Creating a Healthy, Unified Revenue Cycle

By Steven Huddleston

An engaged, strong executive can help position the revenue cycle as a single, unified entity, holding people accountable for results and achieving maximum efficiency.

A recent Institute of Medicine (IOM) report characterized today’s U.S. healthcare system as one with “more to do, more to know, and more to manage than at any time in history.”

Furthermore, the IOM report disclosed that as much as $765 billion of healthcare expenditures were wasted in 2009 due to inefficiencies, excess costs, and missed prevention opportunities.

Based on its experience with more than 200 clients, Parallon estimates that the average hospital leaves roughly 2 to 5 percent of net revenue on the table each year due to revenue cycle inefficiencies primarily related to payment discrepancies and ineffective denial management, not to mention the soaring costs associated with re-work resulting from suboptimal processes.

To complicate matters, many hospitals are struggling to keep up with the rapid pace of regulatory requirements, fallout from a prolonged economic recovery, and outdated processes and technology.

The need to optimize revenue cycle operational performance has never been more urgent. The good news is ailing revenue cycles can be healed—and financial losses mitigated—with engaged leadership and a cohesive revenue cycle organization committed to collaboration and efficiency.

Aligning a Dispersed Function

Part of the problem is that the entity known as “the revenue cycle” is not really a single entity at all. Instead, it is a collection of separate functions, each responsible for effectively managing crucial aspects of a patient’s hospitalization, from admission to discharge and final account resolution. It includes gathering data, coordinating with insurance companies, scheduling services, and securing financial arrangements with patients.

Although these functions share a common goal to enhance patient satisfaction and revenues, they are not always optimally aligned. Some of the functions are a part of the CFO’s team; others report to the COO or the CEO.

The exhibit on page 2 shows a typical reporting structure for successful revenue cycle management.

Conduct an audit. Healthcare finance leaders may not be able to directly influence the national economy, the impacts of healthcare reform, or the high costs of technological and medical advances, but they can influence internal factors to remove artificial and unnecessary strains on cash flow and net revenue.

As a start, revenue cycle leaders can take steps to review their revenue cycle processes to determine if all the parts are operating to maximum efficiency. To help make this determination, they should ask the following questions:

> Are preregistration processes in place to expedite patient registration and ensure timely payment?
> Is demographic and financial information accurately collected at registration?
> Are processes and technology optimized to eliminate inefficiencies and rework?
> Are all functions of the revenue cycle synchronized? Are the functional areas working together—or operating in silos?

As a former revenue cycle shared services executive, and now as a revenue cycle consultant, I can relate to each of these questions. These are common scenarios in hospitals of all sizes, and they require strong leadership oversight.

**Entrust a single executive.** Although every hospital revenue cycle operation is unique, there’s a good chance each has a common denominator: an organizational structure that was designed to respond to past organizational needs, but has failed to keep up with current and future realities.

To create an environment where the revenue cycle can thrive—and turn losses into gains—the best place to start is to treat the revenue cycle as a cohesive organizational entity by assigning accountability and responsibility to a trusted executive with demonstrated problem-solving and team-building skills. This Revenue Cycle Executive Champion should already have a seat at the table with other C-suite leaders and be able to effect change in a matrix environment.

Whether healthy or ailing, every revenue cycle needs a champion—someone with the passion, skills, and clout to analyze the problem and take action to dismantle artificial silos, create a unified revenue cycle mindset, set new expectations, and hold people accountable for results.

When various functions of the hospital revenue cycle are owned by different leaders, responsibility and accountability can become hazy or fragmented. Changes are slow to come as different leaders have their own set of priorities and challenges. When problems arise, the finger-pointing begins.

For instance, if patient financial services is experiencing an increasing number of denied claims, who is responsible? Is it a registrar who fails to verify insurance benefits at registration? Best practices say all insurance should be verified prior to or during registration; when claims are filed and denied, and the rework has begun, who is at fault? Was it the registrar or the biller? Maybe the situation was caused by the physician office or the patient, who failed to provide updated insurance information. Or perhaps the claim had incorrect information entered during registration.

An empowered revenue cycle leader gets to the bottom of these types of issues and ensures action is taken to remediate issues going forward. He or she has the responsibility and authority to review the revenue cycle as a whole to determine where leakages are occurring and take corrective action. A strong leader ensures that patient access is obtaining the necessary pre-authorizations prior to treatment, physicians are documenting accurately, and claims are filed in a timely manner and according to best practices.

Denied claims can exert a punitive effect on hospitals. The cost of rework has been estimated to be as high as 20 percent of overall revenue cycle operating costs. Such rework is unnecessary and manageable, and it results in delayed cash flow and missed net revenue. A strong revenue cycle leader identifies process, technology, and staffing gaps, and takes preventive steps to recoup the 3 to 5 percent of annual revenues through best practices, including effective denial management practices.

Denials management will become increasingly important with the transition to the new ICD-10 coding environment. ICD-10 codes are the foundation of the claim and billing process. One mistake can result in delayed payment or denial, and if this process is not effectively managed, it can have a drastic downstream impact on the organization.

Physicians are deluged with the growing amount of time spent in the necessary administrative realm of health care. Every minute spent on paperwork is a minute away from patient care.
Solutions exist to help leaders navigate to an ICD-10 future in a way that actually improves accuracy, while reducing the time and effort of coding records. But it will take strong, focused leadership engagement to realize that future.

**Determine next steps.** Leadership engagement is also about having the courage to recognize whether the job is too big for the organization, and taking the necessary steps to identify the resources needed for a revenue cycle transformation for the long term.

One of the first steps taught in first-aid classes is to “stop the bleeding.” That step is just as important in restoring the financial health of a business. The sooner problems are solved, the sooner the loss of revenue can stop.

**Maintaining a Healthy Revenue Cycle**
The costs of providing health care are rising, and hospitals around the country are seeking ways to remain viable and sustainable. Some are slashing nonessential jobs. Others are taking a more strategic approach and removing problems that are choking profits. Still, money is being left on the table in nearly every aspect of the revenue cycle process.

There’s no single prescription for re-establishing and maintaining a healthy revenue cycle. It requires a delicate balance of skilled people, tested processes, and sophisticated systems in a business environment that can often seem extremely dysfunctional and unforgiving.

Whether a hospital is ready to bring in experts to conduct a total revenue cycle review (and repair) or wishes to heal itself, the most important first step should be to consider the revenue cycle as a single, unified entity; then appoint a strong executive to lead the charge.

Such an approach will result in clear goals and clear accountabilities. Those engaged in revenue cycle work will be enabled and expected to collaborate with team members to solve the problems.

A smoother, efficient workflow—and cash flow—can re-set the stage for greater employee, physician, and patient satisfaction.

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