The Importance of Accurate Contract Management for Collecting Underpayments

Provider Profile

Lake Charles Memorial Health System

- Location: Lake Charles, LA
- Hospitals: 3
- Beds: 365
- Employees: 2500
- Founded: 1952
- HIS System: Paragon/McKesson

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John Allen
Managed Care Coordinator
Lake Charles Memorial Hospital

PMMC Solutions Used

» CONTRACT PRO
» ESTIMATOR PRO

The Challenge

In 2010, Lake Charles Memorial Hospital, part of the Lake Charles Memorial Healthcare System, was struggling to manage the criteria and details of their commercial payer contracts within their contract management system.

“It came down to accuracy for us,” explains Pansy Gabbard, Director of Revenue Management. “We just weren’t getting down into the level of detail that we needed given the complexity of our commercial payer contracts.”

One of the unique factors at play is their geographic location. Because they are located in the state of Louisiana, they have a unique bundling methodology that does not follow the National Correct Coding Initiative (NCCI) edits. According to CMS, the National Correct Coding Initiative (NCCI) was developed to promote national correct coding methodologies and to control improper coding leading to inappropriate payment in Part B claims.

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Lake Charles Memorial also needed a contract management system with the flexibility to build out unique insurance plans. For example, a specific group of patients are often referred to Lake Charles Memorial from local government entities who qualify for special Medicare rates. Because their rates are defined based on a pre-negotiated contract, the contract management system needed to be used as a ‘re-pricing’ tool for this group.

The Solution

Pansy Gabbard, Director of Revenue Management, has a staff that manages the underpayment process from third party payers within PMMC CONTRACT PRO.

Ms. Gabbard works directly with several supervisors, one of which is on the commercial payer side and is fully dedicated to tracking a ‘work list’ of underpayments on a daily basis within the contract management system.

Lake Charles Memorial also uses the contract management system to monitor denials that are then followed up on by internal staff. Denial monitoring has become a higher priority for hospitals today, as it presents another opportunity for collecting on lost reimbursements. Often times, denials follow trends and variance patterns, which are identified and pinpointed within PMMC CONTRACT PRO to allow staff to better manage the appeal process with the specific payer.
The Results

Through the use of the contract management system in 2014, Lake Charles collected over $880,000 in combined underpayments and denials.

In the month of January 2015 alone, Lake Charles Memorial identified one commercial payer that underpaid their reimbursements by $470,000, according to the contract. This allowed the collections team to recoup those otherwise lost dollars.

Even as Lake Charles Memorial collects on underpaid accounts, the frequency and dollar amount are somewhat unpredictable. “We don’t always know what we’re going to find, but when we do, recovering underpayments are an added boost to the bottom line,” explains Ms. Gabbard.

In addition, the solution has been quick to respond to industry updates. For example:

- **Federal sequestration** – As of April 1, 2013, Medicare provider payments were cut across the board by 2 percent under the Budget Control Act of 2011. These adjustments were built into PMMC CONTRACT PRO within the year. The Congressional Budget Office (CBO) estimates that Medicare budgetary reductions will total $123 billion from 2013 to 2021.
- **ICD-10 coding changes** – As of October 1, 2015, CMS will require the transition to ICD-10 coding procedures. According to CMS, ICD-10 will affect diagnosis and inpatient procedure coding for everyone covered by the Health Insurance Portability and Accountability Act (HIPAA), not just those who submit Medicare or Medicaid claims. The change to ICD-10 does not affect CPT coding for outpatient procedures.

As healthcare providers prepare, PMMC CONTRACT PRO is prepared to handle these critical changes.

“PMMC will provide the ability to import ICD-10 codes and descriptions into the software master tables and identify those codes as ICD-10,” said Stephen Summers, AVP Contract Management at PMMC. “Modifications have also been made to accommodate contracts that rely on Diagnosis and/or Procedure codes for reimbursements.”

About Lake Charles Memorial Health System

Lake Charles Memorial Health System is the market leader and the largest, community-owned not-for-profit health care provider in southwest Louisiana with 3 hospitals, a health care clinic, physician residency program and its own employed physician group approaching 90 physicians. With over 2,500 employees and 300 staff physicians and specialists, the hospital continues to be a pillar of the Lake Charles, as the largest healthcare system and one of the largest employers in Lake Charles. The service area includes five parishes – Allen, Beauregard, Calcasieu, Cameron, and Jeff Davis.

In June 2013, a public-private cooperative endeavor agreement between Lake Charles Memorial Health System and Louisiana State University Health System went into effect. As a result, LSU’s W.O. Moss Regional Hospital’s inpatient, general surgery and emergency services moved to Memorial’s main campus in order to improve access to primary and specialty care for the underserved and underinsured in Southwest Louisiana.

About PMMC

PMMC provides industry leading revenue cycle solutions to more than 400 hospitals and 21,400 physician clients. By finding additional cash and creating more efficient workflow processes, PMMC helps healthcare providers improve their margins so they can focus on serving their patients.

PMMC is a Microsoft-certified provider and has earned the Healthcare Financial Management Association (HFMA) Peer Review designation for its CONTRACT PRO and ESTIMATOR PRO solutions, meeting an objective third-party assessment of overall effectiveness, quality, and value.