

# The Importance of Accurate Rates: A Case Study

Many hospitals neglect to consider the effect that accurate Workers' Compensation and Motor Vehicle rates have on their bottom line. Those hospitals seem to think, "It's only about 5% of my total AR; what difference could a couple of dollars here and there make?"

## A big difference

ProMedical analyzed paid claims for a medium-sized community hospital. This hospital believed that their rates were a little low, due to the fact that state rates had changed roughly 18 months prior to the start of the billing project. A careful analysis of these claims revealed that over those 18 months, the hospital accepted roughly \$235,000 less than the state rates dictated – they accepted payments of \$455,000 where the state rates dictated payments of \$690,000; the \$235,000 difference represents a 34% underpayment.

After roughly six months of processing these claims we have netted this hospital an additional \$81,000. While very welcome, the recovery of this money represents a double-edged sword. On one hand, it represents "found money" that was pretty much in the trash can until ProMedical reclaimed it. On the other hand, however, it is money that should have been paid sooner. The insurance companies had already cut checks for these claims once and would have been significantly more likely to pay the full amount owed had the initial claim been in the full amount.

One of the keys to maximizing revenue from Workers' Compensation and Motor Vehicle claims is making sure that the rates in the hospital's system are equal to the full amount that state laws dictate. Having accurate rates requires spending a good amount of time entering them into the hospital accounting system. Unfortunately, spending time updating rates is only part of the battle. Accuracy of the rates is equally important – if you aren't calculating the rates the correct way, you're going to end up with rates that are just as inaccurate as if you had never updated the accounting system.

You have a choice. You could spend countless hours keeping up to date with changes in the law, calculating rates, and updating your accounting system, only to have to do it again 18 months later when the laws and rates change.

Or you could use ProMedical and not lift a finger. Our approach is proven. We are continuously updating our system and have even won arbitration cases based on the accuracy of our rate calculations. Need more proof? Give us a call.

Payments Received

