



## Case Study: Payer & Insurance Provider Work Together for Joint Process Improvement

A blended team of managers from the insurance company and the healthcare services provider began preparing for improvement with a two-day vision session led by Guidon advisors. They used improvement techniques, including Lean Six Sigma, to analyze the flow of information and activities from the last day of service/treatment for the patient to the posting of payment to the healthcare services provider. The project team used the current-state process map to identify 30 improvement initiatives, and then narrowed this list to 12 initiatives based on impact, difficulty, and time needed to implement.

The group then created a future-state vision for the revenue cycle. This vision would be the result of implementing the improvements. The vision included a new value-stream map that achieved a faster flow of information and action. They also agreed to create both a scorecard to monitor progress toward the improvements and teams to implement the changes. By the end of the vision session, the collaborative team had a rework agreement, a draft payor/payee scorecard to track and manage improvement, and teams assigned to process improvement and implementation of future-state goals in the 12 areas.

They then dispersed to work on their individual projects using analytical tools to uncover cash-an time-saving opportunities in the payment and claims-denial processes. Guidon advisors taught the teams how to collect objective data with Pareto analysis, FMEA, cause-and-effect analysis, and root-cause analysis. Among other discoveries, the process-improvement teams learned that by reducing internal lead-time by seven days and days-of-receivables by 23 days, cash flow could improve to the point of adding \$500,000 to the bottom line in annual interest savings. Additionally, by reducing mistakes and denials by 20%, the insurance provider could save about \$200,000 a year with its collaborative partner and more than \$1.6 million by doing the same with all of the healthcare services providers in its programs.

The future-state teams identified three opportunities to reduce time and rework, additionally, IT systems were creating waste by automatically kicking back denied claims based on programming information that did not consider the cost of rework.

Some of the key approaches used to correct wasteful activities are rapid process improvement (Kaizen's) events and 3P Design Methodology (Product, Process, and Preparation). The team used these techniques to design a new payment process, simulate and test, adjust and standardize, and then deploy the new process.

With its new process established, the improvement team cemented its goals by finalizing a scorecard to be used both internally and at the healthcare services provider. They would use the scorecard to track and periodically review key metrics that reflect speed and accuracy of the payment process.

One year after the vision session and subsequent new payment process and scorecard, the insurance company was able to document a \$1 million savings. Also, its healthcare services partner receives payment faster, which improves its cash flow as well; and more claims are being approved, which makes patients happier.

**Client:** A large health insurance company with plans for employers and businesses

**Industry:** Insurance

**Service:** Rapid Process Improvement (Kaizen) Event

### Challenge:

- Wanted to pay claims faster, reduce the number of denied claims and mistakes, and find a method to propel continuous improvement of the payment process
- Create a better payment and revenue-cycle experience for both patients and healthcare service providers that participate in its insurance programs

### Solutions:

- Utilized various tools to identify ways to reduce claims-processing time and errors, and create a scorecard to encourage and measure ongoing improvement

### Results:

- Reduced its payment-processing costs by \$1 million in one year
- Created a future-state vision that reduced wasted time and activity in processing, raised the threshold for claims denials, and created a common "scorecard" with its healthcare services partner



866.986.4414 or 480.986.4414  
contact@guidonps.com  
www.GuidonPS.com