Revenue cycle ROI: How to balance cost cuts while increasing cash yield

Morgan Haefner - Monday, December 17th, 2018

Blindly tossing darts at a board is not a sustainable approach to cutting revenue cycle costs.

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Yet that's how the vice president of a Midwest hospital network described the process during a roundtable discussion at Becker's 7th Annual CFO + CEO Roundtable in Chicago. Mike Morris, President & CEO of Xtend Healthcare, a leading provider of comprehensive revenue cycle solutions, agreed with the VP: too many CFOs' revenue cycle ROI strategies are haphazard like darts riddled across a board.

A high-functioning revenue cycle minimizes the cost to collect while maximizing reimbursement. However, variables like labor expenses and investments in automation can have a significant impact on a hospital's ROI. One major reason hospitals and health systems' revenue cycles fail to achieve a superior ROI is they don't accurately budget the amount of resources needed to prevent denials and increase collections.

Mr. Morris believes every provider can collect more for its services. "Health systems — no matter if they are a small critical access hospital or part of a large system often lack discipline — in terms of determining how much to spend on collecting the dollars they're entitled to for services rendered," Mr. Morris said. "Successful CFOs bring discipline to revenue cycle budgeting and investment decision process."

Roundtable attendees discussed how their organizations could be more disciplined in two specific areas: prioritizing timely denial management and updating billing procedures to reflect new payer contracts.

1. Denials management: A drilled-down approach

At 76.1 percent, denials were ranked as the biggest revenue cycle challenge among hospital decision-makers, according to a survey by Dimensional Insight and HIMSS Analytics. Revenue integrity followed at 36.8 percent.

Department managers take a disciplined approach to preventing denials when they involve frontline staff in claims management and billing processes. The CFO of an 89-bed hospital in the Midwest said this strategy has led to greater revenue cycle ROI at his organization.

"I met [frontline staff] personally — instead of reaching out to patient financial services — and worked with their representative to say, 'Okay, why was this bill denied?'" she said. "We're able to see that multiple things could be done. That created some efficiencies for not only the patient, most importantly, but also for patient financial services."

One way to get ahead of denials is through correct claims processing. Mr. Morris said one way providers may increase cash yield is to create incentive programs that foster employee motivation, retention, and productivity.

"When it comes to coders, there is a need to be both accurate and productive. Coding departments want to make sure they are incentivizing the right behaviors. Incentive plans built with those components ensure that staff is disciplined in meeting the common goal and correct behaviors are reinforced.

Additionally, providers should not overlook how much they invest in collecting payments from government payers, the president of a safety-net medical group in the Midwest — for whom Medicaid represents 70 percent of its payer mix — told roundtable attendees.

"'Does it make sense to collect $6, or $5, or $3 [from a patient]?' That's the question we ask. We're working hard to make sure we collect the money we're supposed to be collecting, and encounters are getting closed by providers in a timely fashion," he said. This is a normal blocking and tackling strategy an organization strapped for cash can take with government payers, said the medical group president.

Xtend Healthcare helps health systems improve ROI by managing their claims and denials by identifying coding error patterns, employing clinical documentation improvement services, and providing denials and appeals management consulting. Xtend Healthcare also leverages machine learning to decrease how much providers spend on collections, while boosting cash flows.

2. Pull back the curtain on payer contracts

Outside of denials, unexpected or mid-fiscal year changes in payer contracts can cause big headaches for hospital CFOs and revenue cycle management directors. Whether it's a diagnosis-related group coding downgrade or a new policy for processing emergency room claims, these contractual changes force CFOs to direct even more resources toward ensuring appropriate payments are received.

Mr. Morris told roundtable attendees that when commercial payers present unanticipated or undesirable contract changes to providers, it's important for hospital CFOs and revenue cycle directors to maintain a culture of transparency. Transparency should be a priority among not only hospital staff tasked with learning new billing and coding procedures, but also among frontline employees who regularly interact with patients. These frontline employees are often responsible for educating patients about a range of topics like appropriate ER use and understanding their insurance plans.

"I think something the healthcare industry hasn't explored well, but needs to in the future, is helping consumers become more informed of what's happening behind the curtain of insurance plans and transactions," Mr. Morris said. "As a health plan participant, I should be able to actively engage in my health system and make seamless payments, while also being able to understand my bill."

Few health systems can accurately manage unexpected reimbursement changes across numerous payer contracts on their own, Mr. Morris said. With deep experience in maximizing revenue cycle ROI, Xtend Healthcare offers providers strategic guidance for strengthening their cash flows, helping them navigate an ever-changing payer landscape and implement the latest claims processing technologies.

Aim with precision: Revenue cycle ROI strategies that work

Executives agree: the ultimate revenue cycle ROI challenge is to shrink hospitals' cost to collect while increasing cash yield.

By exploring business solutions that can improve their ROI, implementing disciplined strategies for preventing and managing denials, and bringing their coding procedures up-to-date with the latest payer contract changes, hospitals' finance teams can increase their reimbursements and minimize their cost to collect.

As a trusted solutions partner for hundreds of providers nationwide, Xtend Healthcare brings more than 30 years of experience in sustainable healthcare revenue cycle improvement, offering full and partial revenue cycle outsourcing, third-party insurance follow up, self-pay, coding, CDI, and consulting services.

"We're right in the middle of the revenue cycle space alongside providers, figuring out how to optimize cash yield in this complicated world," Mr. Morris said.