Healthcare Treasury: Strategies That Add to the Bottom Line

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The Goal

Significant financial savings are within reach for hospital treasury departments.

There is a $1 million savings opportunity available to treasury departments in the healthcare industry.

Agenda

The Current Environment

Opportunities to Increase Efficiency and Savings Unique to Healthcare

- Patient and Insurance Collections
- Accounts Payable Disbursements
- Banking Services
- Liquidity Management
- Treasury Technology

Action Plan for Healthcare Providers

The Current Environment

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The Current Environment

Industry Consolidation

- In 2011 there were 980 M&A transactions worth $227 billion.
- M&A activity increased 9% over 2010 levels.

Sluggish Economic Recovery

- Higher rates of unemployment are increasing the number of uninsured.
- The low interest rate environment is benefitting borrowers, but is harmful to investment yields.

The Affordable Care Act (ACA)

- There is a dramatic decrease in the number of uninsured patients.
- Tighter reimbursement rules target efficiency and efficacy of treatment.

Opportunities to Increase Efficiency and Savings Unique to Healthcare

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Polling Question

Do you plan to make changes to your treasury processes or banking arrangements within the next 12 months?

- Yes
- No

Patient and Insurance Collections

Pain Points

- Paper-intensive billing and patient collections
- Difficult to understand cost of collections
- Accurate copayment collection
- Merchant card processing
- Legacy billing systems
- Migration of paper EOBs to 835s

Patient and Insurance Collections

Process Optimization

- Institute accurate co-payment collection at the point of service.
- Use online patient records and billing.
- Incorporate straight-through processing.
- Rationalize merchant card processors.
- Streamline patient refund process.
- Enable EDI 835s with EFT payments, and digitize remaining paper EOBs.

Patient and Insurance Collections

Savings Opportunities

- Increase electronic payments and remittance information from insurers.
- Optimize Merchant Card processing.
- Reduce check receipts from patients.
- Increase patient payment channels.
- Improve refund process.

Accounts Payable Disbursements

Pain Points

- Disbursement channels – too many checks!
- Difficult to understand cost of disbursements
- Migration to electronic payments
- Exception processing associated with patient refunds

Accounts Payable Disbursements

Process Optimization

- Encourage electronic invoicing from vendors.
- Move to electronic payments:
  - Use both ACH and purchasing card (P-Card).
  - Mandate electronic payments for new vendors.

Accounts Payable Disbursements

Savings Opportunities

- Convert check to ACH (saves $1.50 per transaction, on average).
- Implement a purchasing card (P-Card) program:
  - 1% average rebate on a $10MM card program

Healthcare Banking Services

Pain Points

- Ineffective system-wide cash concentration
- Redundant bank accounts
- Redundant banking services
- Underutilized excess cash
- Inefficient borrowing and investment decisions

Healthcare Banking Services

Process Optimization

- Streamline system-wide banking services.
- Consolidate short-term cash balances.
- Increase cash available for investment.

Healthcare Banking Services

Savings Opportunities

- Consolidate bank account structure:
  - Improves visibility and cash deployment
- Rebid banking services:
  - Improves pricing by higher transaction volumes

Liquidity Management

Pain Points

- FDIC unlimited insurance that expires 12/31/12
- High cash balances in a low interest rate environment
- Ineffective counterparty risk processes
- Ineffective cash forecasting

Liquidity Management

Process Optimization

- Increase visibility to system-wide cash.
- Streamline bank connectivity and access to banking services across the system.
- Improve cash forecasting to permit increase in investment balances.

Liquidity Management

Savings Opportunities

- Consolidate system-wide liquidity.
- Optimize excess system cash.
- Determine appropriate liquidity and investment levels through cash forecasting.

Polling Question

Do you currently use a TMS (Treasury Management System)?

- Yes
- No

Healthcare Treasury Technology

Pain Points

- Manual processes
- Spreadsheets managing complex cash pools and liquidity
- Reliance on bank technology

Healthcare Treasury Technology

Process Optimization

- Increase visibility to system-wide cash.
- Streamline bank connectivity and access to banking services across the system.
- Automate accounting for cash, debt, and investments.
- Improve internal service levels.

Healthcare Treasury Technology

Savings Opportunities

- Improve process and efficiency.
- Reduce manual tasks.
- Automate bank fee analysis.

Action Plan for Healthcare Providers

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Next Steps: The Action Plan

Evaluate current banking and merchant card structures, services and fees.

- Average savings between $200k and $500k

Determine the full financial costs of current collections and disbursement processes.

- Average savings between $50k and $1MM

Conduct a full and comprehensive diagnostic review of the treasury function.

- Average savings between $500k and $1MM

Establish formal policies for treasury, reflecting best practices and more efficient processes.

Assess technology landscape with a view to automating treasury activities and improving visibility and member service.

The Goal

There is a $1 million savings opportunity available to treasury departments in the healthcare industry.

Hope to See You in Miami at the AFP

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- Not-for-Profit Organizations
- Public Sector Organizations

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- Best Practices Review and Benchmarking
- Risk Management
- Treasury Organization

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- Corporations
- Not-for-Profit Organizations
- Public Sector Organizations
- Technology Vendors

Solutions for Treasury Departments

- Pre-implementation Best Practices Review
- Process Review & Re-engineering
- Gap Analysis with Current Technology
- Corporate SWIFT Connectivity
- Technology Selection
- Technology Implementation & Optimization
- Strategic Roadmap

Solutions for Technology Vendors

- Implementation Resource Partnering
- Functionality Enhancement
- Business Strategy

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