



# Managing Third-Party Follow-Up: Workers' Compensation and Other Problem Claims

## Highlights

### Profile

- Community Medical Centers (CMC)
- Fresno, California
- Three Hospitals
- Approximately \$1.1 billion in net patient revenue

### Challenges

- CMC did not have the resources to internally manage workers' compensation claims
- Staff did not have the necessary expertise to successfully recover workers' compensation revenue the organization was owed
- CMC was also in the process of going through a system conversion leading to a backlog in insurance follow-up

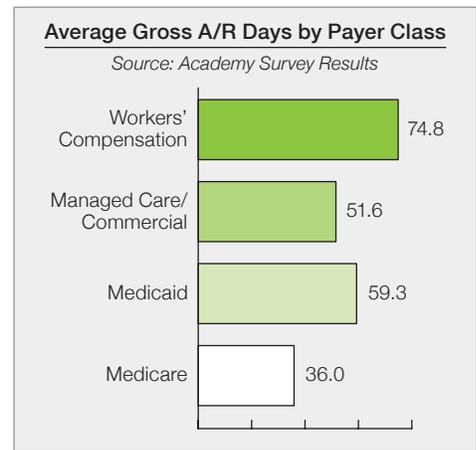
### Solution

- CMC decided to partner with Convergent based on the solution provider's expertise with difficult claims such as workers' compensation
- Convergent worked directly from CMC's billing system to follow up on workers' compensation accounts and aged insurance accounts
- Convergent provided onsite training for CMC's internal insurance follow-up staff

### Results

- Convergent typically resolved 75–85% of workers' compensation placements within 90 days
- Over 2+ years, Convergent collected \$16.7 million from workers' compensation accounts for CMC
- Convergent also collected \$19.2 million from aged insurance accounts

Workers' compensation claims are among the most difficult for a healthcare organization to collect as they typically involve extensive paperwork and significant time from experienced staff. Adding to the problem, workers' compensation claims are often a small fraction of a hospital or health system's overall accounts, making it difficult for revenue cycle leaders to justify the expenses needed to support a strong internal process for following up on these claims. As such, many healthcare organizations look to external partners to help manage their workers' compensation accounts.



Community Medical Centers (CMC), a three-hospital system based in Fresno, California, recognized that outsourcing workers' compensation claims presented an opportunity for the organization to improve its financial performance. The Academy recently spoke with Michele Earnhart, the Corporate Director of Patient Financial Services at CMC, to better understand the challenges healthcare organizations face when managing workers' compensation claims and the potential benefits of partnering with a solution provider to alleviate the burden associated with these accounts.

### Challenges

Prior to considering outsourcing as an option, there were multiple issues with CMC's internal processes that made workers' compensation follow-up particularly difficult. Most notably, CMC did not have the necessary resources to effectively manage workers' compensation claims. "It was a staffing issue, we did not have anyone that was a certified workers' comp. follow-up person or someone with good workers' comp. experience," Earnhart explains. Beyond this, CMC did not have the litigation experience that is often necessary for successful recovery on workers' compensation claims. Without adequate resources to manage workers' compensation claims, CMC didn't have a process in place to address these accounts. "We weren't doing any workers' comp. follow-up," she says. "We didn't have anybody and we didn't have staff to assign to it."

In addition to the difficulties with workers' compensation, one of CMC's hospitals had recently converted its main billing system. The system conversion led to a backlog in CMC's regular follow-up with third-party payers. Based on a combination of these three factors—inadequate staffing, need for legal expertise, and a recent system conversion—CMC recognized that an external business partner could support its internal processes and provide a justifiable return for the services needed.

### Solution

In the beginning, CMC was intent on finding a partner with the ability and experience to focus on workers' compensation, and the health system identified Convergent Revenue

Cycle Management, Inc. as the best option. “We were initially looking for someone to do all of the workers’ comp. follow-up that had the ability to take it all the way to legal pursuit,” Earnhart notes. “That was one of the reasons Convergent was chosen because they had a compliment of attorneys that could follow up on the California workers’ comp.”

To help facilitate the implementation of its outsourcing services, Convergent provided onsite support at CMC. In addition to establishing a direct connection to CMC’s billing system, Convergent’s onsite staff gathered data and documentation and updated accounts in the billing system so that CMC had the ability to track Convergent’s activity. “They provided all of the leg work that, in the past, the facilities had to do for vendors,” Earnhart says.

When the follow-up work began, CMC outlined two clear objectives for Convergent. “I didn’t want my accounts to age out and I didn’t want their collection ratios to be lower than what I had managed to do here in the business office,” Earnhart explains. With these objectives set, Convergent began managing workers’ compensation claims from day one along with CMC’s existing aged accounts.

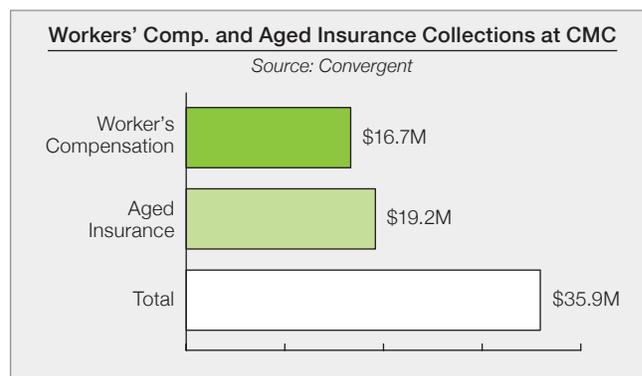
From CMC’s perspective, the follow-up process for workers’ compensation in the new workflow is relatively straightforward. “What we do is manage the referrals,” Earnhart says. “We reconcile the accounts—the volumes and the dollars that are sent and sent back—we monitor the cash collections and really that is all we do.” Convergent handles all of the traditionally difficult tasks associated with workers’ compensation follow-up. Working directly from CMS’s system, Convergent uses its own technology to calculate the expected reimbursement based on California’s complex fee schedules. With an accurate estimate of the expected reimbursement, Convergent is able to compare actual payments and identify underpaid claims. Whenever an underpayment is identified, Convergent provides the appropriate follow-up through phone calls, letters, and litigation if necessary.

To help alleviate the backlog caused by the system conversion, CMC also asked Convergent to work a section of aged insurance accounts. In this case, CMC outsources third-party payer accounts aged 90–120 days with balances greater than \$1000, and Convergent works from CMC’s billing system to manage all aspects of the follow-up. To help support the entire insurance process, Convergent provided CMC’s internal staff with training regarding third-party payers. “Convergent came in and [provided training] for my staff saying ‘these are the things you should look at and this is how you should approach your payers,’” Earnhart explains.

## Results

According to Earnhart, Convergent has been able to meet the main objectives of the project that were set by CMC at the beginning. “In fact, the collection ratios are much better than what we had been able to do on site,” she says. Using the first full month of placements as an example of month-to-month performance, Convergent received almost \$4 million in workers’ compensation accounts from two of CMC’s hospitals. After working these accounts for three months, Convergent had resolved 80.4% of the \$897,677 placed by Clovis Community and 81.6% of the \$3,048,925 placed by Community Regional.

Through the duration of the partnership—about two and a half years—Convergent has maintained similar performance levels, typically resolving 75–85% of monthly workers’ compensation placements within 90 days. In total, Convergent collected \$16.7 million for CMC just from workers’ compensation accounts. During the same timeframe, Convergent collected an additional \$19.2 million from the aged insurance accounts. This revenue represents a significant improvement for CMC, especially in workers’ compensation.



While the decision to outsource is not usually easy for a hospital or health system, CMC’s experiences show that it can provide substantial results for an organization. Earnhart advises that leaders take the time to understand their internal deficiencies so they can accurately quantify the potential benefits of working with an external business partner. “Don’t start with, ‘I want do to this,’” she says. “‘I want to do this’ is not a reason to outsource anything. You need to look at what you have, and if you think you can do a better job and cheaper job, be able to quantify that.” By taking this approach, CMC was able to build a successful partnership with Convergent that provided the healthcare organization with more than \$35 million in revenue. +

## About Convergent

- Convergent Revenue Cycle Management is recognized as the premier niche revenue cycle management company in healthcare, providing innovative solutions across the revenue cycle spectrum including front-end patient access, early out self-pay collections, attorney-powered third party reimbursement and bad debt recovery\*. Our regulatory expertise and consumer focused patient contact center technology optimize revenue cycle performance and improve healthcare provider relationships with patients.
- Convergent is one of America’s largest business process outsourcing, revenue cycle and receivables management companies, with twelve operating centers across four time zones. The healthcare division, Convergent Revenue Cycle Management, Inc. has operation centers in Virginia, Texas, New York, Florida, and Illinois.
- Visit: [convergentusa.com/healthcare](http://convergentusa.com/healthcare) for more information.

\*Bad debt recovery provided by Convergent Healthcare Recoveries, Inc., an affiliate company.