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Revenue Cycle Management

Summary: With the push to do more with less in healthcare, a majority of provider organisations are working with at least one firm to outsource some revenue cycle processes.

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A couple of years ago, I attended a revenue cycle leadership conference with about 300 attendees. Our hosts realised that we wouldn't be able to cover every topic on the docket, so they let the attendees decide which topic on the list they wanted to discuss first. The list had so many market buzzwords that I couldn't wait to hear which topic would be the favourite.

Imagine my surprise when bundled payments got only three votes! Activity-based costing and patient payments were brushed off as well. Then we got to authorisations and denials, and almost every hand in the room went up.

The CFO seated next to me noticed my bewilderment. "I want to discuss everything on the list," he said, "but we can't jump to Revenue Cycle 201 when Revenue Cycle 101 is still bogging us down."

This experience was a sobering reminder of the problems that revenue cycle leaders face on a day-to-day basis. Their side of the hospital is both blessed and cursed, with many key performance indicators (KPIs), and today's push toward value-based care pressuring health systems to do more with less.

In the past, a health system with revenue cycle problems could try hiring additional staff members. Today, the push toward efficiency has forced many health systems to limit their head counts. As if that weren't enough, ever-shifting government regulations and payer requirements are causing plenty of migraines as well.

But provider organisations don't give up easily. Many of them are turning to the option of outsourcing parts of their revenue cycle, such as ageing accounts, revenue integrity, underpayments, and/or eligibility enrolment. These provider organisations are hopeful that their revenue cycle will perk up if it's nourished with additional resources, attention, and technology.

The Growing Revenue Cycle Outsourcing Market

Some health systems are choosing the revenue cycle outsourcing (RCO) route by outsourcing their complete business office (and usually the patient access department and health information management department). Other providers prefer extended business office services (EBOS), which involve the outsourcing of one or more of the business office (third-party collections, early out self-pay, etc). Both options are growing in popularity. In fact, most health systems in the U.S. work with at least one EBOS firm.

The trend towards outsourcing seems unlikely to fade anytime soon. Fortune Business Insights recently published a report (2019) that lists a few reasons for this and also forecasts the growth of the complete RCM outsourcing market through the year 2026. One press release about the report states:

"The rise in patient population and increasing demand for medical aid are helping the global revenue cycle management outsourcing market in North America to emerge dominant. Other factors contributing to the growth of the market in this region [include the] reduction in unnecessary medical costs, limitations on traditional financial processes, and advancement in cloud-based solutions.

"Asia Pacific and Europe . . . are expected to exhibit [the] fastest growth rate on account of emerging healthcare infrastructure, better medical tools, advanced technological approaches and emerging research centres" (Fortune Business Insights 2019).

An outsider, upon hearing about these trends, might assume that the typical experience with revenue cycle outsourcing is overwhelmingly positive. The reality is not that simple.

Buyer's Remorse?

KLAS recently published our Outsourced Revenue Cycle Services 2019 report (klasresearch.com/report/outsourced-revenue-cycle-services-2019/1467), which includes perspectives from full-outsourcing and partial-outsourcing customers. On one hand, providers using RCO point solutions (including revenue integrity, underpayment solutions, eligibility services, and EBOS engagements) have very low levels of buyer's remorse. However, 33% of the surveyed customers outsourcing their entire revenue cycle said that they would not purchase their firm's RCO services again (Smart and Zeitner 2019). The customers' answers depended heavily on the firm in use; there are high performers and low performers in the market.

What causes these health systems to be disappointed in their RCO engagements? In speaking at length with the providers polled for the 2019 report, KLAS found that most grievances fell into two main categories:

- **Limited or delayed tangible outcomes.** Every day, a dysfunctional revenue cycle wastes money and decreases patient satisfaction, so health systems that don't quickly see results—or at least positive trends towards their goals—often cry foul. Some health systems feel that they could do better than their firms do. The situation is much like a painter paying another painter to paint his house; RCO firms are often held to a very high standard.
- **Poorly aligned goals.** Some health systems engage with a firm, but feel that the health system still isn't meeting their key goals, even when they see their firm pushing hard to hit the firm's established metrics. It's difficult to reach mutual satisfaction when each party defines success differently.

“WHETHER YOUR ORGANISATION IS ALREADY ON THE OUTSOURCING ROUTE, CONTEMPLATING IT, OR FEELING FORCED IN THAT DIRECTION, KNOW THAT YOU CAN HAVE A SUCCESSFUL ENGAGEMENT”

Creating a Positive Outsourcing Experience

While too many healthcare leaders are currently unsatisfied with the firms taking on work for the entire revenue cycle, the majority of customers that KLAS interviewed were pleased overall. Many health systems have gleaned financial and other gains through outsourcing at least certain processes from the revenue cycle.

Is your organisation currently outsourcing any of your revenue cycle? If not, it might be worth considering. Some people in the revenue cycle field assert that an organisation would probably benefit from outsourcing if its underperforming KPIs include bad debt, charity, cash-to-net revenue, credit balance A/R, billing turnaround, and the percentage of claims paid on the first pass (Lagasse 2018).

Granted, there are many factors to consider besides the question of whether your organisation could improve a few of your KPIs. Some heath systems are dealing with acquisitions or other complicated circumstances; they may feel they have to outsource in order to keep up with competitors or even stay in business at all.

Whether your organisation is already on the outsourcing route, contemplating it, or feeling forced in that direction, know that you can have a successful engagement. The following items are three things that a provider organisation should do in order to maximise their chances of being happy with their outsourcing firm and results:

Determine What You Will Be Investing

When a provider organisation chooses to outsource their entire revenue cycle, the decision is nearly always made by the CEO, CFO, and/or health system cabinet. On the other hand, many decisions about potential EBOS engagements are made by revenue cycle departments. Either way, those calling the shots need to understand what will be required of their organisation. Before beginning an engagement, they should know the answers to questions like these:

- What would we be expected to contribute during the implementation phase, and how long will the implementation take?
- What ongoing support would we need to give throughout the engagement?
- How much pushing and pulling of data would we have to do on our end?
- Is there technology behind the firm's solution that could further improve our efficiency?
- What can the firm promise in terms an ROI, and how do they generate those numbers?
- How well does the firm understand our needs?
- How much time, money, and manpower can we afford to invest in an engagement?

Not all engagements are created equal. Different firms have different abilities and require different things from their customers. Provider organisations should learn about firms' offerings and expectations upfront and compare those against the provider organisation's resources.

Find a Firm Who Could Be Your Strategic Partner

The growth of the revenue cycle outsourcing market has led to the emergence of a number of new firms, especially in the area of point solutions. Certain firms are beginning to offer more standalone services in addition to their full-outsourcing packages. Revenue cycle leaders looking to outsource have more choices than ever. However, not all of these options would benefit your healthcare organisation.

The service firm you choose should be capable of doing more than just the blocking and tackling of the revenue cycle. Could the firm in question be an integrated part of your team, lift other areas of your health system in addition to the revenue cycle, and push for improvements upstream?

Providers must also clarify that the firm's incentives and performance metrics are aligned with the provider organisation's goals. For example, a revenue cycle leader who wants the firm to work on all of the early out self-pay accounts should make sure the firm rewards its employees for taking on the toughest accounts, not just the big ones.

Cultivate a Solid Partnership With Your Firm

A firm's willingness to partner with customers is more important than pricing; partnership is the best predictor of success and, therefore, profitability. The ideal firm should have a reputation for proactive communication and problem resolution. They must be able to ease the provider leaders' concerns about any rebadging of the health system's employees.

Revenue cycle leaders also need to set expectations with their firm upfront to prevent misunderstandings. The health system and firm should create a schedule for regular review meetings and establish the layout and frequency of the firm's performance reports. These measures will establish the transparency both parties will need in order to successfully manage the health system's revenue cycle.

Promising Possibilities

In speaking with hundreds of revenue cycle leaders, one of the biggest industry problems I've noticed is that too many of these leaders haven't heard enough outsourcing stories with happy endings. I would like to share just a few positive comments from KLAS' recent report that show how pleased many providers are with their engagements:

"[Our EBOS firm] has driven higher collections and has helped us with early out self-pay services. They sold that debt in some cases, found insurance, did up-front collections, and helped us with scoring so that we could know which patients to go after. The vendor has helped us to identify charity more quickly, reduce our bad debt, and increase our cash collections."

"[Our RCO firm] is a fully functioning member of our management and leadership structure."

"[Our EBOS firm] is one of the few companies that I would believe if they told me that they wanted to work so hard for us that we wouldn't need them anymore. [This firm] actually tries to work that way."

"From a PR perspective on the self-pay side, [our EBOS engagement] is worth every dime."

Work in the revenue cycle will always be complex, and outsourcing will never be able to solve all of a provider organisation's revenue cycle problems. But with the right firm, engagement type, and collaboration techniques, provider organisations who outsource part or all of their revenue cycle can make great strides. ■

KEY POINTS

- The revenue cycle outsourcing market is growing quickly. That trend is estimated to continue until at least 2026, particularly in Europe and Asia Pacific.
- According to a 2019 KLAS report, roughly one-third of respondents outsourcing their entire revenue cycle would not purchase services from their firm again.
- Customers' frustrations are generally rooted in limited or delayed tangible outcomes and a lack of alignment in the respective parties' goals. However, most customers outsourcing only part(s) of the revenue cycle are satisfied with their engagements.
- Provider organisations are most likely to achieve success in revenue cycle outsourcing by determining what they need to invest, finding a firm that can be a strategic partner, and creating a solid partnership with their chosen firm.

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