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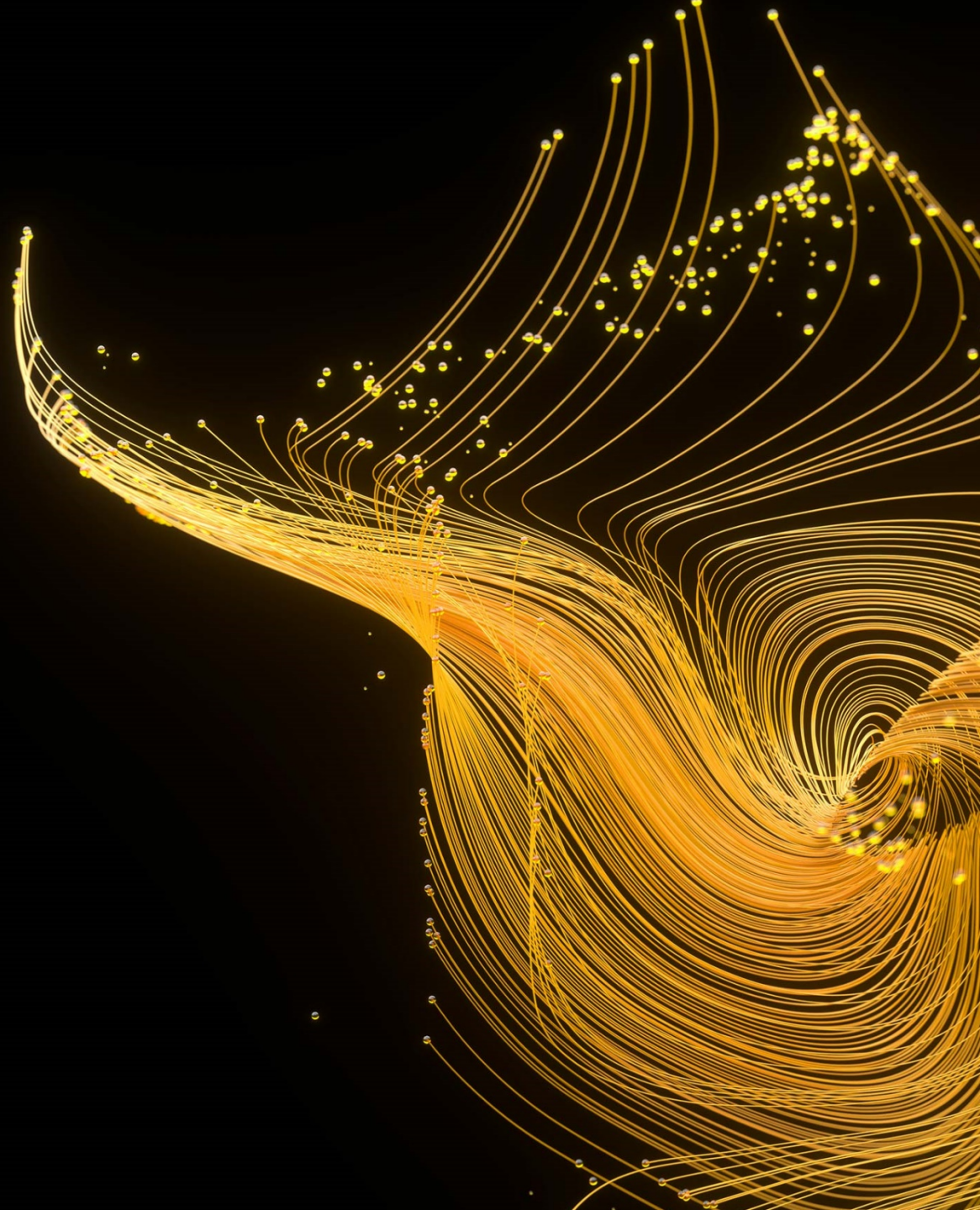
Building and Maintaining Executive Confidence in Net Revenue

Sept. 22, 2020

Presented by:
Warren Beck
Olivia Yoder

CROWE HEALTHCARE SUMMIT / THE POWER OF COMMUNITY

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Agenda

- Why is Net Revenue a great mystery for operational executives?

- Best Practices to open "the Black Box"

- Changing the Perception - create a collaborative partnership with Operational Executives

Your Presenters

WARREN
BECK

CROWE LLP

Warren Beck is a Leader in the Crowe Finance Practice specializing in Financial Operations. Warren joined Crowe in 2016 and has worked in healthcare since 1977. Prior to joining Crowe, he spent 24 years at a leading academic medical center, with 15 years as CFO for the clinical enterprise and 4 years managing a finance team of 800 people and leading the finance function for an enterprise of $3.2 billion. Warren supports Crowe solutions in Hospital/Physician integration, financial planning, regulatory analysis, transaction due diligence, general healthcare finance, investigations/litigation support and healthcare strategy.

OLIVIA
YODER

CROWE LLP

Olivia Yoder is a manager in the Consulting Healthcare group and is based out of the Indianapolis office. She has 5+ years of professional experience in Crowe's healthcare consulting practice and has her CPA, CNRA, and CHFP certifications. Her focus during her time at Crowe has been spent in RCA implementations and optimizations, month-end close and parallel analysis, and system trainings.

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Polling Question

What is your scope of responsibility in your current role?

A Net Revenue Reporting

B Third Party Reimbursement and Cost Reporting
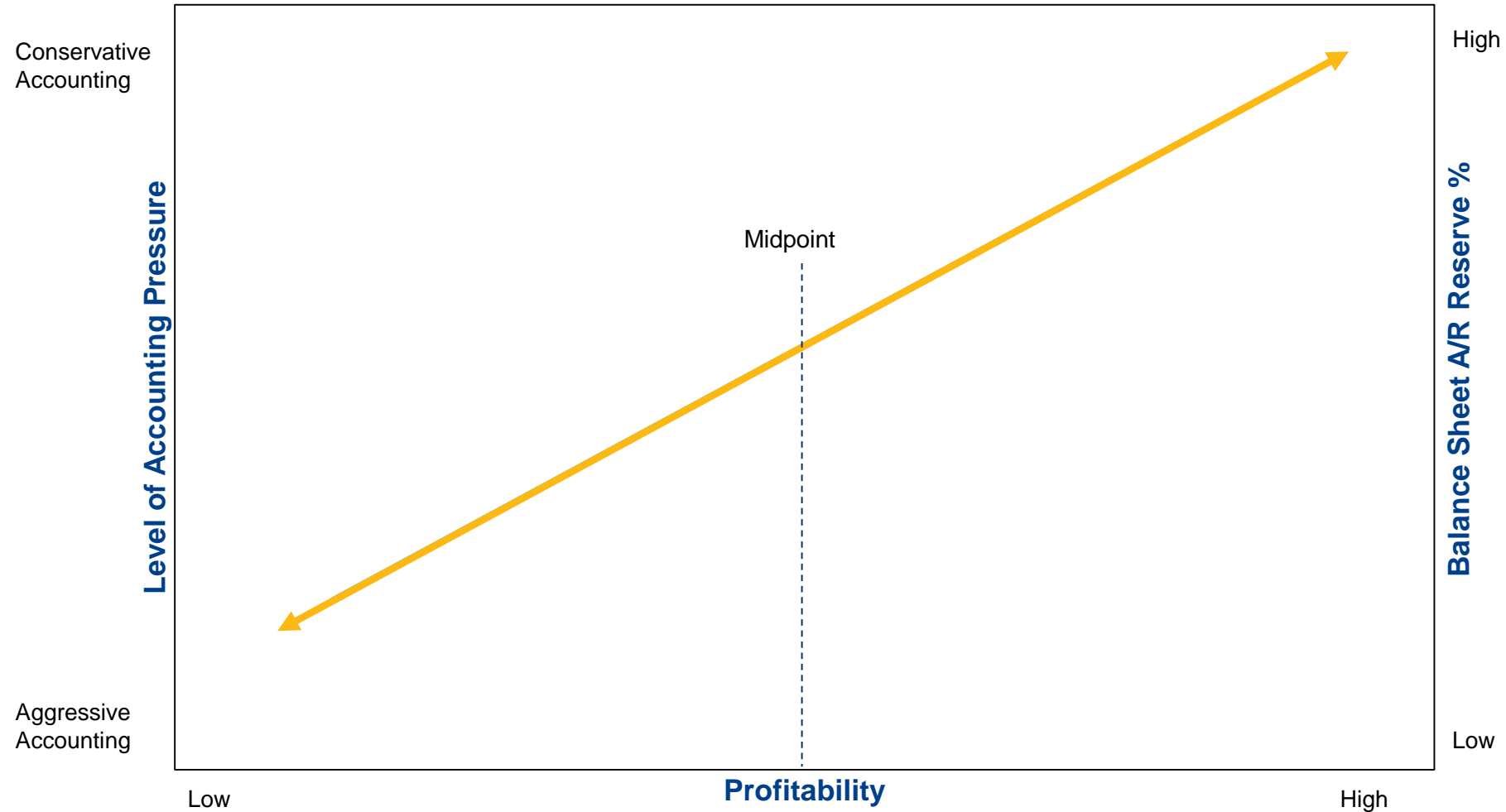
C Revenue Cycle

D General Accounting/Finance

E Other

Why is Net Revenue a great mystery to Healthcare Operational Executives?

The Ying and Yang of Accounting for Net Revenue

Why is Net Revenue a great mystery to Healthcare Operational Executives?

Different Priorities and Goals

- *Executives first priority is Patient Care → Patient volumes, patient throughput, patient wait time, patient expenses, patient experience, patient quality*
  - ➤ Impression that volume targets = net revenue targets
  - ➤ Emphasis on operations is often focused on expense management through labor management and non-labor → full-time equivalents and non-labor per unit of service
  - ➤ Led to believe that "Best in Class" quality scores achieve financial targets

- *Executives do not feel a direct accountability for Net Revenue*
  - ➤ Do not realize impact of charge capture, documentation of Medical Necessity, insurance authorizations and scheduling of inpatient only procedures on net revenue
  - ➤ Lack of information sharing of registration errors, denials, point of service collections, charge errors, inpatient only procedures
  - ➤ Not engaged in payer contracting, strategy, payment methods, and understanding terms and conditions
  - ➤ Absence of Service Line volumes, acuity reporting and of Payer Profitability Data

What are best practices to open up the "black-box" for Executives?

Polling Question

Does your organization have ongoing education of revenue cycle and net revenue for operational leaders?

A	B
Yes	No

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What are best practices to open up the "black-box" for Executives?

Education of Revenue Cycle

- Function and value of Revenue Integrity → oversight for:

  Chargemaster
  - CPT Codes, revenue codes, HCPCS codes
  - Charge pricing and competitor comparisons
  - Accuracy of charge capture and charge reconciliation

- Impact of registration errors → delay payments and denials result from:

  - Inaccurate Demographic and Insurance data

  - Failure to verify authorization numbers

  - Delayed payments and denials result from

What are best practices to open up the "black-box" for Executives?

Education of Revenue Cycle (continued)

- Completeness and Accuracy of Medical Record Documentation → Higher payments will occur with documenting:

  - All procedures

  - Complications & co-morbid conditions

  - Conditions present on admission

What are best practices to open up the "black-box" for Executives?

Education of Revenue Cycle (continued)

- "Best Practice" process for Point of Service Collection processes and ensure operational leader support

  - Inform patients of amounts due prior to service

  - Develop policies for payment plans and financial counseling

  - Training and scripting of registration/collection team

  - Minimum payments for ER services

  - Policies for cancelation and rescheduling for patient failure to pay

What are best practices to open up the "black-box" for Executives?

Education of Revenue Cycle (continued)

- Importance of charge capture

  - Why billable services must be documented

  - How charge capture contributes to higher net revenue through:

    - Percent of Charge payment terms

    - Certain outlier provisions

What are best practices to open up the "black-box" for Executives?

Education of the RCA Reserve Model and Key Processes

- Value of conservative versus aggressive accounting for net revenue

- Basis of contractual estimates and how contract increases are built-in to estimates

- Drivers of "Change in Priors" and finance efforts to minimize impact month-to-month

- Purpose of "Hindsight" analysis for Uncompensated Care Reserves and difficulty with creating estimates

- Results of look-back analysis and explanation for variances

- Value of Financial Audit of external auditors, any findings for net revenue, and communicate any management letter recommendations

What are best practices to open up the "black-box" for Executives?

Communicate Performance to Executives, Develop Revenue Cycle Dashboard, and Utilize Benchmarks

- Transparent reporting, sharing key Revenue Cycle performance metrics, measure against goals

  - Key Measures:

    - Patient Volumes

    - Gross Charges

    - Payer Mix

    - Case-Mix Index

    - Cash Collections

    - Point of Service Collections

    - Denials – Technical, Medical Necessity

    - Discharged Not Final Billed

What are best practices to open up the "black-box" for Executives?

Communicate Performance to Executives, Develop Revenue Cycle Dashboard, and Utilize Benchmarks (continued)

- Tracking "causes" and interventions for errors to ensure sustained process improvement
  - What created the error?
  - How was it fixed?
  - Is the intervention hard wired?
  - Have we set up a tracking mechanism?

- Use Crowe Performance Analytics for benchmarks and performance monitoring
  - Always measure against best practice
  - Understand causes for measurement gaps
  - Develop plans for improvement

Polling Question

Does your organization utilize dashboard reporting of revenue cycle metrics?

A

Available to
Finance only

B

Available to Finance
and Operations

C

Dashboards
not maintained

How can Finance change the perception to working *with* Executives versus *against* Executives with Net Revenue?

Polling Question

Does your organization complete formal analytic and narrative reports of net revenue that is shared each month with operations?

A	**B**
Yes	No

How can Finance change the perception to working with Executives versus against Executives with Net Revenue?

Empathy versus Blame

- Education of the Finance team on Key components of operations

- Collaboration with Operations on Revenue Cycle Process Improvement

- Creation by Finance of Revenue Cycle education programs for Operations staff

- Transparency of actions and interventions, new initiatives, performance monitoring tools and an objective evaluation of results

How can Finance change the perception to working with Executives versus against Executives with Net Revenue?

Initiate Special Monthly Reporting of Net Revenue to Operations

✓ Develop a standard analytic and written narrative template that is approved by operational executives reporting results and causes and includes:

- o Variance analysis of revenue drivers against monthly and YTD budgets
- o Prior month and/or prior year
- o Reporting of excess reserves, settlements and other unique adjustments impacting net revenue
- o Graphical presentation of net revenue
- o Inventory and causes for write-off of high value accounts. Data could be used to initiate a process improvement initiative
- o Status report of contract negotiations and any conflicts with payers that are resulting in payment delays, high denial rates or lack of compliance with terms and conditions
- o Incorporate Service Line or Service Type variance reporting

Case Studies

Children's Medical Center of Dallas

Banner Health

Client Spotlight – *Banner Health*

Name of Organization: *Banner Health*

Hospitals: *28 Hospitals across Arizona, Colorado, Nevada, Wyoming, Nebraska, and California*

Gross Revenue: $33.7B for FY2019

Net Revenue: $7.0B for FY2019

Years using RCA: *1.5+ years*

Monthly Remote Assistance Support: *Level III Support – Full Remote Assistance including Settings Updates, Net Revenue Reporting Packages, and Analytical Support*

Carie Pogue
Net Revenue Senior Director

Banner Health

Client Spotlight – *Banner Health*

Key Takeaways

- Operational executives have varying backgrounds which results in varying levels of understanding net revenue results

- Separating Current Month Net Revenue from Change in Priors adds a lot of transparency to the net revenue story that wasn't available prior to RCA

- Using a similar presentation format each month and don't be afraid to make tweaks along the way

- Educating executives is a long-term process, it's not something that happens overnight

- Making yourself available and building relationships is extremely important to building trust

Where are they in their journey to hardwiring processes

The organization is still the process of trying to educate their executives on net revenue drivers and reporting, and actively working to improve communication strategies and regular interactions.

≋ Banner Health

Client Spotlight – *Children's Medical Center Dallas*

Name of Organization: ***Children's Medical Center Dallas***

Hospitals: *Three – Dallas, Plano, Our Children's Hospital*

Gross Revenue: *$3.86B for FY2019*

Net Revenue: *$1.87B for FY2019*

Years using RCA: *6+ years as an organization; 1.5 years for the current users*

Monthly Remote Assistance Support: *Level II Support – Net Revenue Reporting Packages plus limited Analytical Support*

Melissa Lish, CPA
Director of Accounting

Client Spotlight – *Children's Medical Center Dallas*

Key Takeaways

- Operational executives generally have expectations of where net revenue will fall and if month-end actuals deviate from this number, this raises questions
- Dashboards from Strata are made available each day and pushed to executives via email including:
  - Total A/R and AR Days, Projections, Claims Sent, Aging Summary, etc.
- Smaller hospitals end up getting more scrutiny as they are more sensitive to anomalies
- Change in Priors are generally the area of most misunderstanding by executives

Where are they in their journey to hardwiring processes

The organization is still early on in their journey of educating executives and one of their current areas of focus is making Accounting and Finance a more unified department. They are also looking to implement RCA for the Physician Group.

Thank you

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