

THE ReCOREder

Core Recovery Bureau Quarterly Newsletter
April, 2007 *Jeanne Martin, Editor*

Editors Note: I'd like to take this opportunity to thank each and every one of you for your business and your confidence in us. It is a pleasure dealing with you, either face to face or by phone. I have really enjoyed getting to know you and look forward to another successful year as your client representative. As always, we welcome your comments and suggestions. Please email them to: support@corerecovery.biz

Health Care Trends Impact Economy *It's about the money*

“George Bernard Shaw once said, ‘If someone tells you it’s not about the money; it’s about the money.’ In health care, that’s our issue,” said Mike Monahan, managing partner, Healthcare Resources Associates, Littleton, CO, during his presentation to health care receivables and collection professionals at ACA International’s March for Success Together conference. “People like to talk about patient care and they like to talk about our mission and they like to talk about or heartfelt service to the community. I believe in those things, I believe strongly in all those things, but the fact is, the current situation in health care is about the money.”

Putting It in Perspective

Monahan told attendees that health care is a \$1.8 trillion industry in the United States and is expected to grow to \$15 trillion by 2030. Of this \$1.8 trillion, the government is the largest buyer, spending \$600 annually.

With numbers this large, it is sometimes difficult to gain a clear understanding of what they actually mean. Monahan put these figures in perspective. “The government health care bill is the largest single item in the federal budget,” he said. “I was talking with some folks about my military days. The United States was in Vietnam for 22 years. Our total cost of the war in Vietnam—every bullet, every Band-Aid, every bomb—the total cost of the war was \$275 billion. We spend \$600 billion on health care every year. It’s a huge burden to us and the forces to impact that are going to change rapidly in the very near future.”

Health Care’s Impact

Monahan pointed out that health care is having a major impact on every industry in the United States. He noted that General Motors spends more on health care for employees and retirees than they spend on

Continued on page 2

steel for automobiles. Starbucks spends more on health care benefits than it does on coffee. Each time an individual purchases a car, a cup of coffee, or any other consumer good or service, a portion of the cost if going to fund health care.

“I’d like to tell you that for \$1.8 trillion, every citizen in our country is getting the best medical care; but I can’t tell you that,” said Monahan. “Instead, I’ll tell you this: we have 45 million Americans over the period of an entire year that are without health insurance. ‘Without health insurance’ means they make enough money that they don’t qualify for Medicaid or some other government program; or they don’t work for an employer that provides health insurance; they don’t qualify for some other plan.” He also noted that the number of uninsured on any specific day may be much higher.

Margins Declining

Despite the tremendous amount of money spent on health care, hospital and health care providers are not lush with cash. Monahan commented on the razor thin operating margins that hospitals are faced with. “In the good ole’ days, back in the 80’s hospital margins were up around 7.3 percent. Then came managed care and HMOs. Hospital margins went down to around 3 percent. They went back up as we figured out how to do better contracting, better negotiating, and better ways of collecting money and got concerned about revenue cycle management, into the late 90’s. It’s been slowly declining again, and it’s down now in the 2 to 3 percent range and it’s been holding even for the last two or three years.” He commented that since hospitals have been operating at such a low margin, they are now expected to operate at that low margin—or lower.

One reason for the thin operating margins is the inability to truly set prices according to costs. “We’re the only industry that has other people tell us what we can charge for services,” Monahan pointed out. “Even when we do have charges for our services, it gets ignored by everyone else. Our expenses go up—we can’t raise revenues to cover it.”

After painting a broad picture of the health care industry and the financial challenges it is faced with, Monahan illustrated how these trends impact the health care receivables and collection industry. “We have increased scrutiny on you, as you get more involved in this business,” said Monahan. “There are people watching every step you make.



Being Positive in Collections

Like it or not, when you collect a bill from a patient, you get personally involved in your patients’ problems. That is, you become involved in two very personal matters, patients’ health and their finances. To be successful, you need to develop personal, positive relationships with patients. If you act without regard for the nature of these matters, public relations and collections will suffer.

How to Divide the Workload

Alpha-split percentages

Distributing the workload among billers and collectors can be difficult, unless you have an automated system that divides unpaid accounts equitably. Below is a chart that shows how to divide the workload by alphabetical split.

Exhibit 1. Percentage of Names, by Letter of the Alphabet

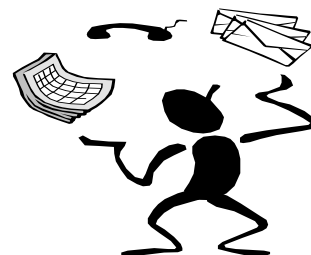
Names Beginning With:	
A	3.1%
B	9.6
C	7.4
D	4.7
E	1.9
F	3.7
G	5.3
H	7.7
I	.4
J	2.9
K	4.0
L	4.8
M	9.5
N	1.7%
O	1.6
P	4.9
Q	.2
R	5.0
S	9.9
T	3.3
U	.2
V	1.1
W	6.4
X	.1
Y	.1
Z	.5

An alphabetical split is the way many managers cope with the problem of equitable distribution of the workload, but simply cutting up the alphabet into equal chunks among your staff will be ineffective and unfair. A collector working the A to C accounts will be working many more accounts than the person working X to Z.

Division of the work does not have to be a guessing game if you know the percentage of names that begin with each letter of the alphabet. Nearly 10 percent of your patients will have last names beginning with the letter 'S' while fewer than one percent will begin with the letter 'Y'. Statistically, the best place to split the alphabet between two collectors is A to K and L to Z. Exhibit 1 shows the statistical percentage of names beginning with each letter of the alphabet. Exhibit 2 should help you figure the best way to divide accounts among your staff.

Exhibit 2. Sample Alpha-Split Percentages

With 4 Collectors	With 5 Collectors
Collector 1...A-D	Collector 1.....A-C
Collector 2...E-K	Collector 2.....D, E, G, H
Collector 3...L-Q	Collector 3.....J-M
Collector 4...R-Z	Collector 4.....P-S
	Collector 5. F,I,N-O, & T-Z



Collect More During Tax Season?

Tax season is upon us—and it may be an opportunity for you to motivate your patients to clear up their accounts. If a patient is receiving a tax refund, it may create an opening for him or her to pay off any balance owed you. Be sure to suggest this as a possible form of payment. It's a good way to clear up bills early in the year.

Spring Blessings

What was once sound asleep, now gently starts to wake.

Fresh air tastes sweet in every breath I take.

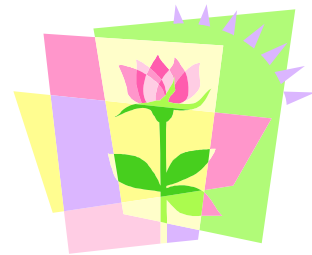
*Little feathered creatures are doing their best
in fastening a delicate home of a nest.*

*Warmth is felt in the soft flowing breeze.
Buds burst open in flowers and trees.*

*Sun rays dance at the break of dawn,
and gently touch the ear of a fawn.*

*Countless blessings this season will bring
As my soul delights in the essence of Spring.*

Author: Julie Pisacane



Source:

“Health Care Trends Impact Economy”, *Association of Credit and Collection Professionals* magazine.

“How to Divide the Workload”, *Health Care Collector*, February 2007.

Disclaimer: This information is not presented to be used as legal or profession advice on specific facts or matters. Readers with specific questions should refer them to their own attorneys for guidance.

