

# Finding Dynamic, Scalable Systems to Process Healthcare Payments

## EXECUTIVE SUMMARY

The world of alternative payment models is rapidly changing and advancing as risk-based models like bundled payments and capitation prove effective at controlling costs while maintaining high quality care. In one survey, 94% of health executives said they expect value-based contracts to grow in the coming years. Accurately and effectively adjudicating claims in the new models is essential for profitability, but payment technology softwares designed for an old fee-for-service world are incapable of delivering a seamless and effective solution.

The only option for organizations entering value-based agreements is payment software that is purpose-built for advanced APMs. Cedar Gate offers the most complete, composable, and collaborative payment technology to support VBC goals while minimizing financial risks and optimizing revenues. When combined with our industry-leading value-based care analytics capabilities, organizations have all the tools necessary to coordinate payments with care partners and execute all types of complex financial agreements efficiently and accurately.

## INTRODUCTION

In 2021 about 60% of healthcare payments were tied to some type of value-based or quality program, according to data from the Health Care Payment Learning and Action Network (HCPLAN). The other 40% are strictly fee-for-service (FFS) payments. These percentages held steady from prior years, despite the upheaval caused by COVID-19 in 2020 and 2021, and the volume of APM-related payments are likely to continue to grow in the coming years.



Perhaps even more revealing was the data showing that more payments went through downside risk programs in 2021 than ever before. In these models, providers take on additional risk if they fail to meet quality and cost goals. Many healthcare industry experts agree that moving toward more risk-based payments is the only way we can tackle the alarming rise in healthcare costs in the U.S. While providers understand that this is a necessary change, it's also a difficult transition to make because most legacy core administrative processing systems are designed for a fee-for-service world.

As more reimbursements flow through alternative payment models (APMs), such as capitation and bundled payments, organizations need to have technology in place to process these payments. Preparing now for the future of APMs can eliminate roadblocks that could impact financial and operational performance in the future.

## The Challenge

For decades, all that a healthcare organization needed to get paid was software that could process FFS payments. That is rapidly changing as a significant number of patients and beneficiaries are now enrolled in programs with an APM. Legacy FFS systems are not designed for the complexities in models such as:

- > **Capitation:** A fixed monthly reimbursement that covers all the care for a single patient based on factors like risk score and health history.
- > **Bundled Payments:** A fixed reimbursement for an episode of care to be distributed among all the providers and facilities involved in the patient's care.

Even for organizations not yet engaged in the more advanced payment models, legacy FFS systems are inadequate for claims adjudication. These systems often don't include simple integration with reporting and analytics tools to see how you're performing in primary care attribution and quality-based programs with upside and downside risk.

Relying exclusively on legacy FFS payment technology creates significant manual work and administrative headaches for healthcare delivery organizations (HDOs) already engaged in APMs or preparing for one in the future.

## THE NEED FOR PAYMENT PROCESSING CAPABILITY & AGILITY

Six in 10 healthcare payments processed in 2021 were for alternative payment models, according to HCPLAN, and the number of payments for downside risk value-based care (VBC) models goes up every year. These numbers are expected to increase in the coming decade as CMS and commercial payers roll out programs like ACO REACH and downside risk MSSP tracks.

Processing payments in an APM requires a completely different core administrative processing solution compared to FFS systems.

Additionally, many providers and HDOs participating in APMs have a mix of payment contracts, including:

- > Legacy fee-for-service claims
- > Full and partial capitation
- > Carve-outs
- > Bundled payments
- > Primary care attribution or quality-based arrangements

As organizations transition from exclusive FFS payments to other models, they need dynamic systems that can process all these different payments accurately for each model and each beneficiary. For HDOs with beneficiaries or patients in different payment models, ensuring correct billing is a challenge – especially since patient populations and assigned beneficiaries in various programs are continually changed throughout the year. Getting payment processing wrong can be costly and increase an organization's financial risk.

With such a rapidly changing payment and claims ecosystem, agile and composable solutions are even more of a necessity for healthcare organizations to compete and thrive. Legacy systems not designed for the cloud that lack real-time data sharing and configurable capabilities make it even harder to take the necessary next steps for healthcare payments in the future.

Most HDOs believe they can simply modify an outdated payment processing solution to accommodate these advanced payment models, but this usually has predictably poor results. Even small changes require significant IT involvement, contributing to much higher operating costs. The software requires manual intervention from staff to submit claims, increasing the risk of errors and incorrect or missed payment. Staff get frustrated with the increased work, leading to higher turnover and low morale.

## THE NEED FOR MORE AUTOMATION

Trying to “do more with less” used to be a business strategy for companies with limited resources or those looking to minimize costs. But in today's healthcare environment, the ability to stretch resources has become a necessity. That is particularly true as external forces – such as labor market shortages and inflation – continue to put pressure on operational budgets across all healthcare sectors.

The U.S. will have estimated shortages of about a million nurses by the end of this year, 3.2 million healthcare support staff (such as CNAs and MAs) in the next five years, and as many as 124,000 physicians over the next decade. When time-crunched clinical and revenue cycle staff members have to spend extra time on manual tasks to process claims correctly, it is both frustrating and inefficient.

Automation has the potential to alleviate some of these challenges, but it requires a significant investment and commitment to find the right tools. A McKinsey report estimates that organizations could achieve cost savings of 15% to 40% by automating payer-centric activities such as data processing and data collection. Artificial intelligence (AI) also has the potential to automate effort-intensive tasks even further.

Unfortunately, healthcare has lagged behind other industries in adopting technology solutions to meet these growing needs. HDOs must address that “technology debt” quickly to avoid falling farther behind. That includes investing in better infrastructure and leading-edge software with the automation tools to reduce manual work, minimize errors that could affect revenue, and safeguard your bottom line.

## RESOURCE LIMITATIONS WITHIN ORGANIZATIONS OF ALL SIZES

The healthcare industry has experienced significant revenue pressures in recent years. Even before the COVID-19 pandemic, financial pressures and razor-thin operating margins led to hundreds of hospital closures between 2010 and 2020 (especially in rural areas), as well as some of the highest merger and acquisition rates in the latter part of the 2010s. Many of these actions were viewed as necessary as industry pressures continue to push HDOs to maximize resources.

In addition to the labor shortages and inflation pressures noted above, organizations also face:

- > Lack of IT expertise in payment technology software that could streamline the claims process and improve revenue cycle management (RCM)
- > Limitations of existing technology to transition from FFS to alternative payment models, such as capitation and bundled payments
- > Little to no data sharing and transparency, limiting what data can be harnessed for clinical, operational, and financial insights that improve success in VBC models
- > Struggle to get buy-in from key stakeholders who can move organizations forward in adopting better and more efficient payment technology

These issues affect hospitals and healthcare facilities of all sizes. The inability to administer value-based payment arrangements at scale prevents organizations from transitioning away from fee-for-service payments, stalls VBC initiatives, and puts organizations at significantly higher financial risk when they do try to make the transition.



# The Solution

Cedar Gate's core administrative processing solution is purpose-built to facilitate advanced and alternative payments in value-based care models. It is the first software solution that users can implement as a standalone module and seamlessly integrates with your existing tech stack, or as a comprehensive solution with fully integrated payment technology, analytics, population health, and care management tools in a single platform.

## CORE PAYMENT PROCESSING TOOLS SPECIFICALLY BUILT FOR VALUE-BASED CARE & ALTERNATIVE PAYMENT MODELS

Cedar Gate's core payment technology processing tools are some of the only ones available today that are specifically built for alternative payment models (APMs) in value-based care, such as capitation adjudication and bundled payments. This is a key distinction for organizations interested in maximizing revenue and succeeding in VBC models, because most other payment processing solutions include software adapted from fee-for-service models to try to accommodate VBC payments.

Cedar Gate's software simplifies the contract management and adjudication process for complicated reimbursement structures that diverge significantly from FFS payments. The system supports both common and proprietary data exchange formats for a seamless integration experience with existing internal systems and partner ecosystems.

Value-based payment agreements and contracts are often unique to a specific organization, making it challenging for most off-the-shelf payment solutions to accommodate the nuances necessary to carry out these complex arrangements. But with our purpose-built payment technology, organizations can easily:

- > Align members and ensure proper attribution in ever-changing beneficiary pools for proper payment in capitation models, avoiding overpayment or underpayment
- > Bundle claims together to enable bundled payment models for accurate distribution (and transparency) to all the providers involved in an episode of care
- > Easily plug into existing point solutions for fast, accurate, and efficient APM processing, even when those other interfacing systems were not designed for VBC models

## CONFIGURABLE, CUSTOMIZABLE & AUTOMATED SOLUTIONS

Value-based care payment contracts can have multiple components that impact payment processing. Cedar Gate eliminates the need for manual inputs and overrides (that can introduce errors into the claims adjudication process) with a completely customizable and configurable solution.

Our payment technology software interfaces seamlessly with external pricers to manage fee schedules and enable contract modeling. Users can also customize workflows for all types of payment processes, including:

- > Billing
- > Collection
- > Prospective bundled payments
- > Retrospective bundled payments
- > Risk pool fund allocation



Another critical aspect of effective payment software is the ability to automate tasks that are currently taking up staff time without adding value. Cedar Gate's payment technology solution includes highly configurable automation rules that review charges within claims and across entire claims histories to identify opportunities for improving automation in claims adjudication.

Build and customize automated workflows that dynamically prioritize tasks based on parameters critical to operational efficiency. Tasks are displayed visually on a user-friendly dashboard with alerts when task turnaround time limits are getting close. Configure the software to create tasks using time-based or task-based rules, depending on workflows and operational requirements.

Once configured, these automated tasks run seamlessly without the need for manual intervention. Automation in our software facilitates fast throughput and minimizes the burden on already overworked staff members who oversee claims processing.

Our automated claims processing tools also protect against over- and underpayment errors that could be costly to provider organizations. Organizations participating in APMs must have accurate tools to identify the correct monthly payment for patients or beneficiaries in capitated agreements or the correct amount they will collect from a bundled payment agreement for each episode of care. HDOs must pay back any overpayment, and in some cases that error might not be identified for several months after receiving and booking the revenue. Underpayment also puts HDOs at a disadvantage because it means lower-than-expected revenue per member or per episode of care that affects the ability to meet operational costs and obligations.

Access to data is another essential tool to succeed in APMs. Organizations that use Cedar Gate's payment technology can seamlessly connect to our integrated Analytics platform and exchange data in near-real time to spot errors and correct them before submitting claims, or model scenarios within various payment arrangements to maximize revenue. Organizations that already have point solutions in place can easily connect to our software using pre-built application programming interfaces (APIs) that share information within your partner ecosystem. This eliminates the need for costly technical consulting arrangements or expansive IT departments within an organization to manage data exchange.



## APM Success Depends on Analytics Capabilities

Alternative payment models are growing in popularity for both the Centers for Medicare and Medicaid Services (CMS) and commercial payers. Organizations that want to succeed in VBC and maximize profitability need to plan for and anticipate how these payment models will impact the bottom line, and efficiently adjudicate capitated and bundled payments.

Many (if not all) HDOs have analytics software that delivers information and insights about patient populations and provider performance. Many also have payment technology that adjudicates claims. But since most payment software is built for legacy FFS claims processes, it doesn't include forward-looking or predictive capabilities.

Success in capitated payment arrangements requires a lot more information – both historical trends and projections about what's coming in the future. To effectively capture and analyze this information, organizations need fully integrated analytics and payment adjudication software. Siloed point solutions that provide both services are a step in the right direction. But often these systems require extensive manual input and intervention to make use of the information contained within.

An integrated analytics platform also provides valuable data for APMs and primary care attribution models with upside and downside risk based on quality metrics (such as the Medicare Shared Savings Program). Effective analytics tools go beyond a retrospective look at how well the organization performed on specific metrics in prior reporting periods, to providing prospective data with actionable steps to maximize revenue in APMs and primary care attribution models.

Cedar Gate's Value-Based Care Analytics and Payment Technology solutions seamlessly connect to provide a near-real-time analysis that gives your healthcare organization an advantage in risk-based payment models.

## SELF-SERVICE & FULLY MANAGED RESOURCES TO SUCCEED IN CAPITATION & BUNDLED PAYMENTS

Cedar Gate payment technology software offers a complete suite of tools for managing even the most complicated APM arrangements, including bundled payment programs and delegated risk (capitation). HDOs can handle every step of the process, from contract configuration to eligibility management and adjudication and payments. The tools are available via an automated, self-service core administration processing system to minimize overhead and eliminate the need for expensive third-party data management vendors.

Automation capabilities allow you to customize workflows that incorporate key tasks within a capitated payment process, including authorization and referral requirements. It prevents teams from missing these key steps, which can significantly slow down the process or lead to payment errors.

Our payment technology solutions are on the leading edge of bundled payment adjudication. We provide the necessary tools through our bundles as a service (BaaS) software to model, configure, price, and

adjudicate prospective bundled claims, which are effective at lowering total costs and improving quality for episodes of care in value-based agreements.

Connect our payment tools to existing payment technology point solutions to bundle separate claims based on pre-built or customizable care episode parameters. Once claims are paid, the software unbundles them and allocates payment based on the specifics of contracts or risk pool allocations. It supports both common and proprietary data exchange formats (including standard 835 and 837 transaction sets) with robust interfacing capabilities for any existing partner ecosystem.

Users can also replace legacy fee-for-service software with Cedar Gate's comprehensive payment solution. The system is capable of processing and managing existing FFS claims as needed while transitioning to more complex APMs necessary to succeed in a value-based care future, with minimal impact on existing revenue cycle management. Pairing our payment solutions with our advanced analytics software also allows you to track and attribute program revenue to protect against financial losses, and carefully monitor downstream compensation.

### **Fully Managed Bundled Payments**

Organizations without the resources or expertise to administer APMs on their own can use Cedar Gate's fully managed bundled payment services (bundles business process outsourcing). Our knowledgeable team of healthcare operators has more than 20 years of experience managing bundled payment claims, and a deep understanding of the nuances of today's VBC payment landscape. Over the years we've helped clients develop tailored solutions to address key challenges for managing financial risk while moving away from fee-for-service claims payment.

These services eliminate the need for costly consulting services or extensive new hires in payment and claims departments. We can also alert clients to market fluctuations and performance changes and help make adjustments accordingly, ensuring long-term profitability in bundled payment arrangements.





# Minimizing Financial Risks & Optimizing Revenue

The world of alternative payment models is rapidly changing and advancing as risk-based models like bundled payments and capitation prove effective at controlling costs while maintaining high quality care. In one survey, 94% of health executives said they expect value-based contracts to grow in the coming years. Accurately and effectively adjudicating claims in the new models is essential for profitability, but payment technology software designed for an old fee-for-service world are incapable of delivering a seamless and effective solution because they:

- > Rely on outdated workflows to process payments based on care volume
- > Lack the data integration capabilities to share critical contract, performance, and risk information among upstream and downstream participants
- > Cannot efficiently administer complex payment arrangements at scale
- > Require significant manual overrides or inputs to adjudicate full and partial capitation and bundled payment models

The only solution for organizations preparing for or already engaged in value-based agreements is payment software purpose-built for advanced APMs. Cedar Gate offers the most complete, composable, and collaborative payment technology to support VBC goals while minimizing financial risks and optimizing revenues. When combined with our industry-leading value-based care analytics capabilities, organizations have all the tools necessary to:

- > Coordinate among all VBC stakeholders within a partner ecosystem
- > Enable extensive information capture and near-real-time information sharing
- > Execute all types of complex financial arrangement efficiently and accurately
- > Rapidly adjust to APM changes in the future

## GET THE MOST COMPREHENSIVE PAYMENT TECHNOLOGY SOLUTION DESIGNED FOR VALUE-BASED CARE

**Learn more about Cedar Gate's comprehensive self-administering or full-managed payment technology solutions, and the ability to seamlessly integrate with our advanced Population Health and Care Management, Value-Based Care Analytics, and Health Benefits Analytics software. Contact us today to discuss how we can help you succeed in VBC payments.**