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Medical Banking: The Healthcare Payments Automation Opportunity

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Agenda

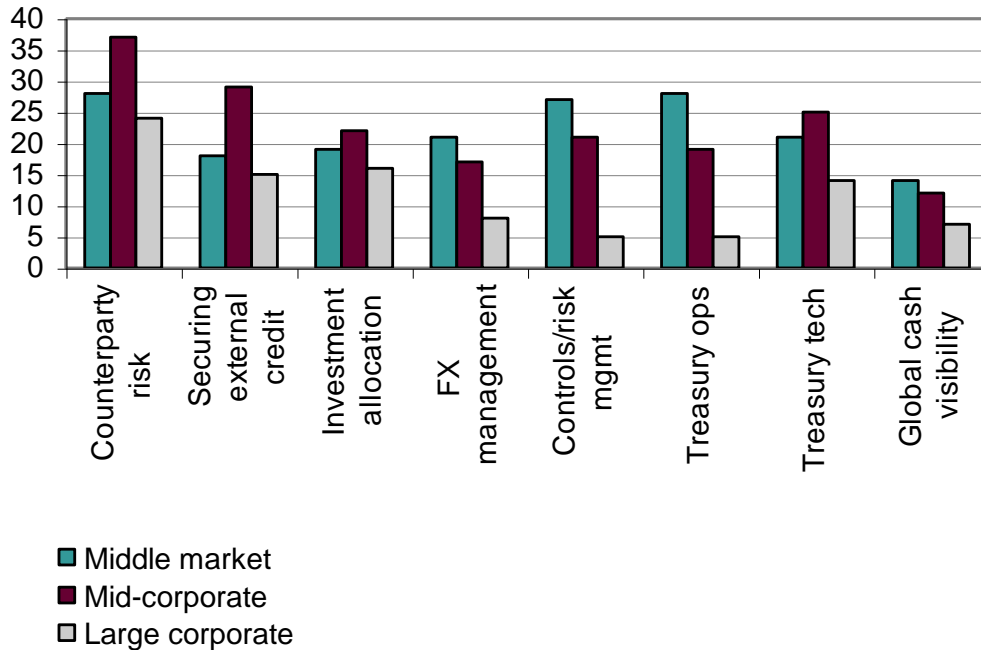
- Market Dynamics
- Automating Healthcare Remittance Processing
- Pulling it all together

Turmoil in the Client Base

FIGURE 1

Key Issues - Percent of Respondents by Company Size

Q. Rank each of the 7 issues below according to their priority to your company. Includes respondents ranking issue as 1st or 2nd priority



N=230

Source: Financial Insights Treasury Strategies Key Trends Survey, 2009



The book of business in commercial banking is at risk. Risk mitigation has trumped financial consolidation, resulting in steep run-off for some institutions. At the same time, clients have greater financial needs than ever.

Enter Medical Banking...

- Bank transaction volumes are down and clients are no longer loyal
- Commercial clients are shopping their business and looking for providers that are safe and can provide the right product set
- But, banks have stalled investment in product innovation, so are not well-positioned to respond to the current upheaval in the market
- Banks that can extend current offerings to meet client needs will be well-positioned



The Medical Industry Today

- Healthcare is the largest industry in the US, generating over \$2T per year (Bearingpoint)
 - \$2B in claims value
 - 4B in claims transactions
- The medical industry is facing it's own industrial revolution, and automated processing is one important component of this revolution
- April 2009 HFMA study – 54% of hospitals were operating in the red
- ARRA provides for funding of healthcare IT projects to promote more effective communications between participants
- Payers and providers have an adversarial relationship: it plays out in payment processing
 - Complexity and lack of transparency hinder provider cash flows (slower and lower), increase administrative costs

The Medical Industry Tomorrow

- Providers cannot plan adequately since future is so uncertain – healthcare legislation, economic uncertainty, impact of electronic health records
- But we can expect
 - Administrative costs will be lower
 - Payments will be associated with healthcare, not medical procedures
 - Government's role will increase
- Complexity will increase as the industry transitions from current to future state

The “Explanation” of Benefits

- Unstructured data
- Thousands of billing codes
- Varying payment policies by payer, contract, scenario
- Providers can clean up their claims process, but otherwise have little control over the process

Building a Bridge between Paper and Electronic Processing

- Although HIPAA requires electronic 835 transactions, not all payers can comply
 - Only 40% of remittance advises submitted to providers are electronic
- And unfortunately, there is often something lost in the translation as codes and descriptions that are clear on paper are standardized and converted to EDI
 - HIPAA offers guidelines, not requirements for 835 creation
 - Paper is often still generated by the payers, and submitted to providers for claims denials with additional, non-coded explanations
- Banks have a track record of success in transitioning from paper to electronic and can act as skilled intermediaries for their clients

Medical Banking and Lockbox

- A natural extension of healthcare lockbox

- Convert EOBs to 835 or other formats
- Create posting file
- Archive paper EOB images
- Provide dashboard for adjudication, research, correspondence

- Deliver value to medical clients

- Increase efficiency to adjust to lower staffing levels
- Reduce DSO
- Reduce error rates
- Speed problem resolution

Explanation of Benefits

CHANGE PAYOR
 MEDICARE
 P.O. BOX 2065
 CHARLOTTE, NC 28203-0065
 HIC 00009-1942

PROVIDER #: 245454545
 DATE: 02/03/2008
 CHECK/EFT #: #01020101002
 AMOUNT: \$1,087.36
 CLAIM ID: 20505

PRV	PROV	SERV DATE	POS	NOS	PROC	MODS	BILLED	ALLOWED	DEDUCT	COINS	GRP/RC	AMT	PROV PD
					HIC 387438477A	ACCT 27							
245454545		01/08/08			1 75552		800.00	640.00	0.00	128.00	CO45	160.00	512.00
245454545		01/07/08			1 83718		41.00	32.80	0.00	6.56	CO45	8.20	26.24
PT RESP		155.68			CLAIM TOTALS		973.00	778.40	0.00	155.68		194.60	622.72
NAME SMITH, TOMMY HIC 987658963A ACCT 3													
245454545		01/08/08			1 71550		650.00	520.00	0.00	104.00	CO45	130.00	416.00
245454545		01/08/08			1 83721		38.00	30.40	0.00	6.08	CO45	7.60	24.32
245454545		01/08/08			1 82565		38.00	30.40	0.00	6.08	CO45	7.60	24.32
PT RESP		116.16			CLAIM TOTALS		726.00	580.80	0.00	116.16		145.20	464.64
CLAIM INFORMATION FORWARDED TO: AARP (12345)													
TOTAL CLAIMS	TOTAL CHARGES	TOTAL BILLED	TOTAL ALLOWED	TOTAL DEDUCT	TOTAL COINS	TOTAL RC-AMT	TOTAL PRV ADJ	TOTAL PROV PD					
2	6	\$1,699.00	\$1,359.20	\$0.00	\$271.84	\$339.80	\$0.00	\$1,087.36					

REASON CODES:

MA01: (Initial Part B determination, Medicare carrier or intermediary) If you do not agree with what we approved for these services, you may appeal our decision. To make sure that we are fair to you, we require another individual that did not process your initial claim to conduct the review. However, in order to be eligible for a review, you must write to us within 3 months of the date of this notice, unless you have a good reason for being late.

MA18: The claim information is also being forwarded to the patient's supplemental insurer. Send any questions regarding supplemental benefits to them.

CO45: Charges exceed your contracted/ legislated fee arrangement.

The Revenue Opportunity

TABLE 3

Approaches Planned to Optimize Treasury Operations

	Improve internal processes	Implement technology	Adopt bank products	Select technology	Align with shared svc ctrs	Optimize technology	Adopt non-bank products
Middle market	49	19	24	11	11	5	6
Mid-Corporate	56	35	28	24	20	21	13
Large Corporate	40	30	26	8	16	22	16
Total	136	75	70	44	42	41	29

Note: multiple responses allowed

N=194

Source: Financial Insights Treasury Strategies Key Trends Survey, 2009



Clients are shopping for new providers, unrelated to the need for medical banking. But there is a window of opportunity that will slam shut.