OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

SEP 17 2018

The Honorable Rodney P. Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

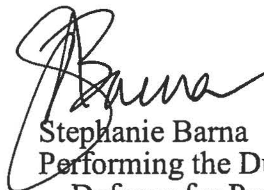
Please find enclosed the report responding to section 712(e) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2014 (Public Law 113–66), which requires the Secretary of Defense, in conjunction with the Secretaries of the Military Departments, to demonstrate and assess the feasibility of implementing commercially available enhanced recovery practices to increase reimbursement from third-party payers in military treatment facilities (MTFs).

The Third-Party Collections Program pilot began in September 2014 and was scheduled to end in October 2017, as prescribed by the NDAA for FY 2014. However, due to the FY 2015 conversion of MTFs from the legacy billing system to the current web-based billing system, Armed Forces Billing and Collections Utilization Solution, data was collected for an additional three months, until December 2017.

Data collection and analysis of key performance indicators, as well as completion of the final report, are now complete. The report provides a summary of the key financial metrics related to accounts receivables, billing and collection rates, transaction summaries, and more. Additionally, the report makes recommendations based on overall findings at participating Pilot and Peer sites.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the other congressional defense committees.

Sincerely,



Stephanie Barna
Performing the Duties of the Under Secretary of Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Nita M. Lowey
Ranking Member

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

SEP 17 2018

The Honorable William M. "Mac" Thornberry
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Please find enclosed the report responding to section 712(e) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2014 (Public Law 113–66), which requires the Secretary of Defense, in conjunction with the Secretaries of the Military Departments, to demonstrate and assess the feasibility of implementing commercially available enhanced recovery practices to increase reimbursement from third-party payers in military treatment facilities (MTFs).

The Third-Party Collections Program pilot began in September 2014 and was scheduled to end in October 2017, as prescribed by the NDAA for FY 2014. However, due to the FY 2015 conversion of MTFs from the legacy billing system to the current web-based billing system, Armed Forces Billing and Collections Utilization Solution, data was collected for an additional three months, until December 2017.

Data collection and analysis of key performance indicators, as well as completion of the final report, are now complete. The report provides a summary of the key financial metrics related to accounts receivables, billing and collection rates, transaction summaries, and more. Additionally, the report makes recommendations based on overall findings at participating Pilot and Peer sites.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the other congressional defense committees.

Sincerely,

Stephanie Barna
Performing the Duties of the Under Secretary of Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Adam Smith
Ranking Member

PERSONNEL AND READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

SEP 17 2018

The Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Please find enclosed the report responding to section 712(e) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2014 (Public Law 113–66), which requires the Secretary of Defense, in conjunction with the Secretaries of the Military Departments, to demonstrate and assess the feasibility of implementing commercially available enhanced recovery practices to increase reimbursement from third-party payers in military treatment facilities (MTFs).

The Third-Party Collections Program pilot began in September 2014 and was scheduled to end in October 2017, as prescribed by the NDAA for FY 2014. However, due to the FY 2015 conversion of MTFs from the legacy billing system to the current web-based billing system, Armed Forces Billing and Collections Utilization Solution, data was collected for an additional three months, until December 2017.

Data collection and analysis of key performance indicators, as well as completion of the final report, are now complete. The report provides a summary of the key financial metrics related to accounts receivables, billing and collection rates, transaction summaries, and more. Additionally, the report makes recommendations based on overall findings at participating Pilot and Peer sites.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the other congressional defense committees.

Sincerely,

Stephanie Barna
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

SEP 17 2018

The Honorable Richard C. Shelby
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Please find enclosed the report responding to section 712(e) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2014 (Public Law 113–66), which requires the Secretary of Defense, in conjunction with the Secretaries of the Military Departments, to demonstrate and assess the feasibility of implementing commercially available enhanced recovery practices to increase reimbursement from third-party payers in military treatment facilities (MTFs).

The Third-Party Collections Program pilot began in September 2014 and was scheduled to end in October 2017, as prescribed by the NDAA for FY 2014. However, due to the FY 2015 conversion of MTFs from the legacy billing system to the current web-based billing system, Armed Forces Billing and Collections Utilization Solution, data was collected for an additional three months, until December 2017.

Data collection and analysis of key performance indicators, as well as completion of the final report, are now complete. The report provides a summary of the key financial metrics related to accounts receivables, billing and collection rates, transaction summaries, and more. Additionally, the report makes recommendations based on overall findings at participating Pilot and Peer sites.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the other congressional defense committees.

Sincerely,

Stephanie Barna
Performing the duties of the Under Secretary of Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Patrick J. Leahy
Vice Chairman

REPORT TO CONGRESSIONAL DEFENSE COMMITTEES

Section 712(e) of the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113–66) Pilot Program on Increased Third-Party Collection Reimbursements in Military Medical Treatment Facilities

September 2018

The estimated cost of this report for the Department of Defense is approximately $5,900. This includes $0,00 in expenses and $5,900 in DoD labor

Executive Summary

A. The Defense Health Agency (DHA) Uniform Business Office (UBO) submits this report in accordance with section 712(e) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2014 (Public Law 113–66). Section 712 requires the Secretary of Defense, in coordination with the Secretaries of the Military Departments, to carry out a pilot program "to demonstrate and assess the feasibility" of implementing "commercially available enhanced recovery practices" to increase reimbursements from Third Party Payers in military treatment facilities (MTFs).

B. The DHA UBO approached the congressionally mandated pilot program as the opportunity to evaluate optimal revenue practices/processes supporting the ARMSPro© conversion system at multiple MTFs, which is the interim Third-Party Collections System solution that transitioned to the Armed Forces Billing and Collections Utilization Solution (ABACUS) in FY 2015. ABACUS is a web-based billing solution supporting the Services and National Capital Region Medical Directorate (NCR MD) medical billing, collections, reporting, and utilization services.

C. In preparation for ABACUS' implementation, this pilot program established a "common business model" for ABACUS operations (e.g., standardized procedures/processes, metrics dashboards, reporting) to disseminate across MTFs during the initial operating capability phase of ABACUS deployment.

Table of Contents

Executive Summary 2
Abstract 4
Introduction 4
NDAA Section 712 Requirements 5
Assumptions and Constraints 5
Approach 6
Data Elements & Metrics 9
Results 9
Recommendations: 12
Appendix 13
Comparison Group 1: (Large Facilities) 13
Comparison Group 2: (Medium Facilities) 14
Comparison Group 3: (Small Facilities) 15
Comparison Group 4: (Large Facilities) 16
Comparison Group 5: (Medium Facilities) 17

Abstract

The NDAA for FY 20214 Third-Party Collections Pilot (TPCP) is a pilot study with the purpose of evaluating the effectiveness of billing and collections services performed in one of two ways at MTFs around the world. The first is by utilizing existing in-house resources to perform billing and collection functions with full-time employees, referred to as "Peer sites." The second is through contracted third-party providers to perform billing and collections functions for the MTF, referred to as "Pilot sites." Standard commercial financial metrics were used (total collected amounts, total billed amounts, aged accounts receivable and number of billing transactions all reported monthly) to evaluate performance between the two groups. The methodology for determining which MTFs perform third-party collections processes in-house versus contracting to a third party, are outside the scope of this pilot.

Collectively, the TPCP demonstrated a higher volume of billed transactions and collected transactions at Pilot sites compared to Peer sites. The TPCP also demonstrated higher expenses related to personnel costs at Peer sites compared to those at Pilot sites. In aggregate, Pilot sites had lower expenses and higher collections than Peer sites. Though Accounts Receivable (AR) varied widely among sites, total aged AR from 1 to over 270 days at Pilot sites proved to be exponentially higher than that of Peer sites. This permitted larger sums of aged funds to be collected at Pilot site locations. Over the length of the performance period, Pilot sites reduced AR by approximately $54M in collections, over two times that of Peer sites. Aging AR collected within 30-day intervals up to over 270 days in both groups demonstrates further opportunities for improvement in billing and collections processes. Overall, Pilot sites reduced greater sums of AR via increased collections, reduced expenses by approximately $2M, and were characterized by large increases in the number of billed and collected transactions.

Introduction

In response to section 712 of the NDAA of FY 2014, the Assistant Secretary of Defense for Health Affairs requested that the DHA UBO execute a pilot program to test and evaluate revenue best practices to increase third party collections. The purpose of the pilot was to identify revenue best practices that are currently utilized at individual or multiple MTFs and compare the effectiveness of internal versus external production to determine the feasibility and value of national deployment. The pilot aimed to report the results of the pilot study between MTF's utilizing in-house billing and collection workforces compared to Pilot sites employing contracted billing and collection services. Additionally, this report analyzes the overall performance between all Peer and Pilot sites in addition to each of the five category groups.

The framework of the TPCP is four-fold. First, the pilot sought to identify best practices by executing a program to test and evaluate revenue best practices using a variety of financial metrics to increase third-party collections. Second, to perform a cost-benefit analysis that provides comparative and cost analyses of the third-party collections process used in MTFs participating in the pilot program. Third, to establish such best practices over a comprehensive group of MTFs taking into consideration facility size, geographical location, and both inpatient and outpatient capabilities. Lastly, to analyze and report the findings of the TPCP in the form of a congressional report including recommendations of these best practices that may be considered for national deployment.

NDAA Section 712 Requirements

A. Pilot Program Duration
The Initiation Phase of the pilot commenced in September 2014 in compliance with the requirement to begin the pilot no later than 270 days after the Act's enactment date of December 26, 2013. Due to the FY 2015 conversion of MTFs from the legacy billing system to the current web-based billing system, data was collected for an additional three months, through the first quarter of FY 2018, in compliance with the required three-year duration.

B. Pilot Program Locations
As required, the pilot included multiple MTFs with inpatient and outpatient capabilities identified during Phase 1. Section 712 did not specify the number of MTFs, nor geographic location(s) to be included in the pilot.

C. Final Report
Final report was requested to be submitted to the congressional defense committees in March 2018, 180 days after conclusion of the pilot.

This final report includes the following components:

a. A comparison of the processes used at Pilot sites and Peer sites.
b. An analysis of processes employed at Pilot sites prior to the pilot and throughout the duration of the pilot, and the resulting collections amounts.
c. A cost analysis of the processes used at Pilot sites, including the costs and benefits of implementing the processes on a national scale.
d. Recommendations for improving third party collections following the pilot period.

Assumptions and Constraints

The following assumptions and constraints outline the parameters that framed the TPCP:

1) <u>Assumption</u>: Pilot scope encompassed the initial response to congressional defense committees that highlighted initiatives as of September 2014 to improve revenue cycle management activities and maximize collections. One initiative of note was the deployment of ABACUS and utilization of billing/collections services performed by contracted vendors.
2) <u>Constraint</u>: The DHA health care revenue cycle is managed by separate DHA program offices (e.g., Patient Administration Division, Medical Coding Program Office), limiting the ability for DHA UBO to manipulate the operations and outputs of those functional areas.
3) <u>Constraint</u>: The Legacy Third Party Collections Program performance measures reported to DHA UBO prior to the pilot provided partial insight into revenue cycle management and operational performance. Therefore, DHA UBO assessed the availability, accuracy and frequency of existing data required to calculate new industry measures that better evaluate the impact of business processes on revenue performance.
4) <u>Constraint</u>: Buy-in from pilot MTFs was required to generate customized dashboard reports of new performance measures reported to the DHA UBO.

5) <u>Constraint</u>: Due to the limited amount of data available at MTFs and the lack of data consistency among them, the financial metrics used to measure Peer and Pilot sites were simplified and limited the breadth of metrics that were initially conceived. For example, the available data did not support analysis of current/future service mix offering, forecasted demographic shifts, payer mix and insurance plan types, and site specific demographic characteristics.
6) <u>Constraint</u>: At the start of the Pilot (September 2014), Naval Hospital Camp Lejeune (Pilot site) outsourced their third-party billing and collections to a contractor: Benefit Recovery. However, by the end of 2015, Naval Hospital Camp Lejeune ceased contracting these services to Benefit Recovery. However, this information was not reported until after the Pilot analysis ended in 2018.

Approach

Many MTFs were initially evaluated for participation in the pilot and ten sites were selected to participate in the TPCP based on the following selection criteria:

- MTF provides both inpatient and outpatient services.
- MTF employs contracted vendors for management of the TPCP.

Five sites were selected as the control group referred to as the "Peer" sites and five were categorized within the intervention group called the "Pilot" sites. The sites were further grouped for comparison purposes into one of three category groups based on the number of facility beds (Small, Medium, Large) to align similar Peer and Pilot sites. Two large, two medium, and one small site were included in each of the Peer and Pilot groups. These comparison groups are further detailed in Table 1 of this document.

The performance period of the pilot program is from FY 2015 to FY 2018 consistent with the DHA FY start and end dates. (Because of the conversion of MTFs from the legacy billing system to the current web-based billing system and given that the fiscal year begins on October 1 and ends September 30 of any given year, the FY 2018 TPCP data is truncated to include FY 2018 data only through the end of December 2017 which coincides with the billing cycles at MTFs.) Billing and collections data was captured in the Military Health Systems billing system ABACUS from each participating site, reported to the UBO monthly, and analyzed and reported quarterly.

The pilot approach was comprised of five distinct phases, to demonstrate incremental development from one phase to another as essential components of the pilot strategy were formalized. The five phases and corresponding timeframes were as follows:

1. **Initiation Phase *(July 2014 – September 2014)*:** Pilot approach defined and identified potential revenue best practices to evaluate in the pilot.
    a. DHA UBO and the UBO Service and NCR MD Program Managers identified five potential revenue best practices to pilot.
    b. Of the five potential practices, two leading practices, electronic claims processing and utilization of contracted vendors, were selected based on NDAA requirements and the following criteria:

i. Applicable to amounts collected under section 1095 of title 10, United States Code, from a third-party payer for charges for health care services incurred at MTFs.
ii. Within DHA UBO's management and oversight purview.
iii. Utilized at exclusive MTF(s) with Peer facility(ies) that did not utilize the practice against which the Pilot facility(ies) could be evaluated.
iv. Current TPCP performance metrics were applicable to measuring and trending the impact of the revenue practice on billing and collections performance.

c. DHA UBO evaluated the unique business processes/best practices utilized by both MTF government staff and contracted vendors in performing electronic claims processing, and the impacts on overall billing and collections performance.

2. **Phase 1** ***(October 2014 – November 2014)*****:** Current practices assessed, including business processes, staffing resources, systems, performance metrics, data collection and reporting methods. Additionally, the revenue best practices and MTF locations to pilot, based on predefined selection criteria, were selected.
   a. Identified MTFs in all Services that license ARMSPro© billing/collections system and utilize government staff to perform billing/collections operations.
   b. Identified MTFs in all Services that license ARMSPro© and utilize contract staff to perform billing/collections operations.
   c. Selected MTF pilot locations and MTF non-pilot Peer locations for use in developing additional performance baselines to evaluate the feasibility and value of implementing the practices at additional locations.
   d. Conducted assessment of business processes utilized by both MTF staff and contracted vendors in performing electronic claims processing.
   e. Developed comprehensive dashboard report(s) that included new performance measures (e.g., Aged Accounts Receivables), Cost to Collect, and Collected to Billed ratios).

3. **Phase 2** ***(December 2014 – September 2017)*****:** The strategy for measuring and monitoring the selected revenue best practices was documented, including: pilot performance metrics, collection methodology and data sources, and reporting structure and frequency.
   a. Documented the strategy for measuring and monitoring the impact of revenue processes/practices on overall performance, including: comprehensive dashboard report(s) of new performance measures; data collection methodologies and data sources; and reporting structures and frequency.
   b. Began strategy execution and pilot monitoring in January 2015.

4. **Phase 3** ***(October2017 – November 2017)*****:** Data collection completed and finalized all reporting, data and documentation required for analysis.
   a. Compiled year-to-year pilot data required for analysis:
      i. Monthly/quarterly dashboards of performance measures for the full pilot duration.
      ii. Monthly/quarterly expense data tracked throughout the full pilot duration.
   b. Extended data collection and reporting period from September 2018 to December 2018, to align with hospital revenue cycle operation.

5. **Close-Out Phase *(December 2017 – March 2018)*:** Final analysis of data and pilot results conducted, including a financial analysis with recommendations for potential national deployment. Final report to Congress planned for submissions in March 2018.
   a. Completed comparative performance analysis:
      i. Conducted a year-to-year performance comparison of the pilot facilities to MTF non-Pilot Peer facilities.
      ii. Ranked Pilot and non-Pilot Peer facilities in order of performance with regard to key revenue cycle performance metrics (e.g., Cumulative Collections, Aged AR, and Cost to Collect).
   b. Completed financial analysis of alternatives:
      i. Conducted a financial analysis, or Cost Benefit Analysis, of Pilot and Peer facilities during the pilot duration relative to pre-established baselines:
         1. Contracted management of TPCP billing/collections system and operations to licensed vendor.
         2. Government staffing of billing/collections operations with licensed system.

Table 1: Peer & Pilot Site Locations

Site	MTF Location	Size	DMIS ID	Comparison Group
Peer Sites *(MTF In-House Workforce)*	NH Guam Eisenhower Moncrief ACH Blanchfield ACH Portsmouth NMC	Medium Large Small Medium Large	0620 0047 0105 0060 0124	Group 1 Group 2 Group 3 Group 4 Group 5
Pilot Sites *(Contracted Vendors)*	Brian Allgood ACH NH Camp Lejeune West Point Keller Wright Patterson AFB Walter Reed National Military Medical Center (WRNMMC)	Medium Large Small Medium Large	0612 0091 0086 0095 0067	Group 1 Group 2 Group 3 Group 4 Group 5

Data Elements & Metrics

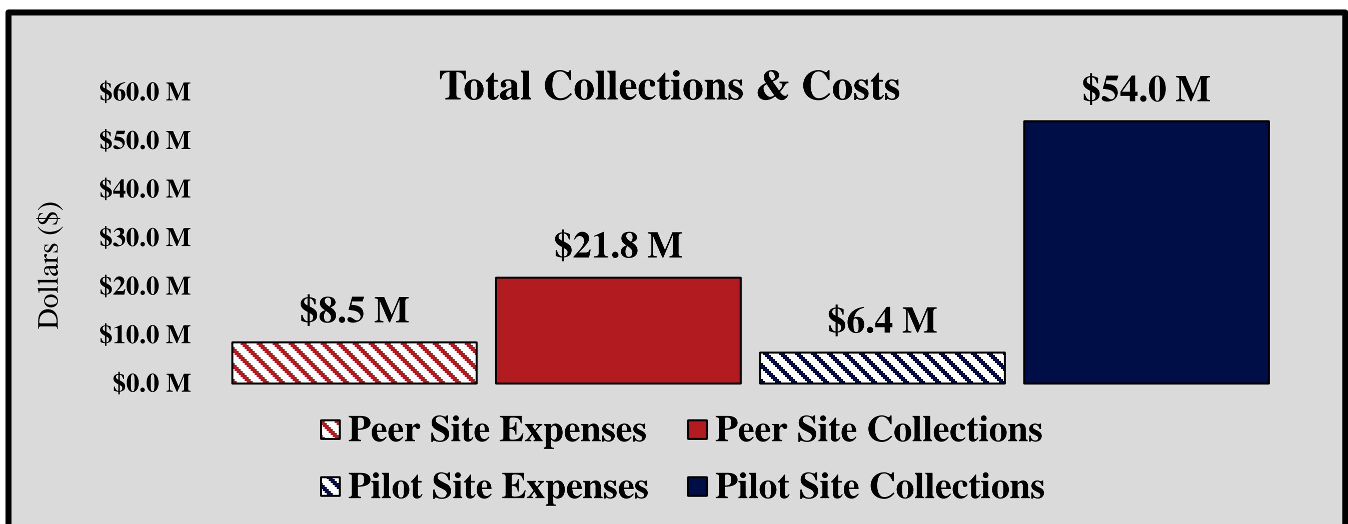
The following data was obtained from ABACUS during the TPCP performance period and evaluated quarterly:

- Aged Accounts Receivable in 30-day increments up to >270 days. ($)
- Total AR ($)
- Inpatient Billed ($)
- Inpatient Billed Transactions
- Inpatient Collected ($)
- Inpatient Collected Transactions
- Inpatient Adjustments & Write-Offs
- Outpatient Billed ($)
- Outpatient Billed Transactions
- Outpatient Collected ($)
- Outpatient Collected Transactions
- Outpatient Adjustments & Write-Offs ($)
- Total Billed ($)
- Total Collected ($)
- Total Adjustments & Write-Offs ($)
- Total Billed Transactions
- Total Collected Transaction
- Collections-To-Bill Ratio (%)

Results

During the performance period, total collections, total cost, and total billed of all sites were totaled. Peer sites were marked by approximately $8.5M in costs with approximately $21.8M in collections resulting in a net gain of approximately $13.3M. In comparison, the Pilot sites had approximately $6.4M in costs and $54M in collections, resulting in a net gain of approximately $47.6M. Figure 1 below displays these results of the total collection and cost results of all Peer and Pilot sites for all fiscal years within the performance period. Collectively, the Pilot sites spent less (reduced direct expenses from personnel overhead) and collected more (over $30M more in total collections) during the performance period of the pilot

Figure 1: Collections and Costs for Peer and Pilot sites, all sites, all FYs.



When looking at average collected to billed ratios over the performance period, Peer sites performed at an average of 37.21 percent whereas Pilot sites performed at an average of 34.26 percent. This statistic was generated using averages of collected to billed ratios reported monthly during the performance period. The sum of total billed for all Peer sites was $58,653,164.00, with $21,823,578.00 received in collections representing approximately 37 percent collected to bill ratio. Conversely, Pilot sites had $157,607,193.00 total billed and received $53,995,548.00 in collections resulting in a 34 percent collection to bill ratio. Figure 2 highlights these data and shows the difference between the two groups with regards to their collected to bill ratios. While Peer sites demonstrated approximately three points higher, the Pilot sites have triple the amount of total billed. This large difference is attributable to third-party vendors being incentivized to bill for more as a specialized service contracted by the Pilot facilities. The marginal decline in collected to billed ratio at Pilot sites is trivial when compared to the $30M increase in additional collections that Pilot sites recover.

Table 2 below shows the sum of total billed and collected amounts per fiscal year and the inconsistent increases and decreases between the two groups. Both Pilot and Peer sites consistently exhibited increases in total collections from pilot start through FY 2017 and experienced a slump in total billed during FY 2017 compared to the other years. It is important to note that FY 2018 data is truncated due to the fiscal year beginning and ends by convention within the DHA. The FY 2018 period includes data from October through December of 2017.

Figure 2: Collected to Billed Ratio all years.

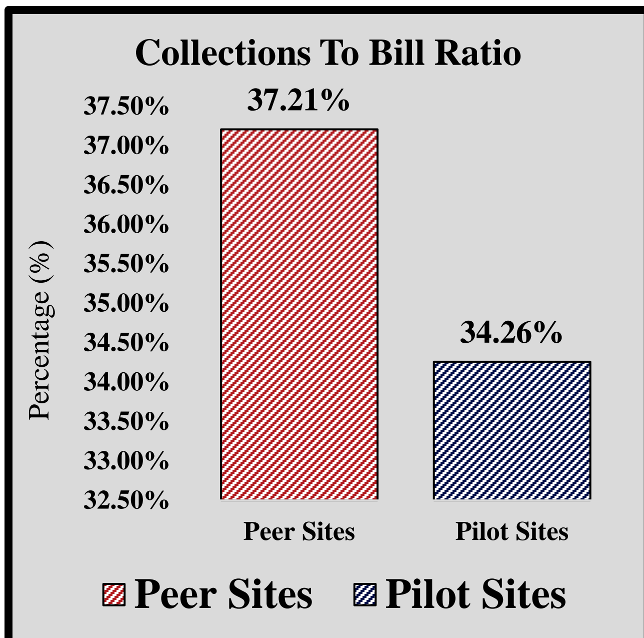
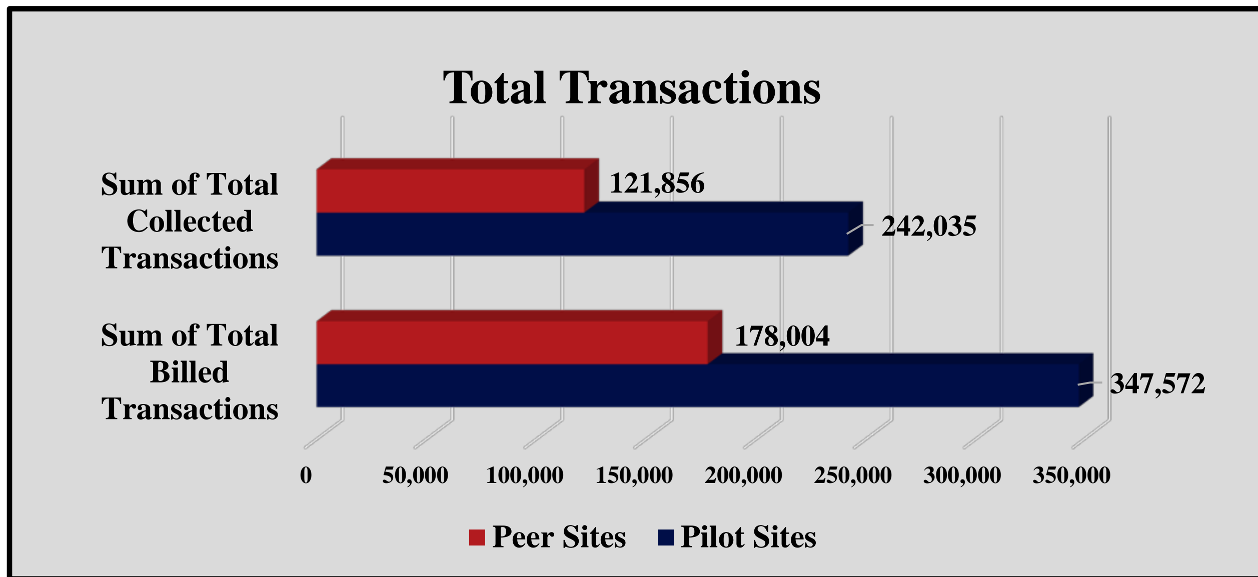


Table 2: Collection to Bill Ratio all years.

Peer Sites	*Sum of Total Billed*	*Sum of Total Collected*
FY2015	$8,218,083.23	$3,859,109.95
FY2016	$26,432,861.66	$6,692,247.38
FY2017	$20,227,420.01	$9,619,953.11
FY2018	$3,774,799.67	$1,652,268.53
Peer Total	**$58,653,164.57**	**$21,823,578.97**
Pilot Sites	*Sum of Total Billed*	*Sum of Total Collected*
FY2015	$28,505,688.74	$10,179,954.35
FY2016	$77,638,030.14	$18,751,757.34
FY2017	$54,887,273.63	$23,772,327.67
FY2018	-$3,423,798.81	$1,291,509.58
Pilot Total	**$157,607,193.70**	**$53,995,548.94**
Grand Total	$216,260,358.27	$75,819,127.91

Figure 3 below displays the total number of billed and collected transactions between Peer and Pilot sites. Pilot sites were characterized by almost double the amount of transactions for both billings and collections compared to Peer sites. For the entire performance period, Peer sites had 121,856 total collected transactions, and Pilot sites had 242,035. This pattern also held true for total billed collection transactions, which was 178,004 for Peer sites and 347,572 for Pilot sites. The large increases in the number of transactions at Pilot sites are consistent with the increased volume and frequency of billing and collections experienced at MTFs with contracted vendors.

Figure 3: Total number of collected and billed transactions, all years.



AR for Peer and Pilot sites also demonstrated significant differences. As shown in Figures 5 and 6, AR for Pilot sites was significantly higher. Total AR for Pilot sites amount to almost $3B whereas Peer sites totaled only $478M. Additionally, Figures 4 and 5 highlight the large variance in the total amount of AR between the two groups. Specifically, of the total amount of aged accounts receivable up to 270 days, over 80 percent was collected by Pilot sites whereas Peer sites recovered only approximately 17 percent. Thus, Pilot sites handled not only larger volumes of collections compared to Peer sites, but also collected on aged accounts receivable more quickly compared to Peer sites.

In summary, Pilot sites of the TPCP recovered larger amounts of aged funds in accounts receivable, billed third-party payers at higher frequencies and spent less than Peer sites. The lower total collected to billed ratio for Pilot sites can be explained by the increased amount of billing volume and frequency for third-party billing contractors. Furthermore, this slight decline is outweighed by the significant increase in recovered AR through increased total collections at Pilot sites. The cost-benefit analysis between utilizing contracted vendors as compared to in-house MTF staff suggests additional opportunities for MTFs to reduce costs and increase collections using contracted billing services.

Figure 4: Sum of Accounts Receivables in 30-day increments.

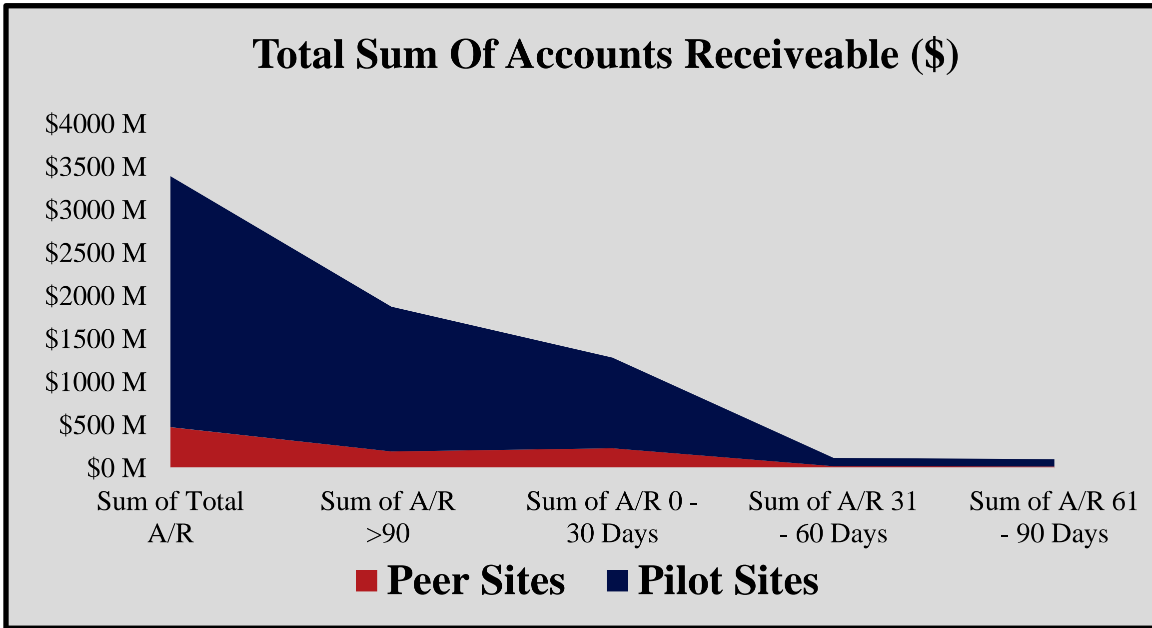
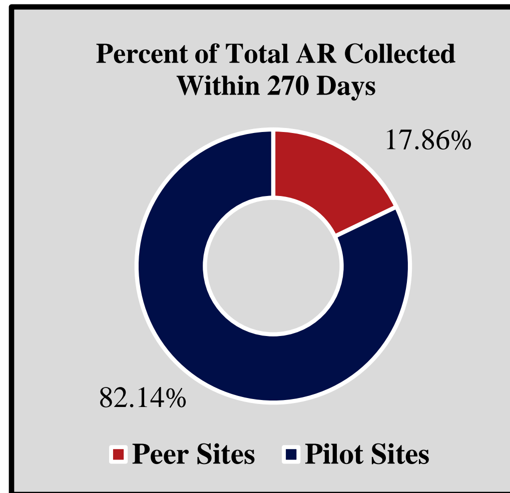


Figure 5: Percent of total Accounts Receivable collected within 270 days.



Recommendations:

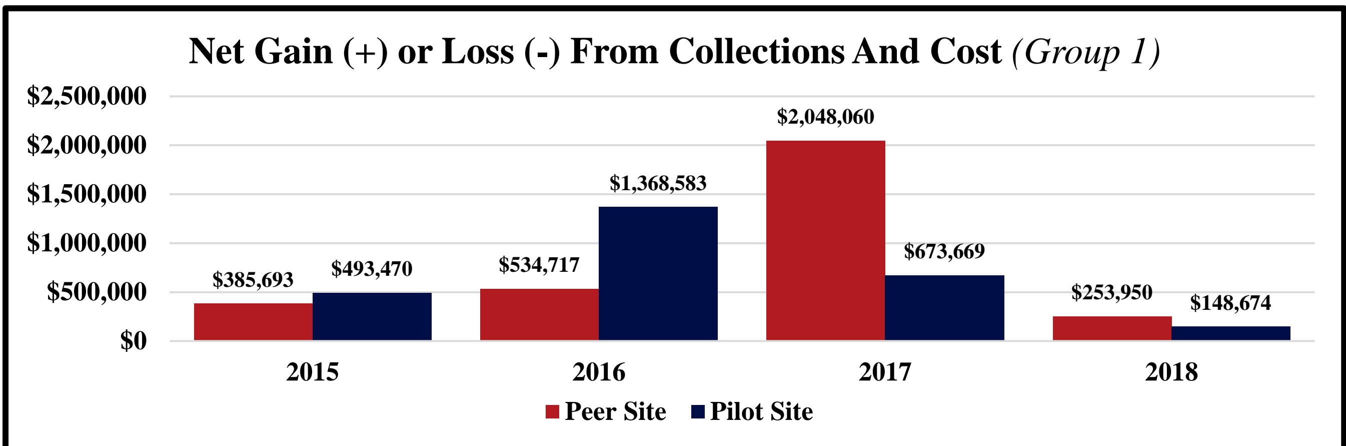
Increased collections from Pilot sites can be attributed to a number of factors - efficient use of technology, processes that include limited variation, effective clinical documentation, coding, and charge capture that ensure maximum third-party payments. By implementing standard processes across all MTFs that highlight these important functions, monitor MTF TPC performance, manage MTF adherence to standards and provide TPC support to MTFs, Peer sites can see increases in collections and TPC program improvements like their Pilot counterparts.

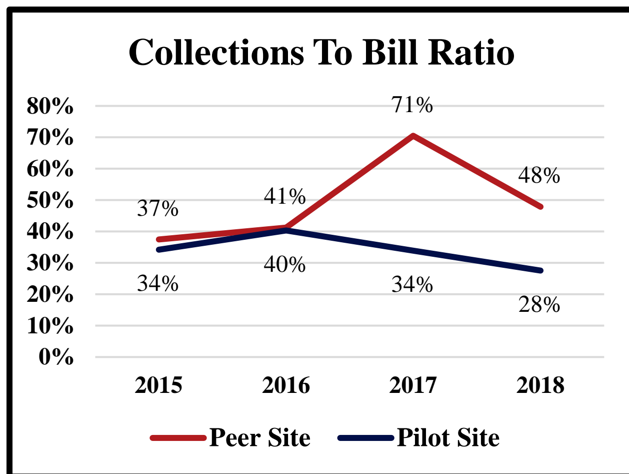
Appendix

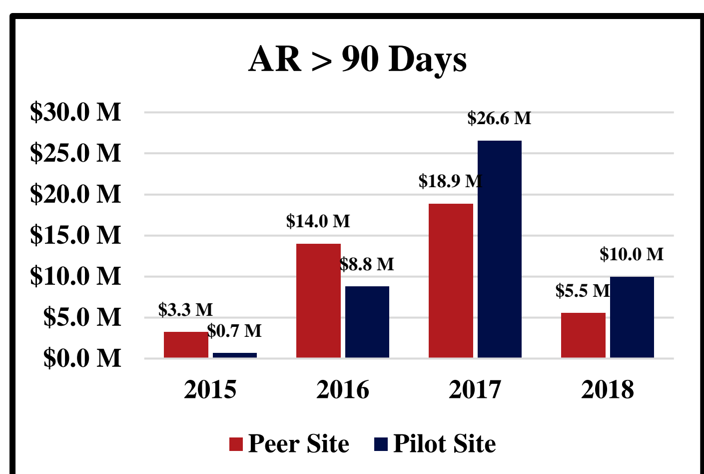
Comparison Group 1: (Large Facilities)

The Peer site's collection-to-bill ratio was consistently above that of the Pilot site throughout the duration of the pilot period for Comparison Group 1. In FY 2017, the Peer site performed approximately 37 percentage points higher than the Pilot site. The Pilot site's accounts receivables continued to increase during the pilot, reaching a maximum of $26.6M in 2017. The AR > 90 days appears lower for both the Peer and Pilot site in FY 2018 due to less amount of data available within the current performance period. While both the Peer site and the Pilot site experienced increasing account receivables greater than 90 days from FY 2015-FY 2017, the Pilot site experienced a larger percentage increase compared to the Peer site. This is indicative of better billing performance at the Peer site utilizing internal MTF employees.

When looking at the comparisons group difference between collections and costs (total direct expenses), the Pilot site had additional collections to costs between FY 2015-FY 2016, but was surpassed by the Peer site in FY 2017 to the end of the Pilot. Additionally, in FY 2017, the Peer site experienced profits totaling over $2M compared to approximately $600,000.00 at the Pilot. FY 2018 data is incomplete but appears to have followed similar trends, with the Peer site seeing higher profits compared to those of the Pilot site.



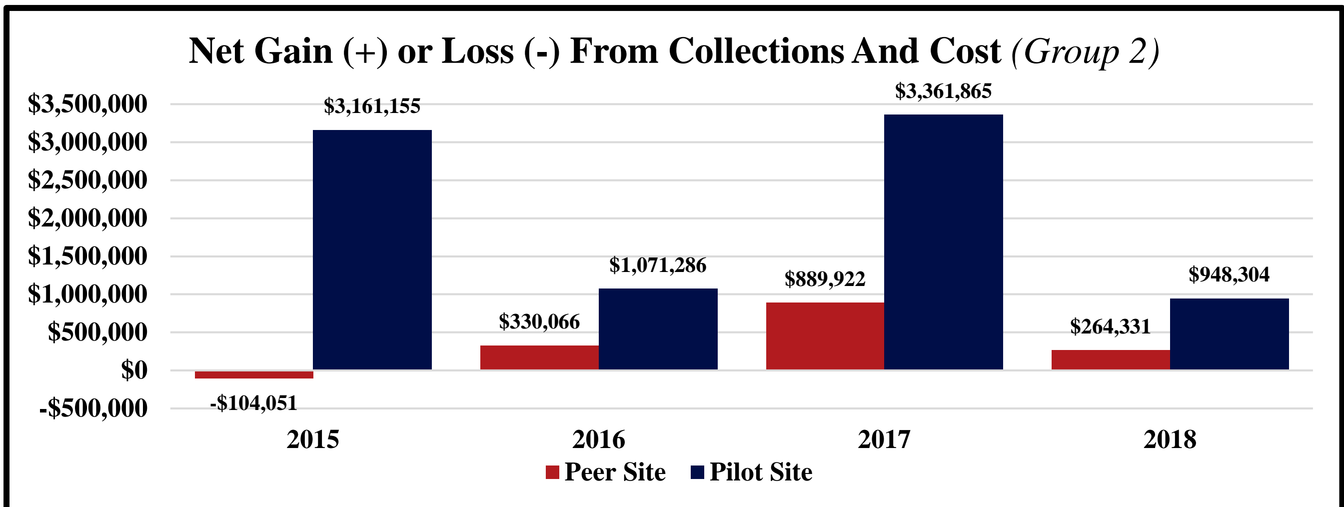


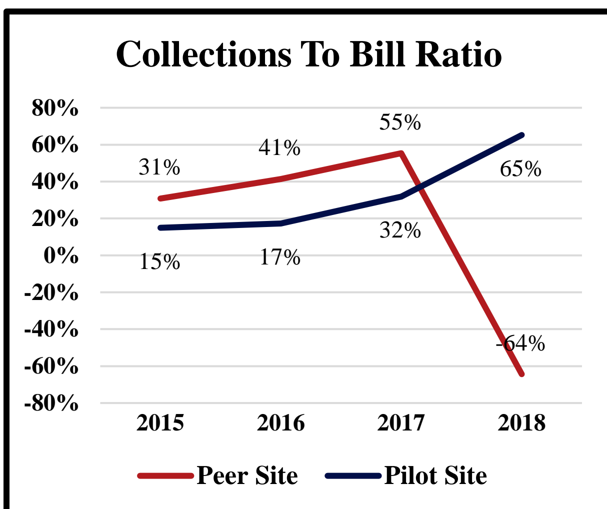


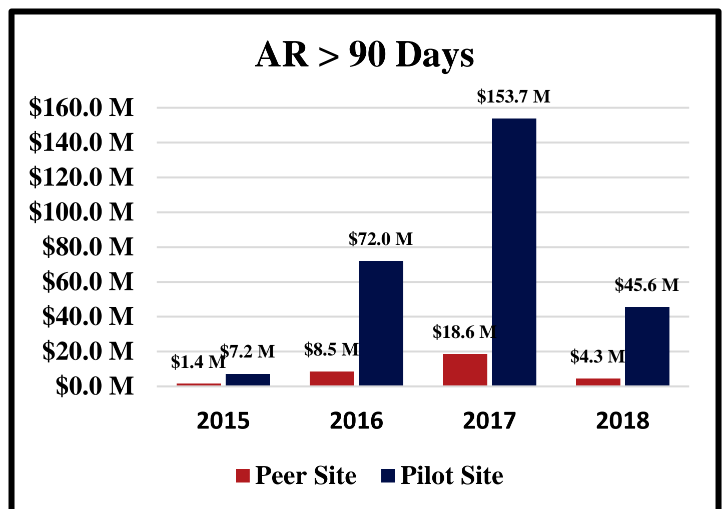
Comparison Group 2: (Medium Facilities)

Collection-to-bill ratio between the Peer site and the Pilot site of Comparison Group 2 closely paralleled one another between FY 2015 through FY 2017. During this period, the Peer site performed approximately 10-20 points higher than the Pilot site. FY 2018 marks a negative collection-to-bill ratio (-64 percent) for the Pilot site compared to that of the Peer site (65 percent). Following this trend, the Pilot site exhibits exponentially larger AR during the pilot period with a high of over $150M in 2017 compared to only $18.6M at the Peer site. Furthermore, in FY 2018, the Pilot site experienced over 10x the AR > 90 days ($40.00+ M) compared to the Pilot site. Overall, both collection-to-bill ratio and AR suggest consistently better performance at the Peer site.

Comparison group 2 is categorized by high differences in collections to cost differences between the Peer and Pilot sites for all fiscal years within the performance period. Specifically, the Pilot site performed at least two times better than the Peer site. In year one, the Pilot site was marked by over $3M in savings whereas the Peer site displayed higher costs to collections, creating a negative collection to cost difference in FY 2015.



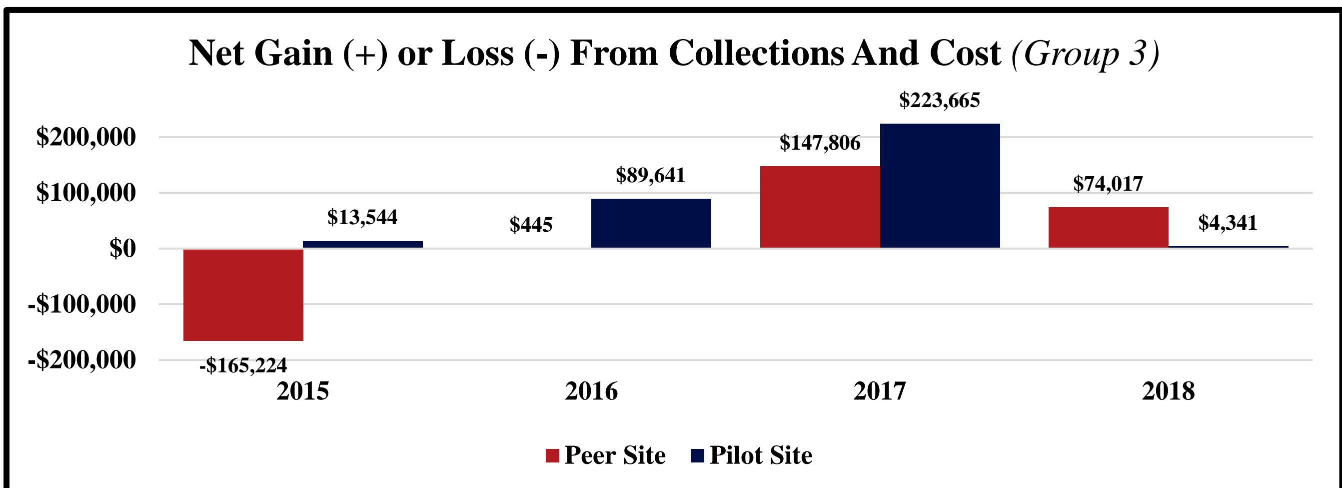


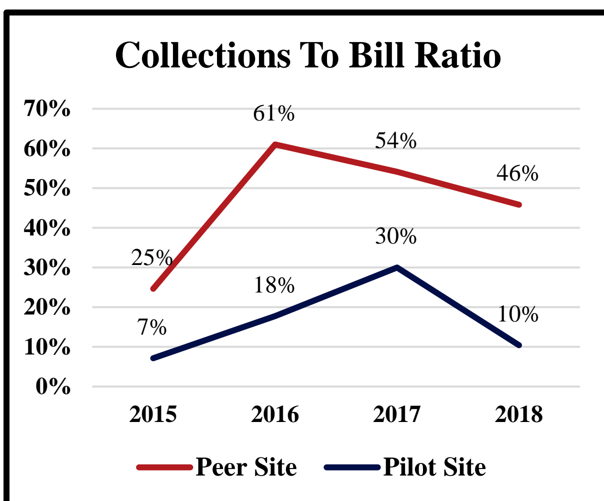


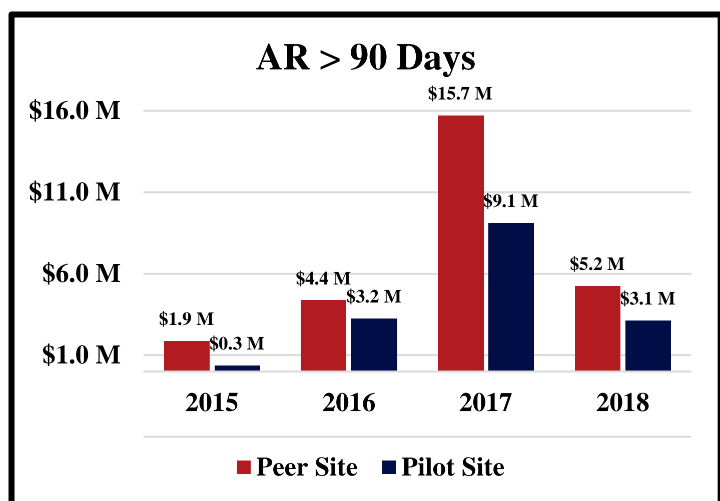
Comparison Group 3: (Small Facilities)

The Peer site of Comparison Group 3 consistently performed between at least 15 to more than 40 percentage points higher in collection-to-bill ratio compared to the Pilot site. The Pilot site increased in bill-to-collection ratio between 2015 and 2017, whereas the Peer site experienced modest declines after FY 2016. Overall, the Peer site is marked by higher bill-to-collection ratios compared to the Pilot site. On the other hand, accounts receivable over 90 days shows significantly larger amounts for the Peer site compared to the Pilot site. While both increased from FY 2015 to FY 2017, the Pilot site shows better AR performance within the 90-day period. In total, while the Peer site exhibits higher collection-to-bill ratio, it has consistently increased AR compared to that of the Pilot site, possibly due to billing volume and size variances during the performance period.

Similarly, the Pilot site also displayed higher performance in collections to cost difference in FY 2015-FY 2017. While the Peer site continued to improve during this period, which was marked by highly negative figures in FY 2015, the Pilot site also improved and collected more funds compared to their total costs. FY 2018 is marked by higher collections to costs at the Peer site.



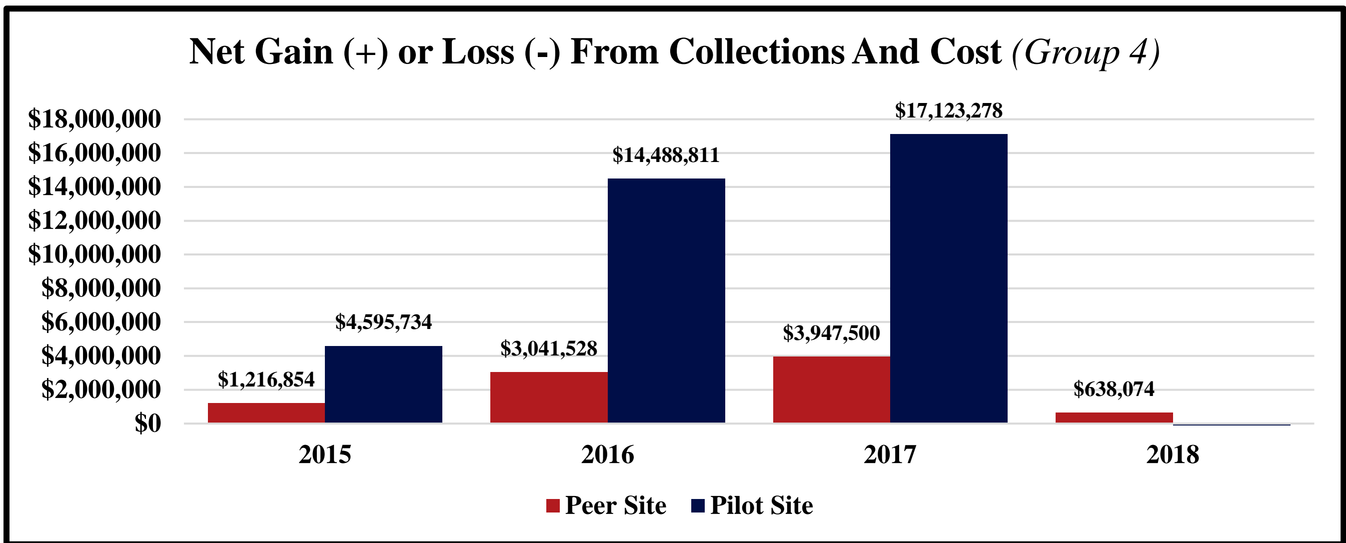


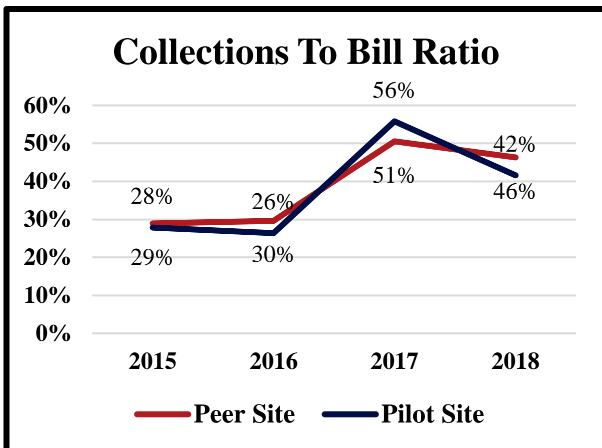


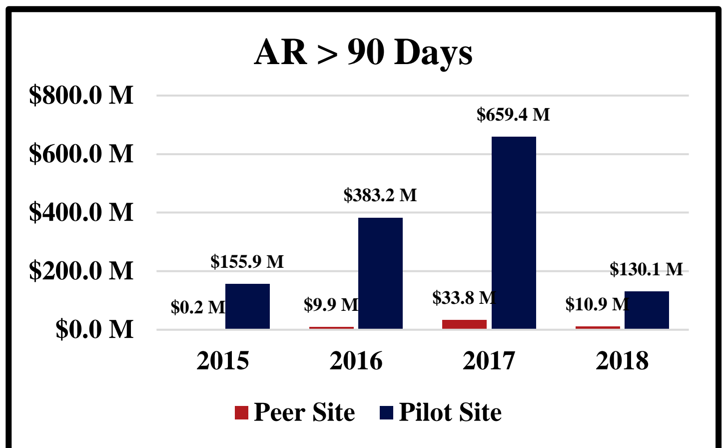
Comparison Group 4: (Large Facilities)

Both the Peer and Pilot sites in Comparison Group 4 performed with very little variance between one another in collection-to-bill ratio from FY 2015 to FY 2018. The largest variance in the performance period was experienced in 2017, during which the Pilot site was five points higher in collection-to-bill ratio than the Peer site. This low variance shows how closely the two sites performed compared to one another during the performance period. This comparison group displayed the largest variance among all five comparison groups in accounts receivable. Most notably, the Pilot site had exponentially higher AR greater than 90 days, with the largest difference occurring in FY 2017. During this year, the Pilot site had over $650M in AR > 90 days, whereas the Peer site had only a fraction, just over $30M. This large disparity between the comparison sites is most likely caused by higher total number of billed and collection transactions at the Pilot site, as compared to the Peer site.

This comparison group displayed the largest variance in collections to cost differences between FY 2015 through FY 2017. Most notably, the Pilot site performed exponentially better than the Peer site and increased year over year. FY 2017 marks both sites' highest collections to cost difference, with the Pilot site performing at over $17M and the Peer site at just under $4M.







Comparison Group 5: (Medium Facilities)

Comparison Group 5 experienced the largest unmatched differences in collection-to-bill ratio between the Peer and Pilot sites from FY 2015 to the end of the Pilot. The Pilot site consistently performed at least 50 percentage points higher than the Peer site between fiscal years. While changes in collection-to-bill ratio at each site are slight and modest between fiscal years, overall performance did not experience large increases or decreases in collection-to-bill ratio over time. The Peer site is marked by greater accounts receivable over 90-days compared the Pilot site. It is important to note that AR > 90 days decreased by approximately $6M for the Pilot site between FY 2016 and FY 2017.

Collections to cost differences for the Peer and Pilot sites in this group are marked by inconsistent returns expenditures. The profits of the Peer and Pilot sites are scatted during the length of the performance period. FY 2015 marks negative profits at both locations, with the Pilot site performing slightly closer to the bottom line than the Peer site. In FY 2016, both locations experienced positive profits, however, those profits were higher at the Peer site. The period of FY 2017 to the end of the Pilot then again shows negative profits at the Peer site, with only modest positive profits at the Pilot site.