

# The digital lockbox

## A virtual mail-processing assistant

By **Debbie Prior**



### about the author

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**M**edical practices face a daily deluge of checks, invoices, statements and insurance correspondence. Paperwork and associated administrative tasks can account for 31 percent of the total cost of health care.<sup>1</sup> A digital lockbox service offers a cost-effective alternative to the manual approach. It can lower administrative costs, reduce risk of errors, provide day-of-receipt deposit of checks and payments, decrease accounts receivable (A/R), offer shorter collection cycles, increase patient satisfaction, improve staff productivity and reduce on-site storage.

### What is a digital lockbox?

A digital lockbox is a service available from some banks that combines traditional mail processing with digital document imaging and archiving. A practice routes its mail to a service center where it is opened, sorted and processed in compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations. The service deposits payments, often on the day of receipt. It scans, indexes and posts documents on a secure, encrypted Web site, typically within 24 hours. Hard copies go back to the practice.

A digital lockbox generally requires no capital expenditures for computer hardware

or software. You need only a personal computer with Internet access.

### Driving down A/R, improving collections

Every business day, North Texas Neurosurgical Associates, Plano, receives about 300 pieces of mail. "We were receiving mail through two or three post office boxes, and money was going different places," says Paul Schulman, CFO. A digital lockbox service consolidated the practice's mail processing and freed staff to work on tasks that affect cash flow. Schulman estimates that improved efficiency saves about \$15,000 a year.

Before Mary Christian, MD, implemented a digital lockbox for her practice, Dermatology and Laser Center of Oklahoma, Tulsa, reimbursement delays cost \$20,000-\$30,000 annually. Medicare patients make up about 70 percent of her practice; most have a secondary payer. "When you are seeing as many patients as we do, that's a lot of Medicare. If you can't find an explanation-of-benefits form, you're not going to get paid by the secondary insurer," she says. "A digital lockbox service helps you collect more of what you bill."

Immediate access to documents helps expedite payment. Christian's account representatives can often resolve patient questions during the initial contact — which increases patient satisfaction.

She also saw her digital lockbox improve staff efficiency. "Part of the reason I don't have many employees is because I have an efficient system."

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### Cost considerations

Most banks providing this service charge fees for maintenance, processing and storage. The table (page 21) shows three cost

estimates by group size.

Per-user costs are common. Understand how many users are included in a proposal for services and how many can log in simultaneously to view images. What's the cost to add more users?

Banks often provide earning credits — based on your account's average daily balance — that partially or completely offset the cost of digital lockbox services.

Storage, archival policies and costs vary widely, so be sure you understand vendors' offerings. Some providers retain images of your items for 90 days, after which you incur storage costs or the items are deleted. Some offer six-month retention periods; others may retain records indefinitely for a low annual cost.

Users of digital lockbox services can experience rapid payback. In November 2004, Stillwater National Bank, Tulsa, Okla., surveyed 41 of its digital lockbox clients. Seventy percent said payback occurred during the first six months; all reported payback within the first year.<sup>2</sup>

### Is it right for your group?

Digital lockbox users receive benefits in direct proportion to the size of their paper handling and storage problems. Costs are based on the amount of paper processed.


Consider these things when determining if a digital lockbox service is right for your practice:

- Getting payers on board — All your payers must redirect payments and correspondence to the digital lockbox service provider.
- Processing accuracy — Research providers' error rates and error-resolution processes.
- Access to funds — How long from when the provider receives your checks to when the funds appear in your account?

When vetting a potential vendor, ask:

- Is it HIPAA-compliant?
- Does it allow for multiple indexing of scanned documents, a feature that enhances search options?

- Are archiving and retrieval procedures for documents clearly defined?
- Is the service easily implemented?
- What difficulties have clients experienced getting payers to cooperate?
- What's the error rate and error resolution process?
- How long does it take to deposit funds received?
- What are all the cost components of the service?
- Does implementation require any capital expenditures?
- Does it provide customer references?

If the service fits with your medical practice, a digital lockbox can boost efficiency and profitability. 

#### notes

1. Woolhandler S, Campbell T, Himmelstein DU. Cost of health care administration in the United States and Canada. *NEJM* 2003; 349(8):768-775.
2. The economic impact of digital lockbox technology on medical practices. Stillwater National Bank market research survey, January 2005, [www.banksnb.com/Asset/iu\\_files/Digital\\_Lockbox\\_economics\\_white\\_paper.pdf](http://www.banksnb.com/Asset/iu_files/Digital_Lockbox_economics_white_paper.pdf).

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Does your practice use a digital lockbox service? Tell us at [connexion@mgma.com](mailto:connexion@mgma.com)

## Digital lockbox cost estimates

Number of physicians	4	8	13
Monthly checks processed	1,200	2,400	3,900
Monthly supplementary documents processed	4,800	9,600	15,600
Monthly lockbox maintenance fee	\$100	\$100	\$100
Monthly check processing fee	\$120	\$240	\$390
Monthly scanning fee	\$816	\$1,632	\$2,652
Monthly image archive storage fee	\$16	\$32	\$52
<b>Total monthly cost</b>	<b>\$1,052</b>	<b>\$2,004</b>	<b>\$3,194</b>

#### Assumptions:

20 business days per month  
15 checks per physician per day