Healthcare Cash Reconciliation Best Practices
Industry execs share actionable ideas

In this era of new technology, regulatory change and industry consolidation, healthcare providers face an array of cash reconciliation challenges. Last fall, financial executives from 17 Mid-Atlantic hospitals and health systems gathered in Baltimore for a Healthcare Cash Reconciliation Summit to discuss the many challenges and share best practices. Revenue cycle directors, chief financial officers, treasurers and patient financial services directors from these organizations joined Bank of America Merrill Lynch Healthcare Banking specialists for an enlightening conversation. Here are some highlights.

Challenges in today’s environment

The task of cash reconciliation begins with the daily process of sifting through funds received from various sources and determining which represent “patient cash” — payments related to patient services rendered — and which don’t, such as payments for meeting quality metrics or participating in medical studies, or even real estate rent payments. A provider must then reconcile patient cash received to the detail residing in the patient accounting system. It’s no small feat, and many factors today are making it even more difficult.

One of the most significant of these has been the new patient accounting systems introduced to accommodate the shift to electronic medical records. For many healthcare providers, much of the pain associated with cash reconciliation results from their conversion to a new patient accounting system — and in many cases, the fact that they’re maintaining multiple such systems following mergers.

“Probably half of our clients over the last five or six years have switched the vendor they use for their patient accounting system,” says Curtis Crispin, senior treasury product sales specialist, Bank of America Merrill Lynch. “And even if they didn’t switch vendors, in many cases they’ve upgraded to a new product.”

Other factors making cash reconciliation more difficult in today’s environment include insurer consolidation, which affects data feeds critical to reconciliation; healthcare regulations, which divert resources away from the automation of cash posting and reconciliation; a changing payment mix — more card and cash payments, for example — resulting from an increase in patient payment responsibility; more frequent changes in provider management teams, which can disrupt technology initiatives and priorities; a growing number of clinic and other ancillary locations, which adds complexity for many providers; and a general resistance among staff to new practices that would simplify cash reconciliation, such as promoting more upfront collection of patient payments.

Key takeaways

- Hospitals and health systems face persistent cash reconciliation challenges
- Finance executives cite regulatory, technological and organizational changes as key factors
- Targeted collection and payment strategies can yield efficiency and advance healthcare objectives

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Suggested strategies

The following are best practices and strategies to consider when addressing these challenges, as suggested by Summit participants.

**Adopt a formal change management discipline**

Whether it’s new management or a new patient accounting system—or new ways of interacting with patients—change is a major factor impacting the financial operations of any healthcare provider today. The key to success is managing that change well.

“Providers need to instill a change management discipline into their financial organizations,” says Chuck Colliton, senior treasury sales manager, Bank of America Merrill Lynch. “That can require consulting support, from either internal or external sources.”

**Break down corporate silos**

Improving cash reconciliation comes easier when providers break down organizational silos that complicate the gathering of payment data. Often hindering the process are “walls” between hospital and physician billing units, between information technology and business people in finance and accounting, and between hospitals within a system.

Hospital systems have good reasons for maintaining a divide between the processing of hospital transactions and physician transactions, which differ in their complexity. But there is a way to bridge that gap — by consolidating into a centralized business office (CBO) or shared service operation that spans both sides of the business. “Even if you don’t want to take that step, you can make an effort to ensure the way cash is being collected, posted and reconciled by both sides is consistent — so that cash reconciliation is cash reconciliation across the organization,” Colliton advises.

Other best practices include establishing formal integration (business and information technology) teams with standard policies and procedures, and providing an appropriate level of resources to both the regulatory team and the operations team for dealing with regulatory changes. “There needs to be a partnership,” Colliton says. “You don’t want there to be a competition for available resources.”

**Rationalize bank and processor relationships**

Minimizing the number of bank accounts and lockboxes utilized is generally a good cash management strategy, but providers may also want to optimize their account structures by employing sub accounts. For this purpose, some banks offer less expensive collections-only depository accounts without disbursement capabilities. A provider might want to employ one of these sub accounts for each of its healthcare facilities to help in automating the cash reconciliation process.

With the growing volume of credit card payments from patients, it’s also wise to look at consolidating merchant processing relationships. Every merchant processor has different capabilities when it comes to delivering data into a provider’s reconciliation process. The more you consolidate your business with the most capable processors, the better off you likely will be from a reconciliation standpoint.

**Go cashless**

Some healthcare providers are seeking operational efficiency gains by going cashless. “It’s an increasingly popular topic of discussion,” says Kristen Space, senior relationship manager, Bank of America Merrill Lynch. “Some clients are no longer accepting cash for patient payments in physician offices, and some hospitals are getting rid of cash in their cafeterias, for instance.”

Typically providers don’t take in enough cash to make it cost effective to employ some of the strategies retailers use, such as installing “smart safes” that report cash deposits to the bank electronically and eliminate trips to physically transport cash to local branches. As a result, the default strategy for healthcare providers wishing to go cashless is to implement “we don’t accept cash” policies.

A client participant at the Summit reported saving $100,000 in courier fees annually by minimizing cash, noting that 95% of its transactions are now electronic. Another participant pointed to the security benefit of going cashless, having experienced an employee fraudulently pocketing cash.

One hurdle to implementing a cashless policy. The strategy can conflict with the goals of some non-profit mission-driven hospitals serving low-income patients, who are more likely to want to pay with cash.

**Promote advance and point-of-service collections — and the required culture change**

With the growing volume of patient payments, it’s becoming all the more important that providers institute practices designed to collect as many dollars as early in the healthcare revenue cycle as possible. Emerging as new norms are collecting co-payments in advance of appointments and the remaining deductibles at the point of service. (See the accompanying story on the role of Health Level 7 integration in collecting patient payments sooner.)

Implementing such practices can sometimes feel like swimming against the tide, due to the culture change it requires. To be successful, providers need to place an emphasis on training front desk staff in order to overcome the common reluctance to asking for payment. “You need to explain to staff that you’re not doing this to be disruptive to the patient,” Colliton says. “This is simply the direction the industry is going.”
Automate patient refunds

One of the consequences of collecting payments in advance of service, or at the point of service, is that it can sometimes result in patients overpaying. This might occur, for instance, if the patient, unbeknownst to the provider’s staff, has already reached his or her deductible.

Traditionally, providers have issued patient refunds by check. Unfortunately, check disbursements add cost and, by injecting a manual element into the process, exacerbate reconciliation challenges. Checks also are not particularly patient friendly, often requiring recipients to make a trip to the bank. That’s why an emerging best practice is moving patient refunds to an electronic alternative. One option is a prepaid card, which doesn’t even require that a patient have a bank account. Another is an alias-based payment method such as Bank of America Merrill Lynch’s Digital Disbursements, where all a provider needs to initiate payment is the patient’s email address or mobile phone number.

Present frictionless online patient payment options

Despite the trend toward collecting patient payments earlier, providers still need to provide patients with convenient options for paying after the visit. “You want to have a good process for billing the patient after the fact, and a process for allowing them to pay online that’s as frictionless as possible,” Crispin says.

Many of the new patient accounting systems have the ability to process patient credit card payments. They offer clinical portals that patients can use without having to register or create an account. However, additionally, there are bank payment portal offerings that patients can use without having to register or create an account. Bank of America Merrill Lynch’s Healthcare Revenue Manager patient payment portal, for example, can be integrated with a provider’s secure website. Patients can go to that website, view statements and securely pay their bills using a credit or debit card, anACH payment or an electronic check. Healthcare Revenue Manager also enables patients to pay by phone through an interactive voice response (IVR) system.

To promote more efficient cash reconciliation, it’s important to ensure the payment information from those front-end transactions can be sent directly to the patient accounting system, enterprise resource planning (ERP) or other financial systems on the back end.

Offer different payment options for large and small payers

Similarly, it’s also a best practice for providers to offer insurers appropriate options for making payments. Ideally, a provider would like to receive as many payments as possible from insurers electronically with the remittance data in the industry standard 835 format. Data formatted in this fashion can be used to automatically update the patient accounting system. But not all payers, particularly smaller ones, have that capability. As a result, providers may want to consider a solution like Bank of America Merrill Lynch’s Health Logic, which allows payers to send checks with paper remittance advices to a lockbox. The bank deposits the checks and sends electronic images of their remittance advices to the Health Logic solution, which extracts and formats the data into the 835 standard, and combines it with other such payments into a single file the provider receives daily—one that can post automatically to the patient accounting system.

To learn more about these and other strategies for improving healthcare cash reconciliation, contact your relationship manager or treasury solutions officer.

Best Practices in Healthcare Cash Reconciliation

HL7 Integration Creates Opportunity to Speed Patient Collections

• A standard electronic messaging file format widely employed in most of the newer patient accounting systems is paving the way for healthcare providers to collect patient payments earlier in the revenue cycle.
• The Health Level-7 (HL7) standard format is commonly used to send patient demographic information from one system to another. For example, HL7 records are used extensively to share information related to patient appointment and resource scheduling.
• “With HL7 messaging, you can create an automated workflow,” explains Jeff Pauly, senior treasury product sales specialist at Bank of America Merrill Lynch. “When the patient schedules an appointment, that can trigger an updating of the scheduling system on the back end for the doctors and nurses, and can also automatically update the provider’s online payment system.”
• The HL7 records contain insurance information such as patients’ co-pay, deductible and co-insurance reimbursement amounts. So when providers send patients an email or text confirming their appointments, they can include a link that the patient can click to make a co-payment. “The patient can pay online as a matter of convenience,” Pauly says. “And when they show up for their appointment, their patient record has been updated in real time, so the provider can also have front-desk staff ask for their remaining deductible.”
• Bank of America Merrill Lynch can position healthcare providers to leverage HL7 integration for faster patient collections through its Healthcare Revenue Manager solution. “HL7 messaging presents such a great opportunity,” Pauly says. “It’s a well understood and widely utilized messaging format, but very few providers today are using it to create additional collection touchpoints.”