



IMA INSIGHTS

Business Office Collector Productivity Standards

Are your follow-up staff and collectors working accounts in an effective, proactive manner while meeting your daily productivity standard?

To our Healthcare Clients and Friends:

In this edition of *IMA Insights*, we will discuss the advantages of implementing and managing a collector productivity monitoring program in a business office environment. For ease of reference, we will consider both third-party follow-up staff and self-pay collectors as ‘collectors’; since productivity standards should be developed for both positions and the process is the same. Why monitor productivity? We have observed that collectors working with no productivity standards and the corresponding accountability that goes with them work one-third to one-half as many accounts as those who are held to a standard. That can easily amount to \$20,000 per collector in annual lost salary expense alone. In addition, the opportunity cost of accounts not worked will always exceed the lost salary expense by a substantial margin, since just one large-balance account that “slips through the cracks” due to an inadequate work effort can cost the facility hundreds of thousands of dollars. Add to that the value of collecting money earlier in the cycle, and the benefit of implementing and managing a collector productivity-monitoring program could potentially be measured in the millions of dollars.

BACKGROUND

With the demands inherent in managing a business office operation, productivity standards are often ignored or merely talked about; but not always implemented and monitored. More importantly, if productivity standards are in place, they may be utilized exclusively as a volume target for collection personnel; rather than to coach employees, remove collection obstacles, or discipline under-performing employees. Business offices go to great lengths to acquire and utilize information systems solutions to populate work queues for collectors; but frequently do not bother to track follow-up activity on a daily or weekly basis. If the collector is not working the accounts as if the balance were his or her own, departmental performance will suffer, as will the accounts receivable (A/R), and cash goals will become very difficult to meet or exceed. We can not cover all of the details of implementing collector productivity standards here, but we will outline the key concepts.

KEY ISSUES

Challenges

Reduction of A/R, Net A/R Days, and increased cash collections are goals shared by every business office. As we all know, staffing business offices across the country is very difficult in urban, suburban, and rural areas alike and, often, we have to resort to hiring unqualified or inexperienced staff that require extensive training. When you couple this with uncooperative insurance companies that consistently delay and/or short-pay accounts, managing an A/R has become one of the more difficult jobs in the healthcare sector.

Many business offices across the country are populated with long-term managers, supervisors, and line staff who have difficulty accepting change and understanding the importance of productivity standards. These facilities may think it is a good idea to purge long-term employees. While it is true that the longer employees

Business Office Collector Productivity Standards

are allowed to function without a productivity or quality standard in place, the more they will battle against the implementation thereof, a wholesale purge is seldom necessary. Experience shows there are two realities when it comes to implementing productivity standards: 1) New employees are easier to train and immediately hold to the standard, and 2) many of the existing employees can achieve the standard, if that standard is implemented positively and fairly. The peer pressure created by standards also helps some employees that are under-performers join their better-performing peers, especially if there is an incentive plan in place.

Business offices sometimes feel alone in their quest to implement and subsequently enforce productivity standards. In reality, several individuals and departments have to be engaged in the implementation process. Most importantly, the Chief Financial Officer, who is ultimately responsible for the overall performance of the business office, must play a central role in the final approval and continued support of the new productivity monitoring program. The Human Resources (HR) Department plays an integral role because the key to success is the willingness of management to initiate the counseling and disciplinary process after a continued failure on the part of the employee to meet the standard. HR must understand the new program and the business office must prove to HR that every collector is being held to the same standard. Additionally, in some hospitals and health systems, Information Systems must be relied upon to generate reports of collector activity to monitor productivity. There are other key figures in the process, as well, including the Chief Information Officer and his or her management team because without accurate data available at the specified times, the initiative will fail.

Planning and Implementing the New Productivity Program

Implementing follow-up productivity standards is not a simple task, but can be accomplished by any business office. Before establishing and implementing a standard, the following three steps should be followed:

1. Collector activity level should be monitored to obtain current-state baseline productivity metrics.
2. Work functions should be organized and streamlined.
3. The collector should be involved in the establishment of the standard.

The involvement of the collector is crucial to the process because it leads to better cooperation. Management author, Henry Sisk, was quoted by Charles Mowll in a Healthcare Financial Management Association (HFMA) article titled *Controlling the Patient Accounting Department*. He defined a work standard as “a unit of measurement established to serve as a model or criterion for work performance.” A standard should challenge the staff to excel, but perfection can not be the expectation in most cases.

The most effective method for implementing productivity standards is a combination of historical performance and time studies. The quality and experience of the staff plays a role in determining the standard, as well as the quality of the training program and follow-up techniques being utilized. Supporting technology can play a major role, as well. In the initial steps, the business office will begin to monitor the performance of the collectors. In addition, quantitative analysis in the form of a time study should be performed on the collection process. The time study will provide the business office with a realistic acknowledgement of the time

Business Office Collector Productivity Standards

required to perform the follow-up function under various circumstances, including different times of the day and payer-specific challenges.

As stated above, the time standard must take into consideration training, unavoidable delays such as insurance company hold times, and employee fatigue. Managers may want to consult industry subject matter experts or other healthcare organizations to determine the fairness and viability of the standard being considered.

Once the standard is set, it is best to work with Human Resources to determine a fair implementation schedule. For example, if the daily productivity standard is set at 65 accounts per day or 325 per week, the implementation schedule should allow for a ramp-up period. So, the initial target may be 35 accounts per day starting on week one, with a weekly ramp-up to the 65 accounts per day that will eventually be the expectation. Beginning with the 35 accounts per day target means the collector will be working one account every 12 minutes. That is a very reasonable expectation, taking into consideration the various tools, such as the internet, that are available to the modern day collector.

Managing the Productivity Monitoring Program

Once the productivity standard is implemented and reviewed with the collection staff, business office management must work with Information Systems or Patient Accounting report analysts to devise a reporting and tracking system. The system must provide accurate and timely data comparing actual performance to the established standard. Weekly reports should be prepared, identifying each follow-up representative, and should be used by business office management to evaluate performance and enforce the standard.

As mentioned earlier, enforcement of the productivity monitoring program is vital to its success. In addition, business office management can reward employees who surpass the standard, and can help motivate all performers by connecting the productivity monitoring program to the employee evaluation process.

SUMMARY

Business office management must retain tight control of employee performance to meet or exceed departmental goals. Management should continue to use other performance improvement and monitoring techniques, such as account and process audits and work observations, but the most effective results-based method is to plan, implement, monitor, and enforce productivity standards. The productivity monitoring program is most effective when combined with applicable quality standards, appropriate A/R stratification, and an aggressive collection cycle (e.g., calling on high-dollar accounts once per week, starting at the 21st day).

The productivity monitoring program is the first step to controlling your A/R, and the potential benefits are impressive. A six-hospital regional health system implemented productivity monitoring at two of its facilities as a pilot program. They experienced an increase in cash collections of over \$1M per month for those two hospitals over a five-month period and intend to implement the productivity monitoring program system-wide as a result. Based upon our observations, their experience is not unique.

Implementing a productivity monitoring program will help you get better results from your collectors; and it will accelerate and improve cash collections. It is an initiative that any



**IMA
Consulting**

Two Christy Drive, Suite 219
Chadds Ford, PA 19317

Phone: 484.840.1984
Fax: 484.840.0124

Toll Free: 866.840.0151

Visit our Website:
www.ima-consulting.com

**Robert J. De Luca,
Partner**

**Kimberly Hollingsworth,
Partner**

**Mary Ann Holt,
Partner**

**Anthony J. Scarcelli, Jr.,
Partner**

**Robert D. Sutton,
Partner**

Business Office Collector Productivity Standards

business office can implement with the proper executive support, and it involves minimum cost. The benefits more than justify the cost and effort.

*** **

We are pleased to have the opportunity to present this information to you. If you have any questions or need assistance in planning and/or implementing productivity standards for follow-up staff and collectors, please do not hesitate to contact either Ron Camejo at 484-832-9940 or me at 410-692-2400.

Yours very truly,

Chris

Chris Karman
Director, Revenue Management

ANNOUNCEMENTS

Speaking Engagements

IMA Consulting will host booth #515 at the Health Care Compliance Association (HCCA) 2008 Compliance Institute, April 13-16, in New Orleans, Louisiana.

Tony Scarcelli, IMA Consulting Partner, will be discussing Transfer DRGs at the 3rd Thursday Webinar for the Florida Healthcare Financial Management Association (HFMA) on April 19.

IMA Consulting to sponsor the HFMA CFO Boot Camp at the 2008 ANI: The Healthcare Finance Conference in Las Vegas, Nevada on June 23-26, 2008.

New Hires

IMA Consulting is pleased to announce that Julie Burgess has joined our team as our Marketing Manager.