For those who work in the collections industry, where automation has been the buzzword for years, the idea that many healthcare operations manage their collections department without an automated collections system may be a shock. But since the situation appears to be changing. Hospitals across the country are under increasing financial pressure with escalating debt, an increase in uninsured and self-pay patients, and the high cost of medical equipment. According to the American Hospital Association, uncompensated care reached close to $25 billion in 2003, the most recent year for which such data is available. Over the past few years all these factors have combined to make managing accounts receivables a much higher priority for healthcare organizations as they struggle to capture additional revenue. 

“In the last four or five years, healthcare organizations have been looking for something to fill their need to manage open receivables and be more effective at that,” says Steve Scibetta, healthcare product manager for Ontario Systems in Muncie, Ind. Ontario introduced its Artiva Healthcare collections system five years ago.

Ken Smith, executive director for the National Association of Healthcare Collectors, a professional association of healthcare-owned credit and collections operations, agrees that many hospitals are beginning to realize how much new technologies can help them improve their collections. The growing squeeze felt throughout the industry has made it more important than ever to become as efficient as possible at collecting on past-due accounts. “Reimbursements are lower, and therein lies the pressure
to increase efficiencies,” says Smith. “This has driven many hospitals into the technology market for accounts receivables.”

The development of collections software specifically for healthcare operations is a relatively new area, and most hospitals are reluctant to talk about their experiences using the technology. Success in collecting from patients isn’t something they typically boast about. Ontario Systems, Columbia Ultimate, CR Software, and Wincollect have introduced medical collections products in the past several years that are beginning to gain a foothold in the market.

The companies’ products cater to the medical collections agency market as well as hospitals and healthcare providers that work their accounts in-house. All the collections systems are designed to interface with hospital patient accounting systems and automate the processes for working self-pay, third-party, and insurance accounts. In their own way, each product allows healthcare collections departments to upload data from their accounting system into the collections system to assemble work queues, set strategies, and collect on accounts without manual intervention.

Compliance with the Health Insurance Portability and Accountability Act, or HIPAA, regulations is a crucial aspect of the collections systems. The products all allow managers to determine which fields of information can be viewed or altered by which employees. Depending on the needs of the organization, additional features such as predictive dialers, interactive voice response technology, or transactional services such as data scrubbing and letter outsourcing, can be added.

The Cost Factor

It has been a tough proposition convincing the average hospital that purchasing a new automated accounts receivable system is a cost-effective way to collect on past-due accounts. All the vendors say that they base prices on individual circumstances, making it hard to pin down the cost of a typical system. Prices vary anywhere from $10,000 to upwards of $100,000, insiders say. The cost depends on the number of seats that are installed and how many other modules and features, such as telephony solutions and transactional services, will be included.

Tucker Green, product manager of Columbia Ultimate in Vancouver, Wash., says although some clients initially have concerns about the cost of installing an automated collections system, the cost is much lower than a typical patient-accounting system. “Once the application is installed, it really is able to bring a return on investment,” he says. “The pay-back is short-term, usually one-to-two years maximum.”

Most of the collections software providers’ clients are large hospitals or multi-site organizations with several locations served by one business office. Most smaller healthcare facilities can’t justify the cost of installing a new software system and dialer specifically for collections because their volume is not high enough, says Lester Poris, credit and collections manager for Children’s National Medical Center in Washington, D.C. “[A dialer] is just not suitable for the kind of collections we do,” he says. “Our collections isn’t volume-driven, so the return wouldn’t be worth it. For a big hospital system with a huge volume of work, it might be possible for them.”

Paul Chausse, a partner with Applied Management Systems, a healthcare-management consulting firm in Burlington, Mass., agrees that many hospitals are not using automated collections software systems in-house because it is too expensive. “Many hospitals have to cut back their budget in non-medical areas,” he says. “That’s why many of them do a lot of outsourcing.”
Success Stories

Still, some larger healthcare facilities are reaping the benefits of automating their collections department. Health Alliance, a group of six hospitals in Cincinnati, began using Ontario System's dialer a year ago. Doug Gardner, Health Alliance’s self-pay manager, says the system paid for itself in a relatively short time by helping collectors work more accounts and make more calls.

“I can’t imagine running a hospital system and managing the volume of accounts, without a dialer,” he says.

Before implementing Ontario’s dialer, Health Alliance’s collections department operated more as a follow-up operation, rather than one to actually collect money. “When we were in the manual environment, agents had individual work lists. They would call someone and leave their individual callback number. But then they would be on outbound calls, so no one was able to answer the call when it came back in,” Gardner says. “With a dialer, [outbound and inbound] agents can all work in one pool. We went from answering zero to 1,000 inbound calls in one week.”

Health Alliance a year ago brought in Gardner, who previously worked at Citibank, to implement new technologies to improve collections. Although he says it’s hard to quantify how much cash collections has improved since implementing the dialer, Gardner says the number of accounts collectors work in one week has risen by 600% since the technology was implemented.

Ontario Systems has a total of 350 hospitals using Artiva, the company’s collections software product specifically for healthcare collections. The number of clients is smaller because most have one billing center serving several hospitals. The company’s largest client is the Hospital Corporation of America, which owns and operates hospitals and healthcare facilities in the U.S. and Europe. Ontario currently is working with 10 HCA centers.

Scibatta, of Ontario Systems, says that more hospitals are open to the technology now, after struggling to manage accounts manually for years. A lot of hospitals make a paper process work, he says, but they don’t have all the tools they could have to manage accounts. “They are trying to work open receivables and performing heroics, going above and beyond what they need to just make it work,” he adds.

Addressing one of the challenges specific to medical collections, the product makes it easy for collectors to work third-party accounts and deal with insurance providers through its “Look Ahead” feature. When a collector gets an insurance provider on the phone, it’s important to get information on as many accounts as possible, so the software can pull up all the accounts from a specific insurance provider on one screen. “With Artiva, we allow our client to say I’ve got all my information here, can I go through eight accounts with you?” This has a significant impact on cash and receivables,” Scibatta says.

Columbia Ultimate also designed an automated collections software product specifically for healthcare accounts receivables, called ManageMed. The system is now being used by 15 healthcare organizations and agencies. In the past year alone five healthcare organizations signed on to use the product. Florida Hospital, a group of seven hospitals and 14 medical facilities, is one of the company’s largest healthcare clients.

One important benefit for hospitals used to operating in a manual environment is ManageMed’s ability to keep track of every account in the system, so nothing is lost. “Most hospitals are coming from operating with paper, which can easily be lost,” Green says. “And even some software is not sophisticated enough to keep track of it all. [ManageMed] has logarithms that keep track of each account.”

Management Controls

In addition to tracking all accounts in the system, the application automatically presents accounts to collectors according to the work schedule a manager sets up. Managers can also track accounts and move them around depending on what accounts they want to be worked on a given day.

Singing River Hospital, a 515-bed healthcare facility in Pascagoula, Miss., implemented ManageMed when it realized its patient accounting system was not keeping up with the volume of work as the hospital grew. Now, with ManageMed integrated into their system, they have been able to increase staff productivity and speed up collections, reports Wayne Smith, director of financial services for the hospital.

CR Software, Fairfax, Va., broke into the medical collections market several years ago with a medical module for its CRS Platinum software product. Vilis Ozols, director of sales and marketing for CR Software, says he has noticed a growing interest in medical collections technology as more hospitals see how the technology can improve their performance. Declining to give specific numbers, he says CR Software has a good mix of clients in
the agency market as well as among hospital and billing centers.

Imaging capability is an important feature of CR Software’s medical collections product, Ozols says. The medical industry deals with reams of data that must be entered into their systems. The ability to obtain an electronic image can cut down the paperwork significantly and speed up collections.

Wincollect is the most recent entry into the medical collections market. The Dallas-based collections software provider began offering a customizable automated collections product for healthcare operations just last year. Although Wincollect Enterprise Suite currently is used only by collections agencies working accounts for healthcare organizations, hospitals could use it in-house, says David Kenavin, Wincollect’s chief executive officer.

**Converting Forms**

One feature clients find very effective, Kenavin says, is that the system converts standard medical forms, such as the UB92 for a hospital claim or the CMS1500 for a health insurance claim, into a graphical user interface form. That way, the form the collector sees on the computer screen looks exactly the way it does on paper, making it much easier to make changes or updates electronically.

Knowing many healthcare organizations face serious budgetary concerns, Kenavin says, Wincollect’s goal in entering the medical collections market was to provide a more affordable system. Although he declines to cite specific prices, he says the firm works with each client to determine pricing. “I see no obstacles to breaking into the hospital market,” he says. “It’s really just a matter of getting in and educating them about what the system will do for them.”

Providers agree that the market for medical collections software is growing. Still, most don’t expect more software vendors to move into the market because it requires an in-depth knowledge of the medical industry. “It’s becoming more and more specialized,” says CR Software’s Ozols. “And the better you are at it, the more likely you are to grow.”