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White Paper

Reducing Costs in Hospital Revenue Cycle Management in 2017: Is Outsourcing the Answer?

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A hospital's fiduciary constraints determine whether it can replace aging equipment, hire clinical staff and support initiatives that enhance patient outcomes.

Yet few healthcare facilities have the financial wherewithal to implement meaningful changes within their operations at a sustainable level. The American College of Healthcare Executives asked hospital CEOs what their top concerns were in 2015, and the majority ranked "financial challenges" as the No.1 issue on their minds. Reports from across the U.S. suggest financial difficulty is a common theme among providers:

- The Pennsylvania Health Care Cost Containment Council found 56 percent of PA hospitals lost money between fiscal years 2014 and 2015.
- According to iVantage Health Analytics, 673 rural hospitals were at risk of closing in 2016.

Allocating Resources

The margins under which hospitals operate force administrators to ensure they are deriving as much value from existing resources as possible. Revenue cycle management (RCM) may consume more resources than hospitals can afford.

Managing motor vehicle accident (MVA) and workers' compensation (WC) reimbursement requires even more resources. Hospital administrative staffs often lack the knowledge, experience and technology necessary to bill insurers across state lines while ensuring adherence to regulatory pressures.

A hospital's primary objective is to improve patient care, as serving patients is the fundamental purpose of its business. With the same reasoning, a healthcare RCM partner specializing in MVA and WC billing has the incentive to dedicate all of its resources toward expediting reimbursement and reducing the cost of doing so. This white paper will detail the demands that MVA and WC billing places on hospitals and how outsourcing to businesses with expertise in this niche area enables care providers to direct resources to their most valued uses.

An Analysis of Healthcare RCM Costs

Administrative overhead is a persistent burden within the U.S. healthcare industry. According to a study from the Commonwealth Fund, administrative duties accounted for 25 percent of total hospital expenses in 2011.

"Acquiring reimbursement from motor vehicle accident (MVA) and workers' compensation (WC) insurance makes up a considerable portion of providers' revenue cycle management (RCM) costs."

Further analysis would reveal that acquiring reimbursement from motor vehicle accident (MVA) and workers' compensation (WC) insurance makes up a considerable portion of providers' revenue cycle management (RCM) costs. This is despite the fact that MVA and WC generate only about 3 percent of hospitals' total reimbursement, according to our research.

State-based regulations dictate how hospitals acquire reimbursement through motor vehicle accident and workers' compensation claims, compelling hospitals to allocate scarce human capital toward understanding multiple legal stipulations, each of which has its own repercussions. This obligation contradicts a critical objective of the hospital CFO, which is to ensure the organization has the financial wherewithal to acquire clinical staff and augment the facility's ability to provide care.

The Challenges of Managing MVA Reimbursement

MVA and WC reimbursement, which is typically referred to as third party liability (TPL), follows a similar revenue cycle as conventional reimbursement, but introduces various complexities across upstream, midstream and downstream processes. In many cases, a hospital's accounts receivable (A/R) system may possess the composition needed to efficiently process claims for Medicare or private insurers, but does not have the framework to handle MVA and WC claims.

Healthcare Financial Management Association outlined a few examples of how MVA disrupts conventional RCM:

- To verify a patients' eligibility, hospitals typically call MVA insurance providers. Given that 2.5 million people visited emergency departments as a result of automotive accidents in 2012 (according to the Centers for Disease Control and Prevention), such calls are not anomalies, but rather regular occurrences.
- Eligibility requirements vary among states. As per Virginia state law, for instance, a hospital which treats a person who was in a motor vehicle crash must bill the patient's commercial insurer as the primary coverage before the auto carrier. However, this isn't the case with other states, which mandate that hospitals must treat auto carriers as the primary insurers in such situations.
- Patients admitted for injuries sustained in motor vehicle accidents may be reluctant to disclose their insurance information for fear of sustaining premium hikes and other financial repercussions. In instances such as these, providers often require partners to describe the context of the situation to patients, as nurses, physicians and clinical staff must be focused on treatment.

The aforementioned situations do not delve into the process of calculating deductibles, co-payments and co-insurance requirements. Some patients may not be cognizant of the fact that their auto insurers will cover much of the costs associated with their injuries. In addition, if a physician discovers injuries which might not be associated with a patient's motor vehicle accident, it is possible the auto carrier may fight reimbursement, introducing a legal battle an A/R department may be ill-equipped to handle.

As a whole, hospitals suffer from three deficiencies when managing MVA reimbursement:

1. Established processes do not complement MVA billing.
2. Hospitals rarely have the technology needed to efficiently communicate with auto carriers.
3. Administrators cannot handle the legal burden of negotiation with MVA insurers.

Handling Workers' Compensation Reimbursement

Much like MVA, WC rates of payment vary from state to state, which makes it difficult for hospitals to receive timely reimbursement in many situations.

For example, suppose a company registered in Massachusetts wins the bid for a contract in Maine. One of its employees is hurt on the job and has to go to the hospital. How does the healthcare provider go about obtaining reimbursement for the treatment? According to the Maine Workers' Compensation Board, an employer/insurer is not legally responsible for the charges associated with an injured employee's treatment if the amounts exceed specifications under the Healthcare Common Procedure Coding System (HCPCS).

Understanding the HCPCS and identifying the appropriate threshold is difficult enough, but this does not address the issue of whether the hospital should abide by Massachusetts or Maine regulations. For instance, Massachusetts specifies that payment to an out of state acute-care hospital must be based on account factors.

These requirements, as well as thehundreds of others within Massachusetts and Maine law, would place a considerable burden on staff that may not have the time to research these guidelines and requirements. They neither possess the knowledge required to obtain reimbursement in accordance with these laws nor have access to databases of such information that could streamline decision making.

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End-to-End Hospital RCM

When considering outsourcing to an RCM partner, hospital CFOs must select partners that not only possess the expertise required to manage MVA and WC reimbursement, but also manage the upstream, midstream and downstream requirements. After speaking with 1,355 independent practice representatives and 406 hospital-based physician group staffers, Black Book found 96 percent of healthcare professionals dealt with inefficient billing processes. Survey participants cited reimbursement as a persistent problem in their organizations - all of them had both dropped collections while simultaneously dedicating more time to collecting payment.

There's a strong financial case foroutsourcing MVA and WC to a dedicated solutions provider. HFMA noted a level-one trauma center with more than 500 staff members increased collections for MVA by $7 million annually after partnering with an RCM vendor. The trauma center also reduced its billing cycle time on MVA claims by more than 21 days, thus enabling staff to dedicate time toward more valued uses.

A separate study, also from Black Book, revealed that nearly 88 percent of organizations with 100 practitioners or more either outsourced all of their business services or a part of their office administration needs in Q3 2016. Of 1,309 hospital CFOs, 39.8 percent had outsourced complex claims processes in the third quarter of 2016. Most CFOs (77 percent) told Black Book that this enabled their in-house staff to optimize traditional claims and increase productivity.

Outsourcing also reduces the difficulty of onboarding new revenue cycle personnel. Every time a learned professional leaves the patient finance department, the hospital in question loses the individual's experience. Astoundingly, 97 percent of independent group and solo practices told Black Book that they experience high administrative turnover. However, for those who outsourced such responsibilities, 81 percent said they did not have to worry about business-side staffing challenges.

Identifying an optimal MVA and WC outsourcing vendor can be difficult, however. When assessing RCM partners, hospital CFOs must look for the following capabilities:

1. Process-Oriented Technology

Billing systems can either be an asset or hindrance in RCM. The outsourced entity must possess a solution that supports MVA and WC billing specifically, covering downstream, midstream and upstream processes. HIPAA-compliant security is a must, but other key features could include:

- A sensitive health information management data detection system.
- Data-driven claims processing.
- State fee schedule accuracy.
- Easy implementation (short roll-outs reduce the overhead of partnering with an RCM specialist).

2. Regulatory Expertise

As stated above, hospitals must query prospective partners' command of the subject matter. If an auto carrier challenges a hospital's claim and defers collection, what can the partner provide in the way of legal services? Are legal experts "built in" to the billing process?

Also, hospitals should assess partners' ability to manage complex claims. Is there a single point of contact, such as a revenue cycle service specialist, through which in-house staff may communicate?

Ultimately, the goal of any hospital is todirect resources to revenue-producing initiatives while delivering the best patient care possible. By outsourcing business-side tasks to companies specializing in complex RCM requirements, providers may be able to focus on keeping their patients healthy and satisfied.

PROMEDICAL is a national healthcare revenue cycle management company. Since 1995, we have provided the healthcare community with a client- focused, technology driven, revenue cycle partner. Our third party liability solutions include workers' compensation and motor vehicle accident billing. A partnership with PROMEDICAL ensures proper reimbursement, timely resolutions and increased cash.

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