Revenue Cycle Transformation During an Implementation

The “6 P’s”

“EMR conversions and upgrades can create operational and financial disruptions.

- 10.1% decline in operating cash flow
- 6.1% reduction in days cash on hand in the install year
- 11.8% increase in Accounts Receivable”

Source: Moody’s, Electronic Medical Record Installations add Financial Risk

Hypothetical Case 1

Multi-hospital Health System, transforming the Revenue Cycle before an EHR Implementation:

What worked:

- Redesigned their Revenue Cycle to drive Financial Improvement ($56M annually)
- Incorporated SOME of the improvements into their new EHR

What didn't work:

- Separation between IT and Operations
- New system trumped redesigned Revenue Cycle
- Change not Managed; mass confusion at Go-Live
- Legacy Accounts Receivable ignored as EHR issues were triaged and worked
- $80M+ write-off/write-down of Legacy Accounts Receivable

Hypothetical Case 2

Academic Medical Center transforming their Revenue Cycle before an implementation:

What worked:

- Redesigned their Revenue Cycle to drive Financial Improvement ($22 annually)
- Incorporated SOME of the improvements into their new HER
- Believe the new system would solve all of their problems

What didn't work:

- Separation between IT and Operations
- New system trumped redesigned Revenue Cycle
- Change not Managed; mass confusion at Go-Live
- System not working at Go-Live; 45+ days to submit a claim
- $80M+ write-off/write-down of Legacy Accounts Receivable

A Macro Solution

“Strong risk management can thwart a major financial disruption and limit credit deterioration.

Hospitals are managing EMR and billing system transitions by establishing lines of credit and other liquidity sources while engaging their board through committees to oversee projects. Health systems that experience financial problems, such as receivable write-downs or declines in liquidity, face credit deterioration.”

Source: Moody’s, Electronic Medical Record Installations add Financial Risk

A Micro Solution

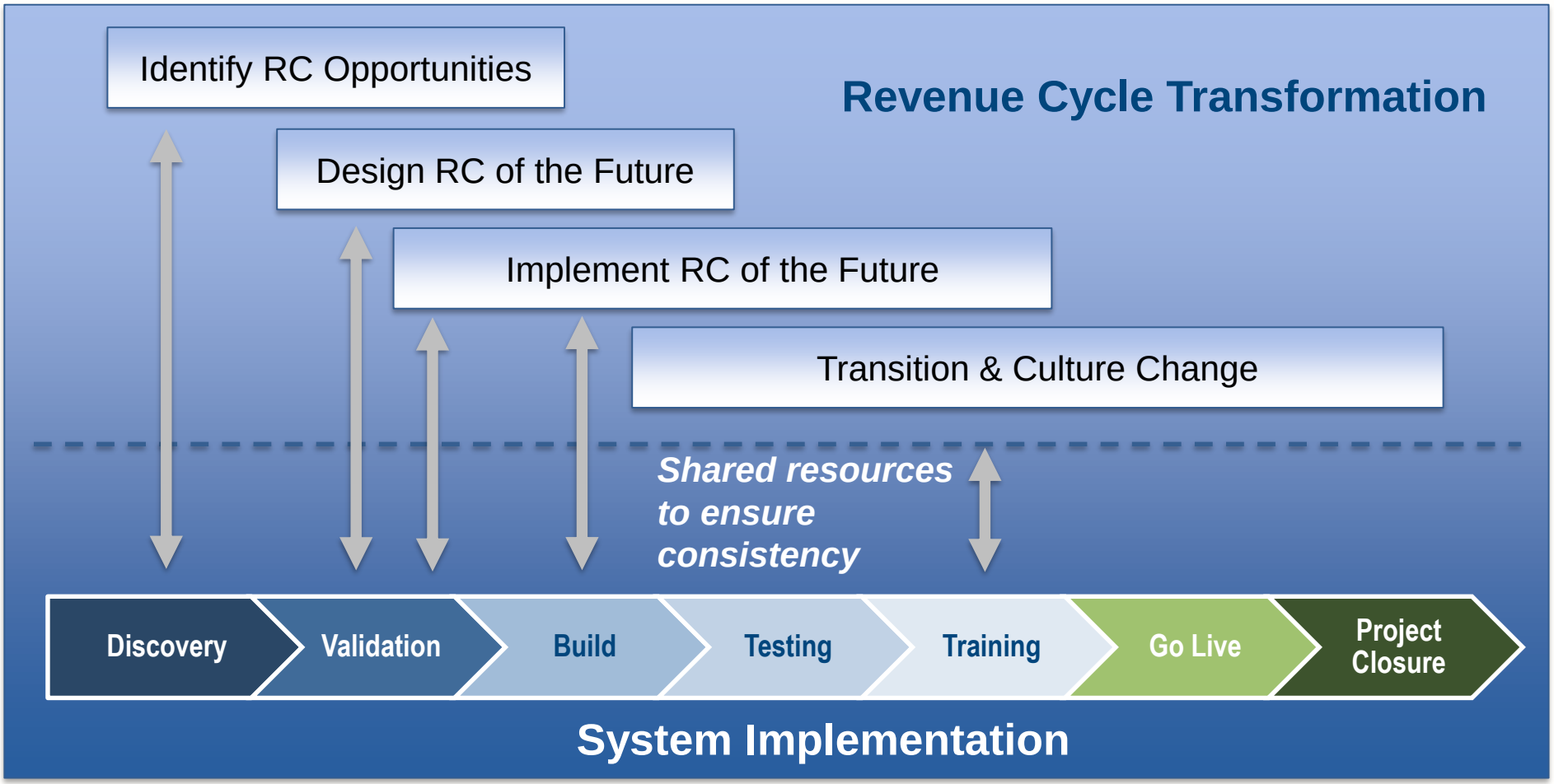
Strong risk management, *project planning/execution, collaboration and change management* can thwart a major financial disruption and limit credit deterioration.

My Opinion

A new Revenue Cycle System (or EHR) provides an organization with the unique opportunity to re-think their Revenue Cycle.

“Good to Great”

Transformation during Implementation

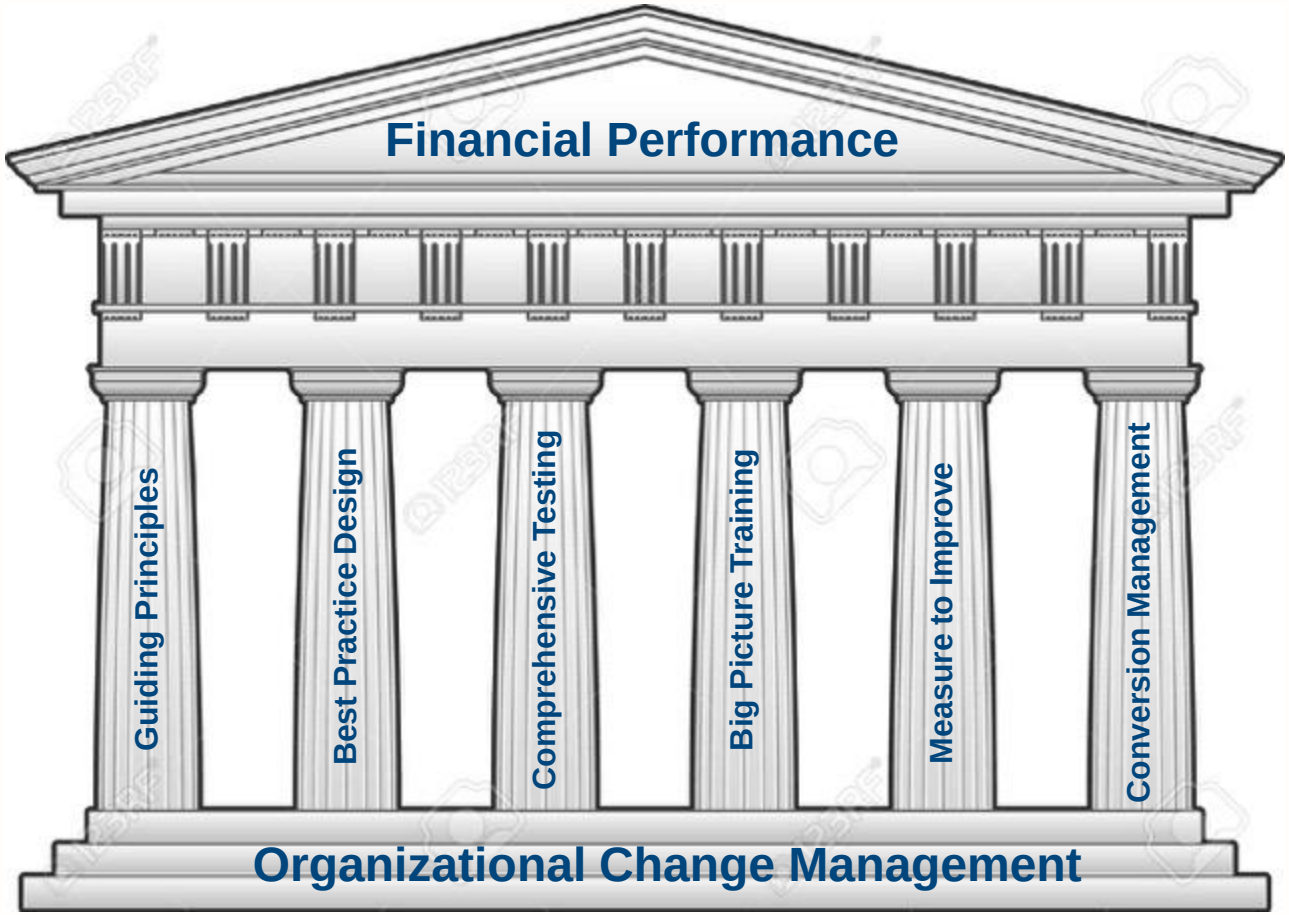


Key Elements of Revenue Cycle Readiness

Equal focus on …

… leads to successful outcomes!

Pillars to Maintaining Financial Performance during an Implementation



Managing Change

Guiding Principles

- Operations lead implementation
- Follow “Foundation”
  - But **build best practice** into “Foundation”
- Stratification
- Accountability
- Measure to Improve

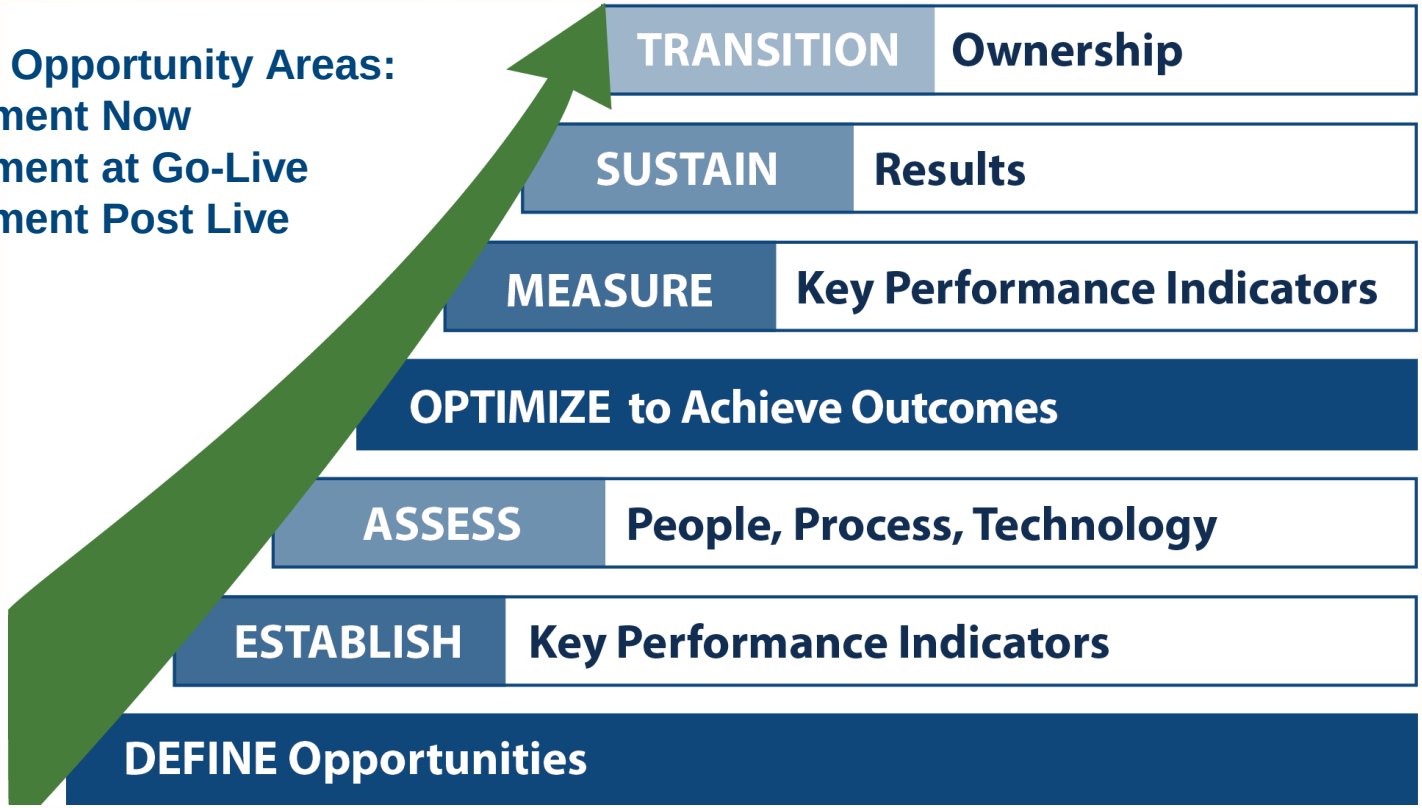
Rethinking Your Revenue Cycle

- Right People
- Right Processes
- Right Tools/Reports/KPIs
- Right Culture

Identify the Opportunity Areas

Prioritize Opportunity Areas:

- **Implement Now**
- **Implement at Go-Live**
- **Implement Post Live**



Prioritize the Optimization Opportunities based on criteria:

Financial Impact, Facilitates Change, Internal and/or External Influences

Hypothetical Case 3

Multi-hospital Health System, transforming the Revenue Cycle during a Revenue Cycle System Implementation:

Transformation Initiative	Estimated Value
Patient Financial Services	$2M - $4M
Denials Management and Prevention	$2M - $5M
Charge Capture Improvement	$1M - $3M
Vendor Management and Usage Improvement	$1M - $3M
Point of Service Collections	$2M - $5M
Estimated Improvements	**$8M - $20M**

Organizational Change is needed to implement the above improvements.

Hypothetical Case 3

Transformation Initiative	Estimated Value
Patient Financial Services	$2M - $4M

Current State Challenges:

- Accounts Receivable backlogs building
- Changing Payer Environment
- Staff Issues
- Not Following Guiding Principles

Future State Design to Mitigate Risk:

Pre-Implementation:

- Accounts Receivable Strategy by Payer
- Coaching Leadership and Staff on Guiding Principles/Best Practices
- Mimic the Future State now

At Implementation:

- Building New System to Match Payer Strategies (work queue structure)

Guiding Principles Example
Work Queue Design

- Follow “Foundation”
- But **build best practice** into “Foundation”
- Measure to Improve
- Stratification
- Accountability

Follow this:

Key to work queue creation and management is knowing who will work what, when….

To avoid this:

Hypothetical Case 3

Transformation Initiative	Estimated Value
Denials Management and Prevention	$2M - $5M

Current State Challenges:

- Reactive Environment; Lacking Tools and Reporting
- No Prevention Actions Occurring

Future State Design to Mitigate Risk:

Pre-Implementation:

- Implement Tools
- Develop Processes, Policies and Procedures
- Align Staff as Necessary

At Implementation:

- New Processes and Tools will be Integrated into New System; No Change

Hypothetical Case 3

Transformation Initiative	Estimated Value
Charge Capture Improvement	$1M - $3M

Current State Challenges:

- Clinical Department Execution of Charge Capture and Reconciliation
- Multiple, out of date Charge Description Masters

Future State Design to Mitigate Risk:

Pre-Implementation:

- Revise Processes, Policies and Procedures
- Educate the Clinical Departments on Revised Processes
- Educate the Clinical Departments on Upcoming Changes

At Implementation:

- Updated Processes, Policies and Procedures
- Clean, Single Charge Description Master

Hypothetical Case 3

Transformation Initiative	Estimated Value
Vendor Management and Usage	$1M - $3M

Current State Challenges:

- No Clear Vendor Strategy
- Need for a Legacy Accounts Receivable Strategy

Future State Design to Mitigate Risk:

Pre-Implementation:

- Develop and Implement a Vendor Strategy
- Incorporate the Vendor Strategy into the Accounts Receivable Strategy
- Develop and Implement Legacy Accounts Receivable Strategy

At Implementation:

- Continue Vendor and Accounts Receivable Strategy
- Continue Legacy Accounts Receivable Strategy

Hypothetical Case 3

Transformation Initiative	Estimated Value
Point of Service Collections	$2M - $5M

Current State Challenges:

- Staff Not Asking for Up-Front Payments
- Executive Leadership Support, BUT Cannot Impact the Patient Experience
- 60+% of Bad Debt Associated with Self Pay After Insurance

Future State Design to Mitigate Risk:

Pre-Implementation:

- Re-Educate Staff on Scripting and Related Processes
- Implement Monitoring Tools
- Change Culture

At Implementation:

- Ensure Reporting Tools and Processes are Replicated
- Change Culture

Additional Transformation Activities

Examples from other "Hypothetical" Clients:

- Organizational restructure within the Revenue Cycle
- Centralization of Activities
  - Pre-Registration
  - Insurance Verification
- Standardization of Processes
  - Virtual Centralization
- Financial Counseling Improvements

Comprehensive Testing

- Levels of Testing
  - Confirm build
  - Confirm modules work
  - Confirm interfaces work
  - Confirm system works
- Charge Testing
- Claims (Parallel) Testing
- Reports Testing
- System Access Testing
- Integrated Testing
- Volume Testing

Additional Considerations:

- Operations Involvement
- Acceptance Criteria

Successful Training

- “Big Picture” training – process and tools, maintaining culture change
- Train with purpose, not to complete a task
- Training planning is just as/more important than training execution – staff/job function matrix
- Operations involvement in training materials and training execution
- Incorporate guiding principles and work queue management

Measure to Improve

- ✓ Legacy Accounts Receivable Strategy

- ✓ Ensuring Charge / Revenue Integrity

- ✓ Effective Reports and Dashboards are necessary to manage the business

Conversion Management

- **Detailed, metrics-driven plan by Revenue Cycle Department:**
  - Baseline KPIs
  - “Like” reporting from both legacy system and Epic
  - Tools to manage each Revenue Cycle Department and monitor performance
  - Staff allocation (staffing analyses)
  - Contingency plans