

# Performance Strategies



Accelerate and Improve Revenue Results Now

Vol. 3, Issue 9, 2009

## Is Your Revenue Cycle Optimized to Meet Today's Challenges?



*By Jim Morrison  
Vice President & General Manager  
HIS/Revenue Cycle Solutions  
McKesson Corporation*

Today every dollar counts for healthcare organizations. Government programs such as Medicare and Medicaid are reducing reimbursements while searching for overpayments. Healthcare reform legislation is sure to continue this trend toward controlling costs. Commercial insurers, taking their cue from state and federal governments, are also searching for ways to find overpayments and reduce reimbursements.

In past years, hospitals could expect to charge those with private insurance more than the typical Medicare or Medicaid patient. No more. With extensive data on reimbursement rates, these payors are reacting quickly and driving down payments as well. You can no longer make up a 2% reduction in Medicare payments by charging someone else more.

Insurers are also shifting more healthcare costs to consumers. It's not just that the number of self-pay patients is rising, but even those with coverage are footing a larger portion of the bill.

This is bad news for an industry that has traditionally operated on small margins. Leaving money on the table is no longer a viable option, if it ever was.

Fortunately, by adopting the right tools and instituting smart procedures, healthcare organizations can optimize their revenue cycle operations, accelerate collections, and minimize losses and bad debt.

### **Start with the Patient**

A good revenue cycle program begins with the patient. Forced to pay more for care, patients are now alert and engaged with the provision of services. They're also more price and quality conscious, shopping around and seeking out information on outcomes.

Providers at every level know that collecting fees from patients is harder and more costly than dealing with third-party payors. In the past, patients often didn't see a bill until 30, 60 or more days after services were rendered, the insurance company was billed, and co-pays and co-insurance were finally deciphered.

That's no longer acceptable. An efficient revenue cycle sets the right expectation by informing patients of their portion of the bill before services are rendered. That dramatically increases the likelihood of collecting up front or at least setting up a payment plan.

To work with patients as payors, you must understand the patient's coverage and payor requirements for service. Knowing the appropriate setting of care for a particular service, such as inpatient or outpatient, increases the chances of reimbursement. You won't compromise care, but you will provide it in the most cost-effective setting possible. And, you'll know upfront what you will be paid and who is going to pay you.

### **Technology is Key**

Revenue cycle software gives you the ability to not only determine coverage, but also judge a patient's propensity to pay. A patient might have a good credit score and pay healthcare bills, but never on time. That piece of data enables you to focus your resources where they are most needed — on those who have little propensity to pay.

**CONTINUED ON PAGE 2**

## Is Your Revenue Cycle Optimized to Meet Today's Challenges? (Cont.)

Technology also provides the resources to better understand the true costs of the services you are providing. Reimbursement models reveal the true returns on payment for services. They also give your organization additional leverage in negotiating contracts with payors. You'll know whether the reimbursements payors are offering cover the cost of services or whether you need to ask for more.

Revenue cycle technology gives you a window on the true meaning of debt. Many hospitals wrongly shift patients into bad debt when, in actuality, they have no chance of collecting from them. Instead, charges can be classified as charity care, which helps the institution meet its community service requirements.

### **Are You Really Automated?**

While nearly everyone recognizes the advantage of automating the revenue cycle, many have taken only tentative steps in that direction. An electronic eligibility check may just involve someone going to a Web site to look up coverage.

Many providers haven't put in place a system that automatically checks eligibility for insurance, charity care, and Medicaid as a by-product of the registration process. Some have partially automated processes, but haven't taken it as far as they can or should.

If you're an organization that is ready to take your revenue cycle to the next level, here are some best practices to follow:

- Check eligibility, get authorization and tell the patient what they owe before services are rendered.
- Use clinical and financial data to model reimbursement contracts before you negotiate with payors.
- Check patient eligibility for public and private insurance programs. Never assume they're just self-pay.

Once in place, these tactics combined with automation will help your organization meet today's reimbursement challenges and protect the health of your bottom line. Optimizing your revenue cycle from end-to-end will help prepare your organization to meet future challenges as well — healthcare reform, bundled payments, pay for performance, government audits and other regulatory changes.

*Jim Morrison is vice president and general manager of Revenue Cycle Solutions for McKesson Provider Technologies. He is responsible for developing McKesson's overall revenue cycle services and support strategy as well as managing the day-to-day operations of revenue cycle solutions. Morrison brings to his position more than 20 years of experience in managing services, development, product support and operations within McKesson, as well as in the healthcare industry.*

### Reinventing the Revenue Cycle with Enterprise Revenue Management

Traditionally, healthcare organizations have addressed their revenue cycle challenges by adding solutions onto their patient accounting systems and hoping for the best. The added solutions also bring additional interfaces as well as system management complexity. While this strategy can provide incremental improvements, many organizations want to take a leap forward. A new category of financial management solution, enterprise revenue management, goes beyond incremental improvements to transformational change.

This new category of solution uses rules-based processing to speed the revenue cycle by automating workflow, reducing manual processes and decreasing the need for human interaction. It also leverages connectivity to provide important information where and when it's needed, such as eligibility, propensity-to-pay and plan information — enabling organizations to collect full payment upfront.

Kentucky-based [Baptist Healthcare System](#) is using both the access and business management modules of McKesson's [Horizon Enterprise Revenue Management™](#) solution (which became generally available on September 29, 2009) to transform its revenue management.

“Our clean claim rate already is 10 percent better,” said Jackie Lucas, Vice President/Chief Information Officer, Baptist Healthcare System, after only two months of using the solution. “In addition, staff that has been admitting patients for 20 years tells us that the system is so intuitive and easy-to-use that it now takes them a third of the time to admit a patient.”

- The access management module enables healthcare organizations to collect appropriate financial information on patient treatment to help meet regulatory requirements and collect full payment for services at the beginning of the patient interaction process.
- The business management module supports the creation of charges, distribution of claims and receipt of payments.

This new technology should enable a hospital to eliminate denials completely and reduce the entire billing cycle from a fourteen-step process with multiple handoffs to a streamlined, efficient process in which the majority of the work takes place within the system in the background. The solution includes performance analytics to measure organizational performance and make evidence-based decisions.

As an “open” technology, the revenue management solution seamlessly connects to both McKesson and non-McKesson clinical technology. These connections make it possible to manage financial processes across all care settings and enables continuous medical necessity checking, coordinated care planning and case management, and collaboration of orders and scheduling.

Baptist Healthcare System recently won a [McKesson 2009 VIP Award](#) for its demonstrated improvements in patient care, clinical efficiency and financial performance (see [the article on their achievements](#) in *Performance Strategies*).

## Related Solutions

[Revenue Cycle Management Solutions](#)

[Horizon Enterprise Revenue Management™](#)

[Revenue Management Solutions](#)

[Horizon Intelligent Coding™](#)

[McKesson Performance Analytics™](#)

[RelayHealth RevRunner®](#)

[RelayHealth Patient Compass™](#)