# Automated Revenue Cycle Management:
## Improving financial performance in uncertain times

GE Healthcare

Healthcare organizations are facing uncertain times, which is putting enormous strains on their revenue cycle management (RCM). Medicare cuts, shifting payer markets and new payment models are straining the old tried-and-true approaches to billing and collections. To compete in today's healthcare environment, organizations need to make sure their financial operations are running efficiently.

The revenue cycle is impacted by virtually every aspect of the healthcare continuum – from the time a patient makes an appointment, to the care received, up until the time the bill is completely settled. An organization's ability to proactively manage what happens in that period of time can have a direct impact on its profitability. Conversely, failure to do so can jeopardize an organization's future.

It is becoming increasingly clear that to prosper in these uncertain times, organizations need to automate their RCM as much as possible. The most successful forms of automation can help lower your staff costs, enhance clean claims rates, cut denial rates, improve patient collections and reduce bad debt – all contributing to enhanced profitability, improved financial outcomes and, potentially, improved patient satisfaction.

## The opportunity to change is now

Many organizations are at the threshold of upgrading to RCM automation. In 2012, an estimated two-thirds of hospitals said they planned to replace or upgrade their revenue cycle management systems within 24 months, according to a survey from healthcare market research firm Black Book Rankings, released in September 2013.

More healthcare organizations than ever are positioned to leverage RCM automation to produce dramatic results – yet, surprisingly, too many are unfamiliar with the arsenal of tools at their disposal. For example, even though there are real-time patient eligibility tools that significantly improve point-of-service collections, an October 2013 report from HIMSS Analytics showed that only 39% of hospitals use their RCM solution for pre-authorization and only 36% do so for bill estimation.

Automation is proven to improve RCM measures, and even small improvements can significantly impact the bottom line. Take for example a hospital with $150 million in revenues; if it can improve its collection rate by just 1%, it could realize enough funding to start a new capital project, or even protect itself in a down year. Even hospitals with much smaller revenues can realize significant savings.

## How automation can help with RCM

RCM automation can help in many ways by:
- Reducing the number of times staff need to handle claims
- Providing sophisticated edits to make sure claims are clean
- Providing prompts to help staff prioritize their work
- Organizing patient billing information to aid in collections

Automated systems can also gather revealing data on key performance indicators (KPIs), such as net days in accounts receivable (A/R), cost to collect, net collections, the rate of denials, bad debt and the first-pass clean claim rate. These benchmarks are available from authorities such as MAP keys from the Healthcare Financial Management Association (HFMA) and Hospital Accounts Receivable Analysis (HARA).

Automation means you can constantly track these metrics so that you can identify and manage trends, compare performance and use the results to initiate improvement. An RCM system can also help you create dashboards for specific internal challenges and benchmarks.

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Specific elements of automated RCM can directly impact your performance measures. For example, automated claims editing can help you identify and correct dirty claims, which reduces your claims denial rate. Likewise, a real-time eligibility tool can help reduce bad debt, while automatic charge-capture can reduce your cost to collect by capturing needed information and automatically populating it onto the claim.

Automated RCM can also significantly reduce the amount of time staff spends dealing with denials. In lieu of staff performing outreach to health plans over the phone, smart systems can now determine when queries need to be made and automatically send them out, virtually eliminating wasteful manual intervention.

Unfortunately, not all automated systems have the ability to span an organization, or provide a full suite of solutions to handle any RCM scenario. As a result, many healthcare organizations are left searching for a solution that will help them connect silos of information within their organization and provide a full picture of their revenue cycle. For instance, a clerk scheduling patient appointments should be able to access the latest payer information and estimate the patient's cost share. This requires a solution that can gather input from all services used by the patient in order to accurately pinpoint spending toward the deductible.

## Case Studies

Automated RCM has helped the following three organizations achieve outstanding financial results. Learn from their experiences with automation, customization and analysis.

## *Geisinger:* Using RCM to meet high standards

Geisinger Health System is widely praised as a model system for its high standards of quality and efficiency. Based in Danville, PA, Geisinger is a full-service healthcare organization and includes three hospitals, 1,200 primary care and specialty physicians, and a health plan.

Geisinger is a distinguished leader in RCM. Over the past five years, it has received the HFMA's MAP Award for High Performance in the Revenue Cycle. In June, Moody's Investors Service recognized Geisinger's offering of fixed-rate bonds by giving it an Aa2 rating, noting, "Management continues to focus on efficiency and operating profitability."

Barbara Tapscott, Vice President of Revenue Management at Geisinger, says some of her key goals are eliminating back-office rework, managing workflow and being on top of patient collections. On a daily basis, she consults metrics such as A/R days, cost to collect, net collections to revenue and key aspects of denials. A particular focus is clean claims. "To prevent the errors from happening in the first place, we try to understand the payor requirements for clean claims and we build that into the system," she says.

Using Centricity Business (an RCM system from GE Healthcare) for its outpatient operations, Geisinger achieved impressive results. Its net A/R days are now below 30, and its aged A/R is shorter than industry standards. Denials for medical necessity are less than 1% of claims. Its overall cost to collect is declining and now stands at 3.3%, which is lower than the budgeted amount of 3.5%. And the organization is collecting 100% of claims after accounting for bad debt and charity.

"The GE platform allows us to do a lot of editing," Tapscott says, adding that efficient transaction editing with Centricity Business enabled Geisinger to keep the level of full-time billing and collection staff flat, even as volume from physician providers grew 30%.

Thanks in part to these achievements Geisinger realized extraordinary financial performance. In 2012 (the latest reported fiscal year) the system achieved an operating margin of $154.3 million, or 5.3% on revenue of $2.9 billion. Revenue grew by 11.7% over FY 2011.

This strong financial picture enabled Geisinger to initiate several ambitious projects, such as a $160 million renovation of its hospital in Scranton, to be completed in 2015, and the acquisition of more hospitals, such as Lewistown Hospital, a 123-bed facility.

### IMPACT AT GEISINGER

- *Automated revenue cycle helped contribute to lowering cost to collect to 3.3%*

## *Middlesex:* Improving performance to stay independent

Middlesex Hospital is an independent, 275-bed institution in Middletown, CT. Unlike many hospitals Middlesex has shown remarkable financial performance, generating operating margins of 5 to 9 percent per year.

"Our financial performance has allowed us to remain independent," says Susan Martin, Vice President of Finance. "Without financial stability, we would not be able to continue to meet our mission. Our strong balance sheet and positive operating margins allow us to continue to provide safe, quality care to the members of our community."

The organization is adept with automation and was designated an H&HN "Most Wired Hospital" in 2012 and again in 2013. Martin says some of the hospital's key revenue cycle goals are making sure claims are clean, analyzing denials as soon as they are received and ensuring patient collections. Key strategies include creating automated electronic dashboards and work lists for billing and collections staff, and incentivizing employees to collect patients' cost share at the point of service.

Middlesex uses Centricity Business for both outpatient and hospital billing. Due to the automated processes built into the GE Healthcare product, Middlesex has cut its cost to collect by reducing the number of Business Office staff FTEs dedicated to account follow-up. And since the billing and collections process is heavily computerized, staff can work remotely, saving on space and energy costs.

Financial success allows reinvestment back to our community. "As an outcome of financial performance, last year we reinvested $38 million back into the community," Martin says. Middlesex had also undertaken major capital projects without borrowing. The hospital recently opened a new a state-of-the-art critical care unit and is building a $26 million replacement outpatient center and emergency center that will open in 2014. Three years ago, it purchased a da Vinci SI robotic surgery. Middlesex also built their own power plant in order to reduce their annual spend on utility costs.

**IMPACT AT MIDDLESEX**

*• Strong financial performance enabled Middlesex to reinvest $38 million back into the community and invest in facility improvements and expansion*

## *MSU:* Ensuring growth despite cuts in state funding

Michigan State University HealthTeam, a multi-specialty faculty group practice comprising 250 physicians and nurse practitioners in East Lansing, MI, faces a familiar challenge for state-funded institutions: shrinking government support.

"With continued reductions in reimbursement, we have to optimize our billing and collection functions," says Annette Cawley, Director of Finance at MSU HealthTeam. "We have to watch our financial performance and make sure we are operating in a cost-effective and cost-efficient manner." More specifically, "We have to be quicker with our payment cycle," she says.

Automation is part of the fabric of MSU. The organization installed an electronic medical record (EMR) a decade ago and is a founding member of the Great Lakes Health Information Exchange (GLHIE), which improves connectivity between payers and providers in the area.

Lyn Lewis, Manager of the Central Billing Office at MSU HealthTeam, says she measures KPIs such as total A/R, aged A/R, net collections and cash collections on a weekly basis, because she doesn't want "any big surprises at the end of the month." MSU uses dashboards through Centricity Business to pinpoint developing issues and measures staff performance to achieve results.

The organization prides itself on centralization. Billing has been consolidated into one office. "We have a standardized charge master, which is wonderful for accounting and reporting," Lewis says. Since data is shared across the system, patients never have to supply their personal information again, once it is in the system they get one consolidated bill for all services.

Centricity Business makes these efficiencies possible. "We can drill down into the data to pinpoint the source of the problem in a particular department or group of providers," Lewis says, adding that days in A/R have fallen on average to 28 to 30 days.

Because of its highly disciplined revenue cycle, MSU has the resources to upgrade its service offerings and remain competitive. The organization recently opened a state-of-the-art rehabilitation clinic for sports medicine and orthopedics patients and is opening new offices for primary care physicians. "This improves the continuum of care," Cawley says.

### IMPACT AT MSU

- *Net A/R: $11.2 million*
- *Cost to collect: 3.3%*
- *Denials for medical necessity: $254,000*
- *Net collection as % of revenue: 92.8%*
- *First pass clean claim rate: 94%*

## Features that enable RCM success

RCM software is your first line of defense against margin erosion. Here are some of the advantages of a highly automated system.

**1. Automation.** An organization can realize substantial productivity gains by automating workflow at multiple points. Focusing on the most expensive resource – staff – you can reduce cost to collect by organizing workflow so staff can handle more claims. Automation allows staff to manage by exception, meaning that only deviations from results are brought to their attention. "When you only have to deal with claims that have to be touched, it eliminates a lot of redundancy," Martin says.

**2. Flexibility.** The payer environment is rapidly evolving, as plans enter and exit markets, change coverage rules, and add new payment methodologies. To stay ahead, organizations need to adapt quickly to change and refine their revenue cycle operations. They must be able to not only customize their RCM system to meet specific needs, they must also be able to address new or evolving requirements as they arise. At Geisinger, "the system needs to be flexible enough that we can manage different lines of business," Tapscott says. "For example, our negotiated rates for primary care can be different from our specialty rates."

**3. Interoperability.** Billing and collections data need to be accessible throughout the organization. Staff should be able to access patient information on eligibility and cost share. This requires interoperability across all systems – clinical and billing, inpatient and outpatient – and through your electronic data interchange (EDI). At Middlesex, "staff can access all patient information in their systems," Martin says. "That makes it easier to answer patients' questions about the bill, which improves the likelihood that they will pay."

**4. Advanced business analytics.** The ability to examine every aspect of the revenue cycle is crucial. Advanced business analytics can be invaluable tools that help with data mining, online analytical processing, querying and reporting. For example, dashboards can help organizations monitor very specific financial metrics and uncover areas that need attention.

## Small practices that make a big difference

To succeed in revenue cycle management, organizations need a rich set of capabilities that can deal with a wide range of problems and opportunities that a billing office confronts. Here are a few examples of automation best practices that can make a big difference in RCM.

- **Pinpoint the issue.** Drilling down into data and pinpointing an issue at the direct source is critical to improving revenue cycle performance, and gathering certain details can help you manage particular challenges to improve performance. "We can drill down from the big numbers to address issues at a smaller level," says MSU Billing Manager Lyn Lewis. "We can ask, 'Is the problem in a certain department or group of providers?'"

- **Make payer updates easy.** Insurers are constantly updating their payment requirements, and the back-office rework to address them is expensive. Good revenue cycle management includes working in these edits to an automated system so all changes are addressed quickly and seamlessly.

- **Cut down on reference time.** It is impossible for billing staff to remember every billing rule for each provider. To prevent errors and lengthy referencing, build a "provider dictionary" – a rich source of information on billing rules for each provider – that billing staff can rely on. When a charge is entered, the necessary information can be automatically populated so the staff doesn't have to manually enter it.

- **Gain insights into denials.** Figuring out why a claim is denied can eat up a lot of manpower. Streamlining this process can save time and money. Martin at Middlesex uses robust functionalities to analyze denials. "You can aggregate by types of denials and use the analytic tool to complete denial analysis." In the past four years, Middlesex has reduced denials by $3 million using a combination of Centricity Business and another analytical tool.

## EDI Services: Far more than a commodity

Today, EDI services involve a lot more than just sending claims and receiving remittance advice. By using the EDI connection with payers, an RCM system can manage the revenue cycle in several important ways. Here are key steps that can save time and cost:

- **Edit outgoing claims.** Spotting inaccuracies and errors early on in a claim can boost claims accuracy. Having an automated system that scans claims for errors before claim submission, such as incorrect member ID numbers, can go a long way toward improving clean claims rates and decreasing denials and rejections.

- **Track claim status.** Allocating staff time to reach out to payers to determine the status of a claim is costly and time consuming. Automating this process can save time and money. More sophisticated RCM systems include an algorithm that analyzes past payment information to predict future payment range and then automatically send a claims status inquiry if the remit is considered "late."

- **Enhance workflow.** Ticklers and reminders help staff prioritize work, such as by largest amount of revenue or by oldest claims. Using processes like this can help management direct work to the most appropriate resource.

- **Track patient eligibility.** Comprehensive systems utilize exception-based workflow to verify patient eligibility immediately and improve their ability to collect full payment. They also identify patients' current cost-share, making it easy to request patient payment at the point of service. This allows organizations to verify the coverage while the patient is still in the office.

## Thinking ahead for our customers

GE Healthcare can help provide the productivity gains necessary to help improve key financial metrics whether they are reducing A/R days, improved cash collections as a percent of patient revenue or reducing the cost to collect. GE Healthcare can also help you adjust to healthcare reform by enabling you to prepare to take on risk or bundled payments.

Centricity Business is dedicated to helping customers:

- Achieve optimized net collections as a percent of patient revenue by identifying and preventing issues before they impact reimbursement

- Lower costs to collect through improved staff productivity

- Deliver high first-pass clean claim rates by addressing claim related information early in the process

- Reduce days in accounts receivable through streamlined point-of-service and back-end billing workflow

Issues like new payment methodologies and ICD-10 represent enormous challenges for claims processing. A trusted source like Centricity Business can help organizations navigate these new systems. At GE Healthcare, "the support staff has been exceptional," Martin says. "The products are designed to allow customization, and the system does not have to be maintained by GE."

GE Healthcare's Centricity Business can help prepare organizations for new challenges they may not even be aware of:

- Managing issues post-transition to EDI 5010. In January 2012, Centricity Business helped cushion a rocky industry transition to electronic data interchange standards (EDI) 5010. Many payers were not ready for the transition and there were a lot of glitches at first. Going forward, Centricity Business is there to help organizations recover quickly from glitches.

- New payment methodologies. Health system business plans are being re-written to address new payment models that come with healthcare reform. As healthcare reform progresses, so too will Centricity Business. The newest version of Centricity Business addresses the latest changes by offering increased billing automation for bundled and capitated payments. For example, the system can process "zero-dollar" claims, which are submitted just for tracking purposes for capitated payments.

- Preparing for ICD-10. Hospitals will experience an enormous shift in claims processing when new coding systems start in October 2014. GE is talking to customers, regulators, and analysis to better understand and prepare for changing market dynamics. As a result, Centricity Business is well-positioned to help prepare healthcare organizations for challenging times that lie ahead.

## Quality and integrity: Our customers have the last word

Strong support from customers speaks volumes about a product, so we'll let our customers have the last word on what Centricity Business means to them:

- Tapscott says Centricity Business has helped Geisinger reduce days in accounts receivable. "We can prevent errors from happening in the first place because the GE system helps us understand the payers' requirements for clean claims," she says. "Our net A/R days are below 30, and our aged A/R is shorter than industry standards."

- Martin likes being able to deal with a unified system. Using Centricity Business, "registration and patient accounting for both inpatient and outpatient bills are on the system," she says. "That makes it easier to provide information to the patient. Registration staff can bring up the balance of what the patient owes for anything in the hospital and can ask for payment."

- Centricity Business has helped MSU standardize processing from front desk to billing, allowing it to reduce redundancies for patients across different specialties. "It is our goal to reduce redundancies and improve patient satisfaction for our patients," Cawley says.

## About GE Healthcare

GE Healthcare provides transformational medical technologies and services to meet the demand for increased access, enhanced quality and more affordable healthcare around the world. GE (NYSE: GE) works on things that matter - great people and technologies taking on tough challenges. From medical imaging, software & IT, patient monitoring and diagnostics to drug discovery, biopharmaceutical manufacturing technologies and performance improvement solutions, GE Healthcare helps medical professionals deliver great healthcare to their patients.



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