



Solution Provider Academy

Stabilizing and Reducing Self-Pay Receivables Through Outsourcing

Highlights

Profile

- Yampa Valley Medical Center
- Steamboat Springs, CO
- NPR of approximately \$79 million
- 367 employees
- 39 beds

Challenges

- Yampa Valley had an unstable self-pay collection rate.
- The high turnover of Yampa Valley's self-pay collector position increased the amount of the hospital's self-pay receivables.
- Yampa Valley was unable to stabilize and regularly collect its self-pay receivables.

Solution

- Yampa Valley chose to outsource its self-pay accounts to First Party Receivables Solution.
- FPRS operates as an off-site extension of Yampa Valley's business office and handles all collection calls.
- FPRS tailors its approach to Yampa Valley's specific needs, collecting from and contacting patients according to the hospital's policies.

Results

- After partnering with FPRS, Yampa Valley experienced an immediate decrease in self-pay receivables, and still experiences that decrease almost six years later.
- Yampa Valley's self-pay receivables have been reduced from \$3.9 million to consistently less than \$2.5 million, with the organization reporting very low bad debt.
- FPRS collects 60%, sometimes more, of Yampa Valley's self-pay receivables.

As the un- and underinsured populations continue to grow, healthcare organizations are searching for ways to mitigate the financial risk associated with delivering care to a large self-pay patient population. Year after year, most organizations witness an exponential rise in their self-pay mix. According to The Academy, 85% of surveyed organizations witnessed growth in their self-pay patient population in 2011. This growth, coupled with increasing out-of-pocket costs for the insured creates a challenge for healthcare organizations: how to continue collecting steadily when patients are consistently saddled with higher out-of-pocket costs? In order to learn more about the ways that organizations are dealing with this challenge and ultimately improving collection rates, The Academy recently spoke with Mike Nelson and Traci Smith, the Senior Director Revenue Cycle and Business Office Manager, respectively, at Yampa Valley Medical Center, a 39-bed Colorado hospital.

Challenges

In 2006, Nelson began to notice the instability of Yampa Valley's self-pay receivables—they fluctuated but followed a general upward trend. This was largely due to the high turnover rate of Yampa Valley's collector position. "We only had two FTEs in that position, and every time we got stable, one of them would leave," he says. "When that happened, our self-pay receivables shot up. We'd get someone new, get them trained, and start getting it back under control and then the other one would leave. It was this constant seesaw, up-and-down, up-and-down." To even out the personnel fluctuations, Yampa Valley decided to outsource its self-pay receivables to a solution provider.

Solution

Yampa Valley considered several self-pay outsourcing solution providers before choosing First Party Receivables Solution (FPRS). FPRS was distinguished by its competitive fee and estimated collection rate. Yampa Valley and FPRS began their relationship in July, 2007, and the benefits were immediate. "I've got a self-pay receivables graph that I have been monitoring for years, and you can just see it going up-and-down, up-and-down, until July 2007 when we signed this agreement," Nelson says. "It's been on a steady decline since then."

FPRS operates as an off-site extension of Yampa Valley's business office, but took the lead during implementation by coming on-site for training and facilitating weekly conference calls to make sure everything was running smoothly. After a short implementation period consisting of two phases—sending self-pay accounts to FPRS, and integrating documentation to ensure that FPRS' progress could be reported on Yampa Valley's system using an electronic remittance—FPRS' solution went live.

Yampa Valley is in constant communication with FPRS, receiving a daily e-file from the hospital containing all the new accounts ready for collection. FPRS handles all collection calls, but structures its processes according to Yampa Valley's payment timetable. All incoming calls regarding payments are also handled by the solution provider—its number is even on the statement sent out by Yampa Valley.

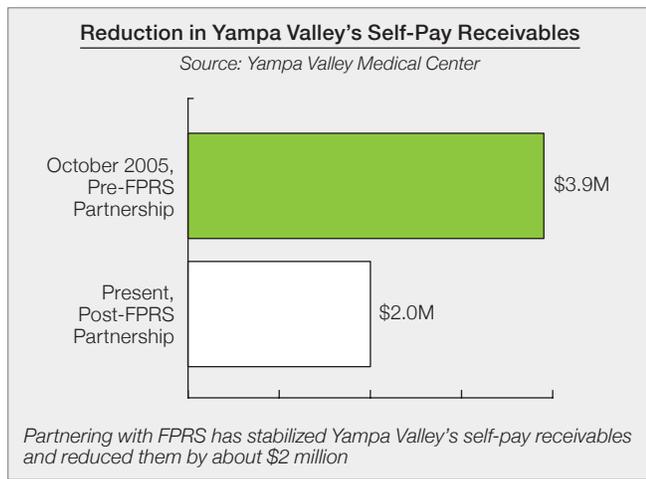
"[FPRS] is very flexible. As things change they're always willing to work with us—whether it's a change in our system to become more efficient, they're always willing to adapt to that."

– Mike Nelson
Senior Director Revenue Cycle
Yampa Valley Medical Center

FPRS' number appearing on Yampa Valley's statements reflects Nelson's effort to closely align the two organizations so patients see no difference between them. Based in a small town, Yampa Valley was particularly concerned about perception—that the decision to outsource to another company, although still located in Colorado, would reflect negatively on the hospital. To counter this, Yampa Valley created a local number for FPRS to use, and provided scripting to ensure FPRS staff always refer to themselves as Yampa Valley.

Results

FPRS and Yampa Valley have been partners for almost six years. Yampa Valley still experiences a steady decrease in its self-pay receivables. In October of 2005, the hospital's self-pay receivables were at \$3.9 million. Now Yampa Valley's receivables are typically around \$2 million with very low bad debt.



During the due diligence process, FPRS estimated being able to collect 40–45% of Yampa Valley's self-pay receivables. FPRS accomplished this and then some—currently the solution provider collects 60–65%, overshooting its own estimate by about 20% and another solution provider's who vied for the contract by 30%. This was a pleasant surprise for Yampa Valley. The pleasantly surprising results are even more surprising considering that FPRS receives virtually no complaints. "I always expect a certain amount of complaints, but the complaints are few and far

between with FPRS," Nelson attests. "The number of complaints have been surprisingly very low."

Nelson knows that FPRS receives almost no complaints because the solution provider records every single phone call for quality and accountability purposes. If a patient does complain, Nelson simply requests the call transcript and plays it back in order to determine culpability. If there ever is a discrepancy between a patient and a FPRS staff member, Nelson asserts that FPRS is "always open to receiving feedback, making changes, and doing some follow-up education."

Account governance is important to FPRS—its account representative works directly with Smith to hear any feedback or suggestions. "Our relationship is very friendly; it's not cumbersome," Smith declares. "We actually enjoy talking to them." The hospital and the FPRS rep have a sustained relationship—the same FPRS account rep has worked with Yampa Valley since the beginning of their business relationship in July 2007. Any problems are "resolved pretty darn quickly with great customer service," Nelson affirms. Every quarter the FPRS rep and her team meet with Smith and her staff for a reconciliation process to ensure they are up-to-date on which accounts are classified as closed, bad debt, or charity.

Partnering with FPRS has allowed Yampa Valley to reduce its bad debt, and in turn increase its charity care. "Being a smaller hospital, I want my financial counselors to concentrate on patient's financial assistance rather than collecting money," Smith admits. "Since FPRS focuses on what's collectible from our self-pay accounts, financial counselors can then concentrate on what's not collectible, thus reducing that bad debt while increasing the financial assistance we offer the community."

Using the relationship between Yampa Valley and FPRS as an example, outsourcing self-pay receivables can relieve hospitals of burdensome accounts while increasing collections on those accounts. Since 2007, the organizations have mutually benefitted from each other's collaboration. At first Nelson thought that outsourcing signified a failure to effectively manage in-house processes. Now he believes the exact opposite. "It's one of the best decisions I've made as a manager, outsourcing self-pay. They've done such a great job of collecting. Don't be afraid to outsource this," he advises. "It's actually been such a great move, one of my best moves, and FPRS is just a great working relationship." +

About First Party Receivables Solution

- First Party Receivables Solution provides a patient-friendly off-site extension to hospitals' business offices that expedites cash collection on self-pay accounts.
- First Party Receivables Solution seamlessly integrates into existing in-house accounting systems, tailoring its approach to each institution's individual needs.

- First Party Receivables Solution delivers comprehensive status reports and identifies insurance discoveries to bill to payers, write-offs for charity care, and bad debt.
- For more information, please visit: <http://pfccollects.com/p/self-pay-outsourcing>