Introductions

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Agenda

• Introductions
• Trends across health care industry
• The “Snowball Effect”
• Our Response to the Changing Environment
• A Client Example
• Questions and Answers
TRENDS ACROSS HEALTH CARE INDUSTRY
The pressure to reduce costs, increase efficiency and provide value is becoming a global health care trend.

Percent of world GDP spent on health care expected to decrease to 10.1 percent by 2019.

Health care spending varies among developed and developing countries.

Spending per person:

- U.S. - $9,523*
- China - $367*

Source: Deloitte 2016 Global life science outlook
*Centers for Medicare and Medicaid Services National Health Expenditures for 2014, December 2015
Relative to other high-income countries, how does the U.S. compare?

- U.S. utilization is lower but dollar spent per visit is higher
- U.S. clinical outcomes do not meet expectations, but companies and individuals spend more on health care

2016
- First year of 0.5% annual payment update to Medicare
- Employer mandate for large employers 50+ effective

2017
- Funding for CHIP expires
- Expiration of certain Medicare extenders

2018
- First Medicare payment adjustments under MIPS and APM
- Payment rates under the Medicare physician fee schedule frozen
- CHIP authorization expires

2019
- Cadillac Tax takes effect
- Sun setting meaningful use incentive program for electronic health record

2024
- Medicare bonuses under MIPS and APM models expire

2025
- Funding for CHIP expires
- Expiration of certain Medicare extenders
- First Medicare payment adjustments under MIPS and APM
- Payment rates under the Medicare physician fee schedule frozen
- CHIP authorization expires
- End of reduction to Medicare payments to health care providers and plans under sequestration

Source: RSM Healthcare Regulatory Advisory Services
Top Issues Across Health Care

- Consumerism
  - Patient Experience
  - Patient Friendly Billing
  - Expansion of Patient Liability for services

- Regulatory Change
  - Shift to value-based care
  - Government price controls
  - Elimination of SGR

- Consolidation and market disruption

- Pricing and cost pressure

- Outdated IT Infrastructure

Source: Deloitte 2016 Global Health Care Outlook
Trends in Health Care Revenue Cycle Management

REGULATIONS
- The Affordable Care Act (ACA)
- Adoption of ICD-10-CM/PCS
- Change from volume-based to value-based reimbursement

TECHNOLOGY
- Telemedicine
- Using technology to eliminate unnecessary visits
- Reducing redundant paperwork
- Optimizing current information technology to achieve the value described in the purchasing process

BOTTOM LINE
- Hospital and physician net revenues & margins under intense pressure
- True integration between the hospital and physician of a health system
- High transaction revenue cycle costs

CONSUMERISM
- Consumer-driven health plans (HSAs, high deductible and co-payment plans)
- Pricing that is transparent and understandable
- Improved customer service through Pre-Arrival Units and web-based patient portals
SNOWBALL EFFECT
The “Snowball Effect” of Inaccurate Data Collection

The snowball represents the amount of rework required to create an accurate bill if earlier stages of the Revenue Cycle collected inaccurate data.
OUR RESPONSE TO THE CHANGING ENVIRONMENT
RSM has a comprehensive Revenue Cycle service offering in the healthcare industry. Our comprehensive **End-to-End Revenue Cycle Solution**, comprised of more than 100 professionals, is designed to help providers increase net revenue and accelerate cash flow by addressing people, process and technology components across the complete revenue cycle.

### The Revenue Cycle

#### Patient Access “Front End”
- Scheduling and Pre-Registration (Pre-Arrival Unit)
- Financial Clearance
- Financial Counseling
- Arrival and Registration
- Denial Prevention

#### Charge Integrity “Middle”
- Charge Capture and Methodology
- CDM
- Health Information Management and Clinical Documentation Improvement
- Coding
- Third Party Reimbursement
- Pricing

#### Patient Accounting “Back End”
- Managed Care Contracting
- Claims Processing
- Account Resolution
- Denial Resolution
- Payment Posting

### Extended Business Office Solutions

- Revenue Cycle Workflow Tools
- Revenue Cycle Systems Implementation and Transformation
- Patient Experience
- Performance Management and Monitoring
- Change Management and Sustainability, Training and Coaching
“If you want to converse with me, first define your terms.”

-Voltaire
Working Capital Enhancement (WCE)

Cash Conversion Cycle (CCC) = DIO + DSO – DPO, the financial “resting place” when in balance
Effective cash management, when approached holistically, includes proper management of accounts receivables, accounts payables and inventories

**Strategies**

- Build an effective Cash Management culture, which includes an enterprise-wide approach to achieve optimal results
- Adopt Key Performance Indicators (KPIs) and define metrics for working capital and cash management
- Utilize technology to shorten the cash conversion cycle (CCC) and improve the effectiveness of cash management
- Optimize the hospital and/or physician practice revenue cycle functions by improving the effectiveness by reducing error rates on claim production and scheduling regular insurance and private pay collection contacts
- Make cash management visible with cash flow reporting to actively track, monitor, forecast and report cash enterprise-wide
- Match funding to the hospital’s and/or physician practices’ short- and long-term cash flow obligations
While no hospital or physician practice intends to adopt weak revenue cycle / accounts receivable policies, lack of planning, poor enforcement, or a failure to focus on the function can result in unintended consequences. These often arise when hospitals and physician practices:

- Fail to follow-up adequately with insurance carriers and customers (patients) in a timely manner when payment is due or past due
- Allow clinical leaders and physicians to override credit and collection policies and the result is revenue leakage from bad debt credit risks
- Neglect to provide revenue cycle management and staff appropriate education and training on how to deal with changes in the regulatory, payer and patient reimbursement environment
- Lack sufficient attention to the accuracy and completeness of claims and reimbursement terms
- Allocate cash payments and adjustments incorrectly, making it harder to determine which payments are outstanding and the net realizable value of the hospital’s accounts receivable balance
Program Goal: To design customized best practice procedures that can be successfully implemented
Redesign Process

Current State
- Collection of policies, procedures, and data to capture processes within revenue cycle functional areas
- Discovery period consisting of interviews and observations with key stakeholders to assess process deficiencies and technology limitations

Benchmarking & Industry Best Practice
- Compare current state processes and outcomes against industry benchmarks to determine performance of each functional area: lagging, meeting, or leading
- Align client leadership with process improvement prioritization structure for change enablement

Future State
- Implement process changes across revenue cycle functional areas to resolve performance and/or technology gaps
- Provide management with training and tools to ensure sustained improvement and adherence to best practice
Realign People

Organizational Structure
- Develop the future state organizational structure based on redesigned processes
- Define job functions and responsibilities for each functional position within the future state structure

Volume Analysis
- Determine the volume of resources needed for each functional position within the future state organizational structure

Staff Analysis
- Determine the correct resources (internal or external) to fill each functional position through:
  - Detailed interviews and observations
  - Quantitative and qualitative performance metrics
  - SWOT analysis
Implementation

Based on the resulting recommendations of the Revenue Cycle Redesign, the Implementation is a functional overhaul of defective or suboptimal processes using the following tactics:

- Infused management to reinforce procedure adoption
- Detailed training for realigned staff
- Focused attention to maintain functional best practice targets
- Utilization of feedback tools to enhance accountability and knowledge
- Establish meeting schedule and communication expectations
A CLIENT EXAMPLE
Introduction and Project Scope

Background and Purpose
A mid-market community hospital in the northeast United States implemented a new patient management and patient accounting information technology. After two years of trying to stabilize their situation, the hospital contacted RSM Consulting to better understand their situation and to provide solutions to mitigate and ultimately provide consulting assistance, so that they may thrive in their marketplace.

Scope
Initially, RSM Consulting was engaged to provide a community hospital in the northeast a high level, rapid revenue cycle assessment of revenue cycle business functional and technical areas. The assessment led to a working capital enhancement (WCE) program and revenue cycle redesign for the end-to-end hospital and physician revenue cycle.

Primary Focus Areas

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<td>HIM (Limited)</td>
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## Proposed Engagement Timeline

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The goal of the WCE program was to develop an integrated, high-level project plan and budget to serve as the initial implementation roadmap for the northeast community hospital’s revenue cycle transformation.

**Project Approach and Deliverables Overview**

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**Approach**

- **Step 1: Project Initiation**
- **Step 2: Current State Assessment**
- **Step 3: Stakeholder Validation**
- **Step 4: Future State Visioning**
- **Step 5: Scoping and Planning**

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**Deliverable Inventory**

- **Activity Assessment Tool**
  - High level chart indicating the impact to People, Process and Technology for each functional area reviewed.

- **Transformation Project Plan**
  - Outlines activities, milestones, and key tasks across Revenue Cycle and Technology.

- **Project Budget**
  - Identifies and estimates the financial impact and budget requirements associated with the revenue cycle transition.

- **Recommendations for Revenue Cycle Transition**
  - Activities for completing the tasks outlined in the project plan.
Program Goal: To restore leading practice revenue cycle management to improve cash flow and support accounts receivable reduction
What areas were in focus for the community hospital?

Based on our high level, rapid revenue cycle assessment the community hospital identified the following five areas for targeted performance improvement:

- Accelerate Cash
- Improve revenue cycle processes
- Eliminate avoidable denials
- Reduce accounts receivables
- Improve revenue cycle front and middle efficiency and effectiveness which are negatively impacting the business office

The estimated benefit of these opportunities was $39.0M - $65.0M
WCE Key Accomplishments

Based on our community hospital client goals, the following key metrics were improved:

- Improved cash collections by 2.4% over projected totals, providing a $10.0M benefit to the client over six months
- Reduced claim editor backlogs by $19.1M, or approximately eighty-six (86%) percent
- Reduced DNFB (Discharged, Not Final Billed) by $9.6M, or approximately twenty-four (24%) percent, while maintaining improvement through the ICD-10 transition
- Reduced Soarian EBEW (Error Billing Exception Worklist) by $8.4M, or approximately sixty-three (63%) percent
- Alleviated $6.3M non-refund credit A/R (Accounts Receivable), or 32% of credit A/R
- Identified and eliminated most obsolete balances that were causing additional, valueless system volume for a reduction of $0.7M or ninety-five (95%) percent in obsolete A/R
As the initial Working Capital Enhancement (WCE) program closes, the following items must be seamlessly transitioned to maintain progress towards increased cash flow and denials prevention:

- Maintain focused, targeted, and collaborative work efforts with insurance follow-up supervisor to ensure proper worklist prioritization and, subsequently, cash flow
- Continue timely escalation of any errors and issues identified within the follow up and denials process to prevent lost revenue
- Provide analytical support to connect issues identified within dashboard metrics to daily processes and populations of claims
- Engage in root-cause denial analysis to assist with denial prevention strategy
- Lead vendor management initiatives to maintain accountability for each vendor while measuring efficiency and effectiveness
- Support credit resolution through finding systematic trends that can be transacted in batch files to maintain timely resolution
- Assist with implementation of Guarantor (Private Pay) Strategy to alleviate aged guarantor A/R prior to placement with collection agency
- Redesign revenue cycle processes to develop and implement a sustainable, effective and efficient revenue cycle model to address the changes facing the health care industry in northeast