?
  – Analytic plus Segmentation plus Workflow
  – If charity, does it rely on a single measure or multiple triangulation

• Is the system calibrated or configured?

• How does the vendor support operations?
  – Tactical help like letters, scripting, dialer help
  – Ongoing performance analysis and management

Building the Business Case

Analytics can make a strong business case

<table>
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<th>Program Eligibility</th>
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<tbody>
<tr>
<td>• Cash lift</td>
<td>• Improved eligibility conversion</td>
</tr>
<tr>
<td>• Cash sooner</td>
<td>• More productive counselors</td>
</tr>
<tr>
<td>• Vendor fee saving</td>
<td>• Postage saving</td>
</tr>
<tr>
<td>• Postage saving</td>
<td></td>
</tr>
<tr>
<td>• Lower Employee turnover</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Soft Gains</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Better patient experience</td>
<td>• Predictive Analytic Cost</td>
</tr>
<tr>
<td>• Patient loyalty</td>
<td>• IT work (if necessary)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hard Gains</th>
<th>Program Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improved eligibility conversion</td>
<td>• Better meeting the mission</td>
</tr>
<tr>
<td>• More productive counselors</td>
<td>• Better Form 990 submission</td>
</tr>
<tr>
<td>• Postage saving</td>
<td>• Compliance with ACA and Community expectations</td>
</tr>
</tbody>
</table>

• Predictive Analytic Cost
• IT work (if necessary)
Summary

- Predictive analytics can transform your operational productivity
  - Deliver step-change in performance
- Success requires forethought
  - What kinds of models / process goals
  - How we will employ and change our activity
  - How will we track success
- The need is growing every day

Questions?