

## Anthelio's web exclusive article in For The Record – “Best Practices to Achieve Revenue Cycle Optimization”



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The health care industry is evolving at a rapid pace, creating many challenges for providers. Reimbursement reductions, bad debt, and regulatory changes all impact revenue. Additionally, the inability to effectively identify claim submission errors increases the risk of improper reimbursement and nonpayment.

While focusing on urgent needs, it's difficult for organizations to identify opportunities to increase revenue or recognize areas of concern. Providers count on their staffs to run the office as efficiently as possible while they focus on patient care; however, evolving government mandates, changes in coding standards and billing issues often make it difficult for staff to stay engaged.

A revenue optimization program can introduce a proven method for maximizing revenue and implementing best practices to increase profits while streamlining practice processes. A structured optimization program can provide a detailed blueprint for financial success by utilizing skilled professionals with expertise in revenue cycle management combined with sophisticated, cutting-edge technology solutions.

To achieve revenue cycle optimization, it's critical to understand that an improved revenue cycle process can only be achieved through an integrated approach rather than a series of unconnected steps. A team approach is required encompassing all operational areas impacting revenue. Effective financial management involves understanding each of these operations and the role it plays in optimizing revenue. If the wrong process or wrong individuals are in place at any given step, financials can be impacted.

### **The Best Practices Action Plan**

Many roadblocks, such as prior authorization issues, charge and claim errors, encounter-based lag days, denial management, and payer contracts, can affect timely and proper payments. Utilizing the following Best Practices Action Plan as standard procedure can help minimize these problems:

- Ensure the practice management system is set up correctly and maximizes the management features. Critical functions should include collection of demographics, insurance verification, claim scrubbing, coding, and charge capture.
- Manage electronic claims daily. Devote a portion of each day to claim rejections and denials, monitoring all reports and reviewing the claim submission log to ensure claims reached the payers.
- Know and understand critical practice data and make decisions to improve key areas in the revenue cycle. Monitor denied claims to know who is denying and why, the percentage of denied claims, the days in accounts receivable, and aged accounts.
- Train staff for manual processes, but automate as much as possible. Eligibility verification, appointment scheduling, and claims scrubbing should be automated. Integrating the EMR and the practice management system can also efficiently minimize charge entry lag days.

- Prepare metrics to measure the practice's success within critical areas of the revenue cycle. Develop key performance indicators and track trend performance. Develop an action plan when negative trends appear.
- Monitor aging accounts and accounts receivable days. Prioritize outstanding accounts by balance due, payer, and age, and cross train staff to ensure performance targets and compliance.
- Increase self-pay account receivables with written policies on patient financial responsibility. Outline time of service collections and communicate expectations and payment options.
- Insist on timely payment posting—daily if possible—to ensure accurate accounts. Payments, discounts, denials, recoups, and patient responsibility should be completed on a daily basis with follow-up of all unpaid/denied claims.
- Identify coding concerns, closely monitor medical policy updates and documentation issues, and update appropriate individuals. Conduct documentation and coding audits.
- Create coding and charge entry standards and understand the practice's lag time from when the service was provided to when it was billed. Typical standards are 24 to 48 hours for office services and 72 to 120 hours for inpatient procedures (if pathology is required). Closely monitor the missing charge ticket report.
- Identify major revenue-affecting pain points and have strategies in place to address them. Institute policies and procedures to deal with underpaid/zero paid claims, when to appeal, and when to write off and move on to more productive activities.

#### Industry Benchmarks and Performance Formulas

For health care organizations striving to achieve revenue cycle optimization, employing benchmarks and analyzing performance metrics can provide a roadmap to success. Utilizing the following performance formulas and industry benchmarks in key operational areas can help drive specific goals:

#### **Billing Metrics**

- Charge Lag Time  
Formula: Average number of days from date of service to posting date  
Benchmark: Less than seven days
- Clean Claims Submitted  
Formula: % clean claims / total # claims  
Benchmark: Greater than 95%
- Overturn of Denials  
Benchmark: 95%

#### **Cash Management Metrics**

- Gross Collection Ratio  
Formula: Cash received from payers and customers / Gross charges
- Month's Revenue in Accounts Receivable  
Formula: Accounts receivable / Average monthly gross revenues

#### **Accounts Receivable/Collection**

- Posting of Cash and Contractual Allowance  
Benchmark: Less than 24 hours
- Average Collection Period or Days in Patients Accounts Receivable  
Formula: Net patient accounts receivable or Net patient service revenue / 365 days  
Benchmark: Median 47.1 days

## Expense Metrics

- Cost to Collect

Formula: Total cost of all business related functions / Total collections

- Bad Debt Expense

Formula: as % of gross or net revenue

Benchmark: Less than 5%

- Overhead %

Formula: Total nonphysician expenses as % of total = Total nonphysician expense / Cash collections or net revenue

Outsourcing revenue cycle activities is sometimes the most efficient way to achieve optimal results, as hospitals with limited resources often find it difficult to keep up with the ever-changing environment. Staying on top of the constant changes and implementing the complex technologies that are often required can distract the organization from its core activity of providing quality care. Experienced revenue cycle professionals can work with an organization to identify concerns and areas that hold potential to increase profitability, while efficiently deploying cutting-edge technologies and best practices to increase revenue and reduce costs.

Regardless of whether an organization uses outside resources or relies on its own staff, it's more important than ever to ensure it is providing quality patient financial care as well as quality medical care. Revenue cycle optimization can play a major role in achieving this goal. When organizations accomplish both of these key objectives, they benefit from increased patient satisfaction, which in turn leads to increased referrals and revenue, helping to ensure the organization's financial stability.

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## About Anthelio

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