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A new Web-based system helps Emory Healthcare recover contractual underpayments.

It was 2002, and Bernadette Cotton was burning out. As director of contract reimbursement analysis and reporting for 950-physician Emory Clinic, part of Emory Healthcare, it was her responsibility to make sure the two entities collected what was due them from payers based on their managed care contracts. Cotton was responsible for managed care contracting and financial, analytical, and data support in contract negotiations or renegotiations—she looked for variances in payments and allowances versus the contracted rate and went after any shortfalls. And she didn't have many tools other than her own ingenuity. Since starting in the managed care contracting area in 1997 (Cotton has been with Emory since 1988), she wrote spreadsheets and manually crunched data to make sure the clinic and hospital weren't being underpaid for the wide variety of health services it was providing. With up to 200 health plan contracts, it was an almost impossible task, but Cotton tried her best on her own.

“When you provide a service and put forth the effort to negotiate agreements, you owe it to yourself to make sure you're being reimbursed according to your agreement.”

“The clinic was hemorrhaging money for a variety of reasons,” she says of her focus on analytical financial and data reporting—looking for underpayment trends. “Name a CPT code and I could name the reimbursement. But I was very crudely using Access databases and an internal tool we built to see what kind of problem we were having with contractual rates. It was huge in terms of lost revenue, so that became my primary focus.”

She and her assistant were successful for the four payers whose payments were big enough to make the manual process worth the effort. But even that process took a toll. “It was hard work and time-consuming,” she says. “I was taking work home with me on the weekends, and that was not how I wanted to spend my life.”

Her job consisted of a treasure hunt of sorts. “At this time we focused on four big payers, because we couldn't go after everyone doing it this crudely,” she says. “The issue was there was so much out there that we couldn't touch, mainly because we didn't know how because of bundling



edits and all these factors that go into valuing a claim. You can't just look at a line item.”

Coming up with a long-term alternative was paramount. Her experience in manually searching for contractual underpayments made Cotton the key evaluator of technological products that purported to be able to crunch the numbers for smaller contracts for which manually searching for underpayments was cost-prohibitive. In the evaluation process, she gave Medical Present Value, a provider of Web-based financial tools, and other candidates for the contract a sample of about 700 claims to run through their system—claims for which Cotton had already performed her own manual review.

“I crunched it the old-fashioned way and compared it to MPV's results,” she says. “Surprisingly, we were very close.”

Since implementing MPV's Web-based tools in 2004, Emory Healthcare has recovered approximately \$9 million in contractual underpayments through its use of the payer contract management application. The clinic uses the software to verify contractually allowed amounts for medical claims so that it can identify, appeal, and recover underpayments.

“All physician practices have this problem. You are being underpaid,” she says. “This isn't just because we're big. Because we're big there's so much of it.”

In the 2007 fiscal year, Emory's ROI for the service is more than 900 percent, Cotton says, “based on what we were able to recover.” Further, Cotton says the system allows Emory to negotiate with health plans using live claims data that no one has previously had at the negotiating table. Previously, Emory, like most other clinics, was at a disadvantage because they negotiated on the basis of fee schedules. “You really don't know what that means for claims because you can't filter it down,” she says, adding that with live claims data available so quickly, Emory has been able to renegotiate long-term contracts that after the first year were shown to be inadequate.

“With healthcare margins becoming thinner and thinner, there's no money to play with anymore,” she says. “When you provide a service and put forth the effort to negotiate agreements, you owe it to yourself to make sure you're being reimbursed according to your agreement.” —PHILIP BETBEZE