



September 18, 2006

Repairing Leaks in Your Revenue Cycle

Is your healthcare organization losing money in drips and drabs? Learn how it's possible to plug the holes.

By Robbi Hess

The devil—and the revenue—is often in the details when it comes to recouping the financial losses incurred by healthcare organizations because of problems throughout the revenue cycle. According to Mori Moriuchi, chief compliance officer with Certus Corporation, when trying to pinpoint the source of revenue delays, administrators must look at their operations in a systematic manner, find the weakest links, and begin addressing them.

There is no one area solely responsible for lagging payments or for a facility receiving less compensation than it is due. To fully understand and target pain point areas, administrators should look into all the following when formulating a master plan to close the gaps in the revenue cycle:

- front end — patient access, scheduling, registration, and admitting;
- clinical documentation — charge capture, chart completion, and coding; and
- back end — operations of the billing/patient accounting office.

Getting to the Bottom of Delays

A small ripple in the payment cycle can build to tsunami levels if left unchecked. Ripples in the cycle begin when the patient walks through the door for admittance and potentially build until discharge. Delays within and between each step in the revenue cycle—including preadmission, bed management, discharge disposition, system integration between departments, accounts receivable (AR) follow-up and denial management, contract management, underpayment review processes, and final payment—are all potential troublemakers.

“There is nothing magical about the process of bringing AR under control,” Moriuchi explains. “It’s all about putting good controls in place. You need to monitor reports and identify problem areas on a daily basis.”

Managers should be looking at tracking and trending revenue cycle statistics, but more importantly, the usability of reports needs to be determined.

To get back to basics, Moriuchi says you need to look not only at the big picture but all the details. “How bad, or good, is it? A good AR target is in the 50- to 60-day range,” he says.

Where is the problem? Is it in the discharge not final billed? Has the bill dropped? Why are claims failing edits, not being paid promptly, and being denied?

“When a hospital sets up parameters in its system for when the bill drops, it’s usually five to seven days,” Moriuchi says, adding, “the quicker the bill drops, the faster you get paid, so why is the bill not dropping sooner than at seven days?” He says some hospitals have set up the bill hold days parameter as low as three days.

Jan Ohlsson, product marketing manager of revenue cycle solutions at 3M Health Information Systems, says there are so many factors that go into receiving not just the reimbursement but the correct reimbursement.

“The revenue cycle has so many components, starting at the point of patient registration all the way through the steps that are taken before the claim is completed. Every single department has its own root cause of the problem,” she says. “The chief problem is the lack of intrahospital communications within the revenue cycle. What we’ve found when we go in to implement revenue cycle management processes is that the communication gaps cause a lot of reworking and zigzags between departments and that causes time lags in reimbursement being received.”

Art Glasgow, director of product management at Payerpath, a Misys Company, explains that it’s vital to be thorough when working with physician practices, hospitals, and payors to improve processes that lead to cleaner claims and faster payments.

“You have to address every step in the revenue cycle, from eligibility verification through collection, in order to create a comprehensive claims management solution,” he says.

Glasgow agrees that there is no one root cause for payment delays and insufficient reimbursement.

“The root causes can be put into two big buckets, the first being the payment processes system which has been traditionally what most providers go through and is a manual process that is rife for human error,” he explains. “The second is simply that this is a complex process and there is not a lot of transparency on either side. There are rules and regulations that govern both sides of the equation, but they are not clearly communicated.”

Automation would certainly help alleviate some issues, Glasgow says, but cautions that the effectiveness of automation implementation depends on at which point in the workflow the payment delays occur. However, he concurs that most claims are denied or delayed because of lack of information or ineligibility of the patient to receive the services he or she is provided.

“A missing Social Security number, a misspelled name, or ineligibility for service can slow down receipt of payment,” he says. “You’d be surprised at the number of times a patient comes in and they aren’t covered for a service.”

Len Mandel, vice president of extended business office operations at Per-Se Technologies, says root causes of payment delays can be identified through proper data analysis.

“Accounts receivable reviews need to be completed and analyzed by aging then drilled down to uncover the root causes of the components leading to AR stagnation,” he says.

Mandel says he breaks the cycle down to a couple different slices of a particular financial class by more or less separating the service types by insurance plan.

“If my HMO looks to be high in percentages of over 90 days, there is obviously a reason. You will have to sort further by class code and service type until you unearth a trend,” he explains. “As an example, if I see a multiple-occurring number and it looks like a carrier has denied me across the board, and it turns out to be for one inpatient [IP] day, there is a problem that needs further analysis to uncover the underlying root cause, either at the payor level or the provider level. I’ve seen hospital systems automatically upgrading/admitting an observation patient at midnight into inpatient status, and there may not be proper clinical support or authorization for that first IP day to get reimbursed.”

Understanding the Challenges

Every organization has unique challenges in tackling revenue management problems and it takes focus and a keen understanding of the patient data process at each step in the revenue cycle to uncover and analyze the issues.

According to Ohlsson, most departments aren’t aware of how their piece of the puzzle fits into the overall jigsaw. “When we get all of the people [responsible for the billing cycle] in a room, you inevitably hear, ‘I didn’t know you did that.’ Many departments don’t know how their role in the billing cycle affects the other departments and ultimately reimbursement,” she notes.

Hospitals are not unique in the fact that many departments operate within their own “silos” in which each department operates within the realm of their job descriptions without being aware of how their processes affect/interact with others.

3M has put together a series of products and services it calls “workflow engineering,” but before any products, plans, or software are implemented, company members bring all stakeholders to the table and gather preliminary data on their roles and processes.

“I believe that HIM probably knows instinctively where the issues and lags are in the billing cycle because they are fielding the phone calls for help from the billing department,” Ohlsson says.

When 3M consults a facility on revenue cycle process improvement, it begins by “mapping” the processes currently being utilized. “We work through the existing process by putting up a 20-foot-long piece of paper and mapping out where the departments and key decision points are in the revenue cycle process,” Ohlsson explains. “When we begin to hear comments like ‘Maybe we should think about doing it this way,’ these ideas are kept for reference to use for the ‘should’ map. This helps move the facility from where it is now to where it needs to be.”

According to Glasgow, business intelligence needs to be incorporated into the revenue process cycle earlier.

“Incorporating a claims editing or scrubbing process is critical to reducing problems. However, it has to be dynamic in order to provide maximum value. A good system should analyze denials data in order to determine root cause and then feed those findings back into the editing process so that future denials can be avoided,” he explains. “Assuming you have a clean claim, have checked for demographic errors, and checked for coding rules, billing is still a mostly manual process and that accounts for some delays.”

The final piece of the puzzle comes when the payment is received in the physician’s office. It arrives with an explanation of benefits and now the provider must manually post the check to the system and the remittance transaction will spit out an electronic statement of payment. “If a provider has an electronic fund transfer capability, the insurer can deliver the money quicker, it is actionable sooner, and the billing cycle closes more quickly,” Glasgow says.

“There should be a task force pulled together to research denials and their root causes,” Mandel notes. “A hospital has to analyze and find the causes that [it] can control within the facility, find a department to take ownership, and implement procedures to keep receivables at a manageable level.”

When Will It All Be Over?

Unfortunately for healthcare organizations, the need for diligence and constant monitoring never comes to an end.

“The process is always evolving and shifting,” Ohlsson says. “Each process begets a new process and when new products and procedures are implemented, the map will need to be modified.”

Educational reinforcement of procedures needs to happen at all levels, Mandel stresses.

“You will hit key performance indicators if you make the time to analyze and optimize your system,” he says. “Once a year, someone has to be charged with determining payor-specific changes, analyzing those, and implementing them into the workflow. Methodical, ongoing analysis is the secret to success.”