Accounts Receivable Management:  
*Task Management versus Denial Management*

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The process of medical accounts receivable (A/R) management is truly a misnomer. In a perfect world, accounts receivable would require nothing more than collection—not management or process. However, with growing complexity, payment ambiguity, payer plans, co-pays, co-insurance and other factors that drive up costs in healthcare delivery, the management of the accounts receivable process continues to demand more attention. With an average of 30 percent in denial rates and informed speculation of 15 percent in lost revenues on an annual basis, we must conclude that the management processes currently in place are woefully inadequate and costly. Unfortunately, the national healthcare debate on improvement does not address the A/R management process (or lack thereof) where significant cost savings could be achieved.

Symptoms of an Infirm Process

According to most industry publications, the majority of medical providers collect a portion of their charges within 60 to 70 days from the date of service as compared to five to 10 days required of most retail service providers. Why the difference?

- On average, medical providers have over 60 various contracts with payers for services rendered that do not typically include the reimbursement amounts.

- Each patient has a unique status within annual healthcare insurance plans as it relates to eligibility, allowables, network status, coinsurance, and covered services—factors not available to medical providers in advance of the visit with any consistency or clarity from the various payers.

- The allowables and eligibility are reset and, in many cases, change annually. This eliminates any consistency from payer, procedure and patient over the years.

- A 30 percent denial or reject rate for services rendered would incur significant financial hardship on the provider.

- The cost of collection approximates 20 percent of the benefit. To justify this cost, each claim requires an average cycle process of two to four times from provider to payer to resolve the balance owed. If the cycle cost were $5.00 each, the average cost would be from $10.00 - $20.00. With an estimate of $100.00 paid per cycle, the cost would be 10 percent to 20 percent. These figures are substantially higher than the cost of collection for other retail service providers.

The result of these simple factors creates the increasing demand for accounts receivable management systems to clear a path through this murky process. Today, there are two competing methods to manage the process. They are Task Management and Denial Management.

Task Management

Task Management is embedded within the majority of commercial practice management or receivable management systems. This methodology lifts or queues accounts within the existing accounts receivable based upon some user defined rules in order to serve up an account to be worked. For example, all surgeries for a particular physician—let’s say “Dr. Smith”—greater than 60 days old would be a task queue or segmentation of accounts to be worked. This technology is a great improvement over working a simple accounts receivable aging from highest to lowest dollar, whereby the bottom half of the list never gets touched due to the size and scope of the entire list.
Task Management

Strengths
- Achieves a segmentation of the A/R to allocate among the billing staff
- Provides the billing manager with some basis of evaluating employee productivity, efficiency, effectiveness
- Provides responsibility for a particular work queue
- Allows flexibility to create multiple queues

Weaknesses
- Tendency to have too many, duplicate queues and duplicative work
- Embedded within the system are work queues that must be updated to insure queue logic does not omit/drop new information
- Does not segment claims production issues from receivables
- Little or no capture of denial consistency by payer, provider or procedure
- Does not provide a means to develop and implement denial action rules
- Can promote “just working an account” for work’s sake versus resolving an account; in other words, an analyst might be more focused on touching that charge and adding notes than collecting money, progressing its status, by identifying reasons for denials and fixing them
- Does not facilitate denial reporting to improve the entire billing process
- Little improvement in billing efficiency per full-time equivalent employee (FTE)
- A/R is dependant upon embedded PMS systems

Denial Management

Denial Management is a new process methodology whereby patterns and consistencies within denied transactions are analyzed and resolved in a batch process regardless of the account. For example, United Healthcare is denying all supply charges for knee arthroscopies as bundled for our Dr. Smith at his primary location. A denial management methodology will provide all open balances (balances not equal to zero) of accounts receivable that meet these conditions. The billing staff will analyze and resolve these conditions in one action based on a denial reason rather than account by account within a certain queue.

Strengths
- Provides a reporting vehicle to reduce incoming denials within the provider RCM process
- Allows capture of the consistency in transaction denials by provider, payer, procedure, date and reason
- Improves claim throughput per FTE by three to four times
- Segments claims production issues from A/R issues
- Bypasses embedded, queue-based rules in practice management systems to eliminate duplication and provide the ability to pull all receivables with all balances for analysis
- Allows view of credit balances within a provider or practice
- Allows for development and implementation of denial adjudication rules to manage certain conditions
- Easier process to train new staff
- Derives A/R independently from embedded practice management applications

Weaknesses
- Requires integrated payment posting and imaging and indexing of correspondence to fully optimize the process
**Denial Management**
Denial Management isolates and eliminates the traditional excuses in accounts receivable for healthcare by forcing action to resolve accounts versus just working accounts. Clear, definable accountability from the denial management process is a critical benefit in addition to the other benefits.

**Summary**
The accounts receivable management process is fraught with a toxic combination of inflexible technology, poor processes and lack of scale. And the complexity of A/R management in healthcare is expected to continue in the future. Practice and business offices are searching for scalable methods to optimize the accounts receivable process and reduce the entire cycle time. While business applications for accounts receivable management have progressed, the Task Management approach is still predominant. A new approach to A/R management is Denial Management. The key differentiators between the two distinct methodologies of Task Management and Denial Management lie in the batch analysis, reporting and accountability provided by the latter versus the single-file and single-threaded approach of task management. Task Management limits the visibility and flexibility required for productivity improvement. Queuing systems do not provide the reporting needed to reduce denials and are fenced-in due to the limitations embedded in the practice management systems. Denial Management provides an open frontier to analyze, resolve and scale business office operations.
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John Thomas has been with MedSynergies since its inception in 1996, when he began as senior vice president and managing director of development. While at MedSynergies, Mr. Thomas has held positions such as senior vice president and chief financial officer, and has been a member of the board of directors since 1999.

Prior to joining MedSynergies, Mr. Thomas was the vice president of the newly formed HealthCare Finance Group for Bank One. He was also the assistant vice president for Texas Commerce Bank, where he focused on hospitals, emerging healthcare markets, core finance and revenue.

Mr. Thomas is a national speaker on topics such as revenue cycle management, billing and collections processes and capitalization, raising funds, bank debt, turnaround and high/low debt revenue.

Mr. Thomas received his Master of Business Administration, with honors, from the University of Texas Graduate School of Business. While at the University of Texas, he focused on finance and management and was selected as the Sword Scholar and received the Dean’s Academic Award. Mr. Thomas received his Bachelor of Arts from the University of Arkansas.

About MedSynergies, Inc.

Now serving 2,300 healthcare providers in 27 states, MedSynergies provides revenue cycle services and integrates leading software programs into the daily operations of healthcare organizations. Founded in 1996, MedSynergies serves physicians in hospitals, specialty medical groups, ambulatory surgical centers, rehabilitation centers, and independent practice associations (IPAs). Based in Irving, Texas, the company has regional offices across the United States. For more information on MedSynergies, please visit www.medsynergies.com.