Getting the Most from Receivable Outsourcing Partner Agreements

Healthcare organizations increasingly are turning to outside vendors for accounts receivable and revenue-cycle support services. Some organizations now have 25 to 100 percent of their self-pay collection management resources in the hands of one or more outside vendors. In addition to more traditional services such as collections and supplemental account follow-up, many providers also use vendor partners for other services, including:

- Days in A/R reduction projects
- Patient accounting system conversion projects
- Self-pay/patient portion collection management
- Contract reimbursement optimization initiatives
- 0-30 day billing recovery follow-up management
- Comprehensive Business Process Outsourcing (BPO) operations

Poorly constructed and managed service agreements in these areas could mean that a significant amount of realizable revenue and cash benefit is being left on the table—and with the predicted growth in self pay, these numbers will grow significantly. The following sample figures demonstrate just how much can be at stake from even a small performance gap;

- 2-3% missed cash recovery on $10 Million in bad debt = $200,000 - $300,000
- 2-3% missed cash recovery on $12 Million in early-aged account recovery follow-up = $240,000 - $360,000
- 2-3% missed cash recovery on $20 Million A/R reduction project = $400,000 - $600,000

Add to these amounts overall fees paid, administrative expense and the impact these various services can have on other internal departments and it is obvious that significant resources are at risk. As your self pay dollars continue to grow, so does the risk of these missed recovery dollars directly and negatively impacting your bottom-line.

Patient financial services leadership, therefore, must evaluate the effectiveness of their outsourcing partnership arrangements in achieving their organizations’ goals, as well as the return on investment of these arrangements.

“The Performance Delta”

A potential source of conflict in the relationship between a healthcare provider and a vendor is the business motivation of each. The provider is interested in optimizing and accelerating cash and account resolution performance at the lowest cost. The vendor, on the other hand, is interested in optimizing their margins while performing at acceptable levels, not necessarily at the optimum levels.

In addition, where providers expect a proactive proprietary attention to their business, the vendor often times works in a reactive fashion to the performance pressures brought by its many different customers. ‘…the squeaky wheel gets the oil theory…’

The effect that the gap in these two different (and, in some cases, opposed) business motives may have on performance outcomes can easily create a divergence, or delta, of several performance points, with lower cash recoveries and higher administrative costs as the result.

It is this “performance delta” on which revenue cycle and PFS managers must focus their energy. They must ask themselves several questions regarding their day to day confidence in their outsourcing relationship:

- Does my organization have high enough expectations regarding the service quality and return we receive from our outsourcing relationships?
Dear members,
Oh my, how time flies when you are having fun! The end of the HFMA fiscal year is nearing and it has been an invaluable experience for me as President of the Show-Me of Missouri Chapter. The officers, directors, and committees have done a great job this year and I want to thank them for all their hard work! Our chapter has met nearly all their goals for the year and we applied for a Yerger Award on membership communications.

I had the opportunity to attend LTC (Leadership Training Conference) this year in San Antonio and as always I learned so much! The message we kept hearing over and over at LTC was that the value of HFMA rises sharply as you become more involved. I truly believe this without a doubt! Your 2008-2009 leaders are very excited about beginning a new year filled with education and many opportunities for members to get involved.

The Spring Conference is coming up May 14-16 in St. Charles and I really want to encourage you to look over the education programs being offered. There is still time to register so please take the time to consider attending this conference. The Program Committee has also been busy planning the Summer and Fall Conferences. All of our upcoming programs with dates and brochures as they are available are on our chapter’s website at www.hfmashowme.org.

This is our last newsletter for the 2007-2008 year and I want to thank Shelly Hunter for all her hard work as the Newsletter Chair for the past 4 years. Deana Thomas will be taking over as Newsletter Chair and I know she will do a wonderful job. I will be sending out the President’s Notes at the end of May so you are stuck with me for a bit longer! ☺

Sincerely,
Stephanie Fennewald
President

Letter from the Editor:
This is my farewell letter as your newsletter editor. It has been very interesting the last four years working on the newsletter and trying to provide interesting material for you. With everything, the longer you do something, hopefully you improve and I hope that I have over time. With change, comes a new, fresh outlook and I know that my successor, Deana Thomas, will bring even better newsletters to you in the future. Deana is the Director of Accounting for Lake Regional Health System in Osage Beach, MO. She currently serves as the Founders Points Chair for the Show-Me Chapter. I am grateful she was willing to take this position and I know that she will do well.

I look forward to serving as your president next year. The newsletter was the first committee I became involved in and learned under the guidance of our chapter web-master, Kalon Mitchell. I also thank him. I have met so many great people and made some really great friends and it really started once I became more involved. If any of you are interested in participating in any capacity on a committee, please feel free to contact me anytime and I will help you get involved in something that appeals to you!

I hope to see you at the conferences this year!! ~Shelly
Have contracted benchmark and performance metrics or the original project purpose and scope been revised to reflect current and changing conditions?

Have you examined the capabilities of your internal operations and resources in light of possible future decisions to expand, reduce or eliminate a particular service relationship?

Establishing an Evaluation Process

To establish a more effective vendor evaluation process, consider the following actions:

- Assign staff to track and validate inventories assigned to vendors and the values of current outstanding inventory. This staff should track whether vendors are receiving and processing assigned portfolio dollars on a timely basis, that is, whether active inventories are indeed active and moving at an acceptable pace toward resolution. If the vendor program is based upon pre-charge-off account resolution management, staff needs to determine what impact this inventory is having on days revenue outstanding, bad debt expense, etc..

- Assemble 12-18 months worth of the most recent performance data from the provider and/or vendor and trend the last four to six quarter-end results. After determining the performance trend (positive, negative or stagnant), analyze the reason for the trend. If competitive services are in place (more that one vendor service), determine if or how much of a gap or variance in trending exists between the different competitors and why. This trend analysis should reveal the cost to the organization of such gaps and make it possible to calculate the net value of several points of improved performance. Then compare the trends and performance levels with your internal work-flow and account-resolution initiatives to make it possible to adjust internal/external processes appropriately.

- Revisit service agreements and the original purpose and objectives for initiating the vendor arrangements and services. Determine whether the current process is functioning as intended and whether it needs to be revised or updated based upon environmental and vendor changes, such as technological advances, changing staffing requirements, additional reporting needs, payer type shifts, patient population change, patient satisfaction data, regulatory compliance issues, volumes involved, and so forth. Consider also if there is a possible benefit to expanding, reducing or eliminating the current service relationship?
If the findings seem reliable and the vendor response is adequate, intervals for future review can be more flexible and less rigorous.

However, if issues arise that cause some concern or the business motives of the organization’s partners are unclear or inappropriately aligned with those of the organization, the relationship warrants a closer look. Reference checking, detailed auditing of all aspects of the outsourcing program, and frequent review and updating may be required.

If the evaluation reveals serious deficiencies in the relationship, take immediate action. Place the vendor on notice with an aggressive corrective action plan, to be followed by a detailed audit of all aspects of the program. Begin a formal search for potential replacement vendors.

**Conclusion.**

Outsourcing receivable and revenue cycle support can reap many benefits for healthcare organizations. Those benefits however, will only be as great as the actions PFS managers take to optimize their outsourcing relationships. An organization’s internal employees perform up to their maximum potential when they are given clear expectations, solid direction, frequent feedback, constructive direction and plans for correction of deficiencies. Receivable and revenue cycle support vendors need much of the same management guidance. These actions may induce the organization’s outsourcing partners to discover a new and better approach to performance and customer service.

‘…Inspect Rather Than Expect…’

For further information or to discuss any questions or clarification needs that arise, please feel free contact me directly at 303-324-2977, myont@aol.com

Michael J Yont, CHFP

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**Tell me more about certification:**

Enhance your career potential by becoming a Certified Healthcare Financial Professional (CHFP). HFMA’s certification program provides you an opportunity to earn this designation when you meet the following requirements:

- Be an HFMA member for a total of two years and be an current active member
- Have two years of professional experience in the healthcare finance industry
- Successfully complete the HFMA Core certification exam and one of the specialty exams – Accounting and Finance, Patient Financial Services, Financial Management of Physician Practices, or Managed Care
- Obtain a reference from an elected HFMA chapter officer and your CEO or supervisor

Once you meet the requirements for becoming a CHFP, submit a CHFP application to HFMA National within 24 months of successfully completing the first exam, with a one-time fee. You will then receive a certificate through your chapter that you can proudly display and will be entitled to used the CHFP designation after your name.

As a CHFP, you are on your way to becoming a Fellow of HFMA (FHFMA). Fellowship is available upon meeting the following requirements: 5 years of total HFMA membership, a Bachelor’s degree or 120 semester hours of college credit required references, and demonstrated volunteer activity in the healthcare finance field.

You will retain your CHFP or FHFMA designation as long as you remain an active member of HFMA and show proof of earning 90 professional education hours every three years. This maintenance requirement helps you remain current in your field and will also be an asset to your career. You can meet this requirement through participating in structured learning activities offered though HFMA National, your local HFMA chapter, your employer, or other professional organizations. Contact Janice Janssen at 573-882-8010 or janssenj@health.missouri.edu for information about programs offered locally. More information about the maintenance requirement is available on the HFMA website www.hfma.org or www.hfmashowme.org.

The Show-Me of Missouri chapter supports you efforts in becoming HFMA certified. For more information about the HFMA certification program or resources available locally, please contact Janice Janssen at 573-882-8010 or janssenj@health.missouri.edu.
Upcoming Educational Events:

**April 29**  
Myths and Facts of New Coding Systems-ICD-10-CM and ICD-10-PCS  
Re-broadcast of HFMA National Audio Webcast

**May 14-16**  
Joint Conference Show-Me of Missouri and Greater St. Louis-St. Charles, MO

**June 23-26**  
Annual National Institute-Las Vegas

**July 23**  
Critical Access Hospital Seminar with Mutual of Omaha, Stoney Creek Inn, Columbia, MO

**July 31-Aug 1**  
Show-Me of Missouri Summer Conference, Lake Ozark, Missouri, Port Arrowhead Resort

**September 24-25**  
Joint Conference: Show-Me of Missouri, Greater St. Louis, Heart of America, Sunflower
Lake Ozark, Tan-Tar-A Resort

Please visit our web-site for further information and educational updates.  
www.hfmashowme.org
Every year, HFMA holds a national leadership conference for incoming officers of each chapter. HFMA has over 34,000 members nationally and 71 chapters.

The purpose of the conference is to train incoming officers on their specific duties and responsibilities and allow them to meet others in the same positions.

Each officer has a specific track of sessions related to their position and each track includes general leadership information and education. Those sessions include presenting like a pro, leading through change, etc.

In addition to the education and networking it is FUN! The goal of most chapters is to create a networking system for their members to provide a professional base to share ideas and to provide valuable education. It is always easier to meet challenging goals if you are having fun.

The Show-Me Chapter of Missouri strives to provide great education, opportunities to network and to ensure you have fun when you attend a meeting. Each of us who attended the conference this year have some great new ideas for our chapter and hope to make this coming year the best ever!

This year’s session was in San Antonio and my personal favorite for conference locations.

I have included some photos of those who attended. The first picture below is of our entire team and includes from left: Shelly Hunter, Greg Shaw, Jennifer Ogden, Stephanie Fennewald, Kory Stout and Janet Taylor.

We are really fortunate to have so many wonderful volunteers serving as officers this year that bring experience and talent to their roles.

For a listing of your incoming officers, please see the back page of the newsletter.
San Antonio provided some great things for us to do and see and wonderful restaurants. To the right is Kory, Greg and Jennifer.

You will see a picture we took of the Alamo below. Jennifer was kind enough to give our late arrivals a quick tour during a break in our sessions.

The last picture includes Tracy Packingham, Tom Sale and Tami Knobbe from the St. Louis Chapter.

The value you derive from HFMA rises sharply the more involved you become. You will see new ways to get involved throughout the coming year and new ways to meet your fellow members. In the interim, if you would like to become more involved, please email Jeff Seaman at jcseama@audrainmedicalcenter.com
Shelly Hunter is the Director of Strategy and Business Development for St. John’s Regional Medical Center in Joplin, MO. She has experience in strategic and financial planning both in Healthcare and general industry. Shelly is the in-coming president for HFMA Show-Me of Missouri Chapter for the term beginning June 1, 2008.

As a member of HFMA since 1999, Shelly’s involvement with the Show-Me of Missouri Chapter has included serving as Vice President (2006), President-Elect (2007), Newsletter Chair (2005-2008), Newsletter committee member (2004, 2008), Certification Committee (2005-Present), Program Committee (2006-Present), Program Committee Chair (2007), Membership Committee (2008), Internet Committee (2007-Present), Chapter Awards Committee (2008), Bylaws Committee (2008), Chapter Balanced Scorecard Committee (2008) and serves as a chapter certification exam proctor and coaching instructor. She is a volunteer editor for HFM magazine and on the HFMA peer review board. She has received the Follmer Bronze and Reeves Silver awards for service to HFMA. She is a certified healthcare financial professional and Fellow of HFMA.

Greg Shaw is the Vice-President/Chief Financial Officer for Audrain Medical Center in Mexico, Missouri. Greg will be serving as the President Elect for the term beginning June 1, 2008. He has been a member of HFMA since 1991, and a member of the Show-Me chapter since 2005. His involvement with the Show-Me chapter includes serving as the Vice-President, Treasurer, Program Chair, and Sponsorship Committee. He has also earned the Follmer Bronze award. Greg, a Fellow of HFMA and a Certified Public Accountant, earned his BBA degree in Accounting from Evangel University in Springfield, Missouri and his MBA from the University of Missouri – Kansas City.

Shelly holds a Bachelor of Science Degree in Computer Information Systems, a Bachelor of Business Administration in Accounting and Masters of Business Administration. She is active in her community by serving as President of the Board of Directors for the Joplin office of National Adult Literacy Action, a member of Soroptomist, International, a volunteer member of the Joplin Area Chamber of Commerce committees and events, and a member of the United Way Women’s Leadership Group. Shelly also serves as a member of the advisory board of the Society for Healthcare Strategy and Market Development.

Back Row from left: Kory Stout, Jeff Seaman, Greg Shaw
Front Row from right: Jennifer Ogden, Stephanie Fennewald, Shelly Hunter, Janet Taylor
Jennifer Ogden is the Director of Accounting for Audrain Medical Center in Mexico, MO. She has a Bachelor of Science in Accounting and is the in-coming Vice President for the Healthcare Financial Management Association (HFMA) Show-Me of Missouri Chapter for the term beginning June 1, 2008.

Jennifer has been a member of HFMA since 1997 and has served on the Board of Directors (2006-2007), Sponsorship Chair (2005-2008), Program Committee, and is currently serving as Treasurer.

Kory Stout is the Senior Audit Manager for Catholic Healthcare Audit Network (CHAN) serving St. John’s Regional Medical Center in Joplin, MO, Central Kansas Medical Center in Great Bend, KS and St. Catherine Hospital in Garden City, KS. Mr. Stout will be serving as the Secretary for the Healthcare Financial Management Association (HFMA) Show-Me of Missouri Chapter for the term beginning June 1, 2008. A member of HFMA since June 2006, Mr. Stout looks forward to being involved and assisting in the future development of the Show-Me of Missouri Chapter.

Kory Stout holds a Bachelor of Science Degree in Accounting and a minor in Computer Information Systems for Missouri State University. Mr. Stout is active in his community by serving as Treasurer of the Board of Directors for the House of Ruth’s Women’s Resource Clinic in Republic, MO.

Janet Taylor is the Chief Financial Officer of Ozarks Community Hospital in Springfield, MO. She spent 10 years in public accounting as a member of firms in Columbia and Webb City, MO, before becoming controller of a Joplin, MO company. She began her current position with the hospital in August of 2001.

Ms. Taylor has been a member of HFMA since 2001. Her involvement with the Show-Me of Missouri Chapter has included serving as a board member (2007-present), a member of the Membership Committee (2007), a member of the financial review committee (2007-present), a member of the Program Committee (2007) and will take on the chapter Treasurer’s position in May of 2008.

Ms. Taylor holds a Bachelor of Science Degree in Music Education and a Master of Science Degree in Accountancy from the University of Missouri – Columbia. She became a Certified Public Accountant in 1984. Ms. Taylor is active in her community by serving as a member of the Board of Directors for the Webb City Library and Library Foundation. She is also very involved with the music liturgy and various committees at Sacred Heart Catholic Church in Webb City.
The Show Me of Missouri 2008-2009 Board of Directors are:

OFFICERS:
President - Shelly Hunter, FHFMA, MBA
President-Elect - Greg L. Shaw, FHFMA, CPA, MBA
Vice President - Jennifer Ogden
Secretary - Kory Stout
Treasurer - Janet C. Taylor

DIRECTORS:
Mary Bonge (2010)
Rita J. Dew (2010)
Kyle W. Lee (2010)
Matt A. Levens, FHFMA, CPA (2010)
Deana Thomas (2010)
Jan Pederson (2009)
Stephanie Fennewald (2009)

Your officers from the left:
Back Row: Greg Shaw, Shelly Hunter, Jeff Seaman, Stephanie Fennewald, Kory Stout
Front Row: Janet Taylor, Jennifer Ogden

Thank you for serving!
There will be more information coming to you regarding committee chairs, members, contact information and how to get involved. The value of HFMA rises sharply as you become more involved!!

Becoming an HFMA chapter leader will:
- allow you to invest in your personal growth—build your self confidence and sharpen your leadership, interpersonal, team-building, organization, planning, and mentoring skills
- expand your influence—have a voice in your chapter’s future and the ability to initiate change
- help you grow in your profession—advance your career while having access to unmatched technical resources
- broaden your professional network, enhance peer interaction, and foster lifelong personal friendships
- MAKE A DIFFERENCE!

Your employer will benefit too:
You’ll be tapped into up-to-date information on key issues that may affect your organization’s operations. Your personal relationship and contacts with suppliers of business services and meeting sites will expand. If you volunteer, you’ll be strengthening your own personnel file at work—volunteering is “free training.” Your employer will see that you’re investing your own time in personal growth.

Check the website for information: www.hfmashowme.org

Effective leadership is putting first things first. Effective management is discipline, carrying it out.
Stephen Covey
A Leader takes you where you would otherwise not go….