



Santa Rosa Hospital Case Study: 5.38% Sustainable Increase in Monthly Cash Realization

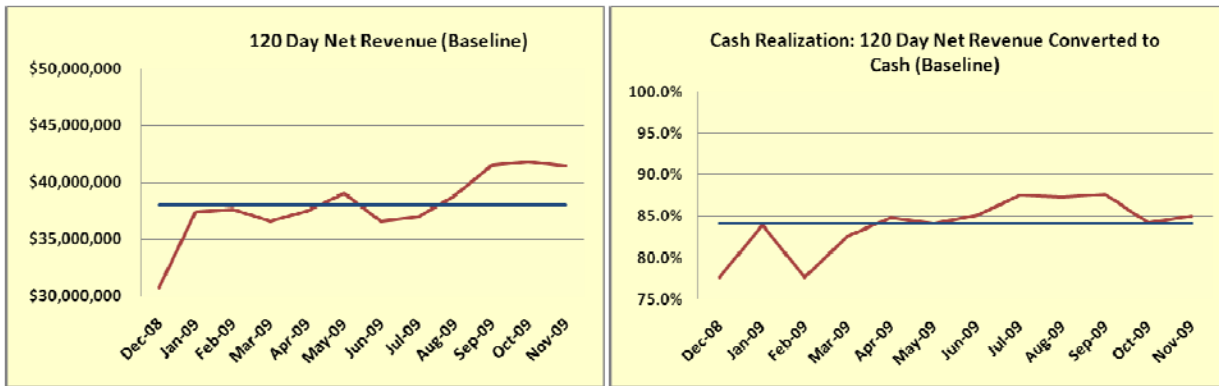
The Problem Statement:

In March of 2010, Santa Rosa Hospital (SRH), a 700+ bed facility in San Antonio, TX faced numerous collection related challenges that management recognized were contributing to erratic financial performance.

These challenges included a 2 ½ month validation backlog, sub optimized worklists, inadequate account follow up, poor and unclear account notation, no error feedback loops and wasted time retrieving EOB's and medical records. Managers of the PFS teams had few tools to measure performance and no tools to help them improve the process. Collectors each had varying methods of how they would work an account leading to an extremely non-standardized collection process.

Baseline measurements indicated that during the previous year, on average, SRH collected 84.11% of 120 day net revenue, which averaged \$38 million per month.

The following graphs depict net revenue based on encounter data tracked by discharge date over a 120 day period collection cycle. Therefore, November 2009 data will be the last month of the baseline since they are the last accounts to turn 120 days old prior to the changes made in March 2010.



The Solution:

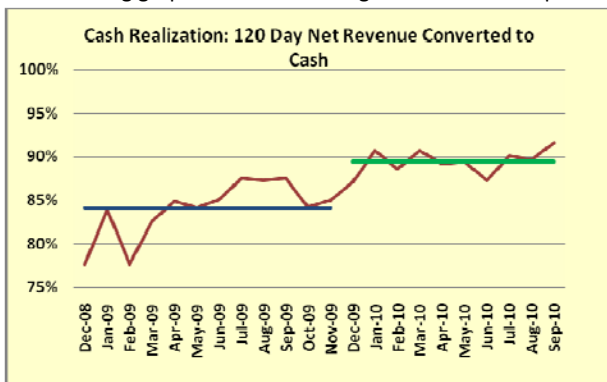
After evaluating various solutions, SRH's management decided to partner with Healthcare Excellence Institute (HEI) and implement HEI's collections application, CollectLogix™.

Implementation:

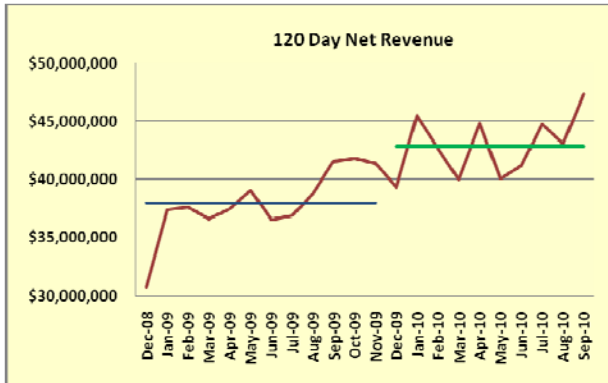
Leadership recognized that there were opportunities with regards to revenue cycle process improvement, but with cash flow as a main concern, their plan was to use the additional revenue from the CollectLogix implementation to fund these operational improvements and process redesign. The implementation took 5 days.

The Results:

The following graphs show the average cash realization percentage before (blue) and after (green) the CollectLogix implementation.



While SRH leadership was pleased with the significant increase in cash realization, they wanted to understand the full financial effects of the changes made. Cash was management’s primary metric and they used cash goals to asses revenue cycle performance. During the 10 month period that the post-CollectLogix implementation data was being gathered, net revenues had simultaneously increased due to higher patient volumes. The average net revenue over the baseline period was \$38 million per month (blue) use, while during the post implementation average net revenue averaged \$42.9 million per month (green).



To make a true “apples to apples” comparison, solely using cash as a metric wasn’t sufficient as the continuation of baseline performance would have still led to an increase in cash. The following tables illustrate the collected data set.

Santa Rosa Hospital Cash Collections Pre-CollectLogix		
Dec 08 - Nov 09 (Baseline Date Range)	Avg Monthly 120 Day Net Rev	\$ 37,996,770
	Avg 120 Day Net Rev Cash Realization % (Baseline)	84.11%
	Avg 120 Day Net Rev Monthly Cash Realization \$ (Baseline)	\$ 31,959,083

Santa Rosa Hospital Cash Collections Post-CollectLogix		
Dec 09 - Sept 10 (Post Implementation)	Avg Monthly 120 Day Net Rev	\$ 42,889,370
	Avg 120 Day Net Rev Cash Realization % (Post)	89.49%
	Avg 120 Day Net Rev Monthly Cash Realization \$ (Post)	\$ 38,381,697

To demonstrate the true difference in performance, the first table represents hypothetical cash performance if SRH had performed at post-CollectLogix cash realization % during the baseline date range. The second table represents the cash impact if SRH had continued the baseline performance during the post-implementation date range.

Santa Rosa Hospital Cash Collections (Baseline Date Range)		
Avg Monthly 120 Day Net Rev (Baseline)	\$ 37,996,770	\$ 37,996,770
Avg 120 Day Net Rev Cash Realization % (Baseline) (Post)	84.11%	89.49%
Avg 120 Day Net Rev Monthly Cash Realization \$ (Baseline) (Post)	\$ 31,959,083	\$ 34,003,310
Avg Estimated Additional Monthly Cash Realization from CollectLogix	\$ 2,044,226	

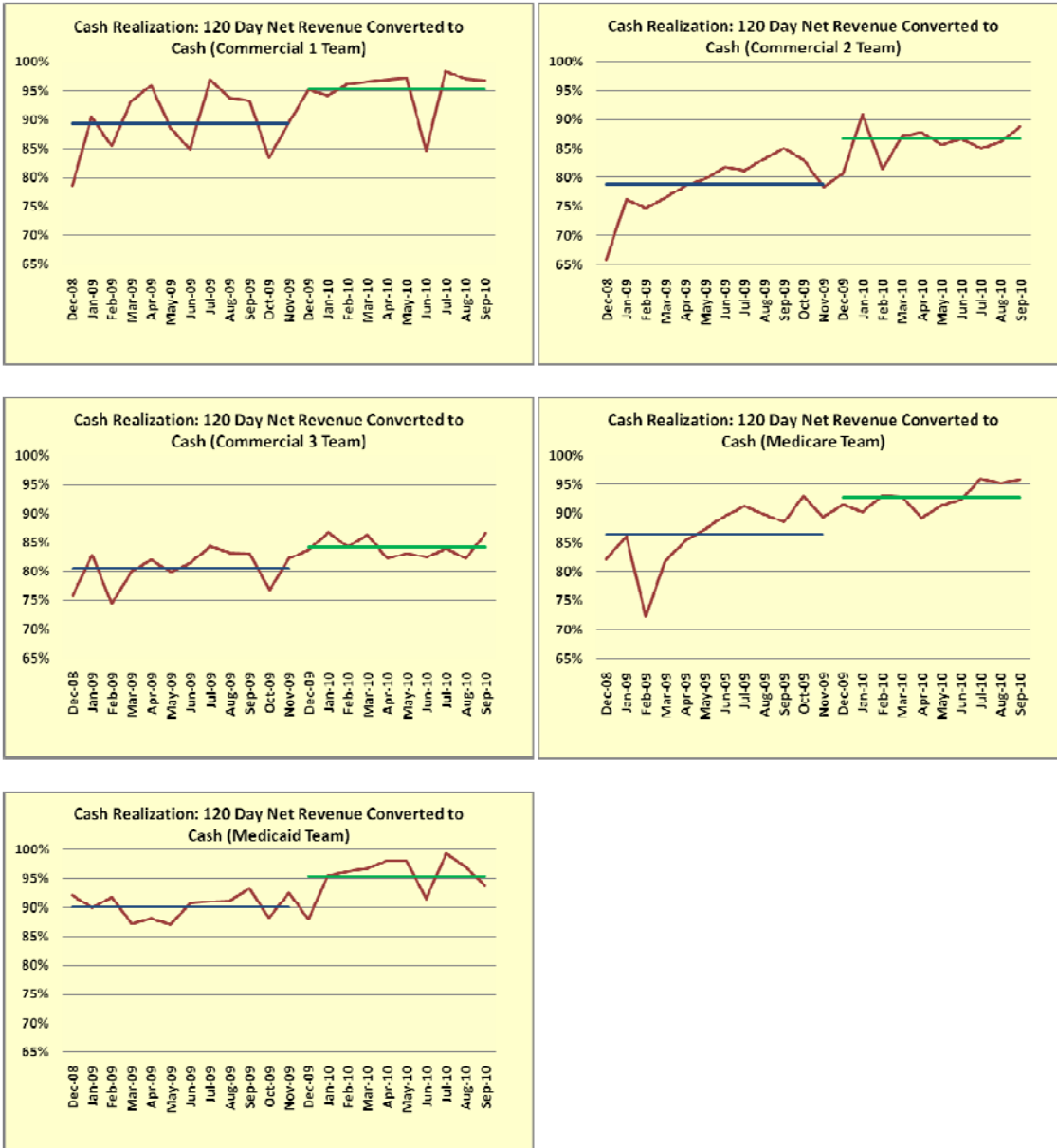
Santa Rosa Hospital Cash Collections (Post Implementation Date Range)		
Avg Monthly 120 Day Net Rev (Post)	\$ 42,889,370	\$ 42,889,370
Avg 120 Day Net Rev Cash Realization % (Baseline) (Post)	84.11%	89.49%
Avg 120 Day Net Rev Monthly Cash Realization \$ (Baseline) (Post)	\$ 36,074,249	\$ 38,381,697
Avg Estimated Additional Monthly Cash Realization from CollectLogix	\$ 2,307,448	

When examining the numbers in this fashion, SRH leadership concluded that the implementation of CollectLogix was allowing them to sustainably collect \$2.3 million additional dollars each month.

Where Did The Money Come From?

Using patient accounting systems or disparate worklists for collections leads to suboptimal performance. CollectLogix uses a statistical algorithm, originally developed for the logistics industry, to deliver real time dynamic optimization of accounts. This assures that at all times, worklists are optimized across 9 factors, continuously maximizing cash realization and minimizing bad debt. As mentioned in the problem statement, every collector had their own way of working an account. Users of CollectLogix work through a standardized job aid system that assures proper account follow up and notation while error feedback loops address errors at the source. Finally, managers use CollectLogix to perform root cause analysis on their teams to determine where there still remain opportunities, continuously improving their process.

The following graphs represent the teams' before and after performance.



Conclusion:

After a couple of months of using CollectLogix, SRH leadership was beginning to appreciate the reduction in collection variability. Not only was the 2 ½ month validation backlog reduced to less than one week, but accounts were being worked and notated in a standardized way, and leaders knew that the worklists were prioritized to maximize cash realization. Santa Rosa's leadership was able to use the increase in cash collections towards financing operational and process improvement work.

“CollectLogix has revolutionized the way we manage follow up on our accounts. Our managers are able to focus on management instead of managing the assignments.” -Cassandra Hogans, Director Revenue Cycle Business Services, CHRISTUS Health