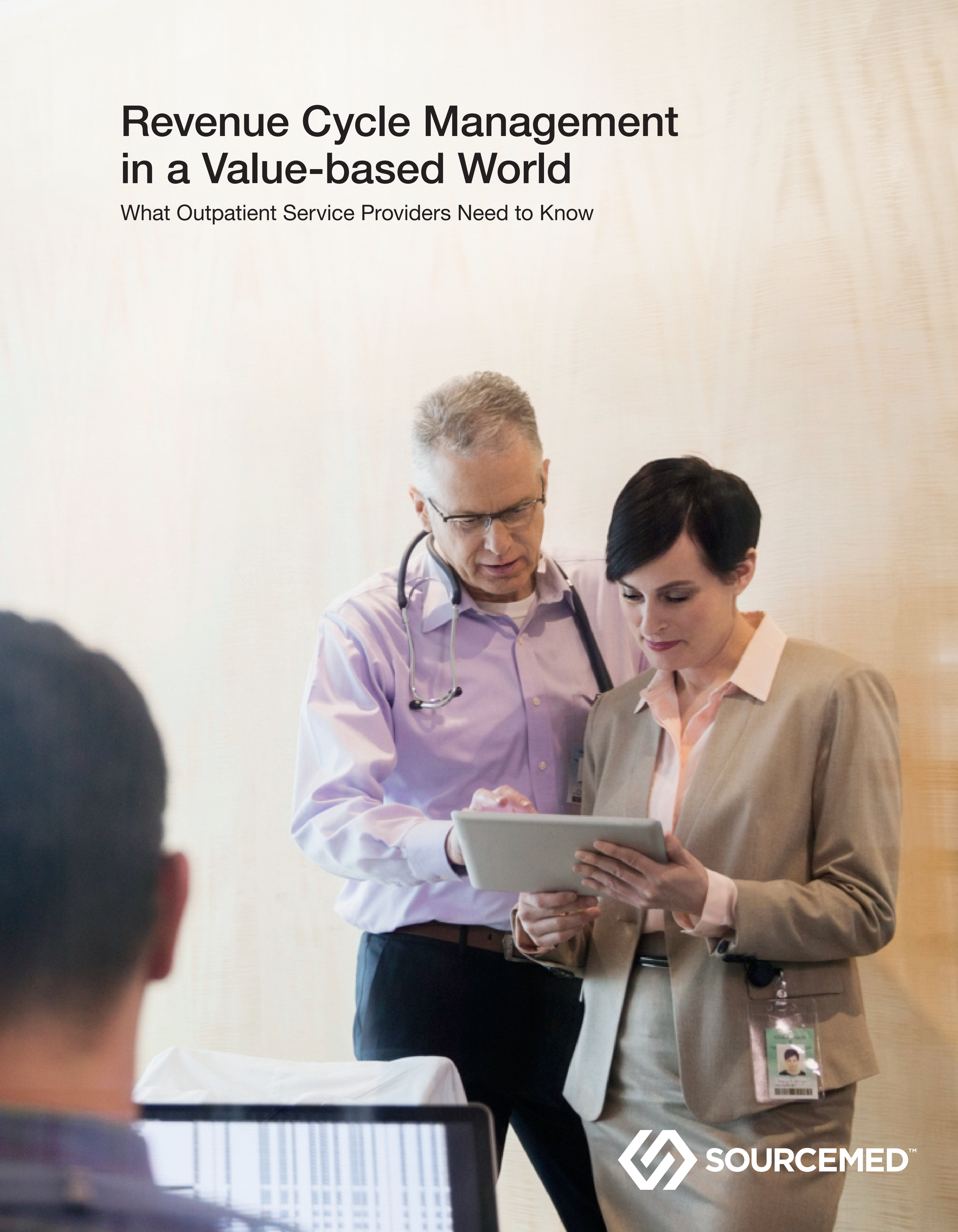
Revenue Cycle Management in a Value-based World

What Outpatient Service Providers Need to Know



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For more than 40 years, healthcare costs in the United States have outpaced other nations. It would stand to reason that outcomes would be better too. But research reveals that isn't the case. A **2015 report by the Commonwealth Fund** finds that in 2013 the U.S. spent far more on healthcare than a dozen of its high-income peers yet had poorer health outcomes, including shorter life expectancy and a greater prevalence of chronic conditions.

The Affordable Care Act aims to reverse this trend, improving care quality and outcomes while reducing costs. In essence, it seeks to provide an affordable approach to improving the health of the overall population by changing the reward system for healthcare providers. Instead of the current fee-for-service model which ties payments to volume – the more patient visits and services, the more profit – it shifts the focus to value. Under this new approach rewards are based on the triad of the healthcare act: cost, service quality and outcomes.

The shift from volume to value-based models requires that we reevaluate how to manage revenue cycles, and that we do so relatively quickly. In fact, the **U.S. Department of Health and Human Services (HHS) has set a goal** to have 30 percent of Medicare payments in new alternative payment models by the end of 2016 and 50 percent by the end of 2018. More broadly, HHS seeks to link fee-for-service payments directly to outcomes in 85 percent of Medicare payments by 2016 and 90 percent by 2018.

While the focus has been on Medicaid, private payers are following suit, working with HHS on value-based financial arrangements. Acute care facilities are at the forefront of the transition, but outpatient service providers like ambulatory surgery centers (ASCs) and therapy clinics must also prepare to engage in this new environment.

To understand the impact on revenue cycle management (RCM) you need to first understand the different models and reimbursement structures.

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A Closer Look at Value-based Models

Payment for service is changing and knowing how it impacts revenue cycle management is vital to the continued success of outpatient facilities. Historically the prevailing payment model has been fee-for-service. More recently, some patients are opting to pay cash for certain services due to the trend of high deductibles in individual healthcare plans. Operating in this environment is fairly straightforward and predictable; providers render a service and receive payment. But that begins to change with the range of new value-based models that span the risk continuum [Figure 1]: **pay-for-performance**, **Patient-Centered Medical Home**, **Bundled payments**, and **Accountable Care Organizations**.

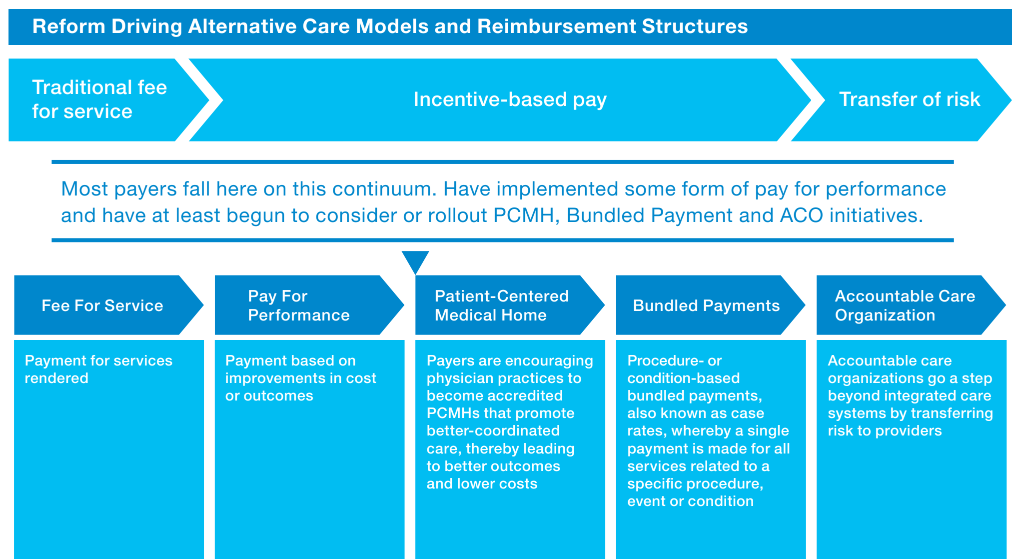

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Figure 1. From volume to value-based healthcare models

Each of these models has its own nuances in how outcomes are measured, payments and bonuses are calculated, and penalties are assessed. Based on your payer profiles, your organization's core strengths and what serves your patient population best, you will likely operate in a mixed environment with some combination of fee-for-service alongside incentive-based pay and risk transfer models.

The transition to these models is already underway and outpatient service providers are beginning to participate. One example is Medicare's **Comprehensive Care for Joint Replacement model** which was introduced on April 1, 2016. Currently being tested for episodes of care related to total knee and total hip replacements, the program is administered by hospitals and includes physical therapist practices. The payment per 90-day episode is capped at approximately $25,000 with 39 percent tied to post-discharge care. Participants are penalized for poor cost performance. ASCs with expertise in same-day total joints will also likely participate as a cost-effective partner in the value chain.

"This Medicare model, and value-based care models in general, are currently designed on the rails of fee-for-service," says Shreyas Shah, SVP of Strategic Marketing at Change Healthcare, a technology solutions and services provider to participants across the healthcare ecosystem. "There is an opportunity to pivot the intelligence and insight that exists in traditional fee-for-service towards value-based models linking clinical outcomes to financial value." Outpatient providers need to understand how they can adapt what they are doing today to engage in collaborative service delivery models and maintain a healthy revenue cycle.

Visibility across the broader healthcare ecosystem will help you understand what is happening to a patient after they leave your office and before they come back, but it must be integrated into the existing care team workflow.

– Shreyas Shah, SVP of Strategic Marketing, Change Healthcare

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The Impact on RCM for Outpatient Facilities

"True wisdom is knowing what you don't know." – Confucius

Although many organizations have revenue cycle management systems in place today, most have not evolved their systems to be able to tightly measure and manage cost, care and outcomes across the entire episode of care. To do so requires understanding the characteristics of a value-based approach that can impact RCM. Here are a few key areas to consider.

Cash Flow – Value-based models offer less visibility into exactly how much you are going to get paid and when. Reimbursement depends on the length of the episode of care and the results. For example, if you don't deliver what is expected as defined by the value-based bundle you may get less or even be assessed a penalty. On the other hand, if you exceed expectations you may receive a bonus. Jho Outlaw, SourceMed's SVP of Revenue Cycle Services, advises, "Not only will you need to start accounting for penalties and bonuses but, even more importantly, you will need to devise strategies to smooth out cash flow in order to continue to make payroll and pay other bills. Figuring out the smallest piece of that pie and managing to that marker, in combination with offering new services, will limit your exposure to risk."

Benchmarks – Key performance indicators (KPIs) tell you where you stand each month and where there may be breakdowns in the revenue cycle. In a fee-for-service model, cash collections as a percent of net revenue, days to bill,

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– Jho Outlaw, SVP of Revenue Cycle Services, SourceMed

and age of accounts receivable (AR) are all standard KPIs. Your organization has set goals that you track and work to improve. However, value-based models not only look at care in a continuum but also shift cash flow to a continuum. Instead of a standard 90-day claim cycle, payment can extend to six months and more based on the episode of care. Outlaw notes, "Accurately measuring the health of your revenue cycle will likely require that you adjust your benchmarks. Consider tracking separate KPIs, for example AR for value-based services and AR for fee-based services. In addition, the ability to benchmark against other offices, competitors and markets will help you know if you are getting fairly compensated, or if you need to improve your operations."

Cost Control – Activity-based costing is an increasingly important part of the revenue cycle management equation. Whether you're in a pay-for-performance, bundled payment, or other value-based model, you'll need to understand the costs related to each type of procedure, diagnosis and specialty. This will allow you to compare reimbursements and manage costs in a proactive way. It will also help you to demonstrate any cost savings you can offer over other providers and increase your chances of being recruited to networks.

Data – Measuring outcomes requires access to both clinical and claims data, plus the ability to correlate and analyze them. With this level of intelligence you can make a case for why costs may have exceeded expectations or justify unanticipated services that were performed. For example, during the course of treatment tests may reveal a systemic disease or a completely unrelated issue. Or, while tracking post-discharge activities, you may discover that a patient isn't recovering as quickly and requires additional care.

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– Walter Groszewski, VP of Professional Services, SourceMed

Population Health – "Understanding the population you serve, aligning your capabilities accordingly, and engaging the patient is critical to success in a model defined by cost, care, and outcome," says Walter Groszewski, VP of Professional Services, SourceMed. "As in other disciplines, the 80/20 rule applies: 20 percent of patients drive 80 percent of the costs." Designing processes and programs to address this segment of the population will allow you to anticipate their needs and proactively intervene with care before their health deteriorates and treatment costs escalate.

Outcomes – Standards are evolving for how outcomes are measured. Historically outcomes have been based on financial measures – the cost to treat a patient. But there are other dimensions to value – patient experience, quality of life post-treatment, complications that may arise and recurrence. Being able to measure and correlate all of these factors requires overlaying the patient perspective and post-treatment data with cost data.

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How to prepare your RCM approach for value-based payment models

"It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change." – Charles Darwin

With insights into how value-based models can affect your practice, the next step is to understand how to start preparing your business for this transition.

Go Digital

Delve into analytics – "Operational intelligence is critical to excel in value-based healthcare," states Groszewski. "It requires access to the right information at right time with the right resources so you can go beyond historical reporting to conduct real-time analytics and predictive analytics." With real-time analytics you can gain operational efficiencies, benchmark performance and dynamically scale up or down. The ability to continuously learn, improve and adapt allows you to be a responsive and reliable network partner.

Analytics applied to revenue cycle data allows you to track costs, stay on top of cash flow and identify trends that may emerge. With the ability to identify variances and root causes, you can put plans in place to course correct. When applied to patient data, analytics can allow you to segment the market. Tracking the patient across the value-based care episode to understand whether or not the patient is engaged and complying with treatment recommendations allows you to intervene or incent certain behavior.

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"With predictive analytics you can take a longer-term view of RCM, performance and the services you provide with respect to other offices, providers and your patient population and adjust accordingly. The providers that can turn insights into cost-effective, quality care with better outcomes are the ones who will succeed," Groszewski explains.

Integrate to streamline operations – Better collaboration and communication across your organization, the network of providers in your ecosystem, and with patients requires strong systems integration and HIPAA-compliant communication. Too many logins or a slow response time will keep clinicians and administrators from using these systems. Look for an RCM system that is standards-based and open to ensure you get the interoperability you need to safely share data and gain operational efficiencies across the care episode.

Change Healthcare's Shah notes, "Visibility across the broader healthcare ecosystem will help you understand what is happening to a patient after they leave your office and before they come back, but it must be integrated into the existing care team workflow so clinicians can be alerted to important information and take action."

Get Personal

Know your strengths – It's not about being the best at everything, it's about positioning your facility for success and ensuring your clinicians are operating at the top of their license. For example, an ASC that performs ten arthroscopic knee surgeries a day is more likely to be recruited to a network to perform that service over a center that only performs one per month. Not only do they have the expertise, but also economies of scale. Focus on a specialized set of procedures that you perform frequently, reliably and cost-effectively. That repetition also signals expertise, quality and better outcomes to potential partners and patients.

Build relationships – Reach out to delivery members and patients, to help them understand what you do, the segment of the population that you serve best, and how you provide quality care. Forge relationships with other providers who are experts in complementary procedures to build a network known for its value. Position your facility as a leader in the community. Consider hosting or participating in events at community centers, senior centers, schools or libraries where you can showcase your services and expertise. It's not just good marketing for your business, but also good for promoting best-in-class care to your community constituents and earning referrals.

Get Creative

Explore other service delivery models – To offset the impact of value-based models on cash flow, explore other service delivery mechanisms. Outlaw explains, “Telemedicine and virtual office visits not only build up your cash-based retail business but also enhance outcomes by allowing you to engage with the patient in a more cost-effective, quick and simple way.” Complementing these options with a free health monitoring app or instructional online videos that involve patients in their own care can help improve outcomes and strengthen your pipeline of referrals. Depending on your market and the services you provide, publishing prices and offering direct access options may also increase business.

Consider outsourcing – The value-based transition isn't going to happen overnight. Bumps along the road and ongoing regulatory changes will continue to impact how you do business and collect and account for revenue. Consider working with a partner that specializes in staying abreast of industry trends and evolving government mandates, monitors other healthcare segments and can translate

these observations into strategies and plans. External RCM expertise can help you optimize your revenue cycle and remain competitive as payment models change. With a trusted partner consistently focused on RCM, you can focus on the services, care and outcomes you deliver to patients.

Conclusion

"I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do." – Leonardo da Vinci

These shifts in healthcare have been underway for quite some time and outpatient providers are beginning to feel the effects. The sooner you start to evolve your revenue cycle processes, the more likely you'll be able to maintain the same level of success you've achieved under the fee-per-service model. It begins by understanding what you bring to the network and the patient. You can use that knowledge along with your unique mix of resources, people, and technology to figure out new approaches that will work for your facility.

Challenge yourself to hone in on the best ways to control costs, collaborate with partner networks, and proactively engage patients in order to flourish as healthcare continues to change. Outpatient service providers that are armed to understand and manage costs while delivering quality service and better outcomes, will be the best positioned to thrive in the value-based world.

SourceMed solutions capture, exchange and analyze data that enable outpatient facilities to optimize revenue, enhance operational efficiency and increase compliance. Our integrated software, analytics, revenue cycle management and professional services are used by more than 35,000 business and healthcare professionals in more than 6,500 ambulatory surgery centers (ASCs), specialty hospitals and rehabilitation therapy clinics nationwide.

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