



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 19-807

Board Meeting Date: 8/6/2019

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise F. Rogers, Chief, San Mateo County Health
Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Agreement with CMRE Financial Services, Inc. for Self-Pay Patient Services

RECOMMENDATION:

Adopt a resolution authorizing an agreement with CMRE Financial Services, Inc. for self-pay patient early out account services for the term of August 1, 2019 through July 31, 2022, for an amount not to exceed \$360,000.

BACKGROUND:

San Mateo Medical Center (SMMC) provides medical services to the County's safety net population, with many of these services supported by state and federal funding sources. While some patients have insurance that may require co-payments or deductibles, many other patients are uninsured. SMMC's Patient Financial Services department (PFS) follows up with uninsured patients on their outstanding balances, also known as "self-pay" accounts, for approximately 120 days, while the Health Coverage Unit works with patients to explore various financial assistance programs that SMMC offers to help them with their hospital bills. Such efforts include assistance with enrolling in health coverage, discounting bills, and creating payment plans for patient's co-pays and deductibles. SMMC strives to prevent the cost of care from being a barrier to receiving care. Accordingly, SMMC has a policy that prohibits the practice known as "balance billing", which applies to balances not covered by insurance companies (beyond a patient's responsibility for copayments, coinsurance and deductibles).

One hundred twenty days after PFS follows up with a self-pay account, any and all accounts that are not enrolled in a financial assistance program or have not obtained insurance coverage are reclassified as "bad debt" accounts, then transferred to the County's Revenue Services for follow up.

DISCUSSION:

Approximately 15 months ago, Revenue Services engaged a consultant to review operations and make program improvement recommendations. After receiving the consultant's report, Revenue Services met with all their clients, including SMMC, to review client needs and future plans. At that meeting, SMMC indicated that they were revisiting their entire approach to collections to improve

both client service and ideally increase collections. SMMC decided that there would be efficiencies and potential additional revenue if SMMC took complete responsibility for all self-pay hospital collections.

SMMC’s initiative to improve self-pay collections relies on a two-pronged strategy of early-out patient services and bad debt collections. In May 2019, SMMC completed a Request for Proposals for vendors to provide early-out patient services and bad debt collections. CMRE Financial Services, Inc. (CMRE) was chosen for early-out patient services due to its experience, specialization in self-pay accounts, and enhanced technology and analytic capabilities. Rash and Curtis Associates was selected to provide bad debt collections; a contract with Rash and Curtis is being brought to your Board separately.

CMRE will proactively engage patients, concentrating on account resolution and bad debt prevention, very early in the account life cycle. This is known in the hospital industry as a “self-pay early-out” program. As patients become responsible for larger portions of their healthcare bills, it is imperative for hospitals to have a sophisticated collection program to manage these accounts. SMMC’s outdated systems, lack of standard workflows, and inadequate staffing levels hamper its ability to effectively manage self-pay accounts. In addition, the SMMC staff assigned to self-pay accounts are responsible for other activities and not fully dedicated to self-pay follow-up activities. A standard best practice in the hospital industry is to contract with vendors who invest in technology, staff training, and process effectiveness. It is also critical that these vendors such as CMRE treat patients with respect, provide high levels of customer service, and comply with federal, state, and local regulations. CMRE will work in conjunction with PFS to communicate with the patients or responsible parties while complying with SMMC’s policies and procedures.

The agreement and resolution have been reviewed and approved by County Counsel as to form. This agreement is coming to your Board late due to prolonged negotiations.

The resolution contains the County’s standard provisions allowing amendment of the County fiscal obligations by a maximum of \$25,000 (in aggregate).

The Information Services Department has reviewed and approved the IT component of this agreement.

The agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by increasing SMMC’s ability to recover on patient accounts, thus increasing its financial resources to support the provision of patient care. It is anticipated that CMRE will increase cash collections by 15% compared to SMMC’s annual average.

PERFORMANCE MEASURE:

Measure	FY 2018-19 Actual	FY 2019-20 Projected
Percentage increase of cash collections compared to SMMC’s annual average	N/A*	15%

*New measure

FISCAL IMPACT:

The term of the agreement is August 1, 2019 through July 31, 2022. CMRE will be paid on a

contingency fee basis only when additional cash collections have been received on self-pay accounts. The contingency fee amount of the agreement is not to exceed \$360,000 for the three-year-term. Funds in the amount of \$120,000 are included in the SMMC FY 2019-20 Recommended Budget. Similar arrangements will be made for future years.

The anticipated amount of revenue that SMMC will receive through additional cash collections is approximately \$1,472,000 on an annual basis. This is a 15% increase over SMMC's FY2017-18 collections of \$1,280,000. Revenue in the amount of \$1,472,000 was included in the SMMC FY 2019-20 Recommended Budget. Similar arrangements will be made for future years.

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 is covered by the County's General Fund contribution to SMMC and is within the existing annual appropriation.

ATTACHMENT:

RFP Matrix