USING EVIDENCE-BASED STRATEGIES TO IMPROVE THE REVENUE CYCLE

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Healthcare Financial Management Association

OVERVIEW

- Reform and the Revenue Cycle
- How Hospitals Are Responding
- MAP and Evidence-Based Improvement
- Successful Practices
- Getting Started
REVENUE CYCLE CHALLENGES

- Growth in Self-Pay and Uncompensated Care
- Shifting Reimbursement Methodologies
- Margin Pressures
  - Declining inpatient admissions
  - Physician-owned practice losses
- ICD-10
  - Transition-driven changes to resources
- Health Reform

Reform and the Revenue Cycle

Four Different “Buckets” of Reforms Will Impact Hospitals and Their Revenue Cycles

- Payment Cuts
- Coverage Expansion
- New Requirements
- New Economic Incentives

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<th>Revenue Cycle Imperatives</th>
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<td>Physician Integration</td>
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<td>Bundled Payments</td>
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Performance Pays

Not All Revenue Cycles Are Created Equal…

Days in Accounts Receivable

Patient Satisfaction
Patients Would “Definitely Recommend” Hospital

Source: HFMA’s MAPAPP September 2012

Source: HFMA’s MAP Award for High Performance Top Decile 2012

Source: 2011 Medicare HCAHPS Scores

Pricing Transparency

Standardized Charge Reporting…

Summary of HR 3590 Sec 2718.c:

“Annually, each hospital shall establish and make public a list of the hospital’s standardized charges for items and services provided by the hospital, including for DRGs”
Pricing Transparency

...Will Likely Lead to Even Greater Scrutiny

New Requirements

**Lee Memorial Hospital (Fl. Myers, FL)**
charges 288% times its costs.
That is 232% times what Johns Hopkins charges!

On average, Lee Memorial Hospital charges 2.3 times what Johns Hopkins charges, ranked the finest hospital in America.

Look at the price comparisons of Johns Hopkins versus Lee Memorial Hospital

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<tr>
<th>Compare Overall</th>
<th>Compare Ancillary Services</th>
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<tr>
<td>JOHN Hopkins Hospital</td>
<td>Lee Memorial Hospital</td>
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Lee Memorial Hospital list prices are outrageous.
On average Lee Memorial Hospital grants a 59% discount to people with insurance.

**How much of a discount did they give you?**

If Johns Hopkins is the best hospital in America, why is this hospital so much more expensive?

Tax Exempt Hospitals

Healthcare Reform Places New Requirements on Tax-Exempt Hospitals

New Requirements for Tax Exempt Hospitals

1. Conduct a community health needs survey and develop a plan to address needs
2. Adopt, implement, and widely publicize a financial assistance policy
3. Bill patients who qualify for assistance no more than amount billed to insured patients
4. Use extraordinary collection methods only after a reasonable attempts to determine eligibility for financial assistance
Proposed Collections Regulations

Proposed Treasury Regulations Implement Three of the Four New Requirements Related to Hospital Collections

The Rules Address What:

1. Must be included in the mandated hospital financial assistance (FAP) policy
2. Actions may be taken in the event of non-payment
3. How the FAP must be publicized
4. Constitutes extraordinary collection efforts and when a hospital may pursue them
5. Constitutes a “language summary” of the FAP and the ways hospitals must provide it to patients

Evaluate Eligibility Processes

Many of the 32 Million Newly Insured Will Not Know They Are Eligible for Coverage

Eligibility Process Evaluation Steps

1. Conduct Gap Analysis to Determine Organization’s Needs
2. Identify Best Practices from Facilities Facing Similar Challenges
3. Recognize Identifying Coverage for the Uninsured and Underinsured Is a Special Skill Set
4. Ensure the Right Level of Expertise is Available When and Where It Is Needed
5. Assess Availability of Reporting and Analytics of the Eligibility Services Provider
6. Take Time to Make Sure the Chemistry Is Right

Source: How Effective Is Your Organization’s Financial Assistance Eligibility Program?; Woodward, Don;
**Exchange Implication: Revenue Cycle**

**Self-Pay Collections**

Providers Will Need to Re-double Focus on Self-Pay Collections Efforts Since Many Plans in the Exchange Will Have HDHP-Like Cost Sharing

**Best Practices for Providers**

- Implement tools to estimate patient responsibility for use at scheduling and registration
- Provide training to scheduling and registration staff to help them educate patients, ask for amounts owed, and proactively apply the facility’s charity care policy as appropriate
- Use healthcare credit scoring and other predictive models to identify accounts likely to pay
- Accept all forms of payment at all locations

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**ICD-10 Implementation**

**ICD-10 Enables Reform...**

1. Improved data for re-engineering care delivery
   - Allows for refined evidenced base protocols
2. Provides detailed data to segment patient population and manage chronic conditions
3. Supports value-based reimbursement methodologies
4. Provide stability and predictability in administrative processes

**But Comes with Significant Impacts**

1. Review clinical, operational and financial processes
   - i.e. Impact on budgeting
2. Model contracts to determine impact
   - Collaborate with payers to resolve issues
3. IT-gap analysis to identify areas of concern and develop plan to address
4. Coder Training
Documentation and Coding

Ref orm Increases the Importance of Clinical Identification and Documentation of Potential HACs on Admission and Coding These Issues on the UB

Example FY 2011 HAC List

| Foreign Object Retained After Surgery | Vascular Catheter Associated Infection |
| Air Embolism | Poor Glycemic Control |
| Blood Incompatibility | Surgical Site Infections: |
| Pressure Ulcers Stages III & IV | Mediastinitis, Post CABG |
| Falls and Trauma | Post Ortho Procedures |
| UTIs | Post Bariatric Surgery |
| | DVT and PE Post Ortho |

Reimbursement and Reporting Impact

1. Current non-payment policy
2. Eight included in RHQDAPU reporting for 2012 (2011 reporting)
3. HAC reduced payment policy (2015)

How Hospitals Are Responding
MULTICARE MARYBRIDGE

Area of Excellence: POS Collections
How They Did It

- Consolidated employees to create consistent standards
- Improved tools to provide more accurate patient estimates
- Scripting to alleviate discomfort when asking patients for money
- Provided financial information to the patient earlier in the process
- Staff Gemba walks
  - Going to where best practice occurs

MaryBridge
- Improved POS collections by 30% (in 3 month post-transition)
- 2011 POS at 20%

MultiCare
- Improved system POS by 62% over a four year period
  - $1.9 million in overall POS collection to $11.8 million

Source: HFMA's "A Closer Look" September 2012
RIVERSIDE METHODIST HOSPITAL

Area of Excellence: Reduced Denial Write-Offs
How They Did It

- Over 50 Key stakeholders joined forces to reduce write-offs
- Quantified and Communicated Denials
- Leadership and Associate Accountability
- Payer Accountability
- Process Improvement

RIVERSIDE METHODIST HOSPITAL

Results

- 69% reduction in Denial Write-offs
  - Moving from $10M in FY 09 (.43% of Patient Revenue) to $3M in FY 11 (.12% of Patient Revenue)
- Clean claim rate improved from 54.8% to 80.9%, a 26.1% improvement

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<tr>
<th>Denial Write-Offs</th>
<th>Median</th>
<th>Top Quartile</th>
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<td>0.9%</td>
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<td>0.7%</td>
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Source: HFMA’s November 2012
NEW YORK-PRESBYTERIAN

Area of Excellence: Improving Enrollment in Public and Private Sponsorship Programs

How They Did It
- Expanded training for staff in Medicaid Eligibility Unit
- Implemented electronic application tool
- Patients interviewed at earliest opportunity in process
  - In ED prior to discharge
  - Prior to scheduling
- Provide home visits to patients unable to travel
- Take a holistic approach to obtaining coverage
  - Other eligible family members are included in the application process regardless of patient status

Results
- Medicaid approvals grew from 2001 approvals in 2007 to 3436 approvals in 2011
- Outpatient outreach secured:
  - 1410 Medicaid approvals
  - 1161 charity care approvals
  - 753 Section 1011 applications
- Reduced Aged A/R >90 Days to 19%

Conversion Rate of Uninsured
- 31.1% Median
- 73.3% Top Quartile

Source: HFMA’s September 2012
Slide 19

sl3  Baptist Shelby??
sloeffler, 11/27/2012

Slide 20

s6  Suzanne: Do you have any success data you can pull?
snorland, 12/3/2012
C-Suite Focus
Shift to Revenue Cycle

- Increased attention to revenue cycle management
  - Cash flow
  - Revenues
- Focus on specific process improvement
  - Cash collection
  - Work flow
  - Customer satisfaction
  - Reduction in process variation
- Use of metrics to track performance

Revenue Cycle Priorities

With so many competing priorities, assessing needs is critical:

- Where is your focus
  - Declining reimbursement levels
  - New payment models
  - Multiple unfunded mandates
- How do you set priorities
- How do you measure progress
- How do you achieve success
Evidence Based Improvement
EVIDENCE-BASED IMPROVEMENT

Components

- Measuring
  - What are consensus measures of revenue cycle excellence?

- Comparing
  - How are peers performing and what are valid performance targets?

- Improving
  - How do high performers achieve and maintain success?

Measuring Performance
Why Is Measuring Performance Important?

- Creates a framework for analyzing data
- Understand your performance progress
  - Internally throughout the organization
  - Externally with peers and high performers
- Identify resource needs
  - Allocate labor, technology, and other resources to areas where they will have greatest impact

Comparing Performance
Fundamentals for Successful Comparison

- Standardization
- Timeliness
- Well-defined, customized “peer”

Defining the Industry’s Standards
Timeliness Affects Relevance

Current data is needed to set appropriate performance targets.

- Performance can shift rapidly in response to such factors as:
  - Economy
  - Regulatory environment
  - Shifts in insurance coverage/self pay
  - Industry rate of technology adoption, such as EHRs

Peer Definition Affects Usefulness

Are You Comparing Performance With That of True Peers?
Why Prioritize Revenue Cycle Management?

“Good” is no longer good enough

- Payment trends demand efficiency and effectiveness
- Regulatory change is adding complexity to the payment processes
- Consumers expect high levels of revenue cycle service
  - transparent pricing
  - prompt and accurate billing
  - seamless payment experience
The Right Data Guide Performance Improvement

Internal view
- Quantifying performance change across key areas of your revenue cycle, will position you to effectively:
  - Set organizational goals and objectives
  - Improve organizational effectiveness and efficiencies
  - Use data to change behaviors

Industry Expectations

External view
- Moody’s looks for:
  - Comparison against a carefully selected set of peers
  - Frequency and depth with which senior leadership and board members review comparative data
  - Leadership actions based on hospital performance relative to key indicators
Just How Above “Good” Do You Need to Be?

To Optimize Improvement Efforts, You Need to First Understand What A Change in Performance Will Mean.

You need targets that are:

- Industry accepted
- Measurable and quantifiable
- Defined by true “peer groups”

Example: Days in A/R

Consider a Hospital Where Days in A/R Improved to 38.7, and Performance has been Sustained Most Months for the Past Year

<table>
<thead>
<tr>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
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Days in A/R

38.7

IMPROVED & SUSTAINED
Example: Days in A/R

Meanwhile, Days in A/R for the Organization’s Peers Have Dropped Even More

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<thead>
<tr>
<th>DAYS IN A/R AMONG PEER GROUPS OF SIMILAR REVENUE, PAYER MIX</th>
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<tbody>
<tr>
<td>Peer 1</td>
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<td>Case Example Hospital</td>
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<tr>
<td>Peer 2</td>
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<tr>
<td>Peer 3</td>
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Source: Analysis of HFMA’s MAP AppSM , September 2010.

Successful Practices
Highly Effective Habits

Research Has Shown that High-Performing Revenue Cycles Focus on Seven Key Areas

Patient Friendly Billing Project
Research Report

Key Revenue Cycle Competencies

- Metrics
- Culture
- People
- Processes
- Technology
- Communication

Successful Practices
Culture
CAPE COD HOSPITAL

- Corporate Initiative for Process Improvement (PI) – based on 5 pillars: People, Service, Quality, Finance, Growth
- PI projects must be aligned with strategic plan and/or identified patient safety concerns
- PI’s measured and tracked to confirm achievement of goals

Example Collaboration: Bill Claim Right the 1st time
- 100% review of all claims that fail claim edits
- 100% verification of authorization match for level of service provided
- Ancillary departments responsible for resolving edits specific to their services

- Outcomes Achieved:
  - Achieved a 96% 1st Pass Clean Claim Rate
  - Improved Net Days in A/R to 36.8

Successful Practices
People
CENTRA LYNCHBURG

- Competencies Defined for Revenue Cycle Positions and Tested Monthly
- Focus on Training:
  - 2-4 weeks of partnered and/or supervised work for new hires
  - Annual required CBL modules for existing staff
  - Centra pays for certification through HFMA, NAHAM, AAHAM, AHIMA or AAPC

Outcomes Achieved: Staff
- Alignment of Revenue cycle goals
- Shared priorities
- Enhanced knowledge across all revenue cycle departments

Outcomes Achieved: Financial
- Improved POS cash collections from 7.4% in 2009 to 39.6% in 2011
- Decreased Aged A/R over 90 days from 30.1% in 2009 to 13.3% in 2011
- Reduced Net Days in A/R from 44.2 in 2009 to 40.1 in 2011

Successful Practices Process
SPECTRUM HEALTH

- Annual Meetings with Payers Focused on Report Cards
- Quarterly Joint (Payer/Provider) Operation Committees Discuss Progress
- LEAN Used for Continual Quality Improvement Projects
  - Example: March 2011 focused on claims processes and customer service for out-of-state claims
  - Worked with largest payer on processes to improve bill holds and documentation

Outcomes Achieved:
- In only four months, AR over 60 days went from 20.5% to 11.06% for the claim category

Successful Practices
Technology
JOHN C. LINCOLN Deer Valley Hospital

- Dedicated IT Staff for Revenue Cycle
- Selectively Use IT for Revenue Cycle Process Improvement
- Collaboration on Revenue Cycle Goals:
  - HIM Director created chart completion team to address DNFB pending physician dictation
  - Tested and improved delinquency notifications from the system
  - Developed questionnaire and obtained physician buy-in

**Outcomes Achieved:**
- DNFB dropped 1.4 days, to 6.76 in 2011
- Achieved a .49% reduction in overall hospital HAC reporting

**Successful Practices**

Communication
SHELBY BAPTIST MEDICAL CENTER

Communications Support Positive Patient Experience
- Sets upfront payment expectations and explains payment process, discounts, financial assistance, and timing of final bill
- Gives patient control of payment experience with phone or online bill pay via e-check, debit card, or credit
- Emphasizes live customer service availability
- Provides consistency: ER, pre-procedure handouts, registration signage

Outcomes Achieved:
- FY goal for POS Cash Collection within 7 days was 52.6 percent—exceeded goal by more than 7 percent
- HCAHPS in 2011 was 11 points higher than year prior

Getting Started
Your Challenge

- Organizations must continue to do more with less
- Greatest opportunity is the value of your data
- Don’t keep sticking your toe in the water to check the temperature….do something about it….jump in
- The way to achieving high performance is through benchmarking and performance tracking

The Excuses

- The Master Excuse List
  - This is too much work
  - The data is too hard to collect
  - No one will look at it anyway
  - Why is this really important?

- The Solution
  - One metric at a time
Where to Begin

- Calculate the potential improvement value to the organization
- Use KPIs that are standardized and include peer comparison of validated data to provide “best practice”
- Select measurements that are meaningful to your organization
- Use data to change behaviors

Questions
Suzanne K. Lestina, FHFMA, CPC, Director – Revenue Cycle MAP, HFMA

Ms. Lestina is Director of Revenue Cycle MAP for the Healthcare Financial Management Association (HFMA). In this role, Suzanne serves as the technical expert and consultant for the MAP product line(s). She works in an advisory capacity regarding the technical aspects of MAP revenue cycle performance improvement, by aligning key topics, strategies, and solutions for MAP users. Ms. Lestina’s extensive revenue cycle knowledge enables her to provide technical input to various industry caucus and task group meetings as well as serving on several national committees.

Background and Affiliations

Ms. Lestina received a BA in Organizational Management from Concordia College. Prior to joining HFMA, Suzanne had extensive revenue cycle experience, including 10 years with a leading boutique revenue cycle consulting firm. Her consulting experience includes education, revenue cycle operations assessments, work redesign, and compliance audit / reviews. Prior to her consulting work, Ms. Lestina held hospital revenue cycle leadership roles in the Chicago area. She is a past president of the 1st Illinois Chapter of HFMA and speaks frequently to HFMA chapters, healthcare providers, state hospital associations, and other professional associations.

Contact Information

Ms. Lestina can be reached by telephone at (800) 252-4362 x395 and/or by e-mail at slestina@hfma.org.

Additional Resources
Patient Engagement

High Performing Organizations Involve Patients in Process Redesign…

…Carefully Choosing Participants to Maximize Impact

Key Criteria for Involving Patients:
- Must be Interviewed by Management
- Seek Patients Who:
  - Had a Negative Experience with the System
  - Are Articulate
  - Are Willing to Engage Productively to Challenge Current Thinking
  - Will Offer Practical Advice.
- Establish A Framework/Ground Rules for Working with Patients

Formalize Charity Care Policies

Hospitals Need to Standardize and Document Policies and Procedures for Uninsured and Underinsured Patients

Key Questions to Consider When Revising Charity Care Policies
1. Who qualifies for discounted?
2. What services are discounted?
3. What discount levels are offered?
4. How are policies communicated?
5. How are unpaid patients accounts resolved?
6. What structures are in place to implement and administer policies?
7. What is the relevant legal and regulatory context?

For more information on developing charity care policies, please see the February 2005 Patient Friendly Billing Report. The report is available at www.patientfriendlybilling.org.
Develop Rational Pricing

Hospital Pricing Structures Will Receive Additional Scrutiny from Patients, Payers, Federal Agencies, and Other Community Interests

Keys to A Rational Pricing System:
1. Simple to administer and communicate
2. Set using a framework that is defensible in relationship to objective benchmarks
3. Allow consumers to make price comparisons
4. Cover cost of providing care and community benefits
5. Provide stability and predictability in administrative processes

Steps Hospitals Should Take:
1. Understand cost
2. Compare prices with peers
3. Develop a pricing strategy and structure
4. Assess impact of price changes
5. Ensure patients of limited means aren’t billed for full charges
6. Simplify and standardize the chargemaster

For more information on developing a rational pricing structure, please see “Reconstructing Hospital Pricing Systems.” The report is available at www.patientfriendlybilling.org

Executive Leadership (the C-Suite)
- Set high expectations for the revenue cycle
- Devote resources to revenue cycle training and compensation
- Develop and participate in intra-organizational teams
- Use patient experience as strategic cornerstone for revenue cycle activities
- Align revenue cycle technology investments with community dynamics
- Encourage use of non-traditional revenue cycle metrics
- Develop and enforce accountability
- Support organizational alignment around clear, correct, and patient-friendly messaging
- Establish clear and transparent financial assistance policies and procedures
- Demonstrate revenue cycle value through a significant commitment of resources
- Establish systems to reward high revenue cycle performance
## Revenue Cycle Leadership

### Human Resource Strategies
- Hire only the most appropriate staff
- Create detailed job descriptions
- Create revenue cycle career paths
- Develop and provide continuing education, specifically targeting problem areas
- Drive employee satisfaction through compensation, performance bonuses, and/or flexible work arrangements
- Promote revenue cycle importance by finding opportunities to demonstrate the impact on patient satisfaction
- Educate staff about the many ways their actions can influence the patient’s experience
- Demand revenue cycle performance excellence and celebrate when high achievers are able to obtain it

### Organizational Strategies
- Apply intra-organizational teams around key challenges
- Support patient focus groups or advisory councils
- Prioritize process improvements based on what will have greatest patient impact
- Use established improvement methodologies

### Supervisory Strategies
- Strive for performance monitoring and reporting that is frequent and actionable.
- Seek opportunities to provide feedback as close to performance occurrence as possible
- Explore metrics that others are using and how they are using them to discover new ways to learn more about your organization’s revenue cycle performance

### Communication Strategies
- Streamline the number and repetitive nature of patient interactions
- Ensure clarity in patient communications (i.e., billing statements, financial assistance/charity care applications, etc.)
- Explain what the patient can expect and how to obtain help
- Use easily understood language in multiple formats (e.g., online, print, etc.) and in multiple languages as needed
- Ensure consistency between staff scripting and other communications (e.g., web sites, printed materials, etc.)

### Technology Strategies
- Ensure solid processes are in place prior to seeking fixes through automation
- In addition to financial factors, weigh impact on patient base when making a business case for technology investments