

Optimizing the Revenue Cycle:

Moving Past the Financials



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Contributing Executives



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“Improve care, lower costs” – in today’s healthcare environment, this mantra governs all. But when most healthcare organizations are not successfully recouping the monies owed for care, either directly from patients or from insurance companies, achieving either end of that mantra seems like an impossibility.

According to the Centers for Medicare and Medicaid Services (CMS), the average U.S. healthcare spend in 2015 increased 5.8% to reach \$3.2 trillionⁱ. And that number is only expected to grow. In fact, the agency’s actuaries currently project that healthcare spending will rise past the \$5.5 trillion mark by 2025ⁱⁱ. And despite today’s costs—and the expected future surge in spending—our quality of care still suffers. According to the Commonwealth Fund, despite such a substantial healthcare investment, Americans are more likely to have poor health outcomes than other developed nations, including shorter life expectancies and a higher risk of chronic health issuesⁱⁱⁱ.

How can healthcare organizations work towards managing spend—and making the right investments to help both lower their costs and improve the quality of patient care? It starts with optimizing revenue cycle management. The Healthcare Financial Management Association (HFMA) defines the revenue cycle as “all administrative and clinical functions that contribute to the capture, management, and collection of patient service revenue^{iv}.”

Note that the HFMA states that all administrative and clinical functions are part of this cycle. And Jeffrey R. Tennant, National Director of Revenue Cycle Services at Leidos Health, says that it’s an important reminder. Too many organizations put their focus strictly on the financial aspects of revenue cycle management.

“People talk a lot about billing collections, the charge master, those kinds of things—but there really is so much more to the revenue cycle,” he says. “It encompasses almost everything from when a patient arrives with the sniffles to when the final payment is posted for his or her care. Everything done to and for the patient in healthcare ends up impacting the revenue cycle.”








Which is why, he argues, optimizing your management of that cycle from the get-go can help your healthcare organization better recoup every dollar spent on healthcare services rendered.



Looking Beyond the Numbers

While it is difficult to pinpoint the exact number of claims that are denied each year, some experts suggest that as many as 1 in 5 claims are denied or delayed—a number that can have significant impact on a healthcare organization's bottom line^v. Tennant says that many organizations focus solely on the numbers when it comes to the revenue cycle. And, as such, they are missing important opportunities to improve internal processes—and, ultimately, get a better handle on what those financials really mean to their organization.

Who Is impacted by Revenue Cycle Changes

						
Nurses	Physicians	Clinical	Managers	Coding	Billing	Lab
<ul style="list-style-type: none"> ● Revised order forms ● More specific documentation ● Prior authorization modification 	<ul style="list-style-type: none"> ● More specific documentation ● 5x code set increase 	<ul style="list-style-type: none"> ● New policies and forms ● Reworked superbills ● Reformatted ABNs 	<ul style="list-style-type: none"> ● New policies and procedures ● Updated vendor and payer contracts ● Budget for software upgrades 	<ul style="list-style-type: none"> ● 5x code set increase ● Revised code books ● Increased clinical knowledge ● Concurrent coding review ● Coding compliance with ICD-10 standards 	<ul style="list-style-type: none"> ● Revised payer policies ● Code set modifications ● Software modifications 	<ul style="list-style-type: none"> ● More specific documentation ● New reporting requirements



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"It's easy to focus on the financial component—to just look at the numbers," he says. "But you really have to think of the revenue cycle in healthcare as something beyond that. It's everything from that first initial contact with the physician, through a patient's hospital stay, all the clinical events that may cause charges to fall, and then the components of getting the documentation in place to be able to verify and prove you did what you said you did, and then making sure you're appropriately reimbursed for the great care you provided your patient. Every single step there is important. They are all pieces that lead to an effective revenue cycle. And you have to have a firm grasp on all of them."

Larry Todd, Managing Director of Leidos Health – Revenue Cycle, agrees. But he says another common mistake that hospitals make when it comes to revenue cycle management is paying too much attention to the back end—the processes involved with netting down the AR.

"You need the right things to happen at the front end—registration and what have you—so that, on the back end, the bill has all the right information and is going where it's supposed to go," he says. "Most people don't give it the attention it deserves, or spend a lot of money on staffing to optimizing those processes. But all too often, that's the place that is driving the errors you see. It's where certification didn't occur or the patient wasn't authorized for service. And it ends up gumming up the works on the back end."

According to an article in Healthcare Finance magazine, the 5 top reasons for claims denial are duplicate claims, a lack of information, expiration of eligibility, claim not covered by insurance, or a time limit expiration^{vi}. And the vast majority of these issues, Todd argues, could be mitigated by making sure you have robust processes in place when the patient first walks into the building.

"So often, the finance people are so concerned about getting the net revenue number correct within their financial statements that they look in the wrong places to optimize management," he says. "And this is now even more important that we don't have to wait for the mailman to deliver denials or payments. We get so much information back a lot faster than we ever have before. So if we can get away from that way of thinking, and really think about the whole revenue cycle and different technologies that may help is avoid problems in the cycle, we have the opportunity to make a significant difference across the board."

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LARRY TODD
Leidos Health



Embracing Optimization

With so many moving pieces in play – from patient registration to claim remittance – it can be difficult to determine just what “optimized” revenue cycle management is. And Todd says that, if you ask a handful of different people, you are likely to hear a handful of different answers. But Tennant says a good optimization metric is having a first pass clean claim rate in the upper 90’s.

“You want your bills to go out the door. You want to see them being adjudicated and paid out that first time so you don’t have to waste time and money on reworking those things,” he says. “But it’s more than that. You want your denial percentages to be very, very low. And, of course, that you are being appropriately reimbursed for the services that were rendered. What it will take for any given organization to get there may differ. For some, it’s getting a handle on a coding issue, for others it’s a documentation problem. But you can’t get to where you need to be unless you are looking at the entire revenue cycle.”

Todd states that it starts with having good data. “Having the right metrics on hand are so important. Having the right data on hand can flag where you may have issues,” he says. “It’s almost like a fire alarm going off in your house when an appliance gets too heated. Having data, having the right metrics, is what gives you a heads up that you need to go take a look at a particular part of the cycle, whether it’s about documentation, or coding, or some problem with eligibility or patient paperwork. It allows us to look beyond just a number and see what’s driving that particular number, why it is what it is, what it represents, and then dive down to the root cause and figure out how to fix it.”



The Revenue Cycle

A very complex cross-departmental group of processes that addresses multiple gaps, risks, and challenges





Taking that full cycle approach has tangible benefits—not just to an organization's bottom line but also to the quality of care offered at each facility. Tennant says that most hospitals are well aware of their “revenue leakage,” or the percentage of money that should, in theory, be in the books but, for one reason or another, never materializes. And he says taking an optimized approach to the revenue cycle can help ensure that leak doesn't become a full-out flood.

“Even if an organization is just losing a small percentage of its overall revenue, those numbers add up. It could end up totaling up to millions of dollars over time,” he says. “And most organizations would love to have a couple million dollars extra added to the bottom line. From a business perspective, optimizing revenue cycle management is going to very quickly show you a strong return on investment.”

Todd adds that optimization benefits, however, go far beyond the back office and extend to overall patient satisfaction.

“Certainly, when you have the right numbers in play, you can make intelligent decisions about resources and investments that can advance quality of care. You can find new and interesting opportunities to perhaps repurpose resources, to reduce errors, and to invest more strategically across the organization. You can take a close look and really peel back the onion to see where you can improve as an organization,” he says. “But this is something that also benefits the patient. The patient is going to like going to your facility because they are not hassled about payment. It's managed well and taken care of the right way. And that ultimately turns into a really positive reflection on the healthcare organization because the financial side is also part of the caregiving that these organizations do.”

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Moving Forward, Meeting Challenges

Certainly, there is a large information technology component involved with optimizing the revenue cycle—and data needs to come in from a wide variety of disparate systems in order to help those in the business office effectively manage the process from stem to stern. Tennant states that there are now plenty of automated systems that can help employees from the registration desk to the hospital floor better document information vital to the revenue cycle—and support more error-free entry as they do it.

“The electronic health record (EHR) really is the clinical backbone of a hospital’s IT systems. When it is in sync with the financial systems, it really helps to make sure that inventory is kept up to date, for one, but it also helps to ensure that care is being documented correctly which then drives the proper coding, billing, and charging, on the back end,” he says. “But there are also all manner of assistive technologies that can help with coding, with documentation, with verifying addresses or insurance. Whenever there is a human component, there’s a higher likelihood that you’ll have errors. And you’ll have to deal with that. But there are a lot of new technologies out there that make sure the appropriate responses are put into the system, the appropriate authorizations happen, and the right information follows the patient through the continuum of care.”

To best harness these technologies, and let them optimize your processes as opposed to add more noise to the mix, Todd suggests that finance officers and IT stakeholders work closely together, with a focus on operations as opposed to dollars or technology, to find success.

“Chief Information Officers (CIOs) can’t work on revenue cycle management projects the same way they do clinical projects. There are just too many disparities between all these different processes—and revenue cycle management touches every part of the house,” he says. “So working together to make sure that things are handled from an operations standpoint makes a big difference.”



Tennant agrees—and while he says that many healthcare organizations are looking for a “magic bullet” system to solve their revenue cycle issues, there is no single piece of technology that will solve all of their needs. It pays to learn from those who have gone through optimization attempts before—and take advantage of the lessons learned to be more successful. That’s why tapping into the knowledge and skill of seasoned Subject matter experts can be a boon, particularly to those hospitals who struggle to remain financially viable.

“Revenue cycle is one of those things that has a lot of moving pieces. It takes a lot of focus and a lot of hard work to do well. And while there are lots of technologies that help, there’s no single solution that’s going to get you where you need to be,” he says. **“So work across the organization. Maximize technology where it makes sense to do so. But also let the subject matter experts, the people who know how to do the work, weigh in.** Find the things that will enhance their ability to do their jobs well. And put all those pieces together, embrace those lessons learned, and do the work so you can find the way to make these processes run more smoothly.”

To learn more about Leidos Health, and their experience in helping healthcare organizations better optimize revenue cycle processes from the registration desk to the remittance office, visit their website at:

health.leidos.com

Notes

- i. Centers for Medicare and Medicaid Services. National Health Expenditures 2015 Highlights.
<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/downloads/highlights.pdf>
- ii. <http://www.healthcare-informatics.com/article/revenue-cycle-management/medicare-actuaries-us-healthcare-spending-will-rise-5548-trillion>
- iii. <http://www.commonwealthfund.org/publications/issue-briefs/2015/oct/us-health-care-from-a-global-perspective>
- iv. <https://www.ohsu.edu/xd/about/services/patient-business-services/revenue-cycle/>
- v. <http://revcycleintelligence.com/news/icd-10-claim-denial-rate-remains-low-among-most-providers>
- vi. <http://www.healthcarefinancenews.com/news/top-5-medical-claim-denials>