PERSPECTIVE

Accounting – General Ledger
Challenges in Facets

Vikas Kumar

Abstract

This Point of View highlights the concepts of Accounting - General Ledger and challenges in maintaining proper general ledger records in the Facets application. It gives a complete idea and blueprint to integrate Facets with any GL solution, highlights the limitations of Facets, and proposes the use of a GL review and reconciliation system, which helps correctly load the finalized GL records in the external system, which holds the books of accounts.

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Our Point of View is based on our experience working with multiple health plans that use a separate system for managing their General Ledger (GL), and maintaining their books of accounts. To maintain the accounting records, the external systems need financial data from the health plan's core system, which processes claims processing, premium billing, and commission payments. Since the Facets Core System is used by multiple health plans, we created a reusable solution approach to integrate the Facets financial data with the GL system.

This reusable solution approach helps in faster development because of our ready-to-use blueprint containing all the details of transactions we need from Facets. This can help any health plan on the Facets platform get a Facets-GL integration implemented in the shortest time.

A general ledger is the master set of financial accounts that summarizes all financial transactions occurring within an entity. Health plans similarly need to account for all their income and expenses. The source of income for health plans are mainly from insurance premiums collected from subscribers, and expenses include the costs incurred towards claims payment and administrative charges.

Health plans normally have different systems to manage the administrative services and health benefit offerings, and multiple systems, which track the financial transactions. However, to maintain a single-source-of-truth for all financial transactions, most health plans maintain a single system for managing all financial transactions, which is finally used to publish the financial statements.

One of the main source systems that manages financial transactions is the Facets application, which is used by health plans to administer subscriber/member enrollment, benefits, billing, provider, provider agreements, claims adjudication, and claims payment to name a few.

Facets tracks all the financial transactions for billing invoice generated, invoice payment received, claims payment finalized, claims payment remitted, broker commissions calculated and paid, and admin fees paid or received for delivering or administering the services.

One of the major challenges we have observed in Facets is the incapability of handling adjustment transactions in accordance with the adapted practice that health plans have been traditionally using to track financial data. We observed that most health plan shave their own custom rules built to track, manage, and maintain financial transactions and some expect the adjustment data to reflect as a negative or positive entry, in the same calendar month of the original transactions.

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Key Observations with Facets General Ledger (GL) Processing includes following:

Lack of GL Support for Facets Entities

Need for Custom Solutions to extract GL data

- Facets does not support GL for Claims, Capitation, and Commission transactions.
- Different types of adjustments are needed on these transactions for these to be considered in the same GL accounting period
- Health plans usually develop a custom solution to reflect Expenses, Withholds, COBs, Cash-Outs, A/R etc., as a true GL record in terms of credits and debits

Lack of Support for Retroactive Transactions

Need for retroactive transaction support

- Retroactive billing transactions are not accounted properly in Facets GL tables
- Billing for future months are done in Facets and any retroactivity is accounted for a future accounting period
- GL needs them to be accounted in the same period when the retroactivity is performed

Workarounds for Accounts Reconciliation

Need for scalable solution for configuring GL accounts

- In Facets, dummy GL numbers are assigned if the GL account mapping is not present in the system
- This needs to be reviewed and corrected later on

Rigidity in GL Processing

Need for Flexibility in GL processing

- Facets by default closes GL month by calendar month
- In some scenarios users might need/desire to extend GL month

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GL Customization – A Point of View

Depending on various requirements, health plans need to develop Facets surround systems or custom applications to interface with GL systems, which manage financial transactions at an organizational level. Below is a high level expectation for one such GL customization solution.

- GL solution needs to pull all the GL transactions from Facets and process them to handle the adjustments and retroactive transactions properly in order to balance the GL entries
- It should provide the flexibility to process GL records for Claims Payment, Billing, Commissions, and Capitation – all kinds of transactions handled within Facets
- It should provide a reconciliation tool to visually review and approve GL records before updating them in the GL System
- It should facilitate loading of data to validate the correctness of Class, Plan, Products, and Group data in GL Extract
- It should provide an opportunity for reviewing and approving the records in the custom reconciliation tool before it finally moves to the organization's GL system
- It should help to generate a correct GL extract based on review and approval from businesses, to load it in the organization's GL system

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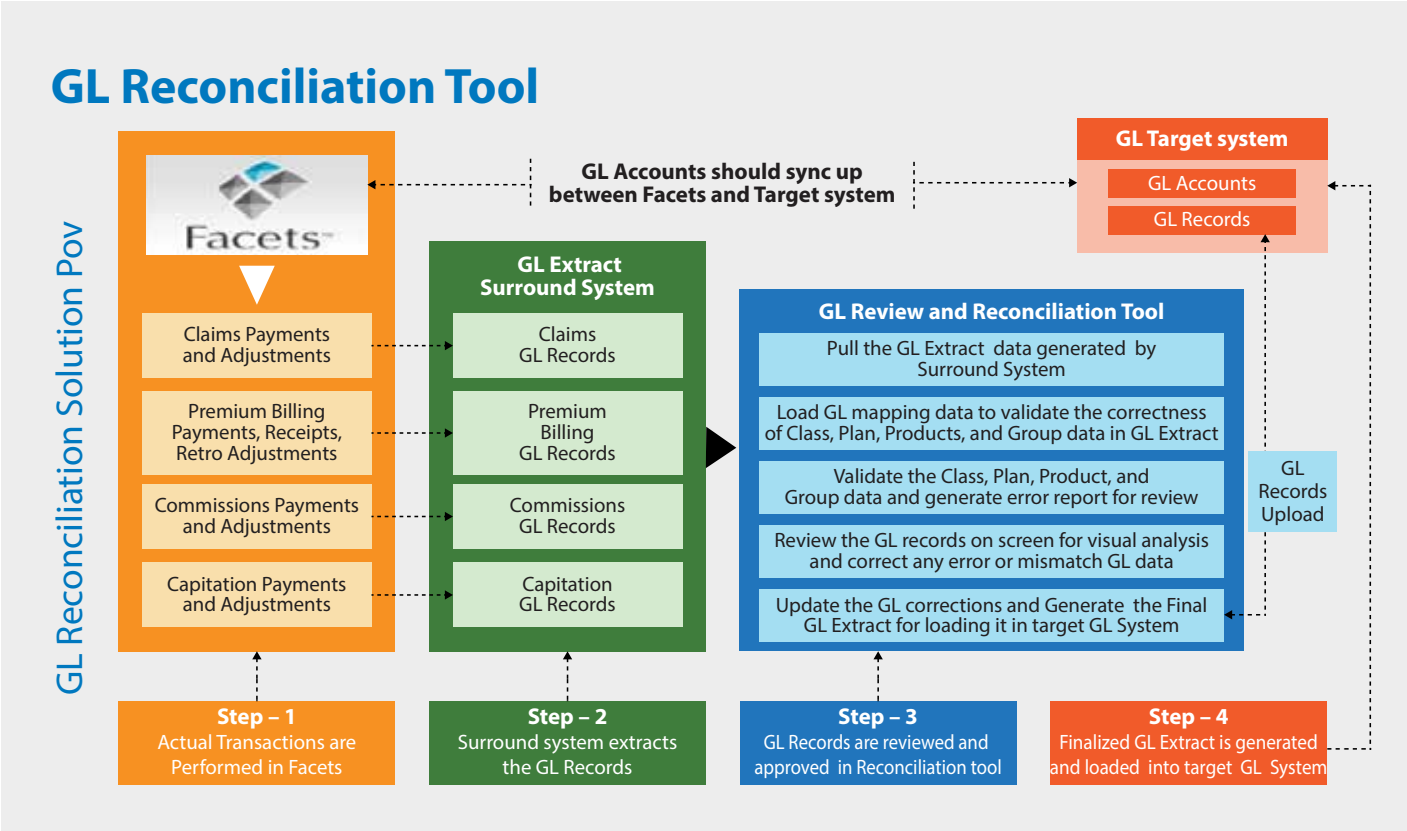
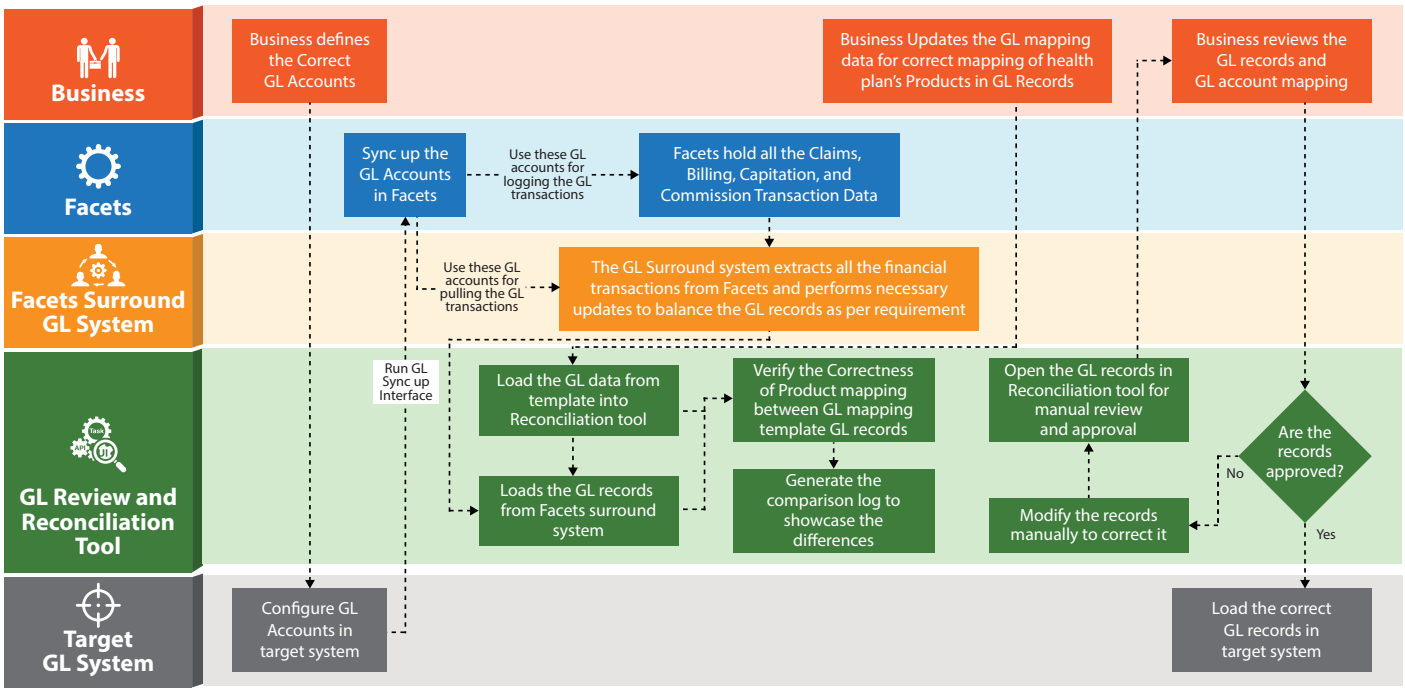
Based on the described challenges we feel a functional solution as shown below should be implemented to handle the GL challenges introduced by Facets.



This new GL reconciliation system needs integration with Facets and the organization's GL system, and a workflow as shown below:

GL Integration Work Flow



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The GL surround solutions we propose will have the following features:

- It will provide a surround/custom system to extract GL records related to all financial transactions such as Billing, Provider Remittance, Commissions, Capitations, and Claims.
- The surround system to pull GL transactions from Facets will process the records to handle the adjustments and retroactive transactions to be accounted in the current GL period
- It will help in synchronizing the GL account information between the organization's GL system and Facets
- It provides the business user a Review and Reconcile capability, where missing GL numbers can be corrected, GL financials can be balanced, and the extract can be approved for moving to the organization's GL system from Facets only after confirmation
- It provides the flexibility to define your own GL accounting period by pulling the transactions between configurable data parameters
- It allows for monitoring GL load end-to-end. It is also customizable to add business workflows such as multilevel reviews and approvals, GL configuration corrections, version controls on changes, etc.

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Conclusion

This Point of View gives a complete idea and blueprint to integrate Facets with any GL solution, the limitations of Facets, and the use of a GL review and reconciliation system, which helps correctly load the finalized GL records in the external system, which holds the books of accounts.

About the Author

Vikas Kumar

Project Manager, IPSADM HealthCare Products practice unit (HPPU), Infosys Public Services

Vikas is a Project Manager with extensive experience in healthcare consulting for projects and solutions on Facets Platform. Vikas has worked across all phases of Facets Implementation including implementation, conversion, configuration, integration, and validation. He has 10 years of experience working with Facets application and multiple leading US-based healthcare payer clients and managing medium to large implementation and maintenance projects. He can be reached at Vikas_Kumar18@infosys.com

For more information, contact askus@infosys.com

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