Simi Valley Hospital Reduces Cost to Collect to 4 Percent with MedeAnalytics’ Revenue Cycle Intelligence

In the face of rising patient responsibilities and an increasing number of self-pay accounts, Simi Valley Hospital uses MedeAnalytics’ Revenue Cycle Intelligence to reduce the cost to collect while also improving patient satisfaction.

About Simi Valley Hospital

Established in 1965, Simi Valley Hospital is a faith-based medical center founded on the health and wellness principles of the Seventh-Day Adventist Church. Today, with 188 beds, 5,800 admissions and 75,000 outpatient visits annually, Simi Valley Hospital provides care to Simi Valley and surrounding Southern California communities. Despite its humble beginnings 40 years ago, Simi Valley Hospital now sets a standard for technology adoption to further its vision of progress and growth while providing compassionate care.
With Revenue Cycle Intelligence on the back end, the hospital has cut its overall cost to collect from 10 percent to 4 percent of the total dollars collected.

**Challenge**

In today's economy, hospitals everywhere face decreased reimbursement rates and a growing number of self-pay accounts due to higher patient deductibles and copays. Nationwide, the rising number of unemployed, uninsured and underinsured patients accrue tens of billions of dollars each year in unpaid medical bills. In fact, the average out-of-pocket expense for insured patients has increased four times since 2000.

More than ever before, patient balances represent a larger portion of outstanding receivables and are a growing concern for healthcare providers. Specifically, the shift in patient responsibility leaves hospitals with a higher cost to collect. As a result, hospitals are now tasked to take a smarter, more proactive and more cost-effective approach to collecting on self-pay accounts.

Historically, Simi Valley Hospital relied almost exclusively on early out collection agencies to collect on self-pay accounts. The resulting fees, compromised patient satisfaction and a lack of control left management wondering if there was a better way.

Bob Ondrizek, the hospital’s patient financial services director, had previous experience with complex spreadsheets and collecting on all self-pay accounts in house. Recognizing that an all-or-nothing approach was unnecessary, Ondrizek examined MedeAnalytics to help the hospital achieve a balanced approach to collecting on self-pay accounts.

**Solution**

In May 2010, Simi Valley Hospital began an initiative with MedeAnalytics’ Revenue Cycle Intelligence (RCI) to intelligently manage self-pay accounts while reducing the cost to collect and improving patient satisfaction.

**Self-pay collection risk segmentation offers a balanced approach**

Recognizing that an imbalanced approach to managing self-pay accounts was at the heart of its challenges, Simi Valley Hospital implemented RCI to prioritize self-pay accounts by propensity and ability to pay.

With MedeAnalytics, Ondrizek and his team run daily reports that list all self-pay accounts and scores for each that reflect the patient's propensity to pay. They can then easily identify which accounts to collect on in house and which to send out to collection agencies, ultimately reducing their overall cost to collect.

“We realized that MedeAnalytics would allow us to identify the patients that would be more likely to pay,” said Ondrizek. “We keep these accounts in house and send out the rest. Ultimately, the solution allows us to use our time, dollars and other resources much more effectively.”

The solution has proven so successful that one of Simi Valley Hospital’s sister hospitals has plans to adopt the technology as well.

**In-house collection improves patient satisfaction**

While reducing the cost to collect is the hospital's ultimate goal, collecting on certain accounts in house goes a long way toward improving the overall patient experience. Ondrizek notes that while the collection agencies do a fine job with customer service, collecting on accounts in house enables them to ensure superior customer service to patients.

“By handling accounts locally and internally, we have more information at our fingertips and are better able to answer patients’ questions,” said Ondrizek. “We have more control over the process and can ensure that our patients experience quality interactions with the hospital.”

**Ease of use drives efficiency improvements**

In addition to improving patient satisfaction and reducing the cost to collect, Ondrizek appreciates the ability to manage self-pay accounts easily and efficiently.

“We use the system to monitor accounts and payers, receive alerts and generate reports to respond to inquiries from corporate,” said Ondrizek. “Rather than relying on complex Excel® spreadsheets, we get the information we need with a few clicks. It's very easy to generate and share reports.”
Comprehensive solution touches every point of the revenue cycle

While its implementation of RCI has reduced the hospital’s overall cost to collect, Simi Valley Hospital also uses MedeAnalytics to improve front-end cash flow. On the front end, MedeAnalytics’ Patient Access Intelligence (PAI) offers the hospital an easy, systematic approach to generating credible, comprehensive estimates of what its services will cost. Such detailed estimates eliminate much of the apprehension patients might have and make them much more likely to meet their financial responsibility before they even enter the doors of the hospital.

“The cash flow improvements that we have seen on the front end are a very strong contributing factor for our success on the back end,” said Ondrizek. “Reducing the sheer number of self-pay accounts goes a long way toward reducing our overall cost to collect. Plus, we have seen a reduction in our overall bad debt collections.”

The hospital also uses PAI to verify demographic information, such as the patient’s address and Social Security number. This improves processing and payment collection on the back end of the revenue cycle.

Providing such tangible benefit on both ends of the revenue cycle, MedeAnalytics offers an end-to-end solution that gives management better control over the hospital’s financial position.

Results

Since it implemented MedeAnalytics, Simi Valley Hospital has achieved “hard-dollar” improvements at several points of the revenue cycle.

With Revenue Cycle Intelligence on the back end, the hospital has reduced its overall cost to collect from 10 percent to 4 percent of the total dollars collected. “Since we started our initiative with RCI in May 2010, we have seen a significant decrease in the cost to collect,” said Ondrizek.

Breaking down the overall cost to collect figure, Ondrizek notes that the hospital’s early out collection agency fees dropped from an average of 7 percent in the first half of 2010 to 4 percent in the last half of 2010 and the early part of 2011.

What’s more, the hospital has reduced bad debt fees. By collecting on accounts earlier rather than allowing them to go to bad debt, total bad debt fees have reduced from an average $25,446 per month to $7,890 per month. Monthly figures for 2011 are even lower, averaging around $4,000 per month.

On the front end, patients are more likely to pay, thanks to detailed patient estimates that give them confidence in their financial responsibility. “Since we implemented PAI, we’ve seen a nice increase in cash flow,” said Jon

“...”

Jon Giese
Chief Financial Officer, Simi Valley Hospital

Self-Pay Collection Expenses

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<td>Feb.</td>
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<td>Mar.</td>
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Giese, chief financial officer of Simi Valley Hospital. “We collect approximately 15 to 20 percent more per month than in previous years.”

Just as important as the dollar savings the hospital has realized is the customer service that MedeAnalytics offers. “The customer service we receive is just superb. They aren’t just selling a solution. They are selling a solution with service,” said Giese.

Also significant is the balanced approach to collecting on self-pay accounts that the hospital has achieved. “At a previous employer, we used complex spreadsheets and collected on all accounts in house,” said Ondrizek. “When I arrived at Simi Valley Hospital, we outsourced all accounts. Now we have the best of both worlds. We keep those accounts that have a higher propensity to pay and reduce our overall cost to collect.”

“In a few words, MedeAnalytics has exceeded our every expectation,” said Ondrizek.