

Improvement of the Health Plan Group Invoice Change Submission Process

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Abstract — *Puerto Rico's health plan industry is constantly growing and creating services specialized to attend specific medical needs. In addition, constant regulatory scrutiny, customer-based technology and medical advancement makes this a volatile industry. Therefore, constant improvement procedures and techniques will be advantageous, in order to keep up with such a changing environment. A key component of this business would be the proper invoicing of services and any process attached to this action. Based on this scope, the invoice change submission process is a relevant and key step, which has to be constantly monitored to ensure an optimum service quality. This project has been conceptualized via the usage of quality tools and analysis to improve the invoice change submission process. These efforts will reduce process time, diminish costs and improve the general quality of the customer health plan invoice.*

Key Terms — *Change Submission Process, Health Care Industry, Health Plan, Invoice.*

PROJECT STATEMENT

An invoice is a commercial document issued by a seller to a buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer. The invoice, in general circumstances, indicates the sale transaction only. Payment terms are independent of the invoice and are negotiated by the buyer and the seller. Billing is an intricate part of the health plan services industries. In an ever changing business environment, the health plan provider invoice can suffer changes monthly, creating a need for an invoice maintenance process.

Research Description

In a health plan business environment, the steps required to make a timely change in an invoice requires a series of steps that involve time consuming activities.

The submittal of change forms, digitalization of forms, actual subscription activities and re-billing should be able to move forward efficiently and effectively. Feedback from customers has shown that this process is taking too long, and errors in invoice can still appear after various change efforts.

Research Objectives

This project expects to accomplish the following objectives:

- Analyze the actual submission change process and determine specific strengths and weaknesses.
- Create a new and improved procedure to submit, modify and re-bill invoices with the maximum efficiency and effectiveness.
- Propose a continuous improvement control phase, where to monitor any changes in the developed process, and keep track of any substantial variances.

Research Contributions

The improvement of the change submission stage for the health plan group invoice process will require a series of modifications to contribute the following:

- Improve the quality of the invoice sent to customers, a billing approach with less errors and easier understanding of the commercial document.

- Reduce the time in which an invoice arrives to the client, which ensures a timely payment.
- Diminish administrative costs (ex. Overtime), caused by unnecessary efforts to keep invoice maintenance, due to a slow and non-value activities that obscure the actual process.
- Payment terms (including method of payment, date of payment, and details about charges for late payment).

Invoices will track the sale of a product for inventory control, accounting and tax purposes. Many companies ship the product and expect payment on a later date, so the total amount due becomes an account payable for the buyer and an account receivable for the seller. If an invoice is lost, the buyer may request a copy from the seller.

Some invoices are no longer paper-based, but rather transmitted electronically over the Internet. It is still common for electronic remittance or invoicing to be printed in order to maintain paper records. Standards for electronic invoicing vary widely from country to country. Electronic Data Interchange (EDI) standards include message encoding guidelines for electronic invoices.

LITERATURE REVIEW

This chapter will introduce the fundamentals of this project research in order to describe and explain the different concepts and topics involved in this investigation.

The Invoice

An invoice or bill is a nonnegotiable commercial document issued by a seller to a buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer. An invoice indicates the sale transaction only. Payment terms are independent of the invoice and are negotiated by the buyer and the seller. Payment terms and rules are usually included on the invoice. The buyer could have already paid for the products or services listed on the invoice. Buyer can also have a maximum number of days in which to pay for these goods and is sometimes offered a discount if paid before the due date.

In general circumstances, an invoice includes:

- The word invoice.
- A unique reference number (in case of correspondence about the invoice).
- Date of the invoice.
- Name and contact details of the seller.
- Name and contact details of the buyer.
- Date that the product was sent or delivered; specific details of product.
- Time period where the services were rendered; specific details of service.
- Description of the product(s) or service(s) rendered.
- Unit price(s) of the product(s) (if relevant).
- Total amount charged (optionally with breakdown of taxes, if relevant).

Invoice Processing by Buyer

A typical process involving paying a supplier invoice begins at the arrival of invoice at the door of the organization regardless of the methods of arrival such as via email, postal mail, facsimile, etc. Once the invoice arrives, the accounts payable clerk must ensure that the document is indeed an invoice. The clerk will then classify and sort the invoice into various categories. The definition of various categories is not always the same across different organizations but is normally defined by each organization.

Once its category is appropriately defined, the invoice is forwarded to the responsible person for that particular invoice. Normally, it will be the person who has placed that order. If there has been a purchase order involved when placing that order, the invoice must then be matched against the purchase order to ensure that the amount invoiced is correctly stated on the invoice. If the amount is right and the goods have arrived, the responsible person will have to approve the invoice by signing off on it. If the amount invoiced exceeds a certain amount that is limited by the organization, the superior of that person may have to approve the

invoice as well. This, of course, differs from organization to organization. Once the invoice has been approved and there have been no variances, the invoice is posted into the accounting system.

The Importance of Proper Invoicing

An efficient invoicing process is essential to maintaining a healthy cash flow. Smart invoicing can significantly shorten the time between when you a project or program is complete and when payment is obtained. It can also result in a reduction of time spent sending documents and handling payment efforts.[1]

No matter the current invoice process is, the following steps are aimed to help improve both timely payments and clients/customer relationships:[1]

A. Checking References

Before establishing relationships with new customers, research of their credit and payment histories helps avoid making business relationships with companies with payment issues. This process can be accelerated by requesting a credit application and check their previous business references. There is also the option of requiring a deposit from those whose credit reports raise concerns.[1]

B. Adapting to Customers' Preferences

From time to time, it's recommended to contact new customers to inquire about the information they require on invoices. These efforts will help ensure that invoices move quickly through a customer's payment system. Also, taking time to determine how your customers like to receive invoices. This encourages customization and greater/quicker response. A normal consideration would be setting up a receipt process as a control procedure. Any feedback from the customer should be taken into account, and considered for long term improvement.[1]

C. Setting Clear Terms

Instead of stamping "Due on receipt," on an invoice, it helps to include a specific due date. Companies that pay in 30 or 45 days are placing the account within their own specific schedules.

Therefore, clearing the terms will encourage appropriate payment patterns.[1]

D. Building a Document Trail

Proper documentation of all communications and telephone conversations about invoices, build a profile that can be kept for future reference. This includes keeping track of requested changes in writing. Simultaneously, developing a payment tracking system will raise overdue payments to the surface; and other customer considerations that will come in handy while making business decisions.[1]

METHODOLOGY

This chapter presents the methodology that will be used to complete this research. It will be presented as series of steps or phases. The first phase will describe the current subscription change procedure. The second phase will present the conceptual framework that will improve the actual process. As a third and final phase, it is aim to achieve the presentation of an improved subscription change process, with all the steps necessary to obtain quality results.

Phase I

Through phase I, information will be gathered to describe the actual submission process. Every step will be presented and analyzed, in order it can be fully understood.

Phase II

During phase II, quality tools and methodologies to ascertain those areas of opportunities than can be explored and improved. A voice of customer will open the scope towards which are the main stakeholders within the process. Also, a value stream map will pinpoint which steps add value to the overall procedure, uncovering any waste that is slowing the process down.

Phase III

The last phase will present an improved invoice submission change process, which can be applied to a practical setting.

RESULTS AND DISCUSSION

This chapter will present the procedures and analysis done, in order to present the results obtained from our investigative process. In order to simplify our range of investigation, the following assumptions will be taken and are considered at all times:

- The process will only attend towards group billing. This term refers to invoice billing to companies or businesses. Therefore, it doesn't necessarily apply to individual billing (when a single person or a family acquires a health plan).
- The factors considered to affect the change submittal process will only be those described below. Any other factors that affect this process will not be considered, for simplification purposes.

Phase I

The change submittal process is affected by the stages that involve the invoicing for health care provided service. At first, when a company acquires a health care plan for its employees, the client deals with a marketing advisor or producer that will handle the sales and contract. This representative must inform to the client the policies and procedures that will affect the business relationship, including laws and regulation that affect the health care environment. Also, this negotiation must include the change submittal process requisites and deadlines.

For example, at this point, the company must know that in order to see a change in the next invoice, the change information must arrive (properly vouched and stamped as received) to the health care provider at or before the 10th day of the current month. Also, the client must be aware of those instances in which a change is admitted between renewal period (the time in which a contract is re-negotiated and renewed). These changes could be: modification of a member's family composition (single, couple or family), changes in work area distribution (if the client has

more than one health plan areas/locations), among others. These procedures must be clearly understood, so that the change submittal process can work effectively.

The proper change submittal process, in its purest form, would start with the client's analysis of the health care invoice received, at any point time. For example, a Human Resource Accounting personnel or any other intermediate liaison selected by the client will determine any change in its employee roster, benefits to be received and/or personal information related to its employees. When a proper change is determined, the client must fill out a change submittal form establishing all the details related to the change. Also, they must provide the proper evidence, documentation and reasoning to perform this modification. This form could be produced in either a manual or electronic mode. The change submittal form can be sent to the healthcare provider via various methods:

- Via email or regular mail and/or sent in with proper monthly payment.
- Direct contact with a health care provider representative, which will forward the request to the appropriate department.

Once the paperwork is received, it must be forwarded to the Member Subscription department. They work directly with beneficiaries' information that changes or affects the invoice. The department will analyze the form and evidence submitted. They will determine whether the change requested complies with company policy, and perform the actual change. Once the change is performed, or it is properly rejected, the department must communicate the decision to the client or a health care representative that has contact with the client.

Since the change has been performed and the company has been properly informed, the reconciliation department (in charge of applying payments to the proper account and make sure the account is properly financially maintained) must make sure the change has been correctly made and properly adjusted in the next invoice. In case the change is rejected and it has been communicated to

the client, the reconciliation department generally will handle the matter directly, by attending and channeling any consequences that come from this rejection.

As of today, these tasks are performed on a daily basis. There is no standard procedure that guides the employees through this submittal change process. These actions have been learned and trained from experience in the department's personnel involved in the process. The process as of today is described on Figure 1.

Phase II

As a first stage in the analysis and improvement process, the set out to determine the health provider's client's essential needs was completed (Figure 2). These will be crucial to determine what key pieces in the change submittal process need appropriate improvement. The information gathered for this analysis was obtained via direct contact with health care provider's clientele.

Since these essential needs must be met, an analysis of the actual process and its environment is a logical next step. The causes of an ineffective change submittal process are presented in the following diagram (Figure 3). These will be

activities to consider, while developing an improvement plan for this process.

In each section, a specific problem can be identified. Therefore, a well-thought improvement can be delivered. From strategizing towards a long term goal of improving client's needs, to attending day-to-day difficulties to perform requested changes will be considered towards the final plan.

Since these issues are affecting directly the change submittal process, the department now are able to identify which steps in the process are creating inefficiencies and coercing its ability to function properly. This will be represented through a value-stream map.

The following diagram uses the process that occurs today and defines the key steps related to this action, and what areas can be improved to assure customer satisfaction.

As presented on Figure 4, the initial request, change request analysis and invoice are considered the key steps that ensure the client's needs are met. The tasks marked in blue include those external factors that directly affect these key stages. The rest of the steps will be observed carefully to ensure that their efficiency is raised and waste is eliminated. Their support will carry the key stages into completion.

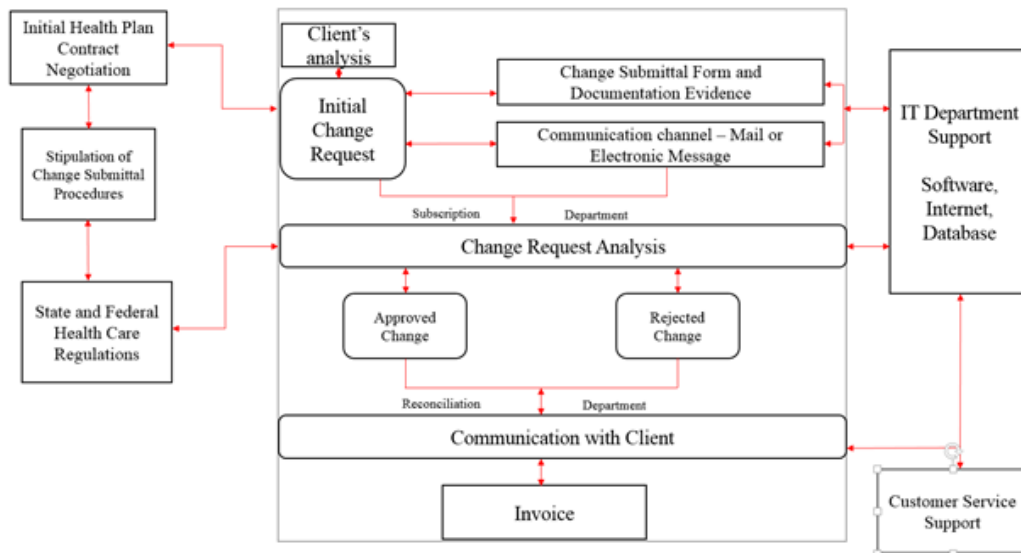


Figure 1
Invoice Change Submission Process (today)

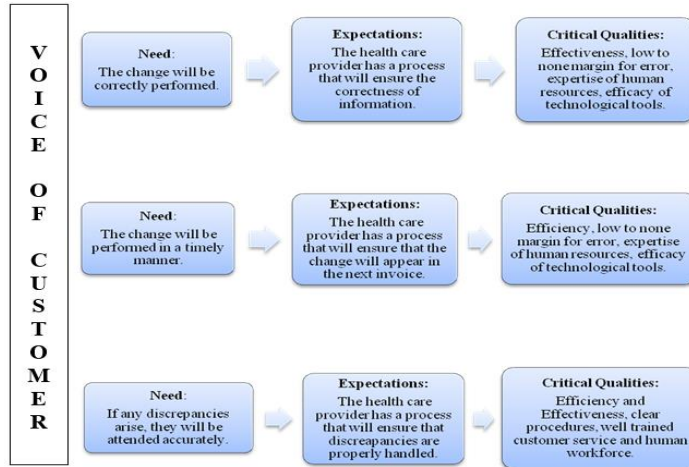


Figure 2
Voice of Customer

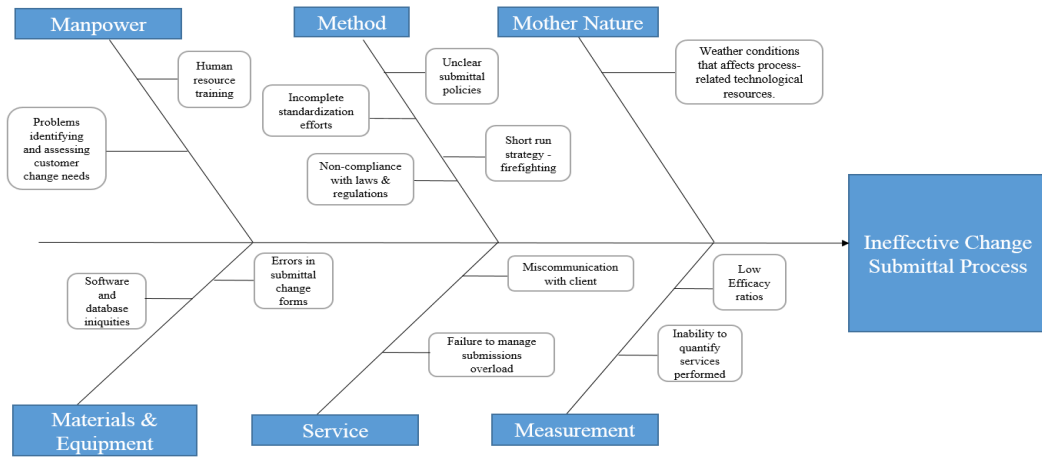


Figure 3
Cause-Effect Diagram

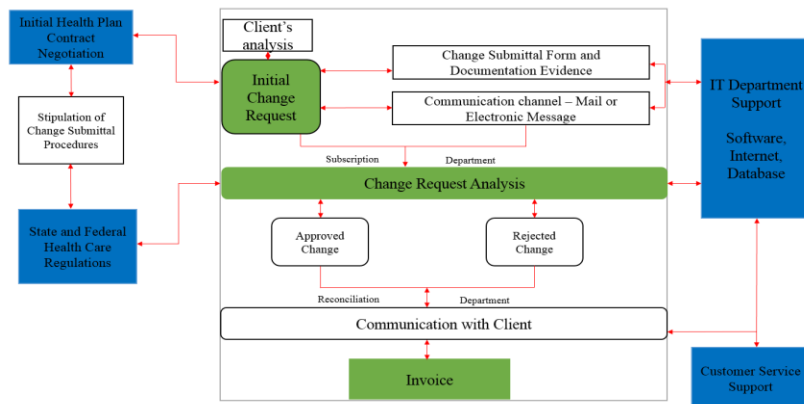


Figure 4
Value Stream Map

Phase III

Once quality tools have been applied to analyze the invoice changes submittal process, a clear picture of what improvement plans can be taken into consideration. While breaking down the process into different stages, the improvement steps will be presented accordingly. As a general suggestion, a standard procedure should be prepared and implemented, take into consideration the stages that will be discussed above.

Initial Contract Negotiation

The Marketing personnel in charge of negotiation with business clients should have a literature and knowledge related to process and procedures that will be performed during the health plan contract period.

This discussion should include the change submittal process; a general “training” related to the change submittal form, the changes admitted during the contract year and the submission process. This will ensure the client is clear in terms of how the process works, therefore making for a more lean and effective process.

Initial Change Request

Create a change submittal form that is clear and easy to complete. Also, the change form can include a legend in which the client can link their change with the appropriate evidence needed, as stipulated by state and federal regulations.

Assure a communication pathway that ensures that change submittal information arrives through a general channel. Create a center that receives this information and can forward it to the appropriate department.

Any paper documentation sent via regular mail should be sent to a general centre that can sort it and make sure the correct information is forwarded. Also, if there are any errors or any missing evidence, this personnel should be able to communicate with the client and clarify any doubts

related to the change request, while soliciting the appropriate evidence needed.

Any proper documentation sent via electronic message should be properly screened and sorted; in order to be properly forwarded to the appropriate department. Also, if there are any errors or any missing evidence, this personnel should be able to communicate with the client and clarify any doubts related to the change request, while soliciting the appropriate evidence needed.

Change Request Analysis

Keep the Subscription Department appropriately up to date with change submittal process requisites and those regulations that properly apply. Monthly meetings and production measurements that can monitor how the change submittal process is going and how to keep constantly improve.

Create tools in which personnel directly related with the performance of changes can give ideas into how to constantly improve the process. Feedback received from clients and other employees can back up or complement these recommendations. Any valuable suggestion or contribution made should be considered for performance evaluation purposes.

Supervising agents and general management should encourage relationships between the Subscription and Reconciliation departments. This will ensure that the decision related to approving or rejecting a change request can be properly forwarded to the client, and the reasoning for the decision can be properly understood.

Communication with the Client

Encourage the Reconciliation department to receive proper training in customer relations in order to ensure the communication with the client is effective. Make sure that this personnel is well versed in ways to manage confrontational situations, in case s rejection case turns complicated or difficult to manage at an initial stage.

Create an effective feedback system, where the client can enter their input regarding the service and how it can be improved, by their standpoint. This

should be taken into consideration, if they add value to the change submittal process.

Final Invoice

The “corrected” invoice must clearly present the changes made, making easier to the client to make proper adjustments and paid amount owed.

The Reconciliation department should keep constant communication with their business clients to ensure invoices are being properly analyzed, and reduce errors and/or rejected changes.

CONCLUSIONS

The improvement of the Health Plan Group Invoice Change Submission Process entitles analyzing all the stages involved in creating a proper invoice and identifying which steps require special attention. In each phase of this project, the submission process was taken apart by its key components and presented tools to improve those key stages.

As general recommendations, encouragement of other business-related projects can be considered and performed. There are areas related to the business perspective (accounting, marketing, human resources) that can benefit from a quality management perspective. Technological advances and the human factor can present challenges, which could be overturned with the application of quality-related tools; without ignoring any social or economic factors.

This project was intended as a conceptual model for improving process related to business applications. It can be a stepping stone to an actual application on real world scenarios, with the guidelines presented through the investigative work.

REFERENCES

- [1] *OPEN Forum Site* ,“6 Tips for Improving Your Invoicing Process | OPEN Forum”. Retrieved on October 21, 2013, from <https://admin.openforum.com/articles/6-tips-for-improving-your-invoicing-process-1/>.