

## Revenue Cycle Management

*Aligning RCM with the Shifts Driving Change in Provider Organizations*

A Frost & Sullivan White Paper

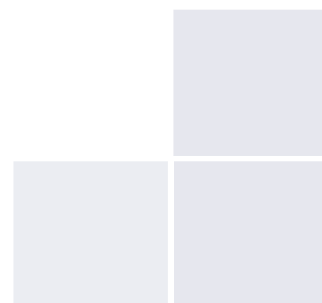
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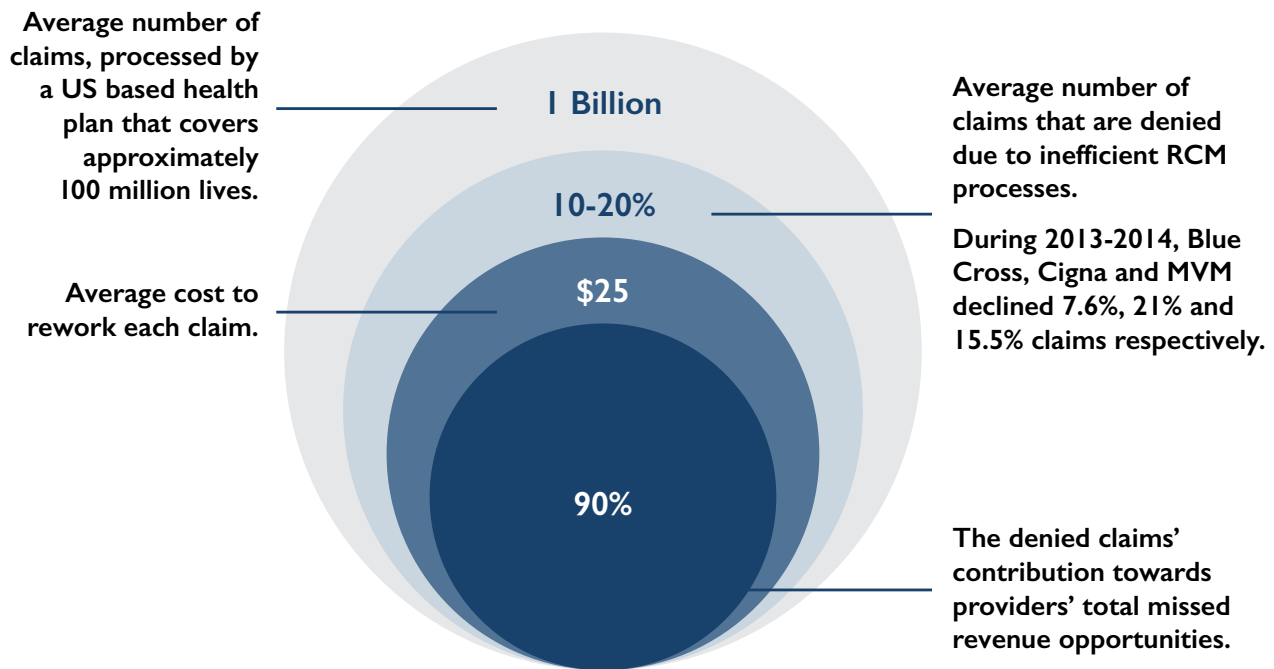
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## INTRODUCTION

The shift in population demographics coupled with the rise of risk or value-based reimbursement models is driving the need for better prediction and management of revenue cycles, especially for high and at-risk patient populations. The prevalence of legacy RCM IT systems, which do not optimally support the goal of building a broader but coordinated and enterprise-wide financial ecosystem, is restricting providers from achieving the desired results around healthcare cost and collection. Most US-based providers still grapple with low operating margins, resulting from poor accounts receivable (A/R) performance and high average denial volumes. Today, on average, providers spend \$25 to rework each claim that is denied. The average number of claims processed by a US-based health plan that covers approximately 100 million lives is a whopping 1 billion; 10 to 20% of total claims are denied payment or require reprocessing due to inefficient claims management. These denied claims make up 90% of providers' total missed revenue opportunities, or a total of \$19 billion.



Source: Frost & Sullivan

Many health systems attribute this inefficiency to their suboptimal knowledge and implementation of value-based RCM pathways that require important investments in RCM IT. The need for efficient claims processing, which results in optimized collection of risk-based revenue, supports adoption of value-based financial management solutions. Most group practices that embrace alternative payment models also acknowledge the need to deploy progressive access management, scheduling, billing and analytics technology modules, capable of digitizing the entire RCM ecosystem. This view results from the growing adoption of payer contracts with specific provisions for efficient claims management, in addition to the need for integrating new capabilities that will meet the increasing financial responsibility of patients

with coinsurance and large deductibles. Overall, the top unmet market needs driving adoption of next-generation RCM solutions among health systems in the US include:

- Comprehensive regulatory compliance and financial risk mitigation;
- Ability to collaborate with payers to customize revenue cycle workflows;
- Elimination of preventable operational expenses, attributed to claims processing;
- Need to accurately connect patient records and billing across various provider entities;
- Automated identification of hidden patterns and root causes of claims denial;
- Optimized collection of payments, rebates and incentives for patient services; and
- Real-time reporting of financial and operational performance at an enterprise level.

As a result, new growth opportunities involving external RCM solutions have gained precedence among many hospitals and physician practices. Most of them are willing to invest in advanced RCM capabilities that can streamline financial performance cost effectively by paving the way for seamless payer-provider communications pertaining to financial risk management. These end users are likely to prioritize procurement of RCM solutions from external IT vendors based on implementation evidence and cost/benefit benchmarks. Hence, going forward, they are expected to rely on RCM vendors that provide proven expertise in optimizing financial performance through comprehensive patient access, error-free claims preparation, automated billing workflows and robust RCM analytics. Vendors with solutions that can complement providers' incumbent value-based payment arrangements and RCM IT ecosystems are expected to thrive in this market.

### **ERA OF INTUITIVE BILLING FUELED BY CHANGES IN FINANCIAL TRANSACTION METHODOLOGIES**

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#### **Interoperable financial tools improve patient payment experience at point of service and reduce revenue leakages across the care continuum**

Historically, most US-based providers collected 90% of the medical reimbursement requested from payers. Complicating provider accounts receivables is the increased adoption of co-payment or high-deductible health plans, which is compelling more patients to pay up to 33% of their medical bills out of pocket. Additionally, a significant number of patients from the uninsured population (28.2 million people younger than 65) are also receiving treatment from different health enterprises every year. They are opting for self-payment options, enrolling in free-care programs and crowd-sourcing funds. As more patients strive to cover their medical bills, hospitals and group practices remain vulnerable to lower collection of patient payments post care. Hospitals often fail to collect up to 65% of patient revenue due to ineffective management of their revenue cycles across the care continuum.

Hence, it is imperative that hospitals and group practices provide accurate financial information to patients at point of care and ensure optimal collection of patient revenue. Patient access is the common RCM terminology that facilitates this approach.

This segment of RCM plays a key role in helping patients opt for personalized payment options. Clinicians, care managers, and physicians from most advanced health enterprises strive to help patients make an informed financial decision based on automated assessment of the following factors across the care continuum:

- Social identity
- Medical history
- Financial coverage
- Insurance eligibility
- Potential cost of patient services
- Outstanding bad debt

Leading RCM IT vendors facilitate that approach comprehensively through implementation of an integrated, enterprise-level RCM platform, powered by a wide range of patient access solutions aimed at pursuing:

- Appointment management
- Financial coverage management
- Identity management
- Cost management

These vendors also ensure that every incoming patient is activated and stratified early, based on his unique financial orientation. When each patient is precisely identified and verified for various payment programs (self-pay, co-pay, Medicare FFS, Bundled Payment-Comprehensive Joint Replacement), providers expect to minimize denials and improve collection through higher pre-authorization and better follow-ups. Self-service tools that estimate potential cost of care also allow health systems to improve the patient payment experience and drive patient loyalty.

### **DATA AND ANALYTICS—CREATING PREDICTIVE, DATA-DRIVEN ORGANIZATIONS**

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Providers formulating or implementing value-based reimbursement roadmaps are in dire need of cross-functional RCM analytics capabilities that effectively stratify financial responsibility of each patient and prompt personalized intervention from providers and payers. Most of these best-performing health systems strive to optimize their revenue cycle by deploying integrated analytics solutions that analyze and visualize financial performance at an enterprise level by sourcing and normalizing patient information from disparate healthcare departments. Large providers, including integrated delivery networks (IDNs), are trying to deploy modular RCM analytics tools to facilitate bi-directional health information exchange and reporting within a disparate EHR ecosystem. Internal BI teams are also relying on these tools to generate actionable intelligence that supports provider leadership to pursue best corrective or preventive financial decisions. Although the vendor market is fragmented, only a few solutions can be seamlessly integrated into providers' underlying RCM IT workflows. The best tools can monitor billing discrepancy and A/R variation at a patient level. Other important product propositions of RCM analytics include:

- EHR-integrated dashboards with separate views for physicians and executives
- Web-based access to financial reports pursuing/benchmarking

- Revenue gap assessment
  - Financial risk stratification at a patient level
  - Net patient revenue attributed to alternate payment models
  - Activity-based and specialty-specific costing
  - Self-pay collection to third-party collection ratio
  - Cumulative patient cost (inclusive of direct and indirect cost) per episode of care
- Role-based data security infrastructure
  - Timely alerts and notification of financial policy changes
  - Customized user interface that supports white-labeling

Top provider customers of these vendors are well equipped to automate attribution of patient-specific financial workflows, which result in improved patient satisfaction at an enterprise level.

### **ALIGNING RCM WITH CARE DELIVERY TRANSFORMATION; ENSURING THE RIGHT TOOLS ARE IN PLACE — CLAIMS, COLLECTIONS, PATIENT ACCESS, ETC.**

Value-based reimbursement is projected to make up 25% of provider revenue by 2018 and 50% by 2020. As part of the ongoing market transition to value-based care, progressive health systems are enrolling more patients in various alternate payment programs. Although these financial arrangements could be detrimental to providers' profitability goals, a balanced approach powered by intuitive RCM tools that support sharing of personalized financial information can yield positive results for end users. This is due to the fact that patients often have inadequate knowledge about their financial responsibility and cause operational hindrance for providers. As a result, providers may fail to meet regulatory objectives tied to Physician Quality Reporting Systems (PQRS) reporting, Accountable Care Organization (ACO) quality performance measures or CMS Star Ratings.

Hence, it is important for vendors to render unique capabilities that allow providers to help patients with self-service portals, which can be accessed remotely via the internet and through various multimedia platforms, including mobile. These platforms can schedule appointments, stimulate enrollment in payment plans when appropriate, facilitate application for charity care, and crowd-source funds. Enabling these systems with real-time information from payers regarding eligibility and coverage limitations, along with co-pays, is needed to provide immediate price transparency to individual patients. Patients with a better knowledge of their financial liabilities provided through online tools before treatment are more likely to remain highly satisfied with their care and overall patient experience, improving provider loyalty. Providing this higher level of customer experience not only improves provider organization financial results, it also improves customer satisfaction and competitive positioning.

### **AUTOMATING PROCESSES TO IMPROVE OPERATIONAL AND FINANCIAL RESULTS**

The renewed effort to help patients recover faster, remain relatively healthier and avoid readmissions compelled providers to accelerate adoption of progressive RCM tools that can improve corporate profitability by ensuring operational efficiency and higher payer reimbursement. As clinical utilization is expected to decline at a patient level, more providers are turning to financial IT tools to optimize performance of their entire payment ecosystem. They strive to pave the way for automated patient access management, cost governance, claims preparation, denials

management and collection management, so every dollar that is rightly claimed is properly collected. Today, these providers leverage an integrated suite of solutions that allow end users (care managers and RCM staff) to prepare error-free claims, improve contract management and expedite collection.

### **REVENUE MAXIMIZATION: ASSESSMENT OF REVENUE CYCLE OPERATIONS TO HIGHLIGHT AREAS OF POTENTIAL COST SAVINGS AND PURSUE KEY PERFORMANCE BENCHMARKING**

The gap between total claims and net collection is widening for many providers due to factors such as uncollectable debt, untimely filing, inefficient collection of self- or co-payments, and various other non-contractual adjustments. Hence, deployment of agile RCM tools that automate the process of claims and collection management may not fully guarantee improved financial performance, which is really contingent on providers' ability to auto-identify gaps in revenue cycle across the continuum of care. Leading RCM IT vendors help providers manage and monitor every aspect of a financial transaction centrally at a department level. This also includes the ability to streamline the process of governing payment history and reimbursement cycle for every patient. Business staff highly appreciates the opportunity to automate some of the manual processes involved with collection, as that enables them to focus on other collection priorities, which include interfacing with payers, third-party collection agencies and clearinghouses. On a broad level, tremendous cost competitiveness that a digitally integrated financial workflow proposes at a RCM process level is appearing as a key market driver for progressive RCM applications.

CMS Final Rule for MACRA	RCM Processes	Cost per e-Transaction (USD)
2.64	Claims submission	0.68
8.39	Eligibility and benefit verification	0.49
11.18	Prior authorization (claims pre-adjudication)	1.93
9.79	Claim status inquiry	1.85
3.46	Claim payment	0.78
6.19	Claim remittance advice	1.00
6.99	Claim attachments	1.27

Source: CAQH Report 2016

### CALL TO ACTION

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- Strategic deployment of a range of RCM IT (on-premise and cloud based) and service solutions is mandatory to address critical industry pain points pertaining to value-based reimbursement. On-premise IT products can be embraced to support secured and integrated financial management at an enterprise level, whereas cloud-based solutions can be leveraged to gain cost competitiveness and avoid vendor lock-in.
- RCM IT products must be configured with progressive Application Programming Interfaces (APIs) that enable comprehensive integration with third-party solutions that facilitate cross-continuum data exchange among ecosystem-level healthcare entities, including payers, providers, pharma companies and patients.
- Prioritized allocation of RCM technology tools and service staff based on each patient's financial risk score, payer association and payment preference can help providers pre-adjudicate claims, avoid denials and expedite collection.
- Certified business operation staff needs to be hired strategically and they must receive online training on the latest regulatory/payer guidelines specific to clinical documentation, coding and claims auditing. They must have access to integrated RCM collateral at point of service for easy subject-matter reference.
- RCM advisory services should be embraced with precision. Leading health systems leverage these services to formulate new VBC plans, reduce total cost of ownership of RCM IT, facilitate International Classification of Diseases-10 transition, and pursue compliance due diligence.
- Advanced analytics should deliver actionable insights from RCM systems to enable providers to identify and rapidly address issues that will streamline collections from both payers and patients.
- Self-service and price transparency capabilities, as well as proactive identification of patients needing alternative payment options, will enhance the patient experience, customer satisfaction and retention.
- Enabling organizational comparisons against industry benchmarks will highlight areas of success and those needing more attention.



## NEXT STEPS



**Schedule a meeting with our global team** to experience our thought leadership and to integrate your ideas, opportunities and challenges into the discussion.



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