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Health Services Cost Review Commission


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URGENT

MEMORANDUM

June 26, 2015

TO: Chief Financial Officers

FROM: Dennis N. , Associate Director - Audit & Compliance

RE: Comments on Current Financing Guidelines

Attached you will find the comments provided to Commission staff by CareFirst BlueCross and Blue Shield on the Current Financing Guidelines, which are now in effect. The purpose of this memorandum is to solicit your response to these comments.

CareFirst argues that the current requirement to add 3 days transmission time to the processing time for non-EFT payments should be reduced to one day to encourage hospitals to use EFT. In addition, CareFirst provides examples of reconciliations with hospitals and outcomes that indicate that the requirement to include elapsed days for partial payments is offset by the negative days resulting from partial reductions in claim payments.

We would appreciate receiving your comments directed to me on or before July 17, 2015. If you have any questions, you may contact me at 410-764-2565.

Deborah R. Rivkin
Vice President, Government Affairs - Maryland

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June 18, 2015

Dennis Phelps
Associate Director, Audit and Compliance
Health Services Cost Review Commission
4160 Patterson Ave.
Baltimore, MD 21215

Re: Follow Up Regarding Advance Financing

Dear Mr. Phelps:

Thank you for meeting with representatives of CareFirst at the end of May to express our concerns about the current working capital guidelines as drafted. I write to provide the follow up information we discussed. After you have had the opportunity to review this information, we would appreciate the opportunity to meet again to discuss next steps.

1. Hospitals Not Accepting EFT

At the May meeting, you requested a list of hospitals not accepting EFT. A breakout of Maryland hospitals and how they receive payment from CareFirst is included as an attachment. In summary, a total of 7 hospitals receive 100% of their payments by check: Frederick Memorial Hospital, Garrett County Memorial Hospital; Saint Mary's Hospital; University of Maryland Shore Medical Center at Chestertown; University of Maryland Shore Medical Center at Dorchester; University of Maryland St. Joseph Medical Center; and Western Maryland Regional Medical Center. An additional 5 hospitals receive payments by EFT and check.

2. Recommended Language Regarding Processing Time for Payment

We offered to provide suggested language to address our concern about the lapse of time in the current guidelines for payments arriving by check and the resulting disincentive for hospitals to receive payments electronically. We offer the following alternative language for item 6 in the current guidelines:

"6) Processing time shall be based on claims paid during the calculation period. For hospitals that receive payments other than through EFT, one day from the payment transmission date should be utilized as the transmission time in the elapsed days calculation."

3. Key Examples Regarding Reconciliation with Maryland Hospitals

You were interested in examples of reconciliations with hospitals and the outcomes. As background, CareFirst provides funding to Maryland regulated hospitals in accordance with COMAR 10.37.10.26B. To determine the required advance funding deposit by hospital, CareFirst legal entities use claims payment information over, generally, a six month period.

Example 1 - Hospital Reconciliation:

Several years ago, CareFirst conducted a detailed reconciliation with a hospital that voiced concerns with our calculation. The parties worked over a six month period to reconcile and resolve differences. Below are the key findings and agreed upon action items:

- The calculation was reconciled to less than 1.0%.
- Differences primarily consisted of missing payments (adjusted claims were excluded), timing differences on the front and back end, and duplicate claims.
- When all data was reconciled, paid were increased, but the average days to pay were reduced.
- Following the reconciliation, the parties mutually agreed that the dollar amount of adjusted claims (both upward and downward) should be added to the calculation of the advance deposit balance; however, the impact of the days outstanding should be excluded due to complexity and immateriality of impact. Because this change resulted in a reasonable process that the parties agreed balanced unnecessary administrative complexities while still providing a more accurate payment amount, CareFirst implemented this change as part of its advance funding calculation for all hospitals.
- The parties agreed that the use of EFT payments addressed any concerns related to "float."

Example 2 - Hospital System Reconciliation – Ongoing:

We continue to have ongoing discussions with a separate Hospital system that voiced concerns with our calculation. Below are the key findings observed in our recent review:

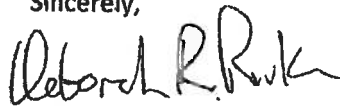
- CareFirst did not complete separate IP and OP Calculations. As we discussed with you, we have since agreed to complete two separate calculations going forward. This change is estimated to increase advanced funding to all hospitals by about 7%.
- 3.8% of total paid dollars were associated with adjusted claims.
- CareFirst prepared an analysis and shared it with the system documenting the impact of including adjusted days in the calculation. This process was very labor intensive, took months to complete, and, as set forth below, resulted in a non-material impact. The following were the key findings of the analysis:
 - Upward adjustments were processed within an average of 87 days, while downward adjustments were processed within 157 days; and
 - Including adjusted days in the calculation of the advance funding deposit increased the deposit by 0.5% or about \$50 thousand dollars.

- This data was shared with the hospital system; however, discussions related to its specific advanced financing amounts continue.

On average about 5-8% of our hospital claims are adjusted, with the adjusted dollars comprising an average of 3-4% of total paid claim dollars (Upward and Downward). As we stressed to you during our meeting, capturing, interpreting and using the data associated with adjustments is very complex, time consuming, and does not yield the results being advocated for by the hospitals. In fact, based on our findings in both reconciliation efforts noted above, we believe that including the adjusted claims dollars in the calculation, but not the days, provides a fair and balanced result, without unnecessary, overly burdensome, and complex calculations.

We hope this information is helpful. We look forward to discussing next steps with you on these issues.

Sincerely,

A handwritten signature in black ink that reads "Deborah R. Rivkin". The signature is written in a cursive, flowing style.

Deborah R. Rivkin

Attachment 1

**Hospital Claim Payments
EFT vs. Check Statistics**

Based on Paid Claims 10/1/14-3/31/15

	<u># of Hospitals</u>	<u>% of Hospitals</u>	<u>% of Palds</u>
100% EFT	36	75%	82%
100% Check	7	15%	8%
Mix of EFT and Check	5	10%	10%
Total	48	100%	100%

Hospitals receiving 100% of Payments by Check

- 1 Frederick Memorial Hospital
- 2 Garrett County Memorial Hospital
- 3 Saint Mary's Hospital
- 4 UM Shore Med. Center at Chestertown
- 5 UM Shore Med. Center at Dorchester
- 6 UM St. Joseph Med. Center
- 7 West. MD. Reg. Med. Center

Hospitals receiving Payments by EFT and Check

- 1 Franklin Square Hospital
- 2 Good Samaritan Hospital
- 3 Harbor Hospital Center
- 4 MedStar So. Maryland Hospital Center
- 5 Union Memorial Hospital