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
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
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.
Pain Points

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

- 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
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.
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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- 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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