Improving Your Revenue Cycle Health:
Why Continual Check-ups Are More Crucial than Ever
If change is constant and it seems to be the case in healthcare, then the one consistency would be the ongoing need for financial stability. According to the American College of Healthcare Executives’ (ACHE) annual survey of top issues confronting hospitals, financial challenges again ranked number one on the list of hospital Chief Executive Officer’s top concerns in 2013, cementing it as the primary concern for the last ten years. There is no doubt that the pressure to maximize value and increase efficiency in every aspect of the organization is higher than ever.

**Multiple drivers of decreased revenue**

The changes to healthcare have never been more disruptive than the past ten years. Policy transformations, new financial models, healthcare reform and a more patient-centric approach have caused a ripple effect across all healthcare organization operations.

There are multiple drivers of decreased revenue. Declining inpatient rates and stays due to new Medicare rules is one significant force at play. The two midnight rule imposed by Medicare categorizes patients as inpatients if they stay two midnights or more, but those who are hospitalized for less than two midnights must be treated as an outpatient, the latter allowing lower reimbursement rates. According to a Moody’s Investors Services Report, this rule could reduce revenues for hospitals by as much as $3,000 to $4,000 per case as more stays are classified as outpatient.

CMS’s hospital value-based program, a pay-for-performance approach that redirect patients to lower cost settings has also adversely affected revenue.

In 2012, hospitals received payment of 86 cents for every dollar spent caring for Medicare patients, and 89 cents for every dollar spent caring for Medicaid patients. Add to that an increase in number of Medicare patients, higher deductible insurance plans and lower rate increases from commercial payers and it would seem like the perfect storm for declining revenue.
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Healthcare cost and utilization: 2012
Employer sponsored insurance and younger than 65

- $4701 per capita spending
- 4.0% per capita growth
- $768 out-of-pocket dollars per insured
- 4.8% growth in out-of-pocket expenditures
- 2.4% increase in inpatient expenditures

Source: Health Care Cost Institute, 2012 Health Care Cost and Utilization Report, September 2013

Optimizing the revenue cycle process
According to the American Medical Association’s National Health Insurance Report Card, physicians spent up to 14% of their revenue just to get paid. Understanding and optimizing your revenue cycle process is critical to succeeding financially.

To adequately analyze your organization’s revenue cycle, you need to first recognize the interconnected relationship between staff, process and technology. Not one of these components operates in isolation. Each service provided by your organization goes through numerous steps before the claim is created and after it has been paid or denied. Understanding each of these stages and ensuring that there is alignment from beginning to end is the first step in successfully billing and retaining your revenue dollars.

Revenue cycle optimization stages

Create an optimization plan and governance
Key performance indicators (KPIs) and reports provide measurements and benchmarks; but in order to drive financial change you need to develop an optimization plan with measurable goals and deadlines. Many great plans are created and resourced but fail because they do not meet deadlines.

Therefore, develop a revenue cycle optimization plan with roles, responsibilities and due dates. Develop a steering committee for revenue cycle...
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optimization that has the power to make changes across the organization. Engage senior leadership support early on to create buy-in and remove barriers across the organization. Ask leadership to communicate the plan and its benefits to staff. The “what's in it for me” communication is paramount to the project’s success.

To carry out the plan, you will need cross-functional workgroups that meet on a consistent basis. The workgroups can address denial issues (reactive) and lead process improvement projects (proactive). They can publicize revenue cycle metrics and findings (i.e. stats, trends, etc.) and show the results after changes have been implemented. This not only gives positive reinforcement for change and improvement, but it also shows when the desired outcome is not obtained and additional work is needed.

By setting attainable goals that address the root cause, you can help drive improvement and optimize your revenue cycle. For example, instead of setting up goals for working a specific number of denials, set a goal to reduce the number of a specific type of denial. Eliminate the problem instead of becoming more productive at working denials.

**Determine what you want to measure**

Step back and determine exactly what you want to measure. Then, use your BI tool to dig through the data and develop meaningful reports. Data has never been more available, but can be overwhelming if you do not know what you are measuring. The old adage, “If you can’t measure it, you can’t manage it” still holds true.

A BI tool will enable you to create dashboards to monitor your revenue cycle. It will also enable you to provide reporting on KPIs, exception reporting to help staff work smarter, and ad-hoc reporting to drill into details where necessary. While reports give you a snapshot of the situation, a BI tool will provide insight on why the situation happened. The ability to understand the root causes of revenue cycle issues is critical to preventing them. It allows you to think proactively instead of reactively.

Reporting is critical. Do you find that by the time you receive and research a report, it is too late to take action on it? Do you spend a lot of time doing clean-up and rework because the time it took to research and determine the root cause took so long? Does it generate more questions than it answers? Do you trust the data in your reports? Are ‘standard’ reports available when you need them?
One way to resolve these issues is to have the appropriate people running the reports. Technical staff can produce reports but may not understand the data. Managers will understand the data but may have trouble running the reports. Through staffing, training and education, you can create the appropriate reporting infrastructure.

To make your reports more meaningful, set them up to measure goal-related metrics. This way, the data can be evaluated in the context of goal achievement.

If you are selecting or implementing a new system, make sure the vendor knows your reporting requirements. This is why goals and KPIs are important to establish. Configure your technology to capture the pertinent data, have people and technology in place to convert the data into meaningful information, and build processes that use the information to continually improve your revenue cycle.

**Develop lag time monitoring**
There are several lag times that should be measured within the revenue cycle, including time from the date of service to: charge entry, bill creation, bill submission, receipt of remittance advice, and payment posting, to name a few. Determine your current state and then set achievable goals to improve in reasonable increments.

Determine which physicians and departments are consistently sending late charges. Once identified, you can share the data and set goals for improvements. It may be helpful to involve your medical director in these discussions as a “clinician to clinician” conversations are typically more effective.

**Automate select functions**
Automate wherever possible and where it makes sense. Do not automate for automation’s sake. If it will cause disruption in your workflow and create extra work, then it’s certainly not worth it. However, if automation will help eliminate errors (due to manual intervention) and save time, then move forward.

**Optimize your systems**
Work with your vendor or other outside system experts to help optimize your practice management and/or patient accounting system. Often times there is functionality in these systems that has not been activated. Check for cost-effective add-ons that can improve productivity.
While you are reviewing your information technology, perform a gap analysis between your process flows, policies and procedures and your current-state policies. If they are outdated, it is likely your training materials are as well.

**Review front-end edits and processes**
Determine which denials are front-end related and use your denial reports to understand what happened and why. Then, use this information to create edits and scrubbers to prevent future front-end related denials. Move these edits and checks upstream in your revenue cycle.

Review your policies and procedures and assess whether your front-end staff is adequately trained on automating insurance verification, obtaining pre-admission certifications and pre-authorizations, and gathering accurate demographics, financial and insurance information. Utilize reports to determine gaps in productivity and accuracy and based on findings retrain as necessary.

Patient out-of-pocket expenses continue to climb as high deductible healthcare plans are more common. This is an important trend to manage, so it's important that your staff is trained to collect co-pays and other charges up front, as well as capture the correct insurance and demographic information to prevent denials.

Source: Health Care Cost Institute, 2012 Health Care Cost and Utilization Report, September 2013

To ensure upfront payment, build processes. Require that the patient pay at the time of service. In addition, build a step into the check-out process in which the patient is seen by one of your staff members. Not only will this
help with scheduling future visits, but it also gives your staff the opportunity to collect any patient responsibility amounts if additional services were rendered during the visit.

Continuous improvement
Ensuring a healthy revenue cycle is the foundation of a financially viable, successful healthcare organization. As healthcare continues to evolve, greater efficiency at lower costs will continue to be operationally critical. By continually assessing and optimizing your revenue cycle you can increase staff productivity, improve provider and patient satisfaction, improve the bottom line, and ensure the financial health of your organization.
Sources

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