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Crowe Healthcare Summit 2019 Nurture Your Network Upskill. Connect. Grow.

An Overview of Revenue Cycle Functional Areas and the Impact on Net Revenue

September 18

Presented by:

Jaclynn Harrison

Ryan Herr

Eric Rincones

Rachel VonDielingen



CPE Attendance

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Agenda

- Revenue Cycle KPIs and Financial Impact
- Leveraging RCA Reporting to Identify Revenue Cycle Opportunities
- Effective Finance and Revenue Cycle Relationships
- Client Examples: Revenue Cycle and Finance Collaboration

Your presenters



Jaclynn Harrison

is the system director with responsibility over net revenue at CHRISTUS Health, based in Dallas. She has more than eight years of healthcare experience. Jaclynn has experience with clients ranging from hospital systems to post-acute care providers.



Ryan Herr, CPA

is a Manager leading Net Revenue Services team based in Indianapolis, IN.



Eric Rincones

Is the Sr. Director of Revenue Cycle Operations – Analytics at Texas Health Resources (THR), based in Dallas. He has held multiple positions in the organization both in finance and revenue cycle.



Rachel VonDielingen

is a Senior Manager leading the Revenue Cycle Management (RCM) team based in Chicago.



Revenue Cycle KPIs and Net Revenue Impact

The Three Components of the Revenue Cycle



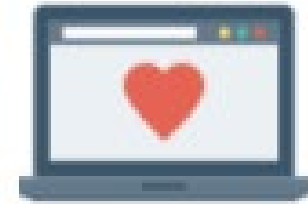
Front End of the Revenue Cycle (Patient Access):

Prior to patient receiving service



Middle Revenue Cycle (Clinical Revenue Management):

Patient stay and interaction with provider



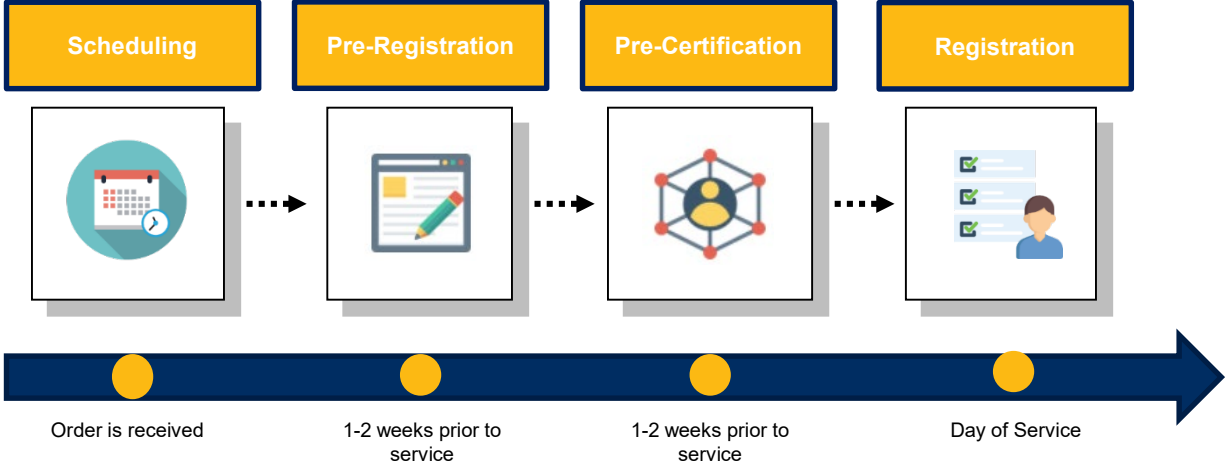
Back End of the Revenue Cycle (Patient Financial Services):

After patient receives service and is discharged

“All administrative and clinical functions that contribute to the capture, management, and collection of patient service revenue.”

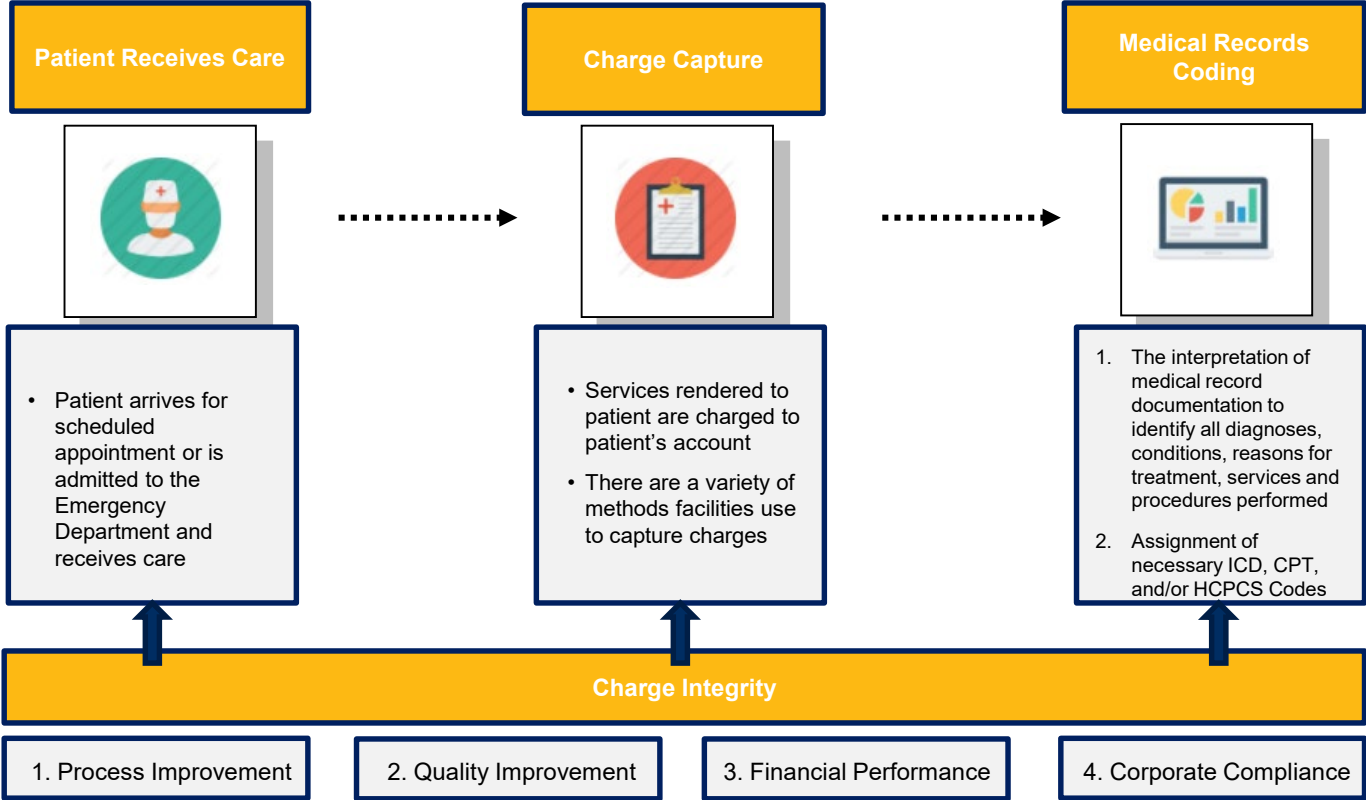
-Healthcare Financial Management Association

Front End Revenue Cycle Financial Impacts



Function	Description	Financial Impacts
Registration	Accuracy of insurance verification	Initial denial rate, increased AR aging, denial write-offs
Point-of-service Collections	Patient liability collections pre-service and point-of-service	Increased bad debt
Authorizations	Accuracy of authorization capture prior to service	Initial denial rate, increased AR aging, denial write-offs
Medical necessity checks	Accuracy of medical necessity checks on scheduled cases	Initial denial rate, increased AR aging, denial write-offs

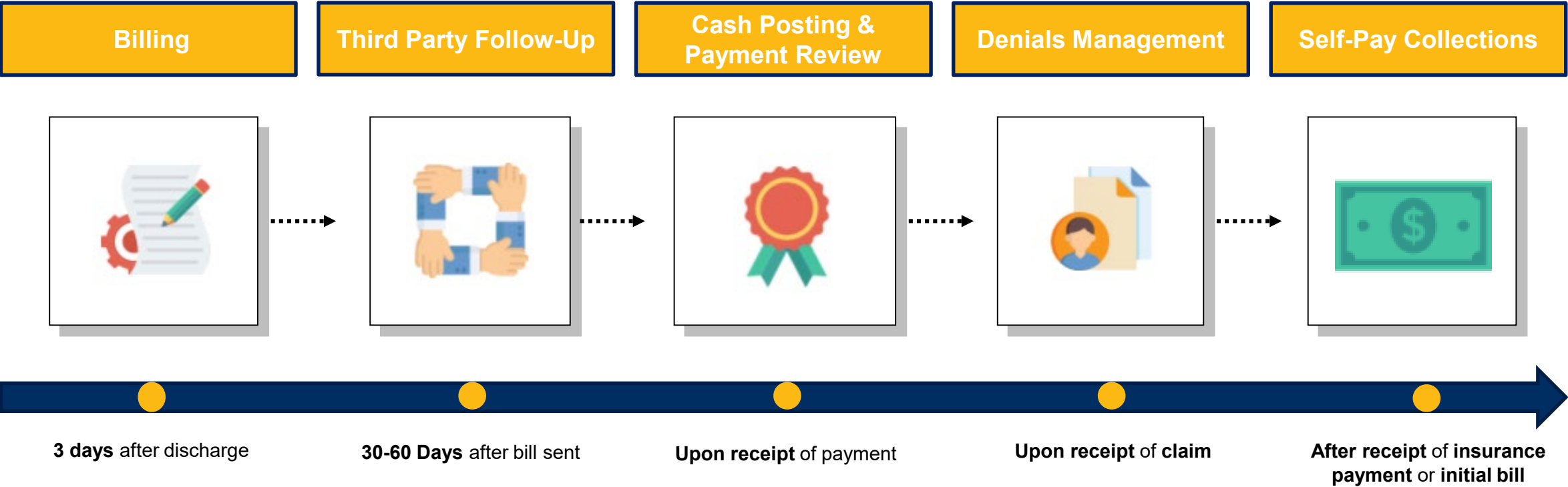
Middle Revenue Cycle Financial Impacts



Middle Revenue Cycle Financial Impacts (cont'd)

Function	Description	Financial Impacts
Charge Capture	Accurately and timely documentation and related capture of charges	Increased gross revenue and current period net revenue accrual
Coding	Accurately and timely completion of coding supported by documentation	Increased gross revenue, Initial denial rate, increased AR aging, denial write-offs
CDI	Proper clinical documentation to support DRGs and inpatient stays	Initial denial rate, increased AR aging, denial write-offs, improved realization
Patient Status	Proper statusing of patient admits vs. observation cases	Initial denial rate, increased AR aging, denial write-offs, realization changes
Late Charges	Timely posting of charges which could be a result of charge capture or coding	Initial denial rate, increased AR aging, late charge write-offs

Patient Financial Services Financial Impacts



Patient Financial Services Financial Impacts (cont'd)

Function	Description	Financial Impacts
Billing Edits	Effectively scrubbing potential claim errors prior to submission	Increased gross revenue, Initial denial rate, increased AR aging, denial write-offs
Payment Posting	Accurate and timely posting of payments received from insurance and patients	Increased unapplied/unreconciled cash, increased A/R aging
Follow-up	Accurate and timely follow-up with insurance payors to obtain payment	Increased AR aging, initial denial rates, denial write-offs
Denial Management	Accurate and timely appeals for denied accounts to secure payment	Increased AR aging, initial denial rates, denial write-offs
Patient Balance Collections	Obtaining patient liability payment post service	Increase bad debt, increased A/R aging

Leveraging RCA Reporting to Identify Revenue Cycle Opportunities



VA10 – Rate, Mix, and Volume

The net revenue impact of (1) changes in gross revenue and (2) changes in payor mix should be analyzed in tandem. Generally, charges and mix are largely affected by operational strategies at the market level, however, the front end of the revenue cycle can be a factor (e.g. registration).

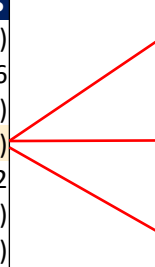
Sept Gross/Net Revenue vs. Prior Month						
Payor	Δ in Gross Revenue	Net Impact of Δ in Gross Revenue	Net Impact of Δ in Deduction Rates	Net Impact of Δ in Payor Mix	Δ in Change in Prior Period Estimates	Total Impact
Blue Cross	(234,422)	(68,135)	23,961	68,449	0	24,275
Commercial / Managed Care	240,282	(67,212)	(55,334)	193,254	363,443	434,152
Medicare / Medicare C	(380,746)	(140,465)	(67,459)	24,198	41,471	(142,256)
Medicaid	(721,636)	(46,787)	(123,117)	17,869	(1,117,584)	(1,269,619)
Self Pay	(82,355)	(3,388)	(10,497)	(4,423)	23,388	5,080
Other	(212,235)	(7,081)	(6,304)	(50,847)	88,372	24,141
Total	(1,391,113)	(333,069)	(238,749)	248,501	(600,910)	(924,227)

Current period deduction rates can be affected by (1) transactional activity, (2) reserve activity, and (3) manual adjustments.

Change in prior is often the most challenging net revenue driver to analyze. Change in prior is generally a result of the resolution of the AR and the accuracy of reserve modeling assumptions.

VA10/VA4 – How to Interpret “Rate”

OUTPATIENT	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Prior Mth \$
Blue Cross	52.47%	51.65%	52.34%	53.44%	50.80%	51.28%	(23,194)
Commercial	41.12%	43.30%	44.40%	42.19%	44.79%	44.09%	1,286
Managed Care	39.57%	40.17%	41.22%	42.78%	42.61%	43.39%	(19,707)
Medicaid	90.98%	90.59%	91.02%	90.81%	89.86%	92.11%	(118,222)
Medicaid Pending	90.42%	91.72%	92.34%	93.60%	94.14%	93.67%	202
Medicare	86.18%	86.85%	86.71%	86.65%	87.18%	87.48%	(31,557)
Medicare C	87.44%	87.84%	87.57%	87.75%	88.09%	88.19%	(1,502)
Self Pay	88.30%	87.60%	86.23%	82.01%	83.36%	85.29%	(12,042)
SPAI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
Total Outpatient	75.37%	76.38%	76.02%	76.11%	76.04%	76.13%	(216,289)

- 
- 1 Transactional Activity
 - 2 Reserve Based
 - 3 Manual Adjustments

- 1 Transactional Activity:** When patients are admitted and billed in the same month, we often see transactional activity posted in the current month as well. If rates are fluctuating due to current period transactional activity, often revenue cycle personnel can help provide insight into why specific groups of accounts were discounted or paid at a different rate from prior periods (e.g. posting errors or service mix changes).
- 2 Reserve Based:** ZBA and hindsight ranges are typically rolled forward monthly, which will change current period deduction rates. The recast reporting in RCA should be leveraged to help explain reserve based changes at month-end.
- 3 Manual Adjustments:** Out of model adjustments should be separated from reserve based changes.

VA18/VA19 – Translating Change in Prior Themes

Change in prior themes (VA18 and VA19) can provide an excellent starting point for change in prior analysis. However, drawing connections between change in prior results and operational drivers is necessary to yield any improvement.

Theme	Questions on Potential Operational Drivers
Accounts Moving to Fully Reserved Status	Denial trends at specific payors? Staffing issues?
Impact on Fully Reserved Accounts	Enhanced or renewed payment efforts? Vendor changes?
Large Balance Account Activity	Final coding? DRG change? Valuation process at month-end?
Impact on Time of Billing Accounts	Contractual or non-contractual? Payment trends? Contractual posting issues?
Impact on Always Use Trending	Cash collections on uninsured population? Write-off trends? Model changes?
Full Write Off No Payment in Current Month	Contractual or non-contractual? Specific payors? AR clean-up?
Impact on Time of Payment Accounts	Contractual or non-contractual? Payment trends? Contractual posting issues?
Secondary Account Balance Adj	Aging issues? Payments or adjustments?
Debit Balance to Credit Balance	Duplicate payments or contractals? Charge issues?
Payment with no Contractual	Timing? Potentially "dead AR"
Impact on Credit Balances	Reprocessing of claims? Projects to clean-up credit balances?
Impact on Inactive Accounts	Enhanced or renewed recovery efforts? Recoupment activity at specific payors?
Unbilled to Billed (Time of Billing)	Service mix change? Contract modeling issues? Interface issues?
Revenue Removal	Late charge credits? Interface issues?
Other	N/A

Other Useful Reports from RCA

- 1 AR60 – DNFB Aging: Aging of accounts receivable in discharged not final billed (“DNFB”) status at the period end date selected. We often see this report provided directly to Revenue Cycle personnel to understand/address aged AR in DNFB status.
- 2 MRA52 – ATB Estimates and Details: Account level detail of AR and reserves at the period end date selected. This report is often leveraged by Revenue Cycle personnel to assess the financial impact of write-offs of pockets of AR prior to approving the adjustments.
- 3 MRA6a – Large Balance Accounts: A listing of all accounts above the predetermined large balance account threshold. This report is utilized by revenue cycle to assess collectability and/or prioritize collection efforts.
- 4 RCM16 – Daily Transaction Monitor: Daily postings by payor for the transaction type selected for the current month and monthly totals for the trailing 12 months. This report is often used by Revenue Cycle to develop cash goals as well as identify any irregularities in posting patterns.

A group of people in a meeting, with a network overlay of nodes and lines. The overlay includes a downward arrow, plus signs, and small square icons. A large yellow triangle is on the left side of the image.

Effective Revenue Cycle and Finance Relationships

Finance and Revenue Cycle Relationship Challenges

- Net revenue is closely monitored by Finance/Accounting while traditionally revenue cycle focus has been on claim submission and cash collection
- Net revenue and cash always align in the long run; however...in the short run net revenue and cash never align
- This misalignment leads to difficult conversations between Finance/Accounting and the revenue cycle functional areas
- These difficult conversations sometimes lead to mistrust and misunderstanding of motives
- Reconciling the differences in approach and objective between Finance and the Revenue Cycle is equally science and art
- Quantitative analysis must be paired with operational perspective and expertise

Effective Relationships – THR

- An effective approach to this reconciliation is cross departmental analytic pollination.
 1. Experienced Finance/Net Revenue Analyst cross joins revenue cycle department
 2. Spend time with each revenue cycle functional area learning the contributions of those areas
 3. Learn how to work within the patient accounting system (become certified in that system and its reporting tools if possible)
 4. Provide value to both Revenue Cycle and Finance by serving as the operational and analytical translator. Truly serves as an analyst and consultant for both Finance and Revenue Cycle ensuring the gap is understood by both sides

Client Examples: Revenue Cycle and Finance Collaboration



CHRISTUS – Case Study #1

Issue

As we transitioned to using RCA for reporting, “change in priors” became a source of contention between multiple teams.

Resolution

- Revenue cycle and net revenue agreed that change in priors would be reviewed mid-month by revenue cycle as well as at month end
- Revenue cycle team reviews the list for only those accounts that have a change in prior that is based on posted transactions, and they determine the reasoning for the change in prior
- Results from this change included:
 1. Reduced the number of change in priors related to erroneous adjustments
 2. Provided timelier explanations to the finance team on what is driving their change in priors, which allows them to make any operational changes needed quicker
 3. Allowed for educational/improvement opportunities amongst all teams to reduce change in priors

CHRISTUS – Case Study #2

Issue

Two issues encountered with the large balance review process: 1) not all accounts on the large balance account listing were being reviewed by revenue cycle and 2) only in-house/DNFB accounts were being reviewed for “time of billing” facilities.

Resolution

1. Changed the large balance write-off review for some facilities to reduce some of the accounts revenue cycle had to review on a monthly basis
2. Revenue cycle began tracking all large balance accounts until they go to \$0 and provide an updated expected valuation on those accounts each month

CHRISTUS – Case Study #3

Issue

The cash goal calculated and used by revenue cycle did not line up with up with what was in RCA.

Resolution

- Net revenue team worked with revenue cycle and reconciled differences between the initial method for calculating the cash goal and what was showing from a RCA perspective
- Items being included in the initial method that were not true revenue cycle related items and that RCA should be the source of cash goal
- Net revenue close package is provided to the revenue cycle team each month, which is where they now pull net revenue from for their goal

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Thank you

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