

THE

ReCoreded

Core Recovery Bureau Quarterly Newsletter

April 2009

Jeanne Martin, Editor

Editors Note: It is so good to be able to see water in the bay again. The snow has finally melted off the boat and given me hope that spring is on its way. Now if I can just get the ice off the deck, I can maybe consider getting out the patio furniture. Happy Spring to all!

As always, we welcome your comments and suggestions. Please email them to: support@corerecovery.biz

What's Coming for Health Industries in 2009

More payment challenges likely

The financial downturn, a new President and the growing public demand for health reform will force health care organizations to react quickly in 2009, according to a report issued in late December 2008 by the Health Research Institute at PriceWaterhouseCoopers LLP (PwC). In its annual review of the top concerns for health executives and policy makers, PwC says the health industry will face myriad challenges in the year ahead, including how to deal with more underinsured patients and adapting to new coding and payment methods, among others things.

“The coming year will be a watershed for healthcare in the United States,” according to David Chin, MD, PwC’s Health Research Institute Leader. “Severe economic conditions are placing pressure on hospitals, insurers, employers and patients alike. President Obama has called for significant reform for healthcare and will have a Democratic Congress supporting him. The convergence of market and political forces will drive the greatest change in healthcare in a generation, changes that could benefit patients and make the health system stronger.”

The report is an annual review of the most pressing issues for health executives and policy makers. According to PwC’s Health Research Institute, the top nine health industry issues in 2009 are:

1. The economic downturn will hit health care;
2. The underinsured will surpass the uninsured as the biggest headache;
3. Big pharmaceutical companies will turn to mergers and acquisitions to fund the drug pipeline;
4. Preventative care will be on the rise;
5. Genetic testing will reach a price point for the masses;
6. The Internet will continue as a powerful health extender—with increased patient access to health information and patient records;
7. Hospitals must perform to get paid;
8. Payers and employers will give incentives for wellness programs; and
9. ICD-10 will require a major resource investment.

Economic Downturn

Although the health industry historically has been less vulnerable to economic downturns than other industries, the disrupted economy will hit health care in 2009, according to the PwC report. Hospitals and other providers from family practice to dentists, will experience an increase in bad debt and a drop in elective procedures (in fact, there are reports that this has begun to happen in some sectors). Investment portfolios for all health organizations have been affected. The payer mix is shifting away from relatively lucrative commercial insurers, as they are seeing a drop in enrollment and

Continued on page 2

premium revenue—a trend that will likely continue if employment drops further. Charitable donations and investment income are down, and improvement projects involving capital outlays for IT, facilities and equipment have been put on hold. Pharmaceutical and biotech companies have seen their valuations drop, which could further affect their access to raise additional capital. Health organizations that need to find new sources of capital will have to demonstrate that they're improving their core businesses, improving efficiencies and delivering value.

Underinsured Population

The uninsured draw most of the attention, but the number of underinsured is growing even faster—an estimated 25 million adults qualify as underinsured, an increase of 60 percent since 2003. With some but not enough health insurance, the underinsured often can't or won't pay the high deductibles and co-pays for the services they need.

In 2009, we could see increased bad debt for hospitals, more cost-shifting to commercial plans, and more patients delaying or foregoing care. With growing unemployment, self-pay is becoming a major part of providers' revenue cycle processes. Many hospitals have begun to pre-qualify patients. Some providers are using credit card-like swipe machines to verify eligibility and estimate insurance coverage. Others are using credit card and extending their own line of credit. It's important to note that not-for-profit hospitals must tread carefully, as they don't want to further complicate the credit for uninsured and low-income patients. Business operations will likely look to technology and processes from the retail, banking, and credit industries to manage self-pay patients and the underinsured.

The Internet as a Powerful Health Extender

Technology will empower patients in new ways during 2009. The increased information and growing patient-to-patient interaction over social networking platforms like Facebook and other Web sites such as *patientslikeme.com* and *americanwell.com* are changing how health care is navigated and experienced by consumers, especially as electronic health records become more common.

Hospitals Must Perform to Get Paid

Medicare, Medicaid and insurance companies are increasingly basing reimbursement to hospitals on

performance and despite resistance to it, pay for performance isn't going away. In 2009, health care providers will have to get serious about not only improving performance but documenting it. The Centers for Medicare & Medicaid Services (CMS) has proposed adding a new index: the total performance score. It's part of Medicare's move to value-based purchasing. If Congress approves, CMS would replace the current quality reporting systems with one in which Medicare withholds between 2 percent and 5 percent of its reimbursements to hospitals. They will need to focus on process improvements to improve safety and avoid unreimbursed medical errors known as "never events."

Incentives for Wellness Programs

PwC predicts that more US employers will give incentives to encourage responsible health behaviors among employees and participation in wellness and disease management programs. Wellness programs don't work if employees don't participate and most of them don't, according to PwC's Health Research Institute, which found that fewer than 15 percent of eligible individuals enrolled in wellness programs actually participate. However, they found that workers are two to four times as likely to enroll in wellness programs if they receive gift cards or other incentives. In 2009, health plans will begin to play a more active role in wellness program design, tools and support. This should translate over time to a better and more efficient use of health care resources and prevention of illness.

ICD-10 Will Require a Major Resource Investment

The conversion to a new International Classification of Disease code sets, know ICD-10 will be a painful and costly process that health organizations will begin in 2009. The federal government has proposed an accelerated timetable for increasing the number of code sets used for billing and clinical classifications from 17,000 to 150,000. In addition to clinical process changes, the entire health care system—from quality of care, to medical records, to incentive salary systems, to reimbursement—must adapt. *The good news:* When it's done, providers and payers will have far more data on which to document diagnosis, decisions and reimbursement.

Public Views Health Care as Priority for Stimulus Package

Americans rank action on health care as an important part of efforts to stem the impact of the economic recession, according to a national survey released in late January 2009 by the Kaiser Family Foundation and Harvard School of Public Health. Helping the newly unemployed afford health insurance coverage and providing states with more federal help to pay for health care for lower income residents were among American's top three priorities for dealing with the economic recession. These proposals ranked ahead of repairing the country's infrastructure, cutting taxes for the middle class, helping people pay their mortgages and helping large businesses hurt by the recession. While improving the economy was Americans' top priority for the new president and Congress, reforming health care ranked third, behind fighting terrorism and above reducing the federal budget deficit.

Water and Wine

A small church didn't have enough wine for communion. So the elders voted to build a barrel and ask members of the congregation to bring and fill it with wine. Many parishioners came by and dumped their donation into the barrel. On communion day, the pastor drew out some of the wine to see how the mixture would taste. To his surprise, it was pure water! He asked the congregation. They said, "We thought the others would bring wine, so we brought water." The Moral: You can't depend on the other guy to do your share.

—Don Myers, General Assembly,
Presbyterian Church USA

Ten Tips for improving Collection Letters

Your best bet for collecting the patient portion of a bill is to ask for the money on the day of the visit, as we've stressed in previous newsletters. However, there is no getting away from collection letters. To help ensure patients won't toss your letters aside, follow this checklist:

- *Use attention-grabbing headlines.*
- *Omit introductory statements.*
- *Encourage a response.*
- *Use a PS to emphasize your strongest points.*
- *Test pastel-colored envelopes that will stand out against other mail.*
- *Experiment with different scripts; track results.*
- *Ask for action.*
- *Write letters as a copywriter would write an advertisement.*
- *Read the letter out loud before you mail.*



Meet the challenge of leading employees through tough times

The economy and the world are in a flux and workers are feeling the pressure. How can you provide the stable leadership they need? Here are some tips from Keith Dixon, president of Cigna Behavioral Health:

- **Encourage flexibility.** *If you've Experienced layoffs, chances are you've asked those left behind to take up the slack. Some overtime may be unavoidable, but try to see that employees don't stay late night after night or sacrifice week-end time with loved ones. Workers perform more effectively when there's a healthy balance of work and personal time.*
- **Encourage autonomy.** *Your employees may feel that the world's gone mad, but they'll maintain their equilibrium if they can at least feel some control over their immediate surroundings. Respect their judgment and abilities, and encourage them to make decisions. Taking an authoritarian stance will make them feel as powerless over their work as they do over world events.*
- **Encourage vision.** *Don't let employees become preoccupied with the economic woes or internal political upheavals of your company. Stay focused on your mission: Serving your internal or external customers. Spend time during meetings discussing the future and encouraging workers to comp up with ideas that will strengthen the organization and give them a reason to look forward to better times ahead.*
- **Encourage imitation.** *Most important, lead by example. You're human and just as susceptible to feeling worried and stressed as your employees. But if you can push past your own fears to concentrate on doing your job and developing supportive relationships with your coworkers, you'll inspire your staff to do the same.*



Source: "What's Coming for Health Industries in 2009", *Health Care Collector*, February, 2009.

"Public Views Health Care as Priority for Stimulus Package", *Health Care Collector*, March, 2009.

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