



Case Study 3

Profile:

A prominent children's hospital client has over 250 beds with Magnet Nursing Certification. They are a full trauma facility with cardiac and clinical specialty. This hospital is located outside a large metropolitan area and is surrounded by a farming community.

Challenges:

- After building a brand new facility this hospital needed to generate additional revenue quickly. Given their diverse population of urban and migrant workers the revenue is generated primarily from Medicaid, the challenge is to maximize the commercial revenue.

Specific Problems:

- In mid-2005, an error in our client's automated pricing system resulted in stop loss minimum reimbursement claims being priced at per diems or case rates even when the stop loss minimum exceeded this amount.
- One of our client's contracted insurance companies was incorrectly applying a Billed Charge Maximum.

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 identified this automated pricing system problem and by working with our client to solve this problem, we were able to retroactively identify over \$450,000 in underpayments. STAT facilitated the correction of the hospital's pricing software to reflect contractual amounts, preventing the perpetuation of this error.
- STAT recognized that the Billed Charge Maximum clause was being applied incorrectly, and worked with the client to obtain the correct reimbursement on these claims. This issue totaled around \$100,000 in underpayments.

Outcome:

Through these services, STAT has identified over \$5.5 million in underpayments since January 2001.

This does not include settling a multi-million dollar legal issue with one of the hospital's largest payors. STAT identified this payor's reimbursement error and brought in a prominent law firm to successfully persuade the payor to adjudicate over a million dollars in additional contracted revenue to the hospital.

Furthermore, this children's hospital has recently been able to expand its Trauma services, air-life transport system and NICU ward. By providing a financial safety net for this hospital's managed care revenue, STAT is able to positively impact this California community.

Fiscal Year	Percent of Managed Care Underpayments to Billed Charges
2004	0.56%
2005	0.49%
2006	0.41%