Improving Your Bottom Line:
5 Revenue Cycle Opportunities That Can’t Be Ignored
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## Summary

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Overview

There is little doubt that the healthcare industry is experiencing revolutionary change. The effects on care delivery organizations are profound. One analyst predicts that a third of hospitals will close by 2020. A recent survey revealed that nearly 60% of physicians say the practice of medicine is in jeopardy and that six in ten plan on early retirement in the next few years.

Increased shifts in payment from commercial insurers to Medicare/Medicaid combined with the aging boomer population promises to put additional pressure on margins. Increased revenue from the Affordable Care Act (ACA) is expected to be offset by increased administrative costs due to its implementation and the added compliance requirements from ICD-10.

Healthcare costs are increasing twice as fast as the rate of inflation. Hospital margins are expected to shrink by as much as 20% over the next decade. Inadequate Revenue Cycle Management (RCM) may be costing hospitals 3%-5% which translates to millions of dollars for a mid-sized organization.

It all adds up to a major financial challenge for healthcare organizations. To survive that challenge and thrive in the coming turbulent environment, Chief Financial Officers (CFOs) must aggressively transform their revenue cycle. Emphasizing the importance of RCM is nothing new. Optimizing the revenue cycle while improving the quality of care is imperative for today’s healthcare providers. Those organizations that commit to taking the next step from Revenue Cycle Optimization (RCO) to Revenue Cycle Transformation (RCT), however, will be the ones who end up as industry winners.

Barriers to Revenue Cycle Transformation Implementation

With this abundance of evidence showing the need for effective RCM, why aren’t more organizations embarking on Revenue Cycle Transformation programs? There are several reasons.

Focus on clinical improvement

While many finance leaders recognize the need for RCT, the focus of IT systems like the electronic health record (EHR) has been on improving patient care. Industry analysts believe that once clinical improvements have been addressed, the trend will move quickly to the revenue side.

Aging, disconnected IT systems

IT experts point to the need to replace older IT systems that can’t handle changing RCM requirements. Vendors like Siemens, McKesson Paragon, Cerner and Allscripts are rewriting their RCM systems to better address
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the growing focus on RCM. Analysts feel the transition to ICD-10 may accelerate the elimination of obsolete systems and the emergence of more integrated solutions.

Lack of executive sponsorship
To implement an effective RCT program, the organization’s C-Suite must lead the way. Too many RCM programs are relegated to the revenue cycle team only. CFO’s and CIO’s must drive the program and make it clear that RCM is an organization-wide responsibility and that all departments must work together in order for it to be successful.

Inadequate training, uncoordinated processes
Many organizations have not properly trained their staff on the importance of the revenue cycle and how their individual performance contributes to it. Each department performs as a separate silo with its own set of processes that are not connected to those of other departments. This lack of coordination can result in errors that adversely affect the overall revenue cycle.

Where to begin?
Implementing a full-blown Revenue Cycle Transformation program may not be practical for every organization at this time. Although the financial results can be substantial, comprehensive RCT requires a significant investment of time and resources to be effective.

If you are unable to embark on such a path due to these constraints, however, the alternative doesn’t have to be the status quo. You can focus on selected areas that can yield immediate results and can be an essential first step toward RCT. Here are five opportunities you can take advantage of today to help dramatically improve your revenue cycle management.

1. Minimize Denials
2. Improve your Cash Collection Process
3. Ensure Accurate System Integration
4. Optimize Staff Productivity
5. Manage by Metrics
I. Improve Your Cash Collection Process

U.S. hospitals provided nearly $46 billion in uncompensated care in 2012, equaling 6.1% of annual costs. More than 5% of all health care debts are uncollectable. To minimize the effects of these staggering numbers, focus on improving your overall cash collection process.

Cash collection obstacles
Among the leading causes of cash collection issues are lack of internal controls, procedures and reconciliation strategies, and inadequate time of service collection process. In addition, your patient accounting system may not be set up correctly, and/or your staff is not taking full advantage of its capabilities and functionality. Very often, just observing and interviewing your front-end staff will divulge this and other issues.

Many organizations assume that money collected actually gets posted into the system and is posted to the correct invoice. Often copays, for example, are posted as a credit to the correct day of service but to the incorrect invoice. It is very likely that if you have cancelled, rescheduled, bumped, or changed an appointment, you have affected the link between your scheduling system and the billing system. This results in the copay being posted to one invoice and the patient charges posted to another. Trying to understand and reconcile these events at the end of the day can be a daunting task, especially if no one encourages these efforts. A better solution is to incorporate a system with automatic reconciliation tools that will merge the two invoices based on matching criteria.

Geisinger Medical Center in Pennsylvania, a leading revenue cycle organization, won a 2013 HFMA MAP award for their success with the cash collection process. Their time of service procedure includes providing patients with out-of-pocket expense calculation, eligibility determination, multiple payment methods, and access to financial assistance counseling. They follow up with post-service processes that include detailed account analysis and advanced call center technology to improve back end collection.

Using this approach, Geisinger increased patient collections from $42.1 million to $53.6 million from 2011 to 2012. Patient installment commitments during the same period grew from $4.3 million to $9.5 million.

What to do NOW

Some of the questions to ask in analyzing your cash collection process include: Are you sure the time-of-service cash collection and reconciliation is accurate? Does the business office have a systematic ability to communicate
self-pay balances to registration and check-in staff? Do you continue to see a significant number of patient balances transferred over to bad debt?

The best way to answer these questions is to conducting a comprehensive review with your cash collection team. This can uncover holes in your process that can be quickly plugged and start paying dividends immediately.

2. Minimize Denials
According to some estimates, denials cost health care organizations nearly 3% of their net revenue annually. In recent years, denials have grown to encompass 15-20% of the billing value of total claims. That can translate to $6 million for a 200 bed hospital to over $260 million for an 1100 bed facility.

Causes of Denials
Some of the more common reasons for denials include:

- Incorrect patient information
- Lack of insurance verification
- Lack of prior authorization
- Incomplete documentation
- Incorrect coding
- Incorrect provider information

Most patient accounting directors have an intuitive sense of their top denials. Often, however, they do not have the statistical data to solicit support within the organization to effect positive change. Finding root causes and making adjustments in your revenue cycle is a significant step toward eliminating the needless rework that often occurs among business office staff. Many organizations have found that combining an effective denials software package with a dedicated, trained staff can reduce denials by nearly 18%.

Part of that reduction comes from successful appeals. However, a more beneficial program combines appeals management with denial prevention. It is estimated that nearly 90% of all denials are preventable, so analyzing root cause and instituting appropriate procedures at the submission stage can yield the best results.

What to do NOW
The first step toward minimizing your denials is to clearly understand the extent of the problem. Start with an in depth analysis to identify your top ten denials and the payor source for your most frequent denials. Once you’ve highlighted your sources, categorize the causes—coding, eligibility, non-covered services, and authorization/referrals. Then determine
which departments, services or providers are most associated with high volume denials.

Once you have a complete view of your denials situation, you can begin working to eliminate the issues with the highest cost impact.

3. Ensure Accurate System Integration
According to one estimate, healthcare organizations will spend more than $34.5 billion on healthcare IT in 2014 to keep pace with healthcare regulations. It is widely acknowledged that technology promises to be one of the solutions to help drive efficiencies, lower costs, and improve margins in the healthcare industry. However implementing new technologies into an existing IT infrastructure can be problematic. Legacy systems crucial to the operation need to remain part of the integration. The result can be a disjointed IT landscape comprised of several disparate systems.

Impact of poor system integration
There are several questions to ask when facing such an environment. Are you passing high-volume, high-dollar ticket items across interfaces between two or more disparate systems into your billing system or charge scrubber? Is anyone coordinating the various system updates occurring between these disconnected systems, your interfaces and patient accounting?

You can’t assume that your systems, many of which were built and tested years ago, run flawlessly or without the need for daily oversight. If no one is monitoring these daily activities, it could be costing your facility.

As part of a recent engagement, Hayes Management Consulting conducted an extensive operations and process review. The Hayes analysts discovered that a version update from the pharmacy charging system, not at all related to the revenue cycle, inadvertently stopped sending certain high-ticket pharmacy drug charges across the interface. Unbeknownst to the client, those particular charges – which amounted to over $1 million - had a seven-digit input code, while all the rest were six-digit codes. The interface only read the first six characters so never recognized the charges and failed to enter them into the system.

To solve the problem, Hayes developed a process that set up a daily review of these charges. This enabled the client to immediately reconcile any discrepancies for all departments that interfaced with that system.
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For organizations to prevent such occurrences, there are two things to keep in mind. First, the software running those disparate clinical systems is routinely upgraded with patches or version updates (sometimes many times a year). As part of a seemingly innocuous overnight process, those updates may have dramatic, unintended effects on the interface files they generate.

Secondly, even a well-built system can have a glitch in its scheduled run routine. That glitch could stall the interface from completing and processing charges into the billing software. Something as simple as placing a previously processed file (duplicate) onto the server without the proper monitoring controls will affect your patient revenue in some fashion.

Effects of disconnected systems can include:
• Revenue not recorded in a timely manner
• Revenue lost and never discovered
• Revenue discovered late in the process, requiring late charge processing
• Late charge revenue recorded in the incorrect accounting period, requiring the patient accounts team to correct the billing (losing time and money)

What to do NOW

It’s crucial for the finance and IT leadership to work closely together to solve system integration problems. Set up a project team composed of both staff and IT personnel to identify gaps and develop plans to close them.

To ensure that your systems are working together, you should consider implementing effective monitoring protocols and methods. There are IT automation systems on the market that can coordinate these disconnected systems, provide end-to-end visibility of various systems’ performance, and provide alerts to IT staff to detect and correct problems before they cause significant adverse effects.

The problem of multiple systems will continue to affect healthcare providers. Focusing on the problem will help minimize the cost and revenue impact on your organization.

4. Optimize Staff Productivity

Improving productivity of staff – getting more done with existing personnel – directly lowers cost and improves margins. Total labor expense for healthcare organizations sometimes exceeds 50% of a provider’s operating costs and nearly 90% of its variable costs. Any incremental improvement in this area can be significant.
Many organizations simply add people to increase output, which simply increases costs. Before hiring additional staff, consider analyzing the production disparity between staff members. If you do not have methods to record or report the history of account-related calls, and do not periodically audit staff activity, you are likely not performing to potential.

To improving productivity, focus on the three key areas of people, process, and technology.

**Review your hiring process**
Establish a rigorous hiring procedure to ensure you select the best possible candidate for each position. Begin with detailed job descriptions complete with requirements and detailed position results expectations.

The next step is to devote the time and effort to train and educate your personnel. Nearly two-thirds of organizations with high performing revenue cycles spend ten days or more specifically on revenue cycle training. Finally, promote an employee friendly environment to keep morale high and limit turnover.

**Streamline processes**
Developing, documenting, and auditing specific work procedures for all services are crucial to achieving maximum productivity. Standard process control ensures that everyone in the organization is performing each service in the most efficient way possible.

The best developed and most followed procedures come from the people performing them. Getting their input up front helps ensure that the documented processes are followed consistently. To ensure compliance, schedule regular audits of the processes throughout the organization.

**Utilize technology**
Taking advantage of technology to automate processes where possible dramatically affects productivity. Software that addresses eligibility verification, electronic health records, electronic AR/AP, and claims analysis can help streamline labor-intensive processes.

Other ways to take advantage of technology is to leverage the growing number of mobile apps, use virtual card payment reimbursement, and implement medical device integration (MDI) to automate device data collection by sending patient data directly to the electronic medical records (EMR).
What to do NOW

Begin by educating the entire staff on the importance of productivity to the bottom line. Set up teams to focus on improving specific areas. Develop measurable goals with benchmark intervals. Communicate results and celebrate successes along the way.

5. Manage by Metrics

The only accurate way to determine if any of your actions are making an impact is through ongoing monitoring of key performance indicators (KPI). As management guru Peter Drucker has said, what gets measured gets managed.

Everyone is aware of the baseline of traditional metrics such as days in account receivable, percentage of A/R greater than 120 days, adjusted collection rate, clean claim submissions, and daily submission errors. Other measures include dollars billed, edited, hold bills (categorized – registration, coding and billing), clean claims, number of dropped claims per day, and rejections (volume, type).

Importance of metrics

A recent report stressed that organizations with high performing revenue cycles focus on frequent monitoring of metrics. They also tend to look beyond traditional measurements and place heavy importance on the patient perspective.

The keys to using metrics are not only to monitor but also to effectively report and communicate results to staff members best able to use them to affect performance. Collecting metrics without taking advantage of the information they are providing is a waste of effort. A business intelligence tool will help you develop meaningful reports that will provide insight on what happened and help pave the way for effective troubleshooting.

As an example, in one situation an A/R manager was asked about several charges and why a particular cost center was under budget for the quarter. The manager went to all his usual sources to come up with an answer. From his perspective, everything looked in order - charge entry, payment posting, billing and self-pay follow up were all up to date.

The cause of this particular issue was inventory control. A department recorded fewer units than they used. Standard reports from the billing system would not alert anyone to this fact. Most billing systems will give you plenty of detail about what was actually reported, but won’t – and
can’t – report on units for which a charge is not entered. The aspect that was missing in this instance was access to the hospital’s inventory control system. Appropriate metrics that monitor output from all systems would likely have brought this issue to the surface sooner.

What to do NOW

Review your BI systems to set up dashboards with relevant metrics. Include staff in determining the measurements that will help them make improvements in their daily jobs. An integrated BI system would uncover issues that might otherwise go undetected and allow for rapid corrective actions. A KPI dashboard built the right way, with people monitoring it, will show unfavorable activity and allow you to act in real-time to prevent further damaging effects on your revenue cycle.

Summary

An aggressive Revenue Cycle Transformation program that ensures ongoing and error-free cash collection is the ultimate solution to maintaining and growing margins in this turbulent healthcare environment. However, if that is not possible, focusing on these five areas can provide immediate and substantial relief to margin pressure.

Healthcare spending is expected to rise as the ACA begins providing care for more people and as America continues to age. However, costs are rising as well and healthcare organizations will be under enormous pressure to maintain margins. Taking action today will help ensure survival tomorrow.
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