



Collaboration Between Revenue Cycle and Finance

Shannon Fernandez and Cale Middleton

Who are our stakeholders?

CFO
Hospital President
Revenue Cycle Leaders
Controller
Many more...

Patients
Employees
Community





Financial Terms & Acronyms

Different meanings for Revenue Cycle & Finance

Term	Finance	Revenue Cycle
ROI	Return on Investment	Release of Information
Reimbursement	Finance function responsible for Net AR estimates & Cost Reports	Payor payments on accounts
Debits and Credits	<p>Impact on GL:</p> <ul style="list-style-type: none">• Debits are assets (balance sheet) or expense (income statement)• Credits are liabilities (balance sheet) or revenue (income statement)	<p>Impact on patient accounts :</p> <ul style="list-style-type: none">• Debits increases (charges)• Credits decrease (payments & negative adjustments)

Metrics Important to Revenue Cycle and Finance



Days Cash on Hand	Days in Accounts Receivable
Higher is Better	Lower is Better
Measures how many days of cash is available to cover current operating expenses	Measures how long it takes to convert accounts receivable to cash



Key Revenue Cycle Metrics

Metric	Definition	**Target 90% Hospital & 75% Physician
Cash collection as % of Net Patient Revenue	<u>*Total patient service cash collected</u> Avg rolling 3 months net patient revenue	✓ 102.1% Hospital ✓ 103.1% Physician
Aged AR > 90 Days (%)	<u>>90 days</u> Total billed A/R	✓ 16.5% Hospital ✓ 6.8% Physician
Cost to Collect	<u>*Total revenue cycle cost</u> Total patient service cash collected	✓ ***18% Hospital
Claim Denial Rates	<u>*Total number of claims denied</u> Total number of claims remitted	✓ ****3.2% Physician

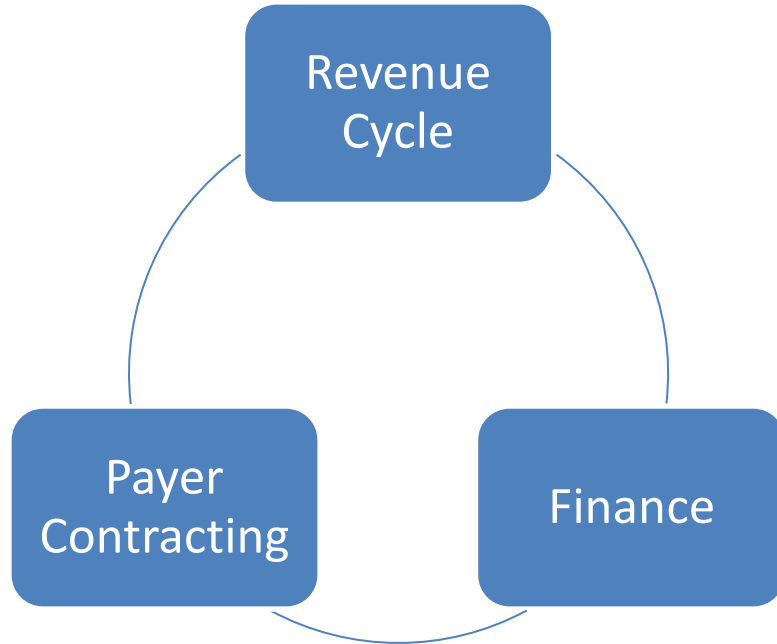
*[Source HFMA MAP APP](#) ** 2022 MAP Award Winner statistical data *** 2019 is most current results **** Denial Category is not available for Hospitals



Additional Finance Metrics

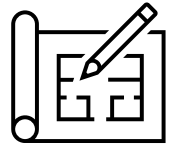
Metric	Definition	
Total Cash to Total Debt	$\frac{\text{Total unrestricted reserves (cash and investments)}}{\text{Total Outstanding Debt}}$	Higher is Better
Total Debt to Total Capitalization	$\frac{\text{Total Outstanding Debt}}{\text{Total Net Assets (or Total Equity)}}$	Lower is Better
Cash Burn Rate	$\frac{\text{Rolling 12 Month Average Total Expenses}}{365 \text{ Days}}$	Lower is Better

Collaboration Circle



Each Department is integral to supporting those stakeholders and we all must work together in order to keep the best interest of those stakeholders when decisions are made.

What Does Collaboration Look Like?



Typical Month-End Close Process at MultiCare Health System





Finance uses software to set A/R reserves and determine net revenue for each month. This software allows Finance to finish setting reserves earlier in the close process.

Revenue Cycle sends out a monthly A/R recap for the health system that is broken out by business units.

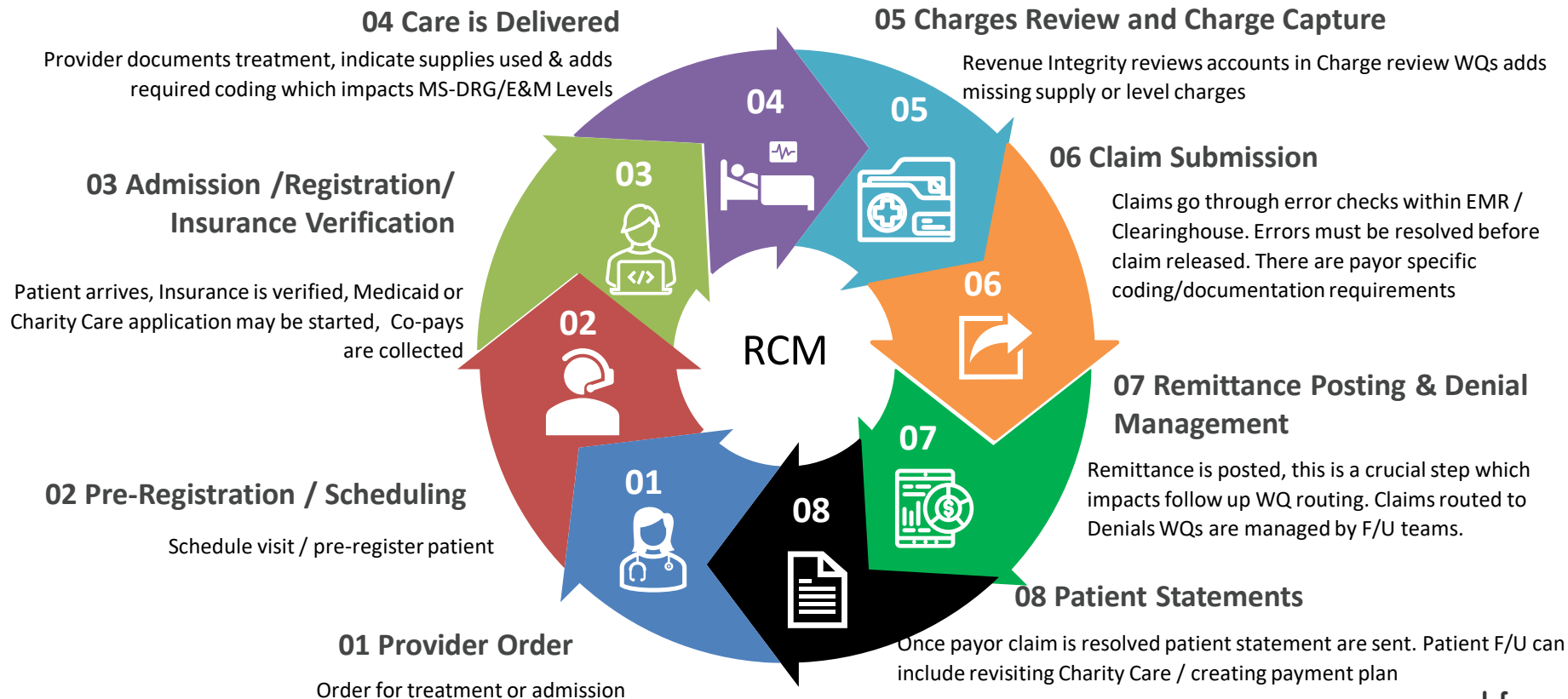
Finance, Revenue Cycle and Payer Contracting meet each month during month-end close to discuss A/R reserves, income statement impact, payer mix and large variances to budget

Cash Is King



-  Collaboration between Cash Posting and Accounting is extremely important
-  Language barrier – while both departments work with cash, they speak very different languages
-  Unposted Cash – this means different things to cash posting and accounting but is very important to both teams
-  A good relationship between cash posting and accounting ensures that unposted cash is reconciled both to the EMR and the GL

Revenue Cycle of Care





Things I wish my Finance Team knew



High cash month = High contractual adjustment month



Revenue Cycle teams operate in the details and often do not view same metrics as the Finance team



Remember there is a language barrier, in general the revenue cycle team does not understand finance teams or uses the terms differently



Best Practices



Schedule teaching sessions between Finance & Revenue Cycle



Establish month-end review meetings allowing Revenue Cycle to provide insight on:

- ✓ Top issues that occurred throughout the month
- ✓ Top problem payors
- ✓ Concerns for collecting high dollar accounts



Communicate throughout the month on important changes in AR

Questions?