

# *Beyond Paper and Postage*

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Health Alliance

# Agenda

- Intro to Health Alliance
- How EIPP fits our strategy
- Who it affects internally, externally
- Where to start the project for highest ROI
- How EIPP improves the customer experience
- Operational improvement
- ROI specifics/Tips

# About Health Alliance

- A leading provider-sponsored health plan in the Midwest
- \$550 Million Annual Revenue
- 245,000 Covered Lives
- Product offerings serve rural markets, primarily in downstate Illinois and central Iowa
  - Group Health Insurance (insured basis or TPA)
  - Custom Choice Individual product
  - Offering M+C HMO and Classic Choice (Med Supp) to Medicare beneficiaries

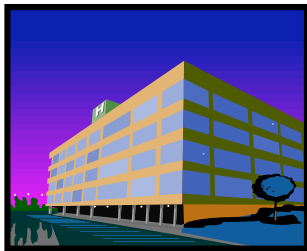


# Health Alliance Web Initiative (HAWI)

## *Extranet/Portal Strategy*

- Premise: *“It’s the Transactions!”*
  - Connect front office to back office
    - Focus on business processes and workflows
    - Integration of related applications
    - Move business processes online (collaboration)
  - The Web itself isn’t a differentiator, what you can *DO* via the Web is
  - Differentiation is short-term; in longer-term, collaborative capability is a requirement

# Tandem Workflow : Moving the Invoice Online

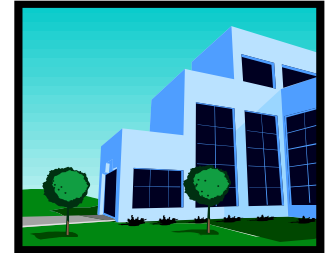


Health Alliance

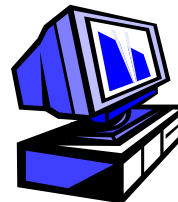
Invoice



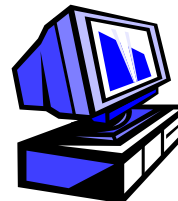
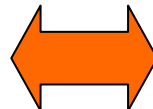
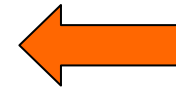
Paper-Centric



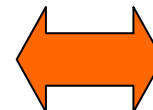
Employer



Online; No Dispute Capability



Online; Dispute Capability; Collaborative



# Several Interested Parties

## Intranet

- Accounts Receivable
- Customer Service
- Membership

## Extranet

- Employers
  - Brokers
  - Members
- Electronic version required
    - Role-Based Access (HIPAA, PHI)
    - Routing & Approval (Internal & External)
    - “Dash-Boarding”/Integration/Composite Applications

# Maximizing ROI

- Web-Enable Legacy Systems for Collaboration
  - Connect online systems with back-end processes
  - Address customer needs for self-service
  - Turn “viewing” into “doing”
  - Create a common workspace
  - Improve experience of existing customers

## “B2B is Key”

- Initial Web focus: Content for Members
- Targeted move to B2B Audience: Employers and Brokers
  - High-value transactions (Enrollment-to-Cash)
  - Goal: Complete the transaction online w/no or minimal back-office intervention
  - Single point of reconciliation for multiple services
  - Move to an “E-Package”, including EIPP, Enrollment, EOBs, Materials, Forms

# Administrative Efficiency

- Transparency of Networks
- Parity of Discounts
- Administration a commodity
  - Efficient, price-competitive services will be necessary for survival
  - Customer service expectations heightened
    - Technology should provide better service
    - Technology should lower costs

# Analysis

## *Consider the pain points*

- What are the customer dissatisfiers?
  - Lack of ease in understanding the invoice
  - Not real-time
  - Requires pay as billed
  - Need for invoice to go to several individuals
- What consumes the greatest portion of staff time?
  - Multiple handoffs
  - Reconciliation of payment discrepancies
  - Handling calls and questions
  - Researching “old” issues

# Improving the customer experience

## *Employer Groups*

- Presentment of the bill should be intuitive
  - Current billing separate from retro and manual adjusts
  - Drill down from subscriber to member – complete active roster
  - Open invoice with group balance vs. balance forward
- Reduced lead time
  - Eliminates printing, routing, mailing timeframes both directions resulting in fewer disputes
- Real-time dispute management
  - Adding and terming to bill online WITH change in invoice amount

# Improving the Customer Experience

## *Employer Groups*

- Make payment easy
  - Multiple methods with ability to schedule pay date
  - Payment amount defaults to adjusted total
  - Recurring payment options
  - Multiple routings – reviewer, approver, payer
- Consider “pre-billing” notification
  - Have new employees and terms since last month been processed? Five days to ensure accurate billing
- Reminder notifications
- Historical data whenever they elect access

# Improving the “Internal” Users Experience

- Contain as much of the process as possible within the technology of the application and reduce time delays due to hand-offs
- Function as the group until adoption
  - Direct mailed payments to lockbox
  - Reconcile billed to paid based on documents with payment
  - Term deleted members
  - Add new subscribers
  - Post cash feature allows internal staff to apply cash

# Improving the “Internal” Users Experience

- Replace labor intensive manual reports
  - Payments scheduled
  - Payments posted
  - Outstanding AR
  - Accurate aging reports
- Follow-up queues
  - Paperwork for adds
  - Payments
  - Adjustments
  - Group notes on payments, adds, deletes

# Operational Impact

- Fewer calls
  - User friendly bill means fewer questions. Questions that do come can be answered easier with CSR walking through the same view.
  - Automation of terms means no hand offs, faster term, fewer eligibility questions
  - Follow-up queue for adds means faster receipt of paperwork, fewer eligibility questions
- Fewer termed member collection
  - Terms are done by the group closer to the actual date of termination

# Intangibles

- Fewer special requests
  - Information download ability allows groups to manage data
- Broker access
  - With group permission, broker is able to manage the data
  - Becomes a plus over other payers
- Potential reduction in number of invoices
  - Many employer needs for multiple bills to multiple sights are eliminated with on-line access and download ability
- Increased provider satisfaction
  - Greater accuracy and timeliness in eligibility = correct payments
- Will this change utilization of HR TPA?

# EIPP Savings

<u>Reconciliation/Dispute</u>	<u>Annual Savings</u>
RCM Manual Resolution Savings <sup>1</sup>	\$ 268,125.00
Impact on membership <sup>2</sup>	\$ 41,500.00
0.5 Termed member collection issues	\$ 13,802.62
Reduction in AE time <sup>3</sup>	\$ 25,000.00
Reduction in CS calls <sup>3</sup>	\$ 27,605.24
	\$ 376,032.85
<b><u>Cost / paper presentment</u></b>	
Paper stock	\$ 3,150.00
Envelopes	\$ 4,842.30
Prepaid return envelopes	\$ 20,500.00
Staff sorting	\$ 1,938.46
Quicksilver	\$ 24,550.00
	\$ 54,980.76
<b><u>Manual check processing cost</u></b>	
Open/sort	\$ 7,000.00
Process	\$ 21,000.00
Post	\$ 14,000.00
CM Adjustments/tracking	\$ 10,000.00
Batch audit	\$ 5,000.00
	\$ 57,000.00
<b><u>Reporting - Commission</u></b>	\$ 45,000.00
<b><u>Reduction in Termed Member Collections<sup>4</sup></u></b>	\$ 300,000.00
<b><u>Simplification Factor<sup>5</sup></u></b>	1.25
<b><u>Employee costs</u></b>	
Srs	\$ 39,600.00
Collections agent / AR	\$ 27,605.24
Other support	\$ 27,605.24



# EIPP Savings

	<u>COST</u>		<u>Annual Cost Savings</u>		
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Reconciliation/Dispute	\$376,032.85		\$188,016.43	\$391,074.17	\$406,717.14
Cost / paper presentment	\$ 54,980.76		\$ 13,745.19	\$ 27,490.38	\$ 27,490.38
Savings EIP	50%				
Manual check processing cost	\$ 57,000.00		\$ 14,250.00	\$ 29,640.00	\$ 30,825.60
Commission	\$ 45,000.00				
Calculation and reporting - 85%				\$ 38,250.00	\$ 38,250.00
- doesn't require EIPP enrolled					
Reduction in Termed Member Collections	\$300,000.00		\$180,000.00	\$180,000.00	\$180,000.00
1 day AR (Average % over past 12 months) <sup>1</sup>	\$616,438.36	5	\$ 30,821.92	\$ 61,643.84	\$ 61,643.84
2.00%					
			\$426,833.54	\$728,098.39	\$744,926.95

<sup>1</sup>When the ROI was originally put together, interest rates were around 3.50%. We have taken an average over the past year.



# EIPP Savings

	Annual Cost Savings				
	Year 1	Year 2	Year 3		
<b>Summary of Benefits (Pre-tax)</b>					
Reconciliation/Dispute	\$ 188,016	\$391,074	\$406,717		
Cost / paper presentment	\$ 13,745	\$ 27,490	\$ 27,490		
Payment processing costs	\$ 14,250	\$ 29,640	\$ 30,826		
Bad Debt (TMC Prevention)	\$ 180,000	\$180,000	\$180,000		
Commission	\$ -	\$ 38,250	\$ 38,250		
DSO Reduction	\$ 30,822	\$ 61,644	\$ 61,644		
<b>Total</b>	<b>\$ 426,834</b>	<b>\$728,098</b>	<b>\$744,927</b>		
<b>Benefits net of Costs</b>					
Operating cost improvements:	\$ 426,834	\$728,098	\$744,927		
Software license (all modules without reprint)	\$(417,000)	\$ -	\$ -		
Implementation	\$(559,040)	\$ -	\$ -		
Maintenance	\$ (83,400)	\$ (83,400)	\$ (83,400)		
EBIT	\$(632,606)	\$644,698	\$661,527		
EBIAT	40% \$(379,564)	\$386,819	\$396,916		
<b>Cash Flow</b>					
		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
	Cash Flow	\$(379,564)	\$386,819	\$396,916	\$404,171
		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	
	Pre-tax Benefits	\$ 426,834	\$728,098	\$744,927	



## Results/Tips

- Process Savings – the lion’s share of ROI
  - Over 90% of the savings is process-based, not paper
  - Termed member savings better than projected
  - FTE reductions ahead of schedule
- Are your customers ready? Ask them!
  - Conduct a customer readiness survey
  - Pick representative sample of “high impact” customers
    - Some from each segment (large groups, small groups, TPA, etc.)
    - Understand who your most profitable customer segments are
    - Select internal group