HFMA Texas Lone Star Chapter

Essential (but Overlooked) Elements of Successful Revenue Cycle Management

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**about ECG**

ECG partners with providers to create the strategies and solutions that are transforming healthcare delivery. With over 40 years of service to the healthcare industry, we can help your organization thrive in a value-based world.
Health systems continue to sustain enormous losses on their owned physician practices, creating a need for improved efficiencies.

**Importance of the Professional Fee Revenue Cycle**

In addition to its financial implications, the efficiency of the revenue cycle function has a significant impact on patients, providers, and regulatory compliance.
The story of poor billing performance starts with understanding how we got here.

**Organizational Dynamics**
- Hospital-centric focus
- Growth through practice acquisition
- Lack of operational integration

**Executive Involvement**
- Secondary priority
- Focused on lagging indicators

**Billing Management**
- Promoted through the ranks
- Focus on the back office operation
- Under-resourced in decision support and analytics
- Insufficient formal training

**Clinic Operations**
- Focused on providing clinical care
- Lacking visibility and accountability for revenue cycle functions
When the essential revenue cycle management (RCM) elements are all in place, they are mutually reinforcing.

**Essential Elements of Revenue Optimization: The Virtuous Cycle**

I. Culture of Accountability
- Stakeholder ownership of the billing process; executive leadership sets the tone
- Leads to.....

II. Management and Governance
- Capable leadership and broad engagement in RCM oversight

III. Transparency and Reporting
- Extended to include.....

IV. Vendor and Payor Relationships
- Effective management of relationships with outside parties
- Promotes.....

Availability and effective utilization of KPIs and other relevant information

Building these capabilities is essential so that improvements are ongoing and sustainable.
A culture of accountability must start from the top. Outside agencies can offer advice and expertise, but ultimately it comes down to leadership.

How would you rate your organization?

- Executives are actively engaged in RCM and demonstrate that it is an organizational priority.
- RCM responsibilities of clinic managers and other influencers are well established.
- Staff productivity standards are established, understood, and enforced.
- Physicians are engaged through compensation incentives or other means.
- RCM performance targets are clearly defined and known throughout the organization.
Many organizations require change management support and leadership development in order to develop effective revenue management and governance.

How would you rate your organization?

- The revenue cycle director is a leader whose opinion is respected throughout the enterprise.
- Billing managers are capable leaders with a comprehensive understanding of the revenue cycle.
- Physician leaders are involved in revenue cycle decisions.
- Revenue cycle performance is reviewed and discussed across a broad spectrum of stakeholders.
- Decision making and management is data driven and supported by the appropriate analytical and managerial framework.
Accountability and effective management can only exist when supported by the availability of relevant data.

How would you rate your organization?

- End-users understand the revenue cycle process and the metrics associated with it.
- Revenue cycle performance reports support active management throughout all aspects of the revenue cycle.
- Internal and external benchmarks are appropriately utilized.
- Managers drive toward meaningful performance targets.
- Payor performance is well understood and effectively managed.
Transparency and Reporting
Lagging vs. Leading Indicators

LAGGING

» From the end of the revenue cycle, measure the results of past activities. Although this is valuable information, it can’t be used to change the outcome of the previous month.
  › Accounts Receivable (A/R)
  › Days in A/R
  › Percentage of A/R Greater Than 90 days
  › Net Collection Rate

LEADING

» Measure results of ongoing revenue cycle activities. They are predictive of future results and are influenceable in the near term.
  › Charge Entry Lag
  › Work Queue Backlogs
  › Claim Submission Lag
  › Payment Posting Lag Days

Organizations tend to focus their attention on lagging indicators.
Transparency and Reporting
Example Leading Indicators

Time to third available appointment
- Insurance verification rate
- Pre-reg completion rate
- Registration errors rate

TOS collections
- Missing charges
- Open encounters

Front-End Steps
- Appointment Scheduling
- Preregistration and Registration
- Arrival/Check-In
- Patient Care Event

Middle Steps
- Influencers
- » Contracting
- » Providing enrollment/credentialing
- » Underpayment detection
- » QA and training

Back-End Steps
- Payment Posting
- A/R Follow-Up and Collections
- Claims Submissions and Patient Billing
- Edit Resolution
- Charge Entry

Charge Capture
- » DOS-posting lag
- » Coding errors rate

Undistributed payments
- A/R by last activity date
- » Backlog items/dollars
- » Percentage of A/R in hold status
- » Claims submission lag
Transparency and Reporting
Claims Work List Inflow and Outflow Monitoring

Total Inflow/Outflow Volume
Monitoring vendor relationships can have a large impact on A/R composition.

**A/R Composition**

- **Baseline:**
  - Hospital: 42.6%
  - With Payors: 44.1%
  - Billing Company: 13.3%

- **July 10, 2015:**
  - Hospital: 19.4%
  - With Payors: 73.0%
  - Billing Company: 7.6%
Too often, organizations negotiate suboptimal payor contracts and/or fail to work effectively with vendors and payors to improve their performance.

How would you rate your organization?

- Underpayments are continuously monitored and can readily be detected.
- Payor contracting and revenue cycle functions work in tandem to ensure that payor issues are identified and resolved.
- Professional fee and hospital contracting efforts are coordinated where permissible.
- Performance, interface, and training struggles with current IT are documented and communicated to vendors.
- Leadership tracks issues at periodic status meetings, and new technologies are evaluated to identify integration opportunities.
Case Study
The Organization

- **Facility Fee $$**
  - Hospital
  - Payors
  - **Professional Fee $$**
    - Medical Group (MG)
    - MSO
    - Separate MSO owned almost exclusively by MG
    - MSO manages:
      - Revenue cycle
      - Compliance
      - Accounting and finance
      - Payor contracting
      - MD compensation

- Hospital-based clinics
- Medical staff consisting almost entirely of MG members
- Financial support arrangements with MG
- 70% Medicaid
Background of Revenue Cycle Issues

- Culture
  - Lack of accountability within MSO
  - Siloed operations within MG

- Leadership
  - Near-annual turnover in RCM director position
  - MG neglected as executive looked to hospital revenues for impact

- Information Technology
  - Functional deficiencies
  - Lack of due diligence in selection
  - Vendor inexperience with Medi-Cal
  - Faculty interfaces
  - No testing

- Processes
  - Inconsistent work flows across clinics
  - High variation in reporting/monitoring of RCM activities
The Cost of Poor RCM

Intangible Costs
» Physician and administrator frustration
» Distrust, micromanagement
» Staff morale

“\(I’ve\) had it and \(I’m\) not going to take it any longer!”
— Administrative Director
The Solution: Phased Approach

Phase I: Salvage Collectible A/R Backlog
» Identify Collectible A/R
» Prioritize Collection Efforts

Phase II: Shore Up RCM Fundamentals
» Interface
» Authorizations
» Charge Lag
» Write-Offs

Phase III: Optimize A/R
» Standardized Reporting
» Revenue Cycle Training
» Underpayment Detection
The Solution: Getting It Done

- Change in key leadership positions
- Prioritization of work efforts
- Tiger teams
- Temporary outsourcing
- Joint Operating Committee
- Physician leadership meetings
- Monthly goals
- Progress updates
- Standardized reporting
- Write-off policy
- Documentation of issues
- Verification of protocol
- Communication of status
Results: A/R

![Graph showing A/R results from April 2014 to December 2014. The graph indicates a decrease in A/R with the following values:
- April 2014: $60.7M
- May 2014: $60.8M
- June 2014: $59.2M
- July 2014: $61.0M
- August 2014: $54.7M
- September 2014: $50.6M
- October 2014: $49.3M
- November 2014: $49.2M

The line chart shows a downward trend from April to December 2014.]
Results: Days in A/R

<table>
<thead>
<tr>
<th>Month</th>
<th>Days in A/R</th>
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<tbody>
<tr>
<td>Apr-14</td>
<td>84</td>
</tr>
<tr>
<td>May-14</td>
<td>82</td>
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<tr>
<td>Jun-14</td>
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<td>Oct-14</td>
<td>63</td>
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<tr>
<td>Nov-14</td>
<td>64</td>
</tr>
<tr>
<td>Dec-14</td>
<td>62</td>
</tr>
</tbody>
</table>

The data shows a trend of decreasing days in A/R from April to December 2014.
Results: A/R Composition

![Chart showing A/R Composition for Apr-14, Dec-14, and Target.]

- **Apr-14**: 5.1% Hold, 52.9% Billed, 42.0% Other
- **Dec-14**: 6.3% Hold, 68.4% Billed, 27.7% Other
- **Target**: 5.0% Hold, 75.0% Billed, 20.0% Other
Results: Charge Lag Trend

Charge Entry Lag
3-Mo Chg Entry Lag Avg
Results: Collections

![Chart showing collections and historical average for different months from April to December 2014.](chart_image)
Stakeholders have moved beyond “survival mode” and are actively engaged in continuous refinement and improvement of the revenue cycle process.

Activities

- IT Systems Strategy
- Charge Reconciliation
- Revenue Cycle Training
- Underpayments Analysis
Making the Results Stick

“There’s no substitute for leadership.” Articulate the plan, then deliver.

“It has to be personal.” People involved in the revenue cycle have to feel that their livelihoods—or at least career success—are impacted by improvement.

Address counterproductive personalities. Some will need to be replaced, some will leave on their own, and others can be coached into better performance. None can be accommodated.

Process, process, process. Continually communicate activities, objectives, and rationale. Build consensus, beginning with leadership. Utilize thought leaders throughout the organization. Remember, technology will not solve your problems.

Change the culture (for the better). Better performance, coupled with transparency, will demonstrate that the new way is better than the old.

“Great presentation, great plan. I had this exact same meeting back in 1994.”
— Emergency Medicine Physician
Questions & Discussion