

Case Study: Life Sciences

Revenue Cycle Rehab Improves Financials for Medical Device Manufacturer

End-to-end solution enables submission of accurate claims, speeds cash flow and improves working capital utilization.

A U.S. medical device company serving the physical rehabilitation market was dissatisfied with its revenue cycle management performance. It had a low first-pass claims acceptance rate, meaning claims had to be recoded and resubmitted to health insurers far too frequently. As a result, the company had a high percentage of pended claims but needed staff with a higher skillset to make effective appeals or understand root causes of denials and underpayments. It also had a high unapplied cash rate because of inefficiencies in matching payments to claims submitted. Its low net-collection rate and unapplied cash resulted in less day-to-day financial flexibility and caused the client to miss investor revenue targets.

At a glance

A medical device manufacturer had high percentages of rejected and pending claims, plus large amounts of unapplied cash. Cognizant deployed end-to-end revenue cycle management processes to improve net revenues and working capital and used analytics to prioritize collections.

Outcomes

- Net revenue increased by \$11.3 million in one year.
- Unposted collections dropped from \$2 million to \$46,000.
- Cash posting automation went from 0% to 56%.

Rehabilitating Revenue Cycle Management

The medical device company partnered with Cognizant to manage its revenue cycle to take advantage of its combined healthcare operations experience and clinical expertise in the life sciences. One of our initial actions was to deploy a dedicated payer team that used analytics to review the company's payer contracts, rules and payment histories. The payer team uncovered where underpayments and no payments were occurring and in what volumes, guiding the new collections team in prioritizing efforts to drive better collections. A workflow tool to manage the collection inventory was designed and deployed.

We partnered with our client to streamline and compress processes across the front, middle and back offices to shorten the order-to-cash time and improve days sales outstanding (DSO). For instance, our integrated team manages patient eligibility, verifies coverage and calculates the percentage of payment due from insurers, including U.S. Medicare and Medicaid. These calculations help predict working capital much more accurately. With insurer contracts always current and claims always submitted according to individual payer requirements for coding, modifiers, and other parameters, the company is achieving better first-time collection results.

The Results

After the first year of service and reducing bad debt, net revenue improved by \$11.3 million. We automated more than half of the cash-posting processes, improving working capital and reducing unapplied cash from \$2 million to \$46,000. The focused partnership also improved collection ratios

- I Improved collection ratios in key lines of business:
 - On-site/off-the-shelf business gross cash recovery (GCR) improved from 47% to 51%.
 - Insurance-eligible bracing GCR improved from 51% to 58%.
 - Bone growth stimulators net cash recovery improved from 89% to 91%.

across the company's key sales lines: gross cash recovery (GCR) for its lower dollar on-site/off-the-shelf business improved from 47% to 51%; GCR for the insurance-eligible brace line improved from 51% to 58%; and net cash recovery for high-end bone-growth stimulators improved from 89% to 91%.

About Cognizant Life Sciences

Cognizant's Life Sciences practice is committed to helping change millions of lives for the better by partnering with clients to build solutions to health-care challenges, continually improve the way they do business, set the pace in clinical development, strengthen their regulatory infrastructure, and increase competitiveness. Cognizant serves 30 of the top 30 global pharmaceutical companies, 9 of the top 10 biotech companies, and 12 of the top 15 medical device companies. With a large team of dedicated professionals including doctors, pharmacologists, physicians, biomedical engineers, pharmacists, biostatisticians, medical writers, and GxP consultants, the practice provides domain-aligned consulting, IT, business process, software and as-a-service solutions globally. Visit us at <http://cognizant.com/life-sciences>.

About Cognizant Digital Operations

Cognizant Digital Operations helps clients re-engineer, digitize, manage and operate their most essential business processes, lowering operating costs, improving user experiences, and delivering better outcomes and topline growth. Across the practice, we are creating automated, data-driven platforms and industry utilities. We help clients run better by applying traditional optimization levers, and we help them run differently by creating competitive advantage through making their processes digital-ready, which often leads to more effective operating models and corresponding topline revenue growth. For more information, please visit cognizant.com/cognizant-digital-operations.

About Cognizant

Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 195 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

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