time for a change in your revenue cycle technology?

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REVENUE CYCLE

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The late 1960s and early 1970s saw the advent of the first healthcare financial IT systems. These systems typically were big, centralized, mainframe-based data processing tools primarily used to manage order entry and charge capture—just what healthcare organizations needed for pass-through reimbursement.

That was then.

Fast forward through diagnosis-related groups and managed care to today’s environment of rising consumerism with increasing healthcare costs, concomitant accountability, and resultant cutbacks. “Now” is a very different scene. Yet many organizations have financial IT systems that are much the same as they were 20 years ago. This aging technology can make meeting the demands of today’s interconnected market complicated and expensive.

Change also may be in order for healthcare organizations with financial systems that, while newer, are homegrown or composed of multiple smaller—and often siloed—solutions requiring multiple interfaces. A once-strong core financial IT system now could be cluttered and customized with bolt-on technology for workflow management, reporting, bill editing, and case management. Somewhat surprisingly, the cost of managing these multiple systems with their associated support, interface, and maintenance costs may be higher than the expense of implementing a modern, fully integrated system. Today’s healthcare environment demands seamless integration among physicians, patients, and payers for a reasonable cost.

The tough question is: How do you know when it’s time to change your financial system?

Assess the Situation
Many organizations delay transition to a modern revenue cycle solution because they feel current operations are acceptable. Although few would argue the

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If revenue cycle performance comes at a relatively high system cost with questionable effectiveness, the system probably is not serving the long-term needs of the organization and is, most likely, a good candidate for change.

To understand your true position, you can evaluate performance using many of the same benchmarks and baseline metrics that measure general revenue cycle performance—gross charges, outstanding accounts receivable (A/R), and cash collections. For a higher-level performance analysis, expand the performance metric analysis to include discharged-not-final-billed (DNFB) A/R days, denial percentages and overturn rates, bad-debt write-off, cash percentages of net revenue, and A/R percentages aged greater than 90 days from service.

If you are struggling to meet organizational and industry-standard goals in these areas with the system you have, it may be time to consider a change.

Determine the Benefits
As you begin to evaluate the possibility of technology change, it is important to delineate the potential benefits. It also is important to understand your organization’s future needs. After all, a financial system’s reason for being is to help provide financial stability.

The need is growing for revenue cycle solutions to fully integrate with clinical information systems. These next-generation systems can create seamless,
proactive workflows that take financial interests into account during clinical decision points and that break the barriers of what was once considered the front end of the revenue cycle. The right system will facilitate performance improvement outcomes that span clinical and financial venues through the unified access to both types of data.

A widely accepted goal for next-generation revenue cycle solutions also is to limit or eliminate the need for bolt-on technology. These systems also will need to enable organizations to communicate seamlessly with payers. Internet-based solutions can extend communication beyond the enterprise to physicians and patients, creating an automated environment for improving customer service, optimizing patient flow, increasing revenue capture, and enhancing overall productivity—all while improving the organization's financial stability. They will also work with predictive analytics tools to offer new levels of clarity into clinical and financial processes and help create an environment of positive forward momentum.

Align billing with care delivery to optimize resources and enhance billing accuracy and efficiency. The alignment of clinical and revenue cycle information and processes is ever-important as healthcare organizations strive to address issues such as nonpayment from the Centers for Medicare & Medicaid Services (CMS) for never events as part of CMS’s ongoing quest to maximize care quality.

Integration with clinical solutions can allow patient data to be collected in the electronic medical record at the time the patient enters the healthcare system. Healthcare organizations can uncover scheduling conflicts to take corrective action during booking, which saves time and allocates resources most effectively. Local medical review policies and medical necessity can be checked at the time of an order or prior to service to reduce uncompensated care delivery.

Following discharge, information gathered at the beginning and throughout the care process streamlines bill collections, facilitating clean claims. The clinical system’s workflow engine schedules care in compliance with all regulatory and payer requirements, reducing a A/R cycles, denials, and underpayments—and helping the business office collect more cash with less effort.

Provide performance insight. A comprehensive suite of web-based applications that automate flexible budgeting, productivity, cost accounting, financial modeling, contract management, product-line analysis, enterprisewide reporting, and executive dashboard presentation can help finance managers analyze and improve performance. Integrated with clinical data, these tools can offer insight to the care process to drive improvement in increasingly innovative ways.

Reduce technology costs. A key benefit of newer systems is the ability to operate on smaller, less-expensive
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hardware than legacy systems. Additionally, with the rise of Internet-based technology and options such as affordable remote hosting, installing newer systems can help to reduce IT support, staff requirements, and the number of interfaces required to complete the revenue cycle process.

*Improve performance and productivity by taking advantage of new capabilities. From more efficient, front-end administrative processes and enhanced contract controls, to more cost-effective denials management and tighter integration with clinical information solutions, today’s revenue cycle IT systems have moved far beyond their order entry progenitors.*

When the time comes to propose a case or action, the most valuable thing to have is a full understanding of the impact of implementing such revenue cycle technology. Further, the biggest opportunity for success rests on knowing the ins and outs of the system, the project, and the processes while establishing a solid working relationship centered on open communication with the CIO.

**Conduct ROI Assessment**

How much of a difference can a new revenue cycle technology system make? For many healthcare organizations, the improvement in financial outcomes is significant. Consider these real-world examples.

*Increased profitability. To improve financial performance and streamline business operations, one organization automated its financial operations and, over a five-year period, improved profitability by $113.2 million, improved hospital operations by $58 million, increased days cash on hand by 50 percent, and reduced gross DNFB by 60 percent.*

*Reduced A/R days. Unable to meet billing and collection challenges or satisfy complex managed care and compliance requirements, one organization replaced its homegrown patient accounting system. The new system reduced annual net A/R days 28 percent, provided cash collections of 98 percent on net revenue, improved registration quality to 99 percent through bill edits, increased point-of-service collections 54 percent, to $1.2 million, and raised clean claim throughput to 99 percent.*

*Improved cash collection. Another legacy accounting system could not meet the challenges posed by complex managed care and compliance requirements, resulting in problems generating clean claims while causing long A/R cycles and decreased cash flow. Implementing a new system reduced A/R cycles almost 50 percent and improved cash collection, with operating costs well below the national average.*

Bottom line: Automation can help to reduce costs. Automation with up-to-date technology can help to reduce costs even more. When considering the value of this change to your organization, an ROI assessment can help clarify the performance improvements a system can potentially offer and help you find the answer.

In a system change, ROI is the difference between the cost of the new solution and the value of the benefits it provides. An ideal ROI assessment takes into account several factors, including:
> How well the new system can help the organization improve performance against the same benchmarks used to justify its installation
> Whether the new system results in a lower cost to collect
> The cost of the system in comparison to competitive systems
> Whether select system tweaks could provide the same or sufficient improvements as a system change

This last consideration—system fixes or swaps—highlights another important issue: the implications of change.

Consider Alternatives
Although implementing an efficient, effective system is the prudent thing to do, it does represent a significant investment and an inevitable disruption of workflow across the enterprise. Consider, however, the alternative: keeping or patching the old system.

Aging and outdated systems not only limit an organization in terms of features, they also pose significant challenges from a functional standpoint. Today's healthcare environment demands clinical and financial system connectivity as everyone—payers, patients, and regulatory agencies—increases demands for accountability and transparency. From pay for performance to hospital scorecards, the quality of care your organization provides will be inextricably linked to its financial viability, and so, too, must be your IT systems.

Given the speed at which technology advances, it’s important to weigh the cost of maintaining and providing ongoing support for older systems against the need to provide solutions that can operate effectively and efficiently in the rapidly changing technological environment. Make sure the new system fits current processes while addressing future needs.

Put Time into Project Planning
If it's time for a system change, it's probably past time for it. The key to maximizing the benefits while mitigating the risks? Up-front planning and thoughtful project management.

In a system change, core project management processes apply: Project status communication, issue/risk identification and resolution, and project quality management. However, successful project management takes into account not only the tangibles—business objectives, project scope, communication processes and requisite resources—but also intangibles such as organizational culture. Usually, transformational/process change management should also be seriously considered in conjunction with a system implementation to ensure that the organization realistically understands the requirements for shifting processes and retraining staff. As with any undertaking, anticipating complications and devising ways to divert them is the most effective way to ensure success.

Knowing when, how, and why to make a system change is crucial for all parties. A solid, insightful assessment and an understanding of the benefits that today's revenue cycle solutions can offer can help you make the right decision.

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