Road Map:

Consolidating Your Revenue Cycle: 5 Steps to Determining Your ROI

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Coordinating multiple business functions from numerous offices or merging business offices from different organizations is challenging to say the least. Consolidation - whether external or internal - means merging of central business office operations specifically and the entire revenue cycle in general. You intuitively understand that combining tasks, workflows and technology creates economies of scale and results in much needed cost savings.

Unfortunately your instincts, however on target, aren't likely enough to gain approval and commitment for the project. You are going to have to demonstrate the impact to the bottom line with an in-depth return on investment (ROI) analysis detailing the benefits – and costs – of your consolidation initiative.

Consolidation efforts can provide significant savings – up to 40 percent in some cases - but there are short-term expenditures needed to realize the long-term gains. You must be able to clearly outline the ultimate return on investment to justify these costs.

In this roadmap, we outline the five steps to developing the ROI for your revenue cycle consolidation project.

Establish your financial baseline

Before you can project the future benefit of a consolidation project, you need to determine your current financial situation. To establish that baseline, begin with a comprehensive review of the financial state of the organization.

Enlist the help of the finance group to conduct a review of the organization's financial statements including the P&L, balance sheet and cash flow statement. Examine all purchased services, capital expenditures and any other outlays that can be targeted for cost reduction. Review and understand the revenue cycle key performance indicators (KPIs) to identify underperforming groups or departments. Complete an analysis of potential gained efficiencies, cost reduction and cash acceleration that you can realize through consolidation.

This financial analysis should be the foundation for "selling" the changes that will be needed throughout the organization to the impacted groups.

CONDUCT FINANCIAL ANALYSIS

2 Evaluate your technology stack

The main savings opportunities in a consolidation effort typically revolve around the simplification of your technology stack and reduction of expenses related to third party vendors. Start with a systems inventory followed by a review, assessment and validation of existing applications and interfaces. This will help you identify and document potential cost savings and cost avoidance opportunities.

Many organizations have silos of providers and hospital groups. Evaluate the various technologies in use and their level of optimization to determine one that could become your consolidated core practice management system and electronic medical record (EMR). This is the first step toward streamlining with one integrated platform. Also recognize that if you are underutilizing the technology you have, you may be able to elevate to "best in breed" simply by optimizing your existing system. This strategy can be extremely cost effective in a consolidation project.

Conduct a review of the third-party vendors that handle electronic eligibility, claims and clearinghouse functions. If you are paying multiple vendors with similar capabilities you can consolidate to simplify your stack and gain better purchasing power by increasing volume and utilization with fewer vendors. This will also reduce licensing fees and staff support costs. With fewer systems, you will likely be able to reduce the number of system tech experts, analysts and dedicated trainers to maintain and support them.

The final system decision will likely come down to cost. You may opt to implement a new, integrated solution or to consolidate with one of your current systems. Either way, moving to one system provides the best opportunity to reduce cost and resource time. Supporting and maintaining multiple systems will reduce the ROI of the project.

3 Analyze your workflow and staffing

Salaries are often one of the top costs for organizations. A key benefit of consolidation is the cost savings gained from staff reduction. In an organization that may be growing, consolidation can free up staff to be reassigned eliminating the need to hire additional FTEs in other areas. Simplifying the technology stack and gaining efficiencies from enhanced or new system functionality and automation provide other opportunities for staff cost reduction.

Another area for potential cost savings comes from centralizing like-functions and getting all participants on the same platform. For example, if you have hospital and professional services on two different systems and can consolidate them onto one, you can then merge your call center customer service departments. With a single statement, there is no reason to have separate call centers.

Consolidation allows you to centralize back end functions like A/R management, statement production and lockbox payment posting as well as front end tasks such as financial counseling, patient registration and insurance coverage verification.

Centralization enables you to reduce the expense involved with management oversight of multiple sites with their disparate workflows and staffing, quality reporting, productivity reports and other functions. Eliminating these "hidden" costs helps increase the project's ROI. It pays to go beyond what are considered the normal costs of consolidation to find other areas of potential savings.

Calculate your long-term revenue growth

Consolidation ROI comes not only from reducing your costs, but also from the potential of increasing your organization's revenue. Consolidating systems and workflows streamlines your internal operations which can translate to a more positive experience for the patient. In a competitive environment where healthcare organizations are fighting to retain and gain patients, the increased efficiency can attract more customers and mean improved revenue.

Organizations where hospital and provider services are handled by separate business offices can find themselves competing against each other for the patient dollar. When a patient comes in, both sides are trying to collect from them. If you are in that situation, you can benefit from going to a single, consolidated statement where both sides are collaborating as a single enterprise on collections. This makes it less confusing for the patient, increases collectability across the board and enhances the patient experience.

Optimized or new system functionality and integration with your EMR may also increase your ability to effectively capture charges and services, leading to increased revenue and enhanced revenue integrity.

5 Use the right tools

While consolidation provides long term benefits, you should be prepared for the short-term costs of the investments you will be required to make. Establishing your budget and forecasting these costs is a crucial component of calculating your expected ROI. Properly accounting for these costs in a complex consolidation project can be difficult, but can be simplified with the proper tools.

In multiple consolidation projects, Hayes has helped clients by leveraging a series of proven budgeting and forecasting tools. These tools help identify and estimate relevant capital and operating costs incorporating all aspects of the project including licenses, hardware, labor resources and training. It will also help you forecast the reserves you will need to account for an initial impact on A/R and cash flow.

Summary

In our experience facilitating multiple consolidations – we have seen a 20 to 40 percent savings from a consolidation effort, depending on the extent of the project. Typically, you should realize a positive ROI in year three. This is especially the case when you are making PM or EMR system transitions or relocation changes.

Your ROI calculation should include conservative, moderate, and aggressive projections depending on the number of actions you ultimately execute. In the end, you are likely to land somewhere among those three.

The key to a successful consolidation is determining up front the investment of time, money and energy you need to make, establishing milestones and projecting your realizable ROI. Finally, it's crucial to understand that once you flip the switch, the effort must continue to make sure you reach your goals.

Hayes Management Consulting

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