



INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

STEPS FOR HOW HEALTHCARE ORGANIZATIONS CAN MAXIMIZE CASH FLOW DURING COVID-19

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This piece was last updated on May 14, 2020.

With revenues declining and costs increasing because of COVID-19, cash is in short supply. Thus, it is important healthcare organizations take steps now to conserve cash to deal with immediate demands, as well as to secure future financial health and sustainability.

Maximizing cash flow at this critical time is a priority. A targeted effort focused on cash acceleration and conservation and a rigorous revenue cycle optimization plan can help organizations get through this period of severe financial strain.



Three Pandemic-Driven Pressure Points on Organizational Cash Flow

1. **Patient Volume Decreases:** COVID-19 has necessitated stay-at-home mandates and as a result, many states have placed bans on elective surgeries. Some, however, have begun phasing elective surgeries back in, but have experienced significant blows to their cash flow in the interim, with some seeing no new visits during the crisis. As a result, cash flow in many cases is completely dependent on the accounts receivable generated before practices were closed or significantly curtailed and may be at considerably low levels.
2. **Patient Pay Management:** Collecting on patient-pay accounts (i.e., co-insurance, deductibles, etc.) may become more challenging as unemployment rates continue to rise. With reduced household incomes, families may be forced to prioritize mortgage or rental payments and other daily necessities, with medical bills falling further down the priority list. Though some providers may have accounts receivable from services performed prior to closure or scaling back of operations, collections of those receivables may prove challenging.
3. **Operational Sustainability Challenges:** Cash flow challenges do not automatically render obligations null and void—vendors still expect to be paid for products and services rendered on a timely basis. Mortgages or rental payments, salaries (even if to a skeletal staff), utilities, insurance and other regular expenses continue to be due and payable on a regular basis even if operations have been temporarily halted. The organization may likely face a situation where cash demands exceed cash sources.

To navigate these pressure points, healthcare organizations must take action to conserve and maximize cash flow, optimize their revenue cycles and secure their patient revenues to the best of their ability:

Conserving and Maximizing Cash Flow

1. As needed, secure availability of line of credit (LOC) capacity with primary and/or secondary lenders.
2. Delay or suspend non-strategic, non-priority capital projects as possible.
3. Negotiate with vendors and contractors an extension of normal accounts payable (AP) cycle anywhere between 30 to 45 days. Based on long-standing relationships and credit worthiness some organizations may be able to negotiate 90-day extensions.
4. Evaluate financial risks associated with both short and long-term financing and develop mitigating plans.
5. Consider managing cash and spend by increasing layers of approval for dollar thresholds without necessarily delaying the decision. In addition, reduce the threshold for dual signature authority for purchases and contracts across the organization.



Optimizing Your Revenue Cycle

1. Confirm that you're billing correctly for new services (i.e., COVID-19 testing and treatment, and telehealth offerings) across the organization.
2. Enable automation to drive cash and maintain service levels at lower costs (i.e., cash posting, refund processing, claims resubmission, claim status, payment variance analyses and productivity analyses).
3. Collaborate with payers to remove or amend more stringent restrictions, such as authorizations and filing limitations, and explore all options to accelerate payment cycles.
4. Monitor activity by payer and ensure resources are aligned with changes in payer mix.
5. Aggressively work accounts receivable and create a cash acceleration strategy for aged accounts receivables in the 60 to 90-day bucket.
6. Conduct a team effort to resolve unbilled accounts greater than 10 days. This number can vary and be reduced further to ensure timely billing, particularly Discharges Not Final Coded (DNFC) and Discharges Not Final Billed (DNFB).
7. Enforce adherence to charge capture and reconciliation policies and manage late charges.
8. Hold medical staff accountable to complete deficient medical records, respond to documentation queries and conduct peer-to-peer reviews to facilitate timely billing.
9. Consider incentive programs for Patient Access and Business Office staff to improve collections.

Securing Your Patient Revenues

Patient receivables are going to soar, and hospitals and medical groups will have to find solutions to collect payments in a compassionate manner.

Healthcare organizations will have to adopt software solutions that can model and create individual financial plans for patients based on economic need. Financial assistance plans and policies that provide discounts based on federal poverty guidelines may not go far enough. The software solutions calculate the out-of-pocket price that patients can afford. The idea is that if the discounts and the amount of financial assistance is focused precisely on patient's economic situation and affordability, chances are that they will pay in full. These advanced business technologies can be used as a standalone or can be seamlessly integrated into the practice or hospital patient financial system. These technologies can go a long way with identity verification and management, insurance discovery and verification, charity care and financial assistance as well as business intelligence reporting.

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