Innovative Revenue Cycle Management is the Sharpest Blade for Cutting Costs

By Matt Cardon and Tom Robinette

Introduction

Constant change is an undisputed truth in today's healthcare industry. How to best adapt to that change is often up to interpretation. However, one thing is clear – industry finance leaders are exploring new ways to lower costs to streamline their revenue cycle. In KaufmannHall's 2018 CFO Outlook, hospital and health system senior finance executives considered identifying/managing cost-reduction initiatives to be the most important performance management activity.

And market research backs this up, suggesting that transforming the traditional model of revenue cycle management can help healthcare providers adapt to the swirling economic and regulatory environment. Analysis from Ernst & Young shows that a fully optimized RCM can transcend the standard benchmarks for technological and operational performance and actually streamline the entire patient financial experience by reducing costs through wholesale improvements in communication, efficiency, and risk management.

To further test this theory, MedData, a national revenue cycle management company, recently conducted a special pilot aimed at addressing the inefficient and costly aspects of traditional RCM methods.

Key Takeaways

Next-generation RCM helps providers:

- Reduce costs
- Adapt to value-based care
- Improve the patient experience
- Streamline complex, resource-intensive services

Ripples of Value-Based Care Are Turning into Waves – Learn to Ride Them

Historically, the fee-for-service method puts an emphasis on quantity of care – the more services rendered, the more charges made, the more revenue generated. As reliance on technology and expensive care grew throughout the 20th century, this model could be seen as providing incentive to physicians to increase volume of and cost for care. Research by the National Commission on Physician Payment Reform reported in the New England Journal of Medicine indicates fee-for-service reimbursement is the most important cause of high healthcare expenditures.

The transition to value-based care began to take hold in 2008 with the Centers for Medicare & Medicaid Services' (CMS) Medicare Improvements for Patients & Providers Act. Since then, other federal legislation – most notably the Affordable Care Act in 2010 – has introduced reimbursement programs intended to address concerns about patient outcomes and value of service by incentivizing quality of care and stronger accounting for price. CMS already has established goals and timelines for converting Medicare fee-for-service reimbursement to value-based payments. For example, the Department of Health and Human Services wants 50% of Medicare payments to be in alternative payment models to fee-for-service by the end of 2018.

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These changes are coming on fast, and Medicare won't be the only payer affected. The Medicare Access and CHIP Reauthorization Act (MACRA) of 2015 offers major financial incentives for healthcare professionals to transition from fee-for-service systems toward risk-bearing, coordinated care models. New industry watchwords such as "quality," "outcomes," and "value" have been identified as essential to the future of healthcare in Deloitte's 2018 Global Health Care Outlook. And Deloitte predicts MACRA will drive further participation in risk-bearing models across all payers, not just Medicare.

Traditional RCM has complex and costly challenges – time and resource inefficiencies, compliance risk, patient frustration – especially when viewed through the lens of value-based care. Adding up wasted spending on low-value healthcare can reach into the hundreds of billions per year. The Institute of Medicine reported that in 2009, $765 billion of U.S. medical spending was wasted on unnecessary services, excessive administrative costs, fraud, and other problems.

Smarter Healthcare Is More Valuable Healthcare

While it's easy for CFOs to identify the dire need for new means of improving costs, determining how to achieve that goal can be much more difficult. The solution requires going further than incremental cost reduction toward wholesale cost transformation, but the CFOs surveyed by KaufmannHall cited numerous obstacles in the way. Such challenges include simplistic, unreliable, and inaccurate data, and limited distribution of analytic reports required to understand costs at a patient or service line level.

And it's not all about cost. There are more factors causing hospitals to turn their attention to reinventing the way they think about revenue cycle management than just the financial ones – changing regulation (e.g., ICD-10), compliance risk, and standardization of care. On top of it all, healthcare consumerism is on the rise. Patients now have more freedom than ever to make choices about their care. Will they choose your organization? Why?

With the industry in the middle of major transition, complex changes that require financial leaders to make difficult decisions are everywhere you turn. How do you keep prices affordable while trying to improve access, outcomes, and quality all at the same time? In many cases, organizations will need fundamental changes to operations, technology, and structure.

This shift in philosophy away from the fee-for-service method is partly why, according to Deloitte, financial leaders worldwide are looking for new, more affordable ways to deliver patient-centered, technology-enabled "smart" healthcare.

Truly patient-centered, "smart" care helps ease the increasing out-of-pocket burden patients face and improves the entire patient experience – inside and outside the hospital. Clinical and financial staff use technology to enhance communication between each other and with the patient. Patients are kept informed and have convenient access to data in one place, and they're actively engaged in their own treatment.

Build Your RCM Palace Upon These Pillars of Innovation

It's a delicate balance that today's leaders must strike, according to KaufmannHall. Senior finance executives are responsible for pushing their organizations to adapt to a consumer-centric, value-based model while simultaneously ensuring the traditional business remains healthy during the transition. Meanwhile, new competitors with improved technology promise consumers better value through advanced care settings, connectivity, and delivery models.

Fortunately, revisiting revenue cycle strategies can have substantial impact on how healthcare organizations manage shrinking margins and rising costs. Ernst & Young outlines the best way to account for all of these forces in a recent Health Reimagined report detailing the four pillars of a transformative revenue cycle:

> *"Providers that successfully transform their RCM will be taking a major step toward improving the patient experience, minimizing confusion surrounding medical billing, and keeping pace with advances in healthcare technology in the decades ahead."*

- **Enhancing the patient experience:** provide seamless, patient-friendly access to scheduling and registration, financial assistance and counsel, and patient financing programs.
- **Optimizing the RCM technology environment:** enhance operational capabilities and streamline clinical and financial systems for greater insights into treatments, costs, and outcomes.
- **Adopting advanced analytics techniques:** proactively manage denials and incorporate tools to reduce bad debt write-offs.
- **Improving payer connectivity:** increase communication between payer and provider regarding scheduling and pre-registration, eligibility, and pre-certification processes.

Structuring an RCM model around these four pillars will be no small task for most healthcare providers. Yet re-evaluating RCM is imperative amid the pressures of perpetually climbing costs and increasingly scrutinized reimbursements. Many providers lack the necessary internal resources and will need to pursue creative partnerships to build their next-generation RCM.

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Case Study: Combining Services Adds ROI for All Provider Types

MedData conducted a special pilot program to test a new approach to revenue cycle management and address industrywide concerns about cost, compliance, and patient-focused care.

Let's consider a hypothetical scenario. A patient is traveling out of state for work and gets in a car accident. The patient shows up in the ER, uninsured and potentially disabled. Under traditional methods, a hospital would need to coordinate among multiple vendors in order to get one payment. All the handoffs that are required create time and resource inefficiencies and compliance risk. At the same time, the patient gets frustrated from repeating the same information to each vendor and may become disengaged and uncooperative.

So, MedData tried a different approach where all programs ran parallel to each other and in the proper, compliant order. In doing so, historically siloed areas – such as Eligibility, Patient Responsibility, Workers' Compensation, Denials, Disability, Out of State Medicaid, and Third Party Liability – were united into one solution, and patients could connect with the hospital through a single touchpoint.

For the pilot, MedData researched the 2017 annual performance of combining services for clients across a range of provider types – a small hospital, a medium-size hospital, and a large health system.

PILOT PROGRAM RESULTS

	130-Bed Hospital			491-Bed Hospital			866-Bed System		
Service	**Revenue**	**Lift**	**Lift %**	**Revenue**	**Lift**	**Lift %**	**Revenue**	**Lift**	**Lift %**
Eligibility	$1,413,082	$55,170	3.9%	$6,456,374	$689,653	10.7%	$27,936,612	$1,811,659	6.5%
OOS Billing and Enrollment	$109,373	$23,187	21.2%	$42,289	$4,023	9.5%			
Third Party Liability	$991,283	$52,676	5.3%	$1,205,405	$170,225	14.1%	$14,335,946	$1,327,091	9.3%
Workers' Compensation	$1,153,626	$79,520	6.9%	$2,315,665	$161,770	7.0%			
Denials and Appeals							$18,220,367	$2,456,879	13.5%
Patient Responsibility				$12,840,834	$434,384	3.4%			
Unresponsive Patient Denials				$621,327	$240,607	38.7%			
Total	**$3,667,363**	**$210,554**	**5.7%**	**$23,481,893**	**$1,700,662**	**7.2%**	**$60,492,925**	**$5,595,629**	**9.3%**

The results show the lift clients experienced purely through streamlined RCM, and do not reflect the individual service line improvement clients also experienced. Lift numbers are solely due to combining service lines.

Conclusion

Just by combining services, overall cost savings and patient satisfaction were increased at the same time, in addition to providing up to 9.3% additional lift to hospitals.

It's no mystery that the healthcare industry is constantly changing. But, adapting to that change is a problem many industry finance leaders find difficult to solve, especially amid the transition toward value-based care and uncertainty surrounding legislation such as the Affordable Care Act.

Hospital and health system CFOs nationwide have targeted innovative cost-reduction initiatives as the best means of dealing with the pressures of shrinking margins and growing scrutiny over reimbursements throughout the industry. Research points to transformative revenue cycle management – that resolves costly inefficiencies common in traditional methods – as an ideal way to achieve that cost-cutting goal.

Resources

Centers for Medicare & Medicaid Services

"Hospital CFOs: 3 things demanding your attention in 2018," Becker's Hospital CFO Report

"The Evolution of Smart Health Care," Deloitte's 2018 Global Health Care Outlook

"Transforming Revenue Cycle Management," Ernst & Young's Health Reimagined

"Performance Management Trends and Priorities in Healthcare," KaufmannHall's 2018 CFO Outlook

"Phasing Out Fee-for-Service Payment," The New England Journal of Medicine

"Transformation of Health System Needed to Improve Care and Reduce Costs," the Institute of Medicine

About MedData

MedData, a MEDNAX (NYSE: MD) company, is a technology-enabled services organization that improves financial outcomes for hospitals by enhancing the patient experience and expanding their access to healthcare. The MedData managed services program includes a range of patient access and communications, revenue cycle management, and consulting and analytics solutions for healthcare systems, including billing, coding, patient balances, eligibility services, third party liability, and mobile apps.

For more than 36 years, the company has been providing innovative solutions to the medical community and serving millions of patients across numerous medical specialties. MedData currently serves more than 10,000 physicians at a growing network of 3,000+ facilities nationwide from its headquarters in Brecksville, Ohio, and more than 20 regional offices across the U.S. To learn more about MedData's patient-focused solutions platform, please visit the MedData website.

About Authors

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