

4 Ways to maximize medical practice profitability: a guide to outsourcing revenue cycle management

It's no secret that the shift from volume- to value-based care models is creating new challenges to profitability. Faced with declining reimbursement rates, medical practices are pressured not only to increase efficiency in care delivery, but to reduce the expenses associated with billing, submitting claims, and getting paid. These challenges, coupled with a high turnover for on-staff billing personnel¹ are driving a trend toward outsourcing revenue cycle management.²

Revenue cycle management (RCM) can be defined as *the process that manages claims processing, payment, and revenue generation; and often entails the use of automation in the claims review and submission process.*

So how can your practice effectively harness the value of outsourced revenue cycle management, in order to boost profitability?

The answer is to choose an RCM partner selectively, looking for one who can implement key tactics proven to save staff time, improve the patient experience, and optimize revenue. These tactics are:

- 1 - Boost efficiency through automation
- 2 - Use data analytics strategically
- 3 - Reduce the total cost of HIT ownership
- 4 - Take the specialty-specific approach

This paper will take a closer look at all four.

1 - Boost efficiency through automation

The process you implement to manage the revenue cycle can either boost or detract from your profitability. A meta-analysis of recent research concludes that, across the board, 50 percent of all healthcare dollars are wasted on inefficient processes.³ A SourceMed report focused specifically on the waste associated with an inefficient revenue cycle, concluded that:

Every step in the RCM process has the potential for administrative waste: excessive paperwork, back-and-forth interactions between provider and payer, contracts with each payer and varying forms of information exchange with each payer. Managing the business of healthcare through improvements in the RCM process, allows healthcare providers to dramatically reduce costs in the administrative processes associated with RCM.⁴

Your medical practice can take the first step to maximize efficiency by eliminating manual billing processes that are resource-intensive and error prone. Top areas of concern are denial prevention and management. While 63 percent of denied claims are recoverable on average, providers spend roughly \$118 per claim on appeals, or as much as \$8.6 billion in administrative costs nationwide.⁵ Despite this vast potential for revenue loss, a HIMSS Analytics survey found that roughly one-third of providers “still use a manual versus automated process to manage claims, including denials.”⁶

There are practical advantages to automating the claims management process. An integrated HIT (health information technology) system with an advanced rules engine for charge review can help ensure a claim is paid the first time around—saving time and money on resubmitting claims and improving collection rates. However, an end-to-end RCM solution may boost profitability in many other ways, when automation includes such steps as:

- Checking insurance eligibility to prevent denied claims
- Sending appointment reminders to reduce down time and scheduling inefficiencies
- Providing treatment estimates at the time of scheduling so patients can plan for out-of-pocket expense
- Accepting multiple forms of payment to provide convenient options for patients
- Processing automatic payments for patients on a monthly payment plan
- Coding assistance (the system can provide automated suggestions or checks for CPT and ICD 10 codes)
- Claim scrubbing to validate codes before the claim is submitted

Specific technologies include:

- **The financial clearance solution.** Helping patients understand their financial responsibility upfront can strengthen collections. A financial clearance solution can help with eligibility verification, prior authorizations, and estimated out-of-pocket costs.
- **The charge review rules engine.** This solution sits between the EHR and the practice management system. It uses pre-programmed rules to audit charges for accuracy before a claim is even created – and creates alerts when potential issues are detected.
- **The claims intelligence engine.** This solution scrubs claims, double-checks for issues missed by the charge-review rules engine, and formats each claim to meet payer specifications. During claims scrubbing, data is analyzed to make sure medical necessity guidelines are met, appropriate diagnostic and treatment codes are in place, and much more.

This type of automation—from patient scheduling through claims submission—can not only free up administrative staff to focus on higher-value activities, but can help to prevent common types

of human errors in billing: coding errors, missing patient data, duplicate bills or claims, incomplete documentation, and failure to verify insurance coverage.

Use data analytics to gain clinical business intelligence

Clinical business intelligence can be defined as “the aggregation, analysis, and use of clinical, financial, operational, and non-traditional data captured inside and out of the healthcare setting to directly inform decision-making.” In other words, it’s not just about financial data anymore.

According to the HIMSS Clinical Business Intelligence Primer:

Clinical business intelligence is important for health systems leaders who are transforming their organizations into efficient vehicles for the delivery of high-quality care. Data analysis to improve care is being embraced and moved to the center of organizational strategies due to a confluence of several trends.⁷

Analytics that integrate clinical data from your EHR with financial data from your RCM or practice management system can provide insights that help your practice operate leaner, to increase profitability. When you’re outsourcing RCM services, look to partner with a firm that provides a professional analyst who can address issues that are particular to your specialty and your practice. This is essential to a strong denial-prevention strategy.

An outsourced RCM services provider can aggregate denial data from a variety of payers, and then analyze this data to detect trends. Once a trend is identified for your medical specialty, the RCM service provider can write additional rules, update processes, or improve software capabilities to help prevent future denials. The system can generate alerts when a specific metric falls outside a set parameter: a percentage of claims being denied, for example, or a number of bills that are 90 days past due. Using analytics in this way increases the likelihood claims will get paid correctly on first submission.

Data can be used most effectively when you take an account management approach to RCM. Your practice likely has specific concerns, related to its size, location, patient population, local business environment, technology challenges, or other circumstances. A dedicated account manager will look after the financial wellbeing of your practice every day, across all RCM functions, and according to your individual needs. As you engage in higher levels of service, your account manager should provide more detailed guidance, based on data analytics.

Clinical and business intelligence also helps with population health management and risk stratification of patients, so your practice can efficiently manage large patient populations in a quality-focused, cost-effective manner. With an end-to-end RCM solution, a practice can gain data that helps it reduce costs by practicing prevention for high-risk patients, running reports on clinical cost drivers, identifying where patient engagement is needed, managing transitions of care, and tracking outcomes.

Take the specialty-specific approach

For optimum efficiency and profitability, a practice should manage the revenue cycle according to the specific needs and nuances of a specialty—whether that’s primary care, cardiology, or ophthalmology. Some specialties are more likely to see sicker patients and more complex conditions, which can make coding, claims, and billing more complex as well.

A combination of strategies and solutions can ensure claims accuracy, prevent denials, and improve overall RCM management with a specialty-specific focus.

Don’t forget the importance of the human touch. While automation relies on technology, professional services that provide a human intervention can streamline overall RCM management. Your practice will benefit from outsourced RCM that includes an account manager or team members with expertise in a single specialty. The human touch and expertise in a specific specialty can, in particular, improve denial management and speed up the appeals process

Reduce total cost of HIT ownership through collaboration with the right vendor

With so many providers and practices looking to boost profitability through RCM, the total spending on healthcare RCM solutions is expected to reach \$7 billion in 2020.⁸ As more vendors try to capitalize on this outsourcing trend, it becomes increasingly important for a practice to choose an RCM partner wisely.

The key is to find an RCM partner who offers both advanced technology and dedicated expertise. Your profitability will increase when you can outsource both automation and professional services. The experts can manage core RCM functions in a way that meets the specific needs of your practice. Your savings come from the effective use of resources and economies of scale.

The managed-service model removes the upfront cost of software licenses and eliminates ongoing fees for upgrades and operational costs (server fees, EDI transaction services, lockbox, clearinghouse, and eligibility checking). Managed services can also free up administrative staff to focus on higher-value tasks, and ease regulatory burdens when a strategic RCM partner handles compliance issues.

NextGen Healthcare is your trusted partner

Black Book Market researchers included NextGen Healthcare in its top vendor list for RCM outsourcing.⁹ The report noted that NextGen Healthcare ranks highly in customer approval and loyalty. *“The survey of 2,000 independent physician practices and 200 hospital-based*

organizations suggested that more providers, especially those in small practices, may soon be looking to top-ranked vendors for revenue cycle management solutions.”

With its offering of RCM services, NextGen Healthcare currently:

- Serves 6,000 providers across the United States
- Collects 2 billion dollars a year
- Manages over 12 million claims a year
- Hosts 1,000+ clients on the NextGen Healthcare platform

NextGen® Financial Suite is a managed-services, single-platform offering designed to manage the entire revenue cycle. Designed specifically for ambulatory providers, it combines innovative technology and billing expertise to help medical practices reduce administrative cost and achieve gains in efficiency, productivity, and ROI. The Financial Suite is fully integrated with the EHR, practice management solutions, and electronic eligibility verification systems.

NextGen Healthcare can help your practice to:

- Tighten the revenue cycle through solutions to report on and collect money earned from payers and patients.
- Use technology to save time and money, by automating tasks and focusing on denial prevention rather than denial management.
- Harness analytics and reporting capabilities to effectively manage patient populations in a cost-effective manner.

Because every practice is different, NextGen Financial Suite is flexible. We can put together a customized combination of advanced technology and professional services to meet the needs of your practice.

References

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⁵ Change Healthcare, LLC. *Health Hospital Revenue Cycle Index*, 2017.
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⁶ Jacqueline LaPointe, *31% of Providers Still Use Manual Claims Denial Management*, RevCycle Intelligence.
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⁸ ReportsnReports, *Revenue Cycle Management Market Growth to 2020 Propelled by Rising Investments in Healthcare IT*, <http://www.prnewswire.com/news-releases/revenue-cycle-management-market-growth-to-2020-propelled-by-rising-investments-in-healthcare-it-566161821.html>

⁹ Black Book Research, [2016 Revenue Cycle Management Survey](#).