Case Study: Life Sciences

# RCM process nets $11.3M for manufacturer

An end-to-end revenue cycle management solution transforms the claims process to improve accuracy, speed cash flow and improve working capital utilization.

## The challenge

A US 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%

## The approach

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 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 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 US 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.

- Improved collection ratios in key lines of business:
  - Onsite/off-the-shelf business 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%

## Business outcomes

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 to improve working capital and reduce unapplied cash from $2 million to $46,000. The focused partnership also improves collection ratios across the company's key sales lines: gross cash recovery (GCR) for its lower dollar onsite/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%.




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