How Healthcare Reform WILL Impact Your Revenue Cycle

By Chris Klitgaard, CEO

Healthcare changes are here, with reform bringing increased complexity and uncertainty in a number of areas, all of which will have an impact on the revenue cycle. The Affordable Care Act (ACA) is forcing providers to redirect their budgets and plans to deal with shifting payment models, declining reimbursement and regulatory compliance; providers that don't successfully adapt to these changes and revise their RCM strategies accordingly may have trouble surviving.

There are a number of factors that are going to affect your revenue, not the least of which are Medicare and Medicaid payment changes, which will result in an estimated $150 billion in reductions over the next decade. Combine that with the move towards accountable care and pay-for-performance models, with payers becoming ever more vigilant in their scrutiny of your claims, and it's easy to see why a focused look at your revenue cycle strategy is in order.

Compliance needs to be prominently on your radar screen as well, with EHR integration, Meaningful Use, Accountable Care Organizations (ACOs), Health Information Exchanges (HIEs) and, yes, ICD-10 bringing an array of new requirements your way, all of which could have a profound effect on your revenue cycle.

Take ICD-10 for example: while research shows that much of the focus in healthcare pertaining to this new mandate has related to technology and coding, that is now expanding to include how ICD-10 will affect the revenue cycle (and it will affect the revenue cycle). With the deadline extension to October 2015, time is still running out for providers to prepare for the inevitable reimbursement slowdowns and denials associated with this new, incredibly complex legislation.

Now is also the time to focus on patient collections. With today's high-deductible plans and our current level of unemployment increasing the rates of the uninsured significantly, more and more of the financial responsibility in healthcare now falls on the patient—30% according to many experts. Patient collections must now become a mission-critical part of your revenue cycle strategy if your organization is to ensure a strong financial footing in the months and years ahead.

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Considering all this, is it a wise idea to review your revenue cycle processes now to identify inefficiencies and deficits and prepare your organization for the impact that healthcare reform's increased complexities will deliver.

Here are some vitally important things you can and should do to ensure the financial health of your organization in the face of the evolving changes.

Develop a sound RCM plan

Beginning at the beginning is always a good idea, and this is especially true with your revenue cycle strategy. First and foremost, it's important to fully realize the scope of how healthcare reform is impacting your revenue cycle before you take steps to fix anything.

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A comprehensive understanding of the issues will be imperative to identifying and correcting process—and workflow—shortfall areas and to take the necessary steps to counter them. Be sure to bring in all key stakeholders and decision-makers at this stage, from finance and compliance to IT and physicians, and get their input and buy-in as soon as possible.

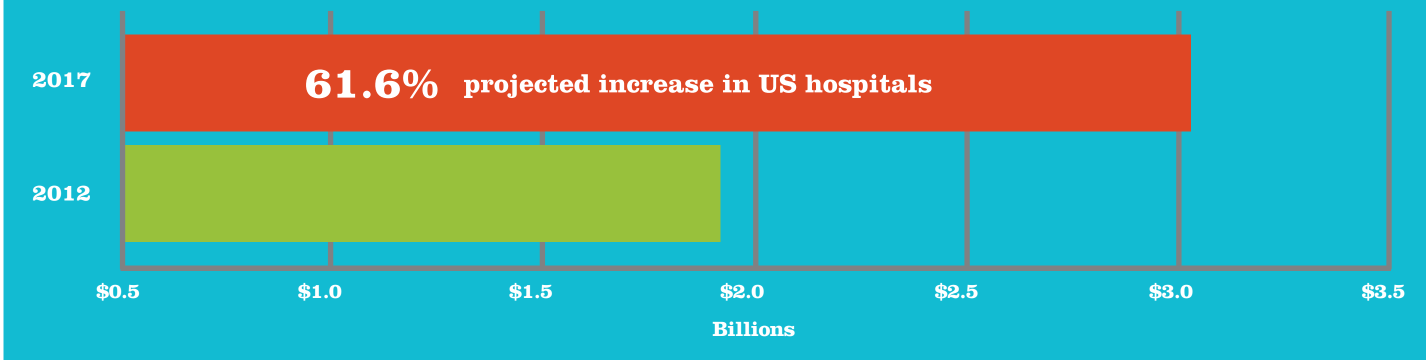
It may also be necessary to bring in an experienced partner. Even if you fully understand the issues affecting your revenue cycle, you may find that you don't have the staff or expertise in certain key areas.

Evaluate current technology and improve where necessary

With the increasing reimbursement pressures you're going to face and the potential lost revenue, data will, if it hasn't already, become your new best friend. If your current technology doesn't readily give you the data you need regarding bundled payments, ACO reimbursements and other financial challenges, then it's time to redesign your systems.

The importance of this is not lost on the industry, as revealed in *U.S. Hospital Revenue Cycle Management: Overview and Outlook, 2012-2017*. This study projects that the market for RCM applications and services in US hospitals will increase 61.6% during that time frame, from $1.9 billion to $3.07 billion.

Projected Market Increase for RCM Applications and Services in US



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Whether you find that your current technology needs some revising or you realize you need to implement a new, next-generation RCM system, your goal should be one, integrated system that works seamlessly and immediately to accommodate this changing landscape. There are several revenue-cycle-protecting considerations, however, should you find yourself in need of a complete system overhaul.

Since even the simplest conversion can create huge financial burdens if not executed correctly, it's important to begin the process with a strong project team in place, one that includes stakeholders from every key department, most importantly finance.

Make sure you protect your cash by preparing your A/R for the conversion with a sound acceleration/liquidation strategy. Too many organizations focus only on the design and setup and ignore cash protection, a potentially hazardous mistake. After you go live, have a plan to manage and liquidate the legacy A/R with the goal of maximizing your cash and getting the system cleaned up and closed down.

Finally, be sure to budget appropriately. Far too many organizations spend a lot of money on the contractual components of a system conversion, only to find themselves with a lack of resources to pay for the transition itself.

Prepare your revenue cycle for increased denials

Denials are coming, and they're going to cost you money. This is true even when issues are quickly resolved. Your cash flow is impeded and your human resources become less efficient as staff deals with resolution and resubmission. So, knowing and accepting this truth will help you take the necessary steps to soften the blow.

Once you have, its imperative that you focus on increasing your cash reserves to the greatest extent possible—as soon as you can. By accelerating and/or liquidating as much of your outstanding receivables as possible right away, you'll improve your organization's financial health and be in better shape to ride out the slowdowns we've been talking about.

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Healthcare reform is having a huge impact on deductibles, copays and increased patient responsibility. You must have a plan to address this rising challenge. Improving your patient collections efforts is a key part of accomplishing this. A significant portion of any healthcare provider's revenue now comes directly from patients, so it's vital that you examine your current self pay processes and make improvements where necessary.

Educate your staff

We can't overstate it. Having the appropriately trained staff in place and ready to deal with issues associated with change management, physician resistance, patient collections and other aspects of healthcare reform—and how they affect your revenue cycle—must be an integral part of your RCM strategy.

Make sure your employees are up-to-date on all regulatory/compliance issues, potential billing problems and technology challenges associated with reimbursement, patient collection processes and more. While it may be a cliché, solid processes and procedures live or die by the people behind them.

Educate your patients

Communicate immediately and continuously with your patients about anticipated expenses and responsibility issues. Patients who are educated about their billing and who understand their charges are far more likely to pay their bills in a timely fashion.

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It's also a good idea to give patients payment options and to make them aware of their choices regarding modes of payment. Catering to your patients' payment preferences will almost surely result in faster payments and reduced employee costs.

Ask for help if necessary

More and more, healthcare providers of all sizes are realizing that they don't have the internal resources necessary to accomplish their goals and that sometimes outsourcing is the answer. The key is to find a reputable, qualified revenue cycle management company with a proven track record for success and evidence of integrity. Having the right partner on board from the beginning will often save you considerable time and money in the long run.

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As healthcare expands and becomes more consumer-oriented, bringing with it increased complexity and unpredictability pertaining to reimbursement, healthcare executives will have to now aggressively manage and change the way they approach their revenue cycle. Those who don't reform the management of their revenue cycle may not survive the reform in healthcare.

Chris Klitgaard is CEO of MediRevv, a Coralville, Iowa-based healthcare revenue cycle management company specializing in helping hospitals, health systems, academic medical centers and physician groups improve their cash flow and grow their revenue.