Optimizing Revenue Cycle Management: A Case Study of Centricity Business at Saint Francis Health System

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IDC HEALTH INSIGHTS OPINION

For large hospitals and small provider practices alike, healthcare reform and changing reimbursement models have introduced significant new challenges to the business. It is now more important than ever for organizations to have a well-designed revenue cycle management (RCM) strategy in order to optimize their revenue cycle, prepare for change, and maximize revenue. At the same time, mergers and acquisitions among U.S. hospitals and physician practices add to operational complexity, and with most hospitals employing a wide vendor portfolio of HCIT solutions, these challenges further the importance of running a tight financial enterprise. The inability to effectively monitor and proactively manage the revenue cycle can destroy profitability and make it difficult to focus on what matters most — delivering outstanding care to patients.

Poor management of the revenue cycle can destroy profit margins, damage payer relationships, and lead to an inability to cover overhead costs. Without adequate funding to invest in innovative technologies and maintain competitive levels of physician compensation, practices can become quickly immersed in a downward spiral. Countering these business risks with a well-designed RCM software solution has become a critical stratagem for most provider organizations.

Situation Overview

An increasing population of self-pay patients and patients with high deductible insurance plans, coupled with growing levels of unrecoverable debt from the uninsured, has helped catapult RCM software to the front lines of the provider battle against profitability and margin erosion. RCM software assists and optimizes cross-discipline administrative functions to help ensure that provider organizations collect all money owed to them for services rendered. The revenue cycle, which begins when a patient first makes contact to schedule an appointment and ends when all payments for services performed have been received, can be viewed as the financial circulatory system of...
provider organizations, while RCM software is like a statin, helping the funds flow through the cycle more efficiently and allowing all of the organs (i.e., departments) to communicate and collaborate better. Without it, the system can become clogged, leading to roadblocks, breakdowns in communication, and damage to the business in the long run. This essential process is illustrated in Figure 1. The key process steps are illustrated in the white boxes, while the blue boxes represent back-end functions that can help create competitive advantage within the RCM capability. Provider delivery of care services and supplies, as illustrated in the yellow box, is outside the RCM process but nonetheless has an impact on its speed.

**FIGURE 1**

**The Hospital Revenue Cycle**

- **Contract Management**
  - Scheduling
  - Preregistration/Preauthorization
  - Eligibility

- **Charge/Payment Estimation**

- **Copay**
  - Registration
  - Arrival/Admission

- **Provider Delivers Services and Supplies**

- **Additional Collection at POS**

- **Coding**
  - Charge Capture

- **Claim Generation**
  - Claim Submission
  - Claim Scrubbing
  - Claim Processing
  - Billing

- **Claim Editing**
  - Claim Submission
  - Claim Scrubbing
  - Claim Processing
  - Billing

- **Audit**
  - Payment Posting
  - Remittance
  - Resubmission

- **A/R Follow-up**
  - Denial Management
  - Patient Collections

- **Collections**

Source: IDC Health Insights, 2012
For RCM solutions to provide optimal value and offer competitive differentiation for the provider, several key components must be incorporated into the system design. Automated exception-based workflows, full functionality for all reimbursement models (i.e., fee for service, capitation, pay for performance, shared savings), and fully integrated inpatient and ambulatory data across various geographical locations are just a few of the more important key criteria. The technology footprint is also important because the Web-based open architecture platform provides scalability, greater organizational agility, and an advantageous foundation for enabling seamless online patient self-service, which ultimately leads to higher patient satisfaction. Because the healthcare system is increasingly consumer oriented, patient satisfaction is critical, and transparent billing practices and easy-to-understand billing statements are important alongside online bill pay and statement viewing capabilities. Automation of billing practices and attention to business rules are important to help reduce denial rates and shorten the revenue cycle. RCM solutions can help prevent duplicate patient records and resulting billing errors, improve financial visibility through process monitoring, and improve employee productivity through easy-to-use role-based dashboards. Automation and strong coding as well as editing and reconciliation capabilities can help reduce denials, ensure appropriate revenue maximization, and shorten the length of the revenue cycle. In addition, RCM systems need to be fully interoperable within an organization's business environment, harnessing straightforward standards-based integration to simplify data exchange with EMRs and other financial and clinically focused systems.

CASE STUDY

Saint Francis Health System

IDC Health Insights recently interviewed a team of IT and business leaders from Saint Francis Health System to discuss how RCM affects the organization. The team, which consisted of the health system's vice president of finance and director of applications and two members of the applications team, discussed how utilization of GE's Centricity Business software has led to improvements in the organization. Highlights and key takeaways from the interview are outlined in this case study.

System Selection and Implementation

During the late 1990s, Saint Francis Health System operated as four separate entities: the main hospital, an acute care hospital, a psychiatric hospital, and a physician group. In 1998, Saint Francis decided to unify the three hospitals onto a single hospital patient accounting system, one MPI registration system, and one scheduling system. Saint Francis also wanted to redesign its revenue cycle process and front-load as many
functions as possible (i.e., authorizations, verifications, scheduling). In addition, it wanted its patients to be universally known across the health system — regardless of the hospital or physician's office they were treated in — so that they could have a unified health system experience.

After reviewing demos of multiple applications, the organization believed that Centricity Business supported these capabilities better than any other system available at the time and chose to implement Centricity Business across all three hospitals (Centricity Business was already in use by the physician group) to create a single unified system across all of Saint Francis.

The implementation involved interfacing with multiple systems, including QuadraMed QCPR in the hospitals, NextGen EMR for affiliated physicians' offices, and several other smaller ancillary systems. Because the systems were highly configurable and interoperable, allowing Saint Francis to build and implement its own screen changes (i.e., Saint Francis is currently looking to modify screens to capture meaningful use information), the organization was able to largely avoid customizations and stay within the confines of the traditional system as designed. After nearly two years, Saint Francis went live with Centricity Business 3.0 across all hospitals in May 2004 and has since continued to upgrade the system. Currently, Saint Francis is running Centricity Business 4.3.

**System Utilization and Benefits**

**Patient Prequalification**

As higher self-pay deductibles proliferate and bad debt becomes increasingly burdensome for provider organizations, Saint Francis is working to collect more payments up front, with a goal of at least 80% of all scheduled patients authorized and verified prior to admission. All patients fall into one of three categories:

1. Patient prepays on the phone or on arrival.
2. Patient requests a payment plan.
3. Patient can't afford copay or deductible.

Managing each of these scenarios could be problematic, but Centricity Business helps Saint Francis navigate this process to avoid situations where the hospital is unable to secure payment. For example, in the third scenario, early identification of a patient's inability to pay provides Saint Francis (a nonprofit hospital) time up front to help qualify the patient for charity assistance. This enables Saint Francis to appropriately manage the revenue cycle for all patients before they walk in the door, ultimately preventing more dollars from turning into bad debt and reducing administrative expenses. From 2004 to 2012, Saint Francis has increased its up-front collections from $2 million to $12 million.
**Patient Satisfaction**

Improving patient access and satisfaction has been another focus area. While Saint Francis is still working on rolling out online payment and scheduling options for patients over the next few years, Centricity Business has helped the organization streamline its claim adjudication process. As a result, the organization can better answer patient questions up front, and patients are quickly informed about their out-of-pocket expenses rather than receiving hospital bills after several months. Centricity Business has also enabled a single department to handle scheduling for all entities in the health system so that patients don't have to deal with each hospital and department separately. Additionally, the single MPI provided by Centricity Business has streamlined the patient referral process. Having all information in a shared system, rather than waiting for the physician's office to fax insurance and demographic information, has significantly reduced patient waiting time, with nearly all referral appointments scheduled, verified, and authorized within 48 hours, which has led to significant increases in keeping referral procedures within the Saint Francis Health System. Saint Francis believes these are all significant drivers of recent increases in its CMS patient satisfaction scores.

**Claim Improvement and Payment Adjudication**

Saint Francis is one of only five health systems in the United States to receive a bond rating of Aa2 from Moody's, which qualifies the organization's RCM as one of the best in the country. One tactic that has enabled Saint Francis to achieve such success is its unwavering effort to hold payers to contractual payment terms. By creating dashboards for each payer, Saint Francis is able to regularly show payers by product how their payment performance is trending versus agreed-upon terms, keeping appropriate pressure on them to ensure all payment schedules are met. Saint Francis also uses GE's Intercept product to load all contracts, calculate the expected reimbursement, and perform adjudication back into Centricity Business. This helps the organization understand in near real time whether it is truly being paid in compliance with its contracts. For one particular contract signed with a leading payer just last year, this additional contract scrutiny alone has improved payment collection by 10%, adding nearly $8 million to the Saint Francis bottom line. Over the past two years, Saint Francis has reduced its accounts receivable (A/R) days outstanding by eight days; the current average is an extremely low 26 days outstanding. This eight-day reduction contributed an additional $50 million in profit for the Saint Francis Health System.
**Additional Benefits**

Centricity Business has helped deliver several other improvements in both process and capability to Saint Francis, including:

- Alerts of front-end inaccuracies on hold bills allow error correction before claims are sent out and subsequent identification of employees to follow up on their status
- Improved billing accuracy (over 95% of claims sent out are error free)
- 12% operating margin, which is among the highest nationally for nonprofit health systems

**Looking Ahead**

Saint Francis is just beginning to get involved in emerging payment methodologies associated with accountable care, such as bundled and episodic payments. While Saint Francis is not yet reconciling these payments, it recently received a $250,000 payment from the federal government for one of its quality initiatives.

Saint Francis is currently migrating to the Centricity Business – Combined Business Office (CBO) product within Centricity Business and plans to adopt the Centricity Business 5.0 upgrade in the near future.

**FUTURE OUTLOOK**

Going forward, revenue cycle leaders will need to optimize processes for the current environment while preparing to meet the challenges of the future. Revenue cycle management is central to successfully competing under healthcare reform, maintaining patient satisfaction, maximizing the value of the EHR, and preparing for potential conversion to ICD-10. Successful revenue cycle management processes can help hospitals accelerate revenue reimbursement, ensure low administrative costs associated with collection, meet financial goals, and improve patient access and business performance.

With healthcare reform on the horizon, we have already seen many changes that have affected revenue cycle management practices, such as increasing numbers of uninsured patients, self-pay patients, and patients with larger deductible insurance plans; the use of EHRs; the need for connectivity with EHR and HIE; the need to provide data to quality initiatives such as meaningful use; and the opportunity for reimbursement from services related to clinical research where applicable. These changes began a replacement cycle for hospitals using obsolete or inflexible revenue cycle tools over the past 12–18 months, and this replacement cycle is expected to continue as accountable care advances. Hospitals will need to upgrade, select, and maintain revenue cycle capabilities that allow them to meet their
financial objectives and yet can handle increasing demands on workflow and complexity in billing, such as the bundled payments and quality incentives that are expected to be instituted under accountable care.

In the increasingly EHR-based inpatient care environment, data capture at the point of care creates opportunities to enhance and shorten the revenue cycle. With the availability of EHR, as well as increased use of speech recognition and natural language processing to accelerate transcription of clinical notes and summaries, data on care and charges is available more quickly to coders and billers. The opportunity to accelerate billing and capture patient contributions closer to or at the point of discharge has the potential to shorten the revenue cycle significantly for some portion of charges. Additionally, EHR data provides opportunities to improve workflows for coders and billers, such as adding mobility and offsite workers, and RCM systems often require updating to secure data and accommodate these workflows in the new environment. The advent of widespread EHR use is also changing the role of specialists in RCM and allowing them to focus more time on core competencies and financial goals and less time on corolling data to create bills. Modern RCM applications will take advantage of new technologies such as EHR and enhanced clearinghouse connectivity with payers, allow more flexibility and automation of business rules, and improve auditing and analytics capabilities for managers.

**Essential Guidance**

While RCM practices are in a rapid state of evolution, clear best practices are emerging that have allowed leading providers to meet today's challenges and become well positioned for the future. These best practices are as follows:

- **Create a focused revenue cycle management approach.** Culturally within the provider organization, RCM should be a joint effort where everybody is focused on the same objectives, from the front end to managed care to IT. Stakeholders should have an understanding of goals and participate in creating the workflows that will help them achieve those goals.

- **Invest in the process.** Reducing billing errors up front can lead to lower administrative costs and will prevent time- and resource-consuming claim denials. Investment in automation of billing practices, error reduction and claim editing tools, workflows, and effective processes can make significant improvements and accelerate the revenue cycle process.
- **Optimize the value of technology.** New technology advances, such as widespread use of EHR and the advent of speech recognition and natural language processing to accelerate transcription, have the potential to accelerate the revenue cycle by offering clinical information to billers more quickly or in near real time. An RCM strategy should incorporate the addition of tools that allow managers to leverage these new technologies.

- **Use automation where applicable.** RCM technology should be employed to make routine billing as simple and automated as possible. Creating a low-touch billing process can enable organizations to lower A/R days outstanding, send out bills more quickly, and drive operational efficiencies. Automated systems that provide consumers with better access to billing statements, information, and online payment, which helps drive patient satisfaction, should also be considered in a best practice–based approach to RCM.

- **Create a culture of continuous improvement.** RCM leaders should continually look for ways to improve processes and optimize the revenue cycle. Providers should look first to enhance results from foundational processes such as billing accuracy and collections and then attack issues such as preauthorization and audit processes that hold payers to contract terms in order to further exploit the potential benefits of the revenue cycle investment.

Providers involved in selecting revenue cycle management systems should consider:

- **Best-of-breed versus single solution vendor approach.** RCM systems require significant integration with clinical and administrative systems, and bidirectional integration can be difficult to accomplish with many hospital information systems (HISs). Providers should investigate sourcing RCM applications from the existing HIS vendor and whether a single solution vendor approach will meet the needs for RCM or whether the business value of a third-party solution exceeds the ease of integration associated with the suite from the existing vendor.

- **Functionality and infrastructure of the application.** Providers should investigate RCM vendors and speak with clients who are using current releases about the functionality provided by the vendors, gaps that may exist, and potential infrastructure hurdles involved in integration. Providers with limited IT resources may wish to select software as a service–based applications in order to ensure timely installation, lower up-front costs, and ease of ongoing maintenance of applications.
• **Current capabilities as well as future needs for RCM products.** When selecting a vendor, providers should consider both the vendor's current capabilities and the vendor's ability to meet expected RCM needs in the future. Highly configurable RCM solutions can allow providers to make modifications and enable additional functionality without costly customization. When selecting RCM solutions, RCM managers should consider the availability of advanced tools, such as contract management functions that allow contract auditing or analytics that will allow detailed cost and profitability analysis.

• **Due diligence on integration.** To perform effectively, RCM systems need to be fully integrated with clinical and administrative systems, such as the EHR and administrative systems. When selecting an RCM system, providers must perform due diligence on ease of integration to ensure straightforward data exchange between both business and clinical systems. Many administrative systems have limited availability of APIs for bidirectional integration, and providers should be aware of the extra processes and/or manual data entry that may be required to implement RCM toolsets.

• **Vendor's financial stability, experience in RCM, and RCM client base.** The RCM vendor marketplace is clearly in flux, and many vendors have discontinued or failed to provide the appropriate support for their products, while others have required costly or time-consuming upgrades to provide customers with RCM functionality that meets their evolving needs. Other vendors are relatively new to the market and offer unproven RCM solutions. Providers selecting RCM functionality should consider the vendor's financial stability, market share, and history with regard to RCM and providing prompt updates in response to regulatory and business changes. This approach will provide the best likelihood of selecting an RCM vendor whose tools will address current and future functionality requirements. The advantages of newer architecture should be weighed against the risks associated with an unproven vendor or product that is new to the RCM market.

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