



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: May 25, 2012
BOARD MEETING DATE: June 5, 2012
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer
San Mateo Medical Center

SUBJECT: Amendment No. 1 to the Agreement with Perot Systems Revenue Cycle Solutions, Inc.

RECOMMENDATION:

Adopt a Resolution authorizing the President of the Board to execute Amendment No. 1 to the Agreement with Perot Systems Revenue Cycle Solutions, Inc. to continue to perform collection of accounts at San Mateo Medical Center, extending the term by one year for a new term of June 28, 2010 through June 27, 2013, and increasing the amount of the agreement by \$1,500,000 for a new maximum fiscal obligation of \$3,875,000.

BACKGROUND:

On May 25, 2010, by Resolution 070783 your Board approved an Agreement with Perot Systems Revenue Cycle Solutions, Inc. (Perot) to assist San Mateo Medical Center (SMMC) with the collection of its outstanding accounts receivable. Specifically, the Agreement intended to reduce the error rate in claims submission and bring it in line with the industry standard. At that time, SMMC's error rate was 31% for claims, and its receivables averaged 90 days to collect.

DISCUSSION:

SMMC has made substantial progress in reducing the number of claims submission errors, bringing it in line with the industry standard. However, there is still a large volume of accounts receivable with account balances less than \$250 and accounts receivable from self-pay patients. As of April 30, 2012, there were 48,900 active accounts receivable with balances less than \$250, and 8,489 self-pay accounts with balances greater than \$250. Typically, the small balance accounts and self pay accounts require additional time and effort to collect. Accordingly, while the SMMC finance team is working diligently to improve collections, the team continues to need assistance to work the high volume of low balance and self-pay accounts.

Perot has been performing billing and collections for low balance and self-pay accounts, allowing SMMC staff to focus on current receivables and accordingly to increase collections and decrease the number of days accounts remain receivable.

SMMC staff work the large accounts covered by third-party payors, while the Perot engagement will have a limited focus on self-pay accounts and on small-balance accounts. Perot will be paid for working accounts only if it is able to collect on such accounts. Extending the Agreement will allow SMMC finance staff to focus on new accounts. Perot has the technologies and economy of scale to efficiently and effectively work the assigned small-balance and self-pay accounts.

Billing and collection efforts at SMMC are managed so that after 4 months of unsuccessful billing effort accounts are turned over to the County's Revenue Services group for collection.

County Counsel has reviewed and approved the Amendment and Resolution as to form.

Approval of this Amendment contributes to the Shared Vision 2025 outcome of a Healthy Community by improving fiscal accountability used in support of the care giving activities of SMMC. It is anticipated that collection of accounts receivable days will decrease to 60 days; that there will be an increase in annual cash received by SMMC of \$4,700,000; that the assigned account resolution ratio (accounts assigned to Perot for follow-up) will be maintained at 89%.

Performance Measure:

Measure	FY 2010-11 Actual	FY 2011-12 Projected
Resolution rate	80%	89%

FISCAL IMPACT:

This Amendment extends the term of the Agreement by one year for a new term of June 28, 2010 through June 27, 2013, and increases the maximum fiscal obligation to \$3,875,000. Funds in the amount of \$125,000 are included in the SMMC FY 2011-12 Adopted Budget. Funds in the amount \$1,375,000 will be included in the SMMC FY 2012-13 Recommended Budget. The added expense of this Amendment will be offset by a greater increase in accounts receivable collected. Perot has recovered \$14,000,295 in collection of accounts receivable so far in the term of this Agreement.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County's General Fund contribution to SMMC, and are within the existing annual appropriation.