



AllHealthLogic, LLC

CLAIMS ATTACHMENT DOCUMENT EXCHANGE (CADX^(c))

Typical Provider Cost Savings Estimates

Abstract: The CADX analysis was conducted at 3 hospitals over a 9 month period from September 2001 to June 2002 during the initial pilot of CADX with a major payer in Southern CA. The data was collected by a graduate student candidate from Cal State University Long Beach. The 3 hospitals varied in size from 210 beds to over 500 beds. The 3 hospitals had different systems in place to obtain clinical records from a full electronic medical records system, a partial EMR and all paper based systems to allow for the system to be tested in a varied of environments. Stanford Hospital and Clinics performed a repeat of the CADX analysis from June to July 2003. The results of these two studies are presented below.

The original study indicated that the cost for a typical hospital to respond to health plan requests for attachments is in excess of \$28 on average. The follow-up study validated those results and in fact came up with a higher cost in part due to higher wages and benefits in their geographical region. The CADX process substantially reduces overall costs and productivity while substantially reducing cycle time and improving cash flow.

For further information regarding this study or about CADX, contact AllHealthLogic, LLC, 515 S. Figueroa St., Suite 1300, Los Angeles, CA 90071 at 213-538-0700.

Team/ Dept	Activity	Current Process				CADX Process			
		CADX Analysis Cost	Stanford Hospital & Clinics Cost/Minute	Minutes/ Activity	Stanford Hospital & Clinics Cost	Notes	CADX Process	Cost	Notes
Mailroom	Receive request from USPS	\$ 0.30	\$ 0.36	1.33	\$ 0.48	Per envelope	Eliminated		
Vendor	Receive and process request via bank lockbox service	\$ 1.00	N/A	N/A	\$ 0.34	Bank Lockbox per item received which includes cost of overnight or same day courier delivery to provider	Eliminated		
Mailroom	Mail room clerk sorts and routes mail	\$ 0.10	\$ 0.36	0.44	\$ 0.16	Per envelope	Eliminated		
Mailroom/ Payer Team	Mail room clerk delivers mail	\$ 0.10	\$ 0.36	0.44	\$ 0.16	Per envelope	Eliminated		
Payer Team	BO Correspondence clerk opens, reviews mail requests, sorts and prioritizes, pulls BO requested records like detailed statement of charges and holds until all records obtained	\$ 2.00	\$ 0.44	8.89	\$ 3.91	Includes labor, benefits at 35%, and copy machine costs	Similar activities performed except that CADX is utilized	\$ 2.00	Includes cost of labor and benefits at 35%.

CADX Provider Cost Savings Analysis

Current Process							CADX Process		
Team/Dept	Activity	CADX Analysis Cost	Stanford Hospital & Clinics Cost/Minute	Minutes/Activity	Stanford Hospital & Clinics Cost	Notes	CADX Process	Cost	Notes
Payer Team	Prepares request to HIM for records	\$ 0.20	\$ 0.44	0.89	\$ 0.39	Per request	May or may not be necessary depending on local CADX process between BO and HIM	\$ -	Assumes provider has both HIM and BO monitoring CADX and responding to their own requests
Payer Team	Updates AR Collector Notes to reflect attachments requested by payer and HIM request sent date and time	\$ 0.50	\$ 0.44	2.22	\$ 0.98	Includes cost of labor and benefits at 35%.	Eliminated		All transaction activity is audit logged, date and time stamped in CADX. Generic upload file for PAS is available .
Mailroom/Payer Team	Mailroom picks up and delivers requests to HIM Correspondence Clerk	\$ 0.10	\$ 0.36	0.44	\$ 0.16	Per envelope	Eliminated		
HIMS	HIM Staff search for electronic records requested and printed	\$ 2.25	\$ 0.44	7.50	\$ 2.64	Includes cost of labor and benefits at 35%. It was assumed for Stanford that 80% of records are available electronically and 20% of the records are paper based.	Similar activities performed	\$ 1.60	Approximately 70% of records are usually dictated and other computerized records that can be uploaded versus being manually searched for creating a more efficient
HIMS	HIM Staff search for paper based records requested and copied	\$ 4.00	\$ 0.44	20.00	\$ 2.26	Includes cost of labor and benefits at 35% and reproduction costs for 5 pages per request. It was assumed for Stanford that 80% of records are available electronically and 20% of the records are paper based.	Records are uploaded or scanned directly into CADX for delivery	\$ 3.00	Includes cost of labor, benefits and CADX. CADX cost assumed for 5 image pages at 30 cents per image page or \$1.50.
HIMS	Records sent via interoffice mail to BO	\$ 0.10	\$ 0.44	0.44	\$ 0.20	Per envelope	Eliminated		
Payer Team	Correspondence clerk reviews materials for accuracy, adds BO related documents	\$ 0.50	\$ 0.44	2.22	\$ 0.98		Eliminated		
Payer Team	Copies all documents and places in temporary holding file in case payer loses records.	\$ 1.50	N/A	6.67	N/A	Includes cost of labor and benefits at 35% and reproduction costs.	Eliminated, CADX never loses records		
Payer Team	Prepares overnight delivery address label and shipping package	\$ 0.50	\$ 0.44	2.22	\$ 0.98	Includes cost of labor and benefits at 35%.	Eliminated		
Payer Team	Overnight delivery receipt kept and filed in date file	\$ 0.10	\$ 0.44	0.44	\$ 0.20	Per envelope	Eliminated		

CADX Provider Cost Savings Analysis

Current Process							CADX Process		
Team/Dept	Activity	CADX Analysis Cost	Stanford Hospital & Clinics Cost/Minute	Minutes/Activity	Stanford Hospital & Clinics Cost	Notes	CADX Process	Cost	Notes
Payer Team	Updates AR Collector Notes to reflect attachments sent date and time	\$ 0.50	\$ 0.44	2.22	\$ 0.98	Includes cost of labor and benefits at 35%.	Eliminated		All transaction activity is audit logged, date and time stamped in CADX. Generic upload file for PAS is available .
Mailroom/Payer Team	Mailroom picks up overnight delivery packages to hold for pickup	\$ 0.10	\$ 0.36	0.44	\$ 0.16	Per envelope	Eliminated		
Vendor	Overnight delivery service used or certified mail one request per package to prove timely delivery per patient account.	\$ 10.00	N/A	N/A	\$ 10.00	Can range from \$4.00 to \$18.00 depending on size of package and mode of delivery. Average of \$10.00 assumed.	Eliminated		
Payer Team	Correspondence clerk next day confirms delivery and receipt confirmation is printed and kept in the file	\$ 0.25	\$ 0.44	1.11	\$ 0.49	Includes cost of labor and benefits at 35%.	Clerk monitors CADX activity, but delivery is instantaneously confirmed when the attachment is sent via CADX	\$ 0.25	Includes cost of labor and benefits at 35%.
SUB-TOTAL		\$ 24.10		57.94	\$ 25.45			\$ 6.85	
OTHER FACTORS									
Payer Team	Business office staff monitor AR and if account does not reflect a payment within 30 days contact payer by phone and see if attachments have arrived and why account has still not been paid.	\$ 0.90	\$ 0.44	4.00	\$ 1.76	This can be a time consuming process depending on how many attempts it takes to actually reach the correct payer customer service rep to inquire about the claim status on a claim where attachments have been submitted. We have assumed that 20% of attachment claims need 20 minutes of follow-up time to see if payers actually received attachments and they were properly re-associated with the claim. (\$4.50*20%=\$.80)	Included: CADX provides real-time receipt via transaction history log and payer acknowledgement that all request attachments have been submitted.	\$ -	NO LOST RECORDS...no place for the payer to hide.

Current Process						CADX Process			
Team/Dept	Activity	CADX Analysis Cost	Stanford Hospital & Clinics Cost/Minute	Minutes/Activity	Stanford Hospital & Clinics Cost	Notes	CADX Process	Cost	Notes
All	Process attachment request again after payer reports never receiving the submitted attachments or the payer requests the same or different attachments from other departments of the payer.	\$ 3.00	\$ 0.44	13.33	\$ 5.87	Occurs on about 20% of the cases. Assume a cost of approximately \$15.00 on re-submissions times 20%.	Duplicate requests by the payer are automatically checked by CADX at the time of Payer request. Due to portal design, records are never lost.	\$ -	NO REWORK NECESSARY
TOTAL		\$ 28.00		75.28	\$ 33.08			\$ 6.85	

Notes:

- The CADX analysis was conducted at 3 hospitals over a 9 month period from September 2001 to June 2002 during the initial pilot of CADX with a major payer in Southern CA. The data was collected by a graduate student candidate from Cal State University Long Beach. The 3 hospitals varied in size from 210 beds to over 500 beds. The 3 hospitals had different systems in place to obtain clinical records from a full electronic medical records system, a partial EMR and all paper based systems to allow for the system to be tested in a varied of environments. For the CADX analysis an assumed direct labor cost of \$8.40 was utilized. This rate includes the cost of non-productive time estimated at 20% for a effective hourly rate of \$10.00. Benefits were assumed at 35% for a total labor and benefits cost of \$13.50/hour or \$.225/minute.
- Stanford Hospital and Clinics performed a repeat of the CADX analysis from June to July 2003. The claims attachment document analysis utilized the actual total labor cost of \$21.38/hour or \$0.36/minute for Support Clerks and \$26.18/hour or \$0.44/minute for Patient Account Reps. These rates include productive hours at 88.89% of total hours at 2091.4, non-productive salary at 15.74% of productive salary, and benefits at 35.16% of productive salary.
- This analysis does not take into account the impact of the time value of money of accelerating the collection of receivables. For every \$1M in AR tied up in the attachment process that can be collected now versus 30 days later even at today's low rates that would increase the savings by \$4,200 per year per million reduction in AR.

Stanford Hospital & Clinics	FTEs	Prod Salary	Non-Prod Salary	Total Salary	Benefits	Total Comp	Average Comp/Hour	Average Comp/Minute
Clerk	2	\$ 59,229.00	\$ 9,323.00	\$ 68,552.00	20825	\$ 89,377.00	\$ 21.38	\$ 0.36
PAR I	8	\$ 243,330.00	\$ 38,300.00	\$ 281,630.00	85555	\$ 367,185.00		
PAR II	30	\$ 1,037,386.00	\$ 163,285.00	\$ 1,200,671.00	364745	\$ 1,565,416.00		
PAR III	33	\$ 1,273,448.00	\$ 200,441.00	\$ 1,473,888.00	447744	\$ 1,921,632.00		
PAR IV	4	\$ 165,372.00	\$ 26,030.00	\$ 191,401.00	58145	\$ 249,546.00		
PAR Avg	75					\$ 4,103,779.00	\$ 26.18	\$ 0.44