

Medical Receivables Funding

Can Take Many Forms.

Some of the most commonly used options are:

Option 1

CASH IS ADVANCED BY THE FUNDING SOURCE TO A PROVIDER OF HEALTHCARE SERVICES. THE FUNDING SOURCE THEN COLLECTS PAYMENT FROM THIRD-PARTY PAYORS SUCH AS INSURANCE COMPANIES AND GOVERNMENT INSURERS.

The funding source holds ownership position on the healthcare provider's receivables that are advanced (i.e. factored), and a security interest on the provider's remaining receivables.

In a factoring relationship, the receivables are purchased, thereby passing ownership and the credit risk of non-payment on to the factor.

THE PROCESS

- The healthcare provider completes the funder's application.
- A Letter of Intent is sent out by funder, specifying what it can do for the healthcare provider. Also included in the LOI will be a fee estimate for related audit.
- The healthcare provider executes the Letter of Intent and returns to funder with a due diligence fee.
- Funder then performs an audit of the healthcare provider's third-party payors which includes:
 - Analyzing of revenue cycle, billing and collection system
 - Review of previous billing/collection history to build a matrix on each third-party payor
 - Provides an on-going review of the billing procedures as long as the factoring relationship continues
- The healthcare provider signs a Purchase and Sales Agreement.
- Funder funds the healthcare provider's approved receivables upon satisfactory completion of final due diligence.

Option 2

CLAIMS PROCESSING

These funders know how critical claims processing is to a healthcare provider's cash flow and, thus, business success and longevity.

If claims are mishandled or incorrectly processed, your cash flow cycle can become sluggish. The efficient operation of claims processing is also vital to a receivables funding program as noted above in Option 1.

The primary goal of a billing or claims processing relationship is to ensure that the cash collection process is carried out with maximum efficiency, so the collection percentage is high and the time-to-collection is minimal. The claims processor's primary responsibility involves taking over the billing function of a healthcare provider by acting as the liaison between the provider and the third-party payor.

SPECIFIC SERVICES INCLUDE:

- Invoicing third-party payors (commercial insurance companies, HMOs, Blue Cross/Blue Shield, Medicare, and Medicaid), self-insured companies, and individuals who have no insurance or are required to co-pay a percentage of their bills
- Managing the collection of accounts receivable including the resolution of disputes over claims with both payors and utilization review companies, handling patient and payor inquiries regarding billings, and pursuing unpaid invoices.
- Financial reporting and analysis, including the production of summary reports relating to payor mix and collection performance.