

REVENUE CYCLE STRATEGIST

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• **claims management** •

Strategies for Managing Third-Party Liability Claims

There are 2.6 million people in the U.S. who require third-party claim coordination because of a motor vehicle accident. Approximately 18 percent of these patients lack health insurance.

Third-party liability (TPL) claims typically comprise 5 percent or less of a hospital's overall accounts receivable (A/R). So why are they so difficult to navigate? "TPL requires a specialized knowledge to properly adjudicate and can be quite challenging," says Michael Friedberg, FACHE, vice president of strategic accounts at Parallon. "TPL payers have their own rules and processing, which can be difficult. They also vary by company and state." As a result, some healthcare organizations choose to work with an outsourcing partner experienced in handling TPL.

Understanding TPL's Complexities

TPL includes workers' compensation, which covers on-the-job injuries. Workers' compensation exists in every state and covers every worker including undocumented aliens in most states. Motor vehicle accidents (MVA) also fall under TPL, as well as general liability claims, which are generally slips and falls or claims in which someone other than the patient is responsible for the bill.

In the United States, there are 2.6 million people who require treatment from MVAs annually. "Close to

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18 percent of these patients lack health insurance, and those with health insurance are facing increasingly larger copayments,” says Friedberg.

This can cause multiple challenges for hospitals when it comes time to receive payments for TPL. “A hospital can lose full payment if it does not properly identify these accounts as MVA related and take the appropriate action to secure the funds,” he says. Hospitals must have the expertise to coordinate benefits between health insurance and MVA carriers, depending upon whether accidents happen in fault or no-fault states.

Indeed, hospitals need specific expertise to understand the different rules for TPL commercial and government payers, particularly around timely filing and coordination of benefits. For example, patients who visit Boston Medical Center (BMC) from New England, the United States, and internationally, all require different types of documentation to submit those claims, says Sasha Towne, director of patient financial services at 496-bed BMC, the largest safety net hospital and level-one trauma center in New England.

“We have a trauma center with a busy emergency department, so data capture is limited,” she says. “From a hospital accounts receivable perspective, TPL claims are more complex to resolve. It can be difficult to coordinate payments as well as address both underpayments and missed payments.”

Creating a TPL Game Plan

Because of these challenges, BMC determined it was critical to work with an outsourcing partner. While BMC’s TPL claims comprise only 5 percent of its overall A/R, they are important to resolve because of a constant influx of large accounts, Towne says. “Outsourcing something that is such a low volume may not appear cost efficient, but at BMC, we want to focus on our core competencies, which are our inpatient and high-dollar outpatient collections,” Towne says. “Our Medicaid volume is quite high, and so is our Health Safety Net population [a program for Massachusetts residents

who are not eligible for health insurance or can’t afford to buy it], and we want to make sure staff are working on the other 95 percent of claims coming through the business office.” Building internal expertise in TPL and staying on top of changing regulations and staff training can be a full-time job, she adds. “Allowing a partner to work TPL on our behalf gives us the ability to scale our business.”

BMC’s TPL partner works closely with the medical center to quickly identify expected payments and ensure uncollectible balances are eliminated. This involves streamlining workflow processes in the electronic health record (EHR) and ensuring all claims are tracked with complete transparency. “We want to create clean bills quickly to access the personal injury protection [PIP] payment as soon as possible,” Towne says. In addition, the outsourcing partner has an onsite liaison who handles attorney requests within 10 days. “We want to make sure we are efficient and optimizing reimbursement,” she says. At the same time, BMC and its partner are looking at new ways to optimize the patient experience, including improving billing processes and ensuring that an expert is always on hand to answer patient questions.

Designing a Successful Partnership

It’s important to find a partner experienced in coordinating health plan and Medicare/Medicaid coverage with TPL insurance. “We are a hospital where patients come first, and we also want to make sure that we’re collecting the appropriate amount based on payer contracts and on available funds,” Towne says. “Relationship management is critical. You should be able to escalate or talk about challenges or concerns pretty quickly, or the initiative won’t be successful.”

Look for Deep Knowledge of TPL And Benefits Coordination

An outsourcing partner must understand coordination of benefits requirements for auto and health insurance to ensure the hospital collects as much PIP as possible, Towne says. The partner must also stay

on top of state-specific regulations and challenges. For example, Massachusetts is a no-fault state, and it has a PIP protection cap of \$8,000 dollars on the inpatient side. As a result, BMC must process claims fast and efficiently.

“We are in competition with multiple entities to get to that money first,” she says. A potential partner must also have technology that will load TPL rates and identify expected payments. “We don’t want to spend resources chasing down health insurance without first having exhausted all TPL payment opportunity.”

Seek Specialized Teams and Expertise

“Look for a partner that appoints teams dedicated to specific clients and has expertise in the various forms of TPL. A partner needs to know the specific rules and requirements for payers across all states,” Friedberg says. At BMC, payer-specific teams work on workers’ compensation claims, while other teams focus on MVA, and a third team works exclusively on health plan billing. “Ideally, your partner should have key MVA and workers’ comp contacts in your local markets,” he says. In addition, your outsourcing partner should be able to help streamline the decision-making process around attorney requests and settlement offers, Towne says. “We look to our partner to make recommendations on whether settlement offers are fair based on the individual case.”

Incorporate Advanced Electronic, Workflow, and Reporting Processes

A strong candidate will have technology systems that handle the “paper” laden process of claims submission, including itemized bills, medical records, purchase orders, and explanation of benefits, Friedberg says. “A partner should be embedded in its client’s processes and culture and be able to create a clean bill as soon as possible and get it to the right payer.” Staff must be skilled at determining payment accuracy and ensuring adjustments are calculated and posted accordingly and efficiently.

BMC’s TPL partner uses a proprietary system for contract modeling to address the

extreme variation between payers, coverage amounts, and the way in which claims are adjudicated, Friedberg says. Workflow transparency and the ability to provide timely and accurate reporting is also key, Towne says. “When you outsource to a third party, you need to have a clear understanding of that A/R, including follow up and the status of claims.” This includes weekly, monthly, and quarterly reports.

Towne is pleased with the TPL results and says the outsourcing partnership has been a success. “We’ve been able to increase

our TPL payments through denials management, payment auditing, and appeals.” Currently workers’ comp and MVA have average cycle times of 90 and 120 days, respectively. “While there are always improvements to be made, this is where we want to be,” Towne says. •

Access a recent Revenue Cycle Forum webinar on managing third-party claims, including MVA claims, at hfma.org/forums/webinarthirdpartyclaims.

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