

Healthcare Solutions: ICD-10 cash flow tips for providers

An interview with June St. John, Wells Fargo

With ICD-10 policies going into effect in 2013, it is critical to understand and prepare for potential cash flow delays, in addition to reviewing other processes you have in place that may be impacted by these changes. Following is a list of some of the commonly asked questions and responses to consider as you prepare for these changes.

How should we prepare for ICD-10 cash flow delays?

Healthcare providers can best prepare for anticipated cash flow delays by beginning to plan now. Some areas to consider include, but may not be limited to:

Focus on expenses

- Renegotiate terms with major suppliers to create a more balanced payment schedule over time
- Identify and implement other cost saving measures in advance of October 2013
- Aggressively manage inventory levels to avoid expensive overstock costs
- Reduce other administrative overhead where possible

Focus on receivables

- Manage your Accounts Receivable (AR) aging aggressively, minimize charge-offs and denied payments
- If you have not already done so, consult with your banker about adopting best practices, procedures, and products that will enable you to collect patient co-pays or deductibles at the time of patient encounter
- Work all denials and rejects aggressively to eliminate their occurrence and ensure more first time third party payer payments

Establish a dialogue with your primary relationship banker or financial institution now

- Request a working capital model/forecast
- Seek their advice on banking services they can provide to accelerate days in AR, extend suppliers terms and days in Accounts Payable (AP)
- If there is agreement that it is needed, consider a working capital line of credit to minimize the disruption for ICD-10 cash flow delays that are outside of your control, such as higher payer denials or rejects

“ICD-9 has been in use since the late 1970s and while there will be significant long term benefits of migrating to ICD-10, there will also be a higher percentage of rejected claims which will impact cash flow. Now is the time to begin planning for these disruptions and develop strategies to effectively minimize their impact to your organization.”

June St. John, CTP
Senior Vice President
Healthcare Product Manager

Together we'll go far



Establish dialogue and candid discussions with your primary third-party payers now

- Learn how each one plans to prepare for ICD-10 changes, ask if they are implementing new rules for claims submission or re-submission
- Share your plans for implementing these changes with them
- Identify shared goals and objectives to ensure a combined approach, minimizing disruption to either's coding processes (win-win)

How much cash flow should we put away in order to sustain our business? 6 months? 12 months? Longer?

There is no magic number that will work for every healthcare provider. Each situation is unique. Your specific situation will need to be carefully considered by your senior management in consultation with their trusted financial advisor or banker.

What kind of financial questions should we be asking our financial institutions if we are a large hospital?

The questions are the same regardless of the type of healthcare provider:

- Can you help me forecast my working capital?
- What steps can I take now to manage some of this myself?
- What additional products and services can the bank offer to accelerate days in AR and extend suppliers term and days in AP? What credit products can help with unexpected negative impacts to working capital during the initial period of transition to ICD-10 codes in late 2013 and early 2014?

What kind of financial questions should we be asking our financial institutions if we are a small provider group in private practice?

The questions are the same regardless of the type of healthcare provider:

- Can you help me forecast my working capital?
- What steps can I take now to manage some of this myself?

- What additional products and services can the bank offer to accelerate Days in AR and extend suppliers term and Days in AP? What credit products can help with unexpected negative impacts to working capital during the initial period of transition to ICD-10 codes in late 2013 and early 2014?

What other strategies should we implement to prepare to manage financial risks?

Ensure you have identified all of the changes required in your systems and processes. Many payers and providers are approaching this as merely a code or system change. It is important to give thorough consideration to the following questions:

- How and where in all of your processes and workflows will accurate coding come into play?
- What are the potential organizational impacts of coding errors that could ultimately lead to member or patient dissatisfaction and contribute to higher administrative costs?

Engage in active and candid discussions with your primary third party payers. Work together with your payers to identify shared goals and objectives in order to minimize the disruption to either coding processes. Determine and understand any changes your payers are implementing in their claims submission or resubmission policies and procedures as a result of ICD-10 code changes. Share your plans for implementing ICD-10 code changes, including your system changes and timing, staff training, and any additional oversight you are going to implement as you make this transition.

Why is understanding our company's valuation important?

Your banker or trusted financial advisor is in the best position to help you understand the importance of your company's valuation and determine appropriate strategies for your specific situation.

What kinds of financial planning should we do internally and with banks?

Conduct a payables and receivables audit. If you have the ability, complete a preliminary working capital analysis. Next, discuss these findings with your banker or trusted financial advisor. If you are uncertain how to get started, your banker or financial advisor should be able to assist you. Your payer discussions can be held without assistance from your bank.

What are some examples of successful exit strategies for smaller providers?

The answer will differ based on your specific situation. It is best to consider an array of options and triggering events, in consultation with your banker or trusted financial advisor.

When should I begin to prepare to have my working line of credit pre-approved?

You should begin preparing now so your balance sheet and income statement can weather any temporary disruptions that may be caused by the healthcare industry ICD-10 transition. ICD-10 is one of the most significant changes recently required and is happening at the same time as several other healthcare regulatory and market changes—Meaningful Use, Medical Loss Ratios, Affordable Care Act (ACA), Accountable Care Organizations (ACO)—and is impacted by the preceding 5010 format changes for all HIPAA transactions to accommodate the ICD-10 code changes.

For more information, contact your Wells Fargo treasury management representative.

June St. John, Senior Vice President and Healthcare Product Manager, has been in treasury services product management for 26 years. She is currently responsible Wells Fargo's healthcare product strategy including: Claims Payment Solution, developed for commercial and government insurance payments, and Supplier Payment Solution, supporting healthcare supplier payments needs. June is a Certified Treasury Professional and serves as the chair of HIMSS/Medical Banking and Financial Systems Committee.

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