

Local Health Departments: Survive or Thrive in 2012?

How Claims Management Will Save Local Public Health Agencies

The Time to Act is Now

Public Health departments play a vital role in the national healthcare landscape by offering essential health services to Americans who need them most. However, the noble goal of protecting and maintaining the public's health currently faces a dire crisis with reduced budgets and program costs.

Since the economic recession of 2008, nearly every local health department in the country has been forced to layoff workers and reduce community health programs and outreach services. Looming on the horizon in 2014, health reform legislation mandates will dramatically increase Medicaid enrollment, widening the pool of patients seeking health services at local health departments.

Nationwide, local health department budgets cannot support existing staff and health services, much less massive patient increases. Local health departments are forced to ask how they will maintain existing services and plan for the future with steadily decreasing funding and limited resources.

The solution is simple. Local health departments can sustain their own revenues today, rather than rely on outside funding, by introducing a proven private business practice into the public health environment.

The process is called Public Health Claims Management and it includes the development of an infrastructure to bill public and private insurers for community services.

Effective billing programs can capture revenue from Medicaid, Medicare and private insurance that will not only alleviate funding issues but will allow for staffing increases and an expansion of community health services.

The Promise of Immunizations

While immunizations have long been the most cost-effective form of public health intervention, the vaccines are incredibly costly. The four billion dollar federally funded Vaccines for Children (VFC) program provides free vaccines to eligible children.

However, as the list of Advisory Committee on Immunization Practices (ACIP) recommended vaccines grows and prices rise, the estimated cost of fully immunizing a child through age eighteen has increased to \$1,500 from just \$70 in 1990. This does not take into account the significant costs associated with storing, maintaining and administering the vaccines. The funding outlook for immunization programs is dismal and available options even tougher: turn children away, or vaccinate them with either a 317 or a VFC vaccine -- both of which compromise the program.



VFC Program Eligibility Guidelines

Eligible for VFC Program

- Medicaid
- Uninsured
- Underinsured
- Alaskan Native/
American Indian

Ineligible for VFC Program

- State Children's Health Insurance Plan (SCHIP)
- Private insurance

VFC Regulations

- Cannot charge for vaccine, but may charge an administration fee
- No child turned away for inability to pay administration fee

Some health departments are scaling back flu clinics, while others have been forced to stop offering immunizations altogether, putting the community at an increased risk for disease outbreaks.

Adding to the challenge, the private sector is also feeling the strain. Between rising vaccine costs and stringent handling requirements, private providers are referring patients to public health departments. Unemployment has left many families without insurance coverage, and those with health insurance are finding their coverage to be inadequate. Few health departments are equipped to assume the costs of vaccinating the influx of children who are not VFC-eligible.

This shift in the utilization of services has transformed public health into a resource not only for the un- and underinsured. Though administration fees can be recovered from Medicaid and Medicare, the reimbursement process is so rife with issues that many clinics rely solely on donations. Abandoning this process is not an option, as the current paradigm is increasingly unsustainable.

Barriers of Billing

The reimbursement process is complex, especially for a sector inexperienced in billing practices. Dealing with insurance, tracking claims and creating financial reports are all difficult tasks, but are essential facets of the program. Since it is difficult to verify a patient's eligibility and level of insurance coverage, too often claims are submitted and resubmitted several times, and ultimately denied many days later, making the process both frustrating and a waste of resources.

Coordinators, directors and administrators all share the frustration of having to develop and manage a billing program. It is understandable that counties are hesitant to undertake billing projects. The sheer complexity of dealing with the revenue cycle has forced some agencies to hire additional accounting personnel to manage the process, diverting vital funding for medical staff.

The American Public Health Association (APHA) recently supported the need for public health agencies to implement billing programs: "Community-based public health programs and safety net providers who previously served mostly uninsured and underinsured populations will need training, additional staff, technology and other resources for billing, filing claims and referral systems as they begin to serve more newly insured populations."

Local Health Funding

The National Association of County and City Health Officials (NACCHO) recently conducted a survey of the impact fiscal issues have had on health departments across the country. Data from 968 local health departments (LHDs) highlight the difficult situation that public health administrators face. In 2011, nearly 45% of LHDs reported lower operating budgets compared to the previous fiscal year, 55% reported reducing or eliminating at least one program, and 5,400 employees were lost. Figure 1 depicts the severity of cuts to certain community health programs, primarily maternal and child health and personal health services. Reductions in these services limits access to preventative care and ongoing case management for vulnerable populations.

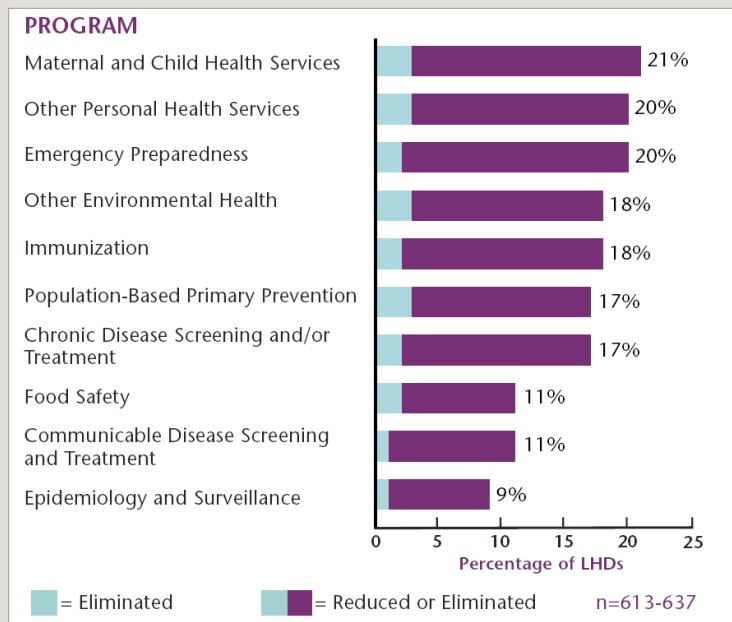


Figure 1. Percentage of LHDs that Reduced or Eliminated Programs, June 2010-July 2011
Source: NACCHO 2010 National Profile of Local Health Departments

The lack of visibility into the claims lifecycle is also problematic. There is simply no capacity to anticipate the flow of funds with any level of reliability, making long-term planning and budgeting nearly impossible. Achieving a high level of business intelligence helps resolve these claims processing trials. With such intelligence, reports can be generated, and reimbursement can be projected so that health departments forecast their resources and revenue capture.

Funding Allocation in Health Departments

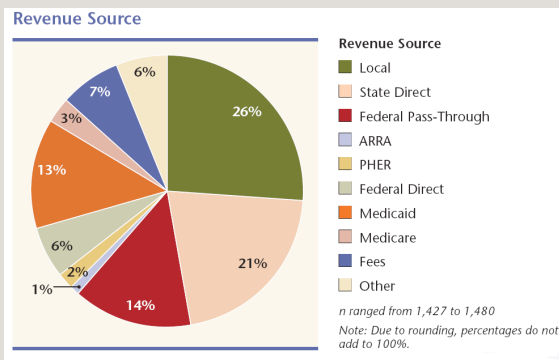


Figure 2. Percentage of Total Annual Revenues, by Revenue Source
Source: NACCHO 2010 National Profile of Local Health Departments

Figure 2 shows the allocation of funding by source for local health departments, with a majority coming from state and local funds. Yet, revenues generated from Medicaid, Medicare and fees also contribute a fair share to the budget. With funding reductions expected in the foreseeable future, exploring the potential to increase the revenues from other sources is becoming necessary to mitigate fiscal challenges.

Challenges in this Economic Climate

As the demand and need for preventative care and other public health services rises, funding continues to shrink. This model is both disastrous and unsustainable. Administrators are facing extremely difficult decisions regarding how to continue funding services that are already under community pressure. Programs are being scaled back or eliminated altogether. Nurses and administrative staff are being furloughed and laid off. These funding and budget woes present a roadblock for practitioners who only want to ensure care, services and support for their communities.

While the mission has become increasingly difficult, health reform has presented some opportunities for public health, with a renewed focus on prevention and access to care.

Family planning clinics, well child clinics, screenings, lab tests and case management all represent services that, when coupled with fees, could begin capturing revenue. In particular, immunizations provided by health departments illustrate both a prime example of the scope of challenges facing public health, as well as potential avenues to overcome them.

Adapting to Become Sustainable

Though certainly a culture change for public health, local health departments must explore billing as an option to capture revenue in order to preserve their programs and services. Evidence shows that the capability to bill for immunizations leads to increased accountability and higher immunization rates. Counties that have cast an even wider billing net have seen substantial increases to their revenues, all for services that they were already providing to the community.

Streamlining and simplifying the billing and reimbursement process is the only way to balance the need to generate revenue with the need to provide continuous quality care. At the same time, having nurses and coordinators spend most of their time handling claims instead of administering vaccinations is a poor use of skilled personnel. Providing local health departments with the proper tools to achieve full visibility into the claims process allows for optimal use of both revenues and staff.

Using such tools to verify a patient's insurance eligibility in real-time when they walk into the clinic saves staff from having to contact insurance companies. It also prevents a claim from coming back denied several months later if the patient was not actually covered at the time of service. Similarly, tracking claims at every step of the process will deliver administrators the necessary data to evaluate trends and forecast budgets. This global view of finances facilitates future planning, ensuring stability in a mission that is simply too big to fail.

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