



Case Study 2

Profile:

Our California hospital client has over 450 beds and has been named as one of the top 100 hospitals for cardiovascular services by HCIA-Sachs; one of only six hospitals in California to earn this distinction. This hospital's emergency room, which serves more than 60,000 visitors per year, is one of the busiest in the state.

Challenges:

- The hospital has experienced tremendous growth in both service complexity and patient volume.
- In addition to an expected 100 acute bed increase by 2010, the hospital must meet or exceed California's earthquake standards by 2030.
- Due to rapid expansion, our client did not have the resources necessary to adequately identify and pursue managed care underpayments.
- In turn, this situation perpetuated errors within the client's automated pricing system and reduced the client's effectiveness in contract negotiations.

Specific Problems:

- The hospital's contract management system was incorrectly prorating stop losses that contained implant charges.
- In mid-2005, an error in our client's automated pricing system caused neonatal intensive care to be priced at the acute level of care for payor Y's contract.

Solutions:

To meet these challenges, STAT implemented our comprehensive post-payment review service, which includes:

- Retroactive account audits
- Payment appeals
- Payment follow-ups
- Denial analysis
- STAT recognized that stop loss accounts were improperly reimbursed with implants being removed from stop loss calculations. This issue totaled over \$470,000 in underpayments.
- STAT identified the problem with the automated pricing system and by working with our client resolved this issue. In solving this issue alone, we were able to retroactively identify over \$125,000 in underpayments. Additionally, STAT facilitated the correction of the hospital's pricing software to reflect correct contractual amounts, preventing the perpetuation of this error.

Outcome:

Through these services, STAT has identified over \$6.3 million in underpayments since January 2003.

With these continuous improvements, we have seen a steady decline in underpayments identified as a percentage of billed charges since the 2003 fiscal year reflecting efficiency gains of the business office.

| Fiscal Year | Percent of Managed Care Underpayments to Billed Charges |
|-------------|---|
| 2003 | 0.98% |
| 2004 | 0.92% |
| 2005 | 0.86% |

Moreover, by cataloging claims appeals that are denied, we have been able to provide advice on how to prevent similar types of denials in the future. This has resulted in an increase of our client's productivity by decreasing their staff's time pursuing such claims.