ECG MANAGEMENT CONSULTANTS

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RENOVATING THE REVENUE CYCLE:

The Healthcare Executive's Guide to Invigorating Revenue Cycle Performance

WRITTEN BY:
ROBERT SUMMEROUS

If nursing is the heart of a healthcare provider organization, the revenue cycle is its backbone. A healthy revenue cycle not only helps reinforce adequately funded operations—which is especially critical during a crisis situation like that one currently facing organizations all around the world—but is essential in supporting organizational growth strategies to meet the larger mission.

Every healthcare provider organization needs to develop processes and policies for staying financially healthy that account for ever-changing healthcare regulations and new reimbursement models. Even the best-performing organizations should continually assess opportunities to raise the bar on revenue cycle performance. ECG believes that a leader's approach to achieving or maintaining best practice performance should be a balancing act between relying on tried-and-true practices and implementing new methodologies that have emerged within the industry.

Revenue cycle management has changed dramatically over the last 20 years. With healthcare regulations and reimbursement models continually evolving and the emergence of new technology platforms promising to solve every problem, it's often difficult to know where to start or what to focus on next when managing the revenue cycle.

Whether your organization is already performing at industry-leading levels or needs significant improvement, there are ***five strategies*** *all revenue cycle leaders should focus on:*

- Break down traditional silos.
- Modernize your operational infrastructure.
- Invest in management and culture.
- Evaluate technology's place at the table.
- Use tried-and-true practices.

We'll look at each of these strategies in more detail, below.

BREAK DOWN TRADITIONAL SILOS

Many healthcare organizations are feeling the impacts of not viewing their organization holistically with respect to the bottom line. As consumers continue to educate themselves on available services in the market, a few elements—including cost of services, ease of access to appropriate care, and the overall patient experience—become key to increasing your overall revenue and collectible dollars. As a result, increased coordination among patient access, revenue cycle, and managed care should be viewed as a necessity for continued growth and financial success. Figure 1 highlights how these three distinct functions are deeply interconnected.

Fig. 1: Patient Care Access to Collections Continuum

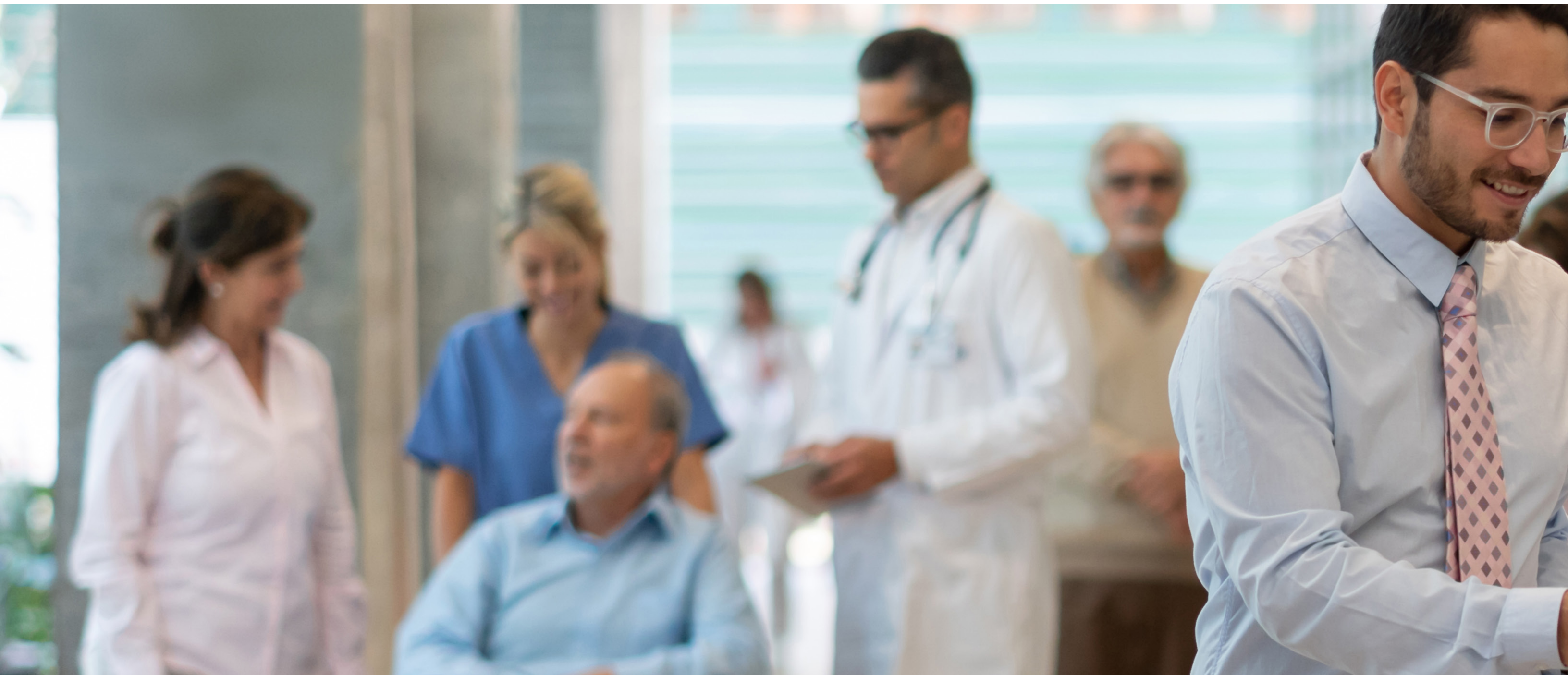
When coordinating among patient access, revenue cycle, and managed care, keep in mind the following:

1. Patient access is no longer a narrowly defined hospital revenue cycle function. It is a multi-faceted term that is used to describe how consumers interact with their healthcare providers. Failure to meet consumer expectations can have significant implications on attracting and retaining patients.
2. A successful, integrated patient access strategy requires an understanding of patients' needs and an assessment of your organization's capacity to meet them. Approaches may differ but can include enhanced online tools; clear, up-front payment collection policies and options; open access scheduling; expanded care settings; and optimized patient financial screening and contact centers.
3. Streamlining patient access can increase patient volumes, improve the consumer experience, and create downstream operational efficiencies.
4. Timely and regular review of your commercial contracts, which incorporates feedback from your revenue cycle stakeholders, is critical to the bottom line.
5. High-performing organizations that can centralize people, process, and technology on both the front and back ends stand to increase collections and decrease bad debt—all while improving the patient experience.

The concept of organizational interconnectivity and its impact on the bottom line can be simply illustrated with an equation:

COMPREHENSIVE patient-access strategy
FAVORABLE rates and contract terms
\+ **EFFECTIVE** billing and collections

ENHANCED REVENUE



MODERNIZE YOUR OPERATIONAL INFRASTRUCTURE

Maintaining a multifunctional business office can be costly. Additionally, the pandemic has dramatically affected the traditional revenue cycle billing shop framework, accelerating the transition into the remote work environment. Organizations have had to look for more ways to increase their overall value, investing in greater flexibility (to meet both staff and patient needs) while also reducing overhead costs and increasing cash. This has proved to be doubly challenging as organizations simultaneously navigate a constantly evolving payer and patient reimbursement landscape. Employ the following tactics to continue to improve net revenue, lower expenses, increase efficiency, and enhance value to the patient:

SUPPORT A REMOTE OPERATIONAL MODEL

Out of necessity, most organizations have adopted a work-from-home (WFH) strategy. (We discuss more WFH strategies here.) Looking forward, leaders should assess which functions must remain on site in the near term (due to manual processes) and which functions can and should be transitioned to a full-time remote role. This inadvertently results in a need for less physical office space, decreasing overhead attributed to rent/lease expenses. Subsequently, leaders can continue building on these virtual structures by:

- Maximizing video technology to strengthen team connectivity and engagement and improve productivity.
- Establishing clear work hours/timekeeping responsibilities.
- Implementing monitoring processes to guarantee staff productivity and quality.

IMPROVE THE PATIENT EXPERIENCE

Collaborate with front-end leaders to implement contactless patient registration and financial clearance processes through mobile applications and patient portals. Engage patients at multiple points in the revenue cycle to increase cash collections, including preservice/time-of-service collections via mobile application and billing customer service through patient payment portal

engagement. Redesign operational procedures to become more consumer focused and enhance patient value.

ENHANCE ORGANIZATIONAL VALUE

Focus business office resources on high-demand/high-collection priorities. Support expanded telehealth service deployment, including scheduling efficiency and financial clearance. Collaborate with managed care to:

- Ensure timely claims processing.
- Suspend claim payment delay processes.
- Maximize payer reimbursement based on contract terms.

EXPLORE GREATER INVESTMENT IN TECHNOLOGY AND AUTOMATION

Invest in robotic process automation to increase department productivity and improve cash while reducing overall reliance on overtime pay and/or temporary staff. Explore artificial intelligence (AI) to uncover payer reimbursement insights and drive organizational process improvement and payer engagement strategies.

CONSIDER TARGETED FUNCTIONAL OUTSOURCING

Evaluate vendors with dynamic staffing pools, enhanced state, federal and commercial payer knowledge, and reasonable charge rates that maximize collections without significantly increasing expenses.

The future financial health of the revenue cycle requires a shift in organizational infrastructure and investment and a constant focus on cost containment to maintain pace with the changing landscape of care delivery and reimbursement.

INVEST IN MANAGEMENT AND CULTURE

A strong management team can make or break operations. It is critical to have the right people at the right levels making the best decisions for your organization. Typically, when we think of leadership, we think of the people at the top—but your long-term strategy should extend beyond current leadership to the leaders of the future. Quality midlevel managers are the lynchpins of an organization's culture, so it's wise to invest in them as future leaders. Have a strategy in place to coach and mentor these managers, along with an effective career ladder to support their growth as well as the growth of employees throughout your revenue cycle operations.

You can invest in your organization's future leadership in the following ways:

1. Provide role-appropriate training at various points throughout the year, and budget annually for managers to pursue independent learning and training.
2. Develop management retreats that focus on culture and leadership.
3. Emphasize communication and collaboration toward common goals both within teams and across an integrated revenue cycle.
4. Track and celebrate successes.

Employees must be encouraged to grow professionally. This generates a genuine sense of ownership for their area of responsibility, and in turn, these employees buy-in to build a unique organizational culture. With executive mentorship and alignment, a culture of personal responsibility and growth will emerge, and organizational outcomes will strengthen as a result.

EVALUATE TECHNOLOGY'S PLACE AT THE TABLE

Technology will play a larger and larger role in the ability to improve margins, and organizations must develop strategies to utilize emerging technologies in meaningful ways. In order to truly maximize the benefits promised by technology platforms and realize savings, you will need solid, successful processes as your foundation. These should be optimized prior to implementing new technology, as the majority of poor technology build can be attributed to deteriorated, existing operational processes.

TECHNOLOGY AS OPPORTUNITY

AI and robotic process automation offer abundant opportunities to reduce waste and improve productivity and outcomes throughout the revenue cycle. While the market continues to mature in this space with almost daily advances, organizations should consider the importance of data quality, data access, and current operational cleanup or optimization that will be required prior to automation. These are all critical aspects of a successful AI implementation.

In addition, today's EHRs offer a growing platform for innovation and functionality. However, it's important to remember that a new EHR does not guarantee either a short- or long-term return. Organizations that fail to properly integrate and utilize EHR capabilities both up front and ongoing as new functionality is rolled out can quickly find themselves paralyzed by disenchanted users and underwhelming performance. Adopting a thoughtfully planned, metric-driven approach to optimization will enable your organization to implement new functionality that is aligned with operational needs in a timely and effective way.

This approach will also help you diagnose and correct problems by measuring and evaluating performance across specific metrics.

For more information on how to successfully conduct a successful EHR implementation, refer to ECG's thought leadership article, Enabling Revenue Cycle Success During an IT System Implementation.

Key technology-related questions to consider:

When assessing technology's impact on your organization's revenue cycle performance, ask yourself the following:

1. What tools do we have, and how do we maximize them to the fullest?
2. Do the various technologies our organization has in place help to create a cohesive process which supports operations? Conversely, do they hinder our organization's ability to be efficient (i.e., technologies do not interface well with one another)?
3. How do we determine which functions require human intervention and which can be automated in order to keep employees focused on the right things?
4. How do we measure success (i.e., ensure a reduction in cost or improvement in outcomes)?

USE TRIED-AND-TRUE PRACTICES

Streamlining the revenue cycle is no easy task. Each day, new tools and technologies are created with the promise of making things easier. While cutting-edge tools certainly can help support a healthy revenue cycle, your organization should never lose sight of tried-and-true revenue cycle practices and the significant impact they can have on your bottom line.

Following are four such practices that can put your organization's revenue cycle operations on firm footing:

A. Utilize key revenue cycle metrics to help gain critical insight on performance. When an organization is performing poorly on key metrics, concentrating on revenue cycle basics can be the solution. Keep in mind that revenue cycle metrics should not be viewed in isolation. For example, many organizations rely on days in A/R as a critical measure of performance, but this metric can be influenced significantly by operational practices that may not be financially optimal. Table 1 provides a list of key metrics to consider.

Key Revenue Cycle Metrics

Days in A/R

Days in A/R (also called "A/R days" or "days receivable outstanding") is often considered the most important metric in revenue cycle management. It measures how long it typically takes for a service to be paid.

Denied A/R Days as a Percentage of Total A/R

Measures the percentage of total A/R that can be attributed to denials.

Agings 90+

A/R aging provides a summary of receivables by invoice- or account-age "bucket." Aging buckets are typically segmented in 30-day increments (e.g., 0 to 30 days, 30 to 60 days).

Cost to Collect

A trending performance indicator that measures efficiency and productivity (i.e., total revenue cycle cost as a percentage of total cash collected).

Bad Debt as a Percentage of Charges

Total provider revenue lost to noncollected patient balances. The assumption is that if greater attention were given to previsit financial and self-pay activities or postvisit collections, this number could be reduced.

Net Collections Rate

Measures a provider's effectiveness in collecting all possible reimbursement. The calculation removes contractual allowances, charity care adjustments, and provider-issued discounts (e.g., prompt pay) from "possible reimbursement," as the practice is never expected to collect this portion of the charge.

Table 1: Key Revenue Cycle Metrics

B. Regularly conduct simple but effective health checks, such as staffing analyses, cost-benefit analyses, and quality and productivity measurement, to ensure you have a pulse on your organization's current-state performance. If you haven't conducted such health checks in the past six months, make it a priority.

C. Develop and reinforce standard and consistent work processes. Manual intervention by specialized employees following standardized processes is an ongoing requirement, even though much of the revenue cycle can be and is automated. Deployed with consistency throughout the revenue cycle and the organization as a whole, these standard work processes will benefit staffing and training efforts, performance consistency, and ultimately employee satisfaction. Work standards should be easily measurable and focused on both output and quality to ensure alignment, and they should be reevaluated regularly.

D. Remember to develop a patient collections strategy. Many families have been adversely impacted financially by the pandemic. Healthcare leaders should work to develop policies and practices that support patients' current financial position while preventing growth in bad debt. For more information on how to thoughtfully develop your patient strategy, refer to ECG's blog post Focus on Patient Relationships to Reduce Bad Debt.

Consider completing a comprehensive assessment annually, or at least every other year, to answer the following questions:

- Are we still at the top of our game, or are we leaving dollars on the table?
- Do we have a strong patient access strategy? Are there opportunities to improve capacity, patient experience, and up-front financial clearance activities?
- When was the last time we looked at our managed care contracts, and is there opportunity to drive savings?
- Are we doing everything we can to maximize cash collections while reducing waste?
- Is there opportunity to optimize current IT platforms that would drive functionality or efficiency to operations?

DEVELOPING YOUR COMPREHENSIVE STRATEGY

The way we pay for healthcare is changing. With new payment models and high-deductible health plans comes a renewed urgency for healthcare providers to efficiently manage their revenue cycle. Further, as our industry continues to see more consolidation and integration, revenue cycles must be able to handle the growing complexity of an expanding continuum of care. Most healthcare organizations are overlooking opportunities (both small and large) to improve their revenue cycle performance. Identifying and properly addressing these opportunities requires hospitals and provider groups to develop a regular revenue cycle assessment strategy.

ABOUT ECG

With knowledge and expertise built over the course of nearly 50 years, ECG is a national consulting firm that is leading healthcare forward. ECG offers a broad range of strategic, financial, operational, and technology-related consulting services to providers, building multidisciplinary teams to meet each client's unique needs—from discrete operational issues to enterprise wide strategic and financial challenges. ECG is an industry leader, offering specialized expertise to hospitals, health systems, medical groups, academic medical centers, children's hospitals, ambulatory surgery centers, and healthcare payers. Part of Siemens Healthineers' global enterprise services practice, ECG's subject matter experts deliver smart counsel and pragmatic solutions.

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the Authors

ROBERT SUMMEROUS
Manager

rdsummerous@ecgmc.com

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