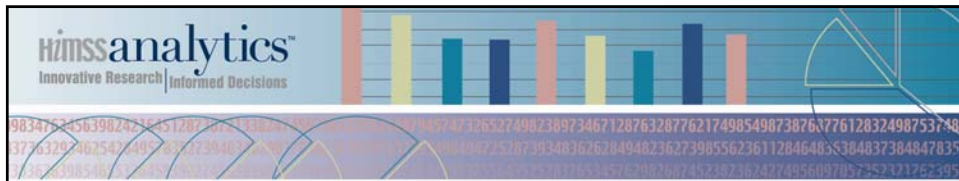


EIGHTH NATIONAL
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Revenue Cycle Management
Opportunities & Challenges

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Agenda

- Upcoming RCM Regulatory Impacts
- Business Drivers
- Current RCM Challenges
- RCM Gaps and Opportunities
- RCM Transformation
- RCM Complexity
- The Interconnected RCM/EMR Environment
- Hospital Challenges With Next Generation RCM
- RCM Metrics
- Metrics to Determine Hospital Health

RCM Metrics Used By Hospitals

- Cash flow: a revenue or expense stream that changes a cash account over a given period; financing, operations, and investing can create positive cash inflows
- Days cash on hand – cash and cash equivalents divided by expenses then divided by 365; the cash available to cover a days worth of operating expenses
- Case mix index – the average DRG weight for all of a hospital's Medicare volume; calculated from a CMS grouper and DRG weights from the Federal Register; lower index = higher payment
- Overall denials rate, clinical denials rate, technical denials rate; total denials reasons code; identifying claims failure
- AR Days – average days from bill drop to final payment for all payers
- **Cost to collect percentage – total patient access plus patient financial services expense divided by total A/R cash (excludes HIM expense)**
- Check out – "Performance is reality, how is your revenue cycle holding up?", *HFM*, July 2005, pp.49-56

Upcoming Regulatory Impacts

- HIPAA Claims Attachment – 26 Months to Implement After Final Rule Is Published
 - ✓ Ambulance Services
 - ✓ Emergency Department
 - ✓ Rehabilitation Services
 - ✓ Clinical Reports
 - ✓ Laboratory Results
 - ✓ Medications
- X12N 277 Transaction
 - ✓ Logical Observation Identifiers Names and Codes (LOINC) used by payers to request clinical information
- X12N 275 Transaction
 - ✓ Used by providers to respond to payer requests using HL7 CDA embedded attachment data

Upcoming Regulatory Impacts (cont.)

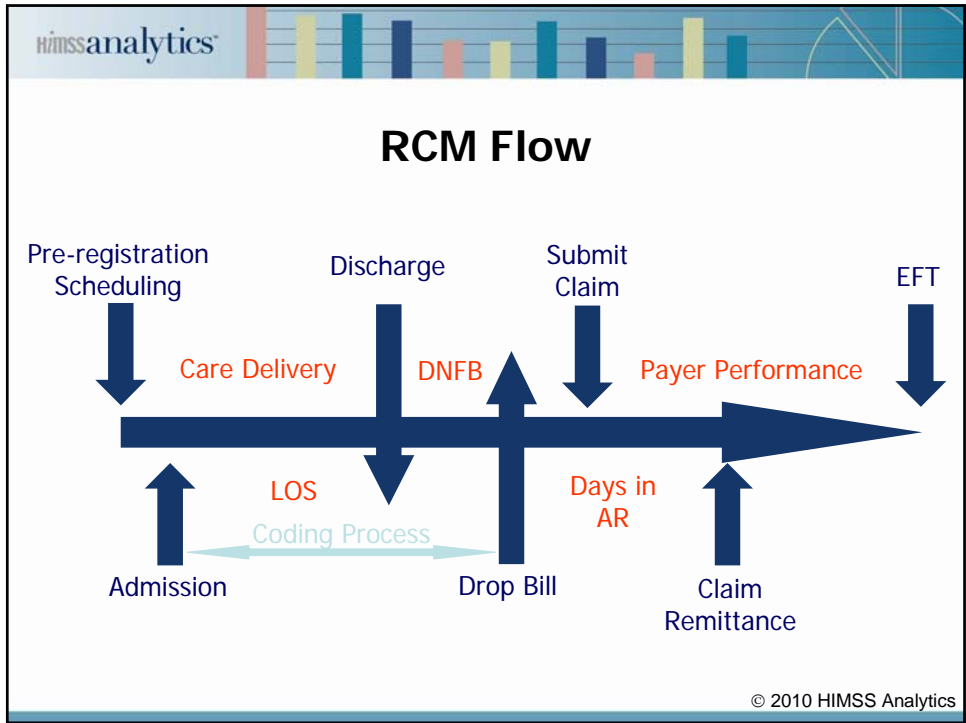
- Severity Adjusted DRGs (now implemented)
 - ✓ Medicare Inpatient Prospective Payment System (IPPS)
 - ✓ Each case categorized to DRG
 - ✓ Each DRG has a base payment weight assigned to it
 - ✓ Each base payment has a labor on non-labor share
 - ✓ Labor share based on wage index; non-labor on cost of living index
 - ✓ Disproportionate Hospital Share is added for hospitals that treat high levels of low income patients
 - ✓ Teaching hospitals also get added payments (indirect medical education adjustment)
 - ✓ For outlier cases (unusually costly cases) there is an added payment

Upcoming Regulatory Impacts (cont.)

- ICD 10 Clinical Modification coding system
 - ✓ ICD-10 is copyrighted by the World Health Organization
 - ✓ October 1, 2013 implementation deadline
 - ✓ Bigger impact than Y2K???
- Version 5010 EDI standards
 - ✓ January 1, 2012 implementation deadline


Business Drivers of RCM

- Patient friendly billing
 - ✓ The **PATIENT FRIENDLY BILLING**® Project is a collaborative endeavor spearheaded by HFMA, with support from the American Hospital Association, the Medical Group Management Association, providers and other interested parties to promote clear, concise and correct patient-friendly financial communications. Pricing transparency is a component.
- Workflow (pre-registration through payment)
- Complete billing; hospital/physician/specialty (e.g. dialysis)/outpatient
- Cash flow and AR management
- Consumer focused web services (registration, scheduling, billing)
- Claims efficiency (reductions in denials and pended claims)
- Clean bills
- Contract management integration



Current Challenges for RCM

- Registration/Scheduling (Advance Beneficiary Notice)
- Billing rework due to many billing inputs
- Charge master maintenance
- DNF duration
- Claims denial
- Claims pended
- Pay for performance
- Contract management integration
- Hard coding (charge master) vs. soft coding (HIM) decisions



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Current Challenges for RCM (cont)

- A 2002 analysis by 3M Health Information Systems Consulting Services of 1 million pre-scrubbed OPSS claims from 80 hospitals had error rates ranging from 8 percent to 30 percent. Eighty (80%) percent of the hospitals reviewed had significant incidence of compliance or cash-flow problems. Major problems identified were:
 - Coding errors—56 percent
 - HCPCS errors—86 percent of coding errors
 - ✓ **The charge description master was the source of 79 percent of HCPCS errors**
 - ✓ **The health information management department was the source of 21 percent of HCPCS errors**
 - ICD-9 errors—14 percent of coding errors
 - Billing errors—27 percent
 - Charging errors—17 percent

RCM Gaps

- A single revenue cycle management system that would combine billing operations for hospital billing, physician/professional services billing and specialty billing
- Key areas identified in supporting the organization's business process:
 - ✓ Generating clean claims
 - ✓ Coding
 - ✓ Denials management
 - ✓ Billing operations efficiency
 - ✓ Pricing transparency
 - ✓ Underpayment management



RCM Opportunities

- Key issues that might lead customer to change RCM systems include:
 - ✓ Cost
 - ✓ Support/Service
 - ✓ Product Obsolescence
 - ✓ Integration with Claims Management
 - ✓ Integration with the EMR



Challenge – Data Interoperability

Interoperability - *the ability of two or more systems or components to **exchange** information and to **use** the information that has been exchanged.**

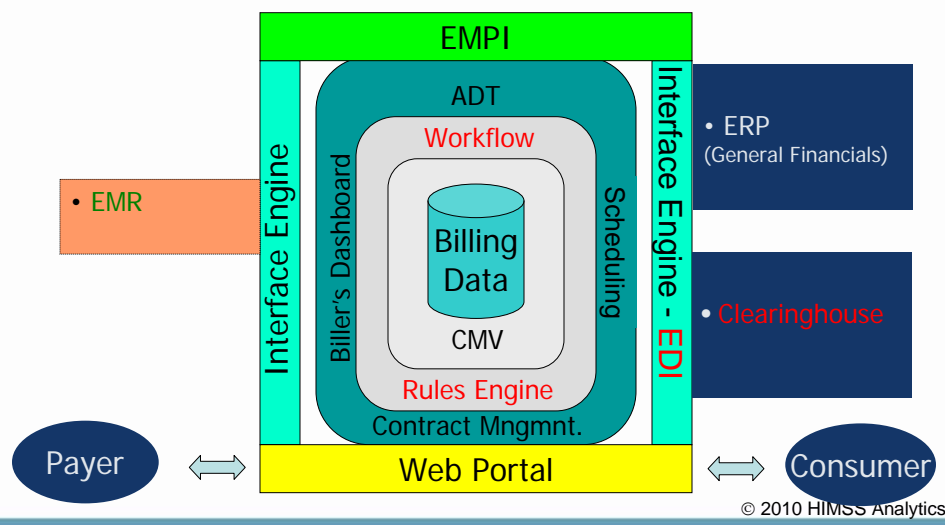
- Requires standards for exchange and content that don't exist.
- Problems:
 - ✓ Key standards organizations have been battling over how to create the standards.
 - ✓ The federal government is loath to "mandate" standards for exchange and content because they would never pass Congress.
 - ✓ It's not in vendors' best interest to level the playing field.
 - ✓ We don't have CMV standards.
 - ✓ We don't have an atomic-level data dictionary.

RCM Transformation

- Patient focus
- EMR integration
- Stakeholder integration

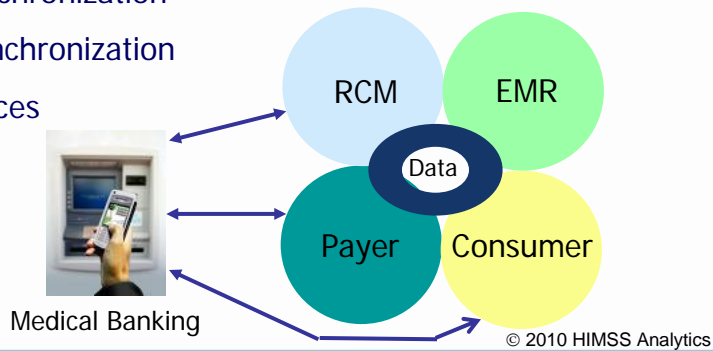


RCM/EMR Environment Complexity

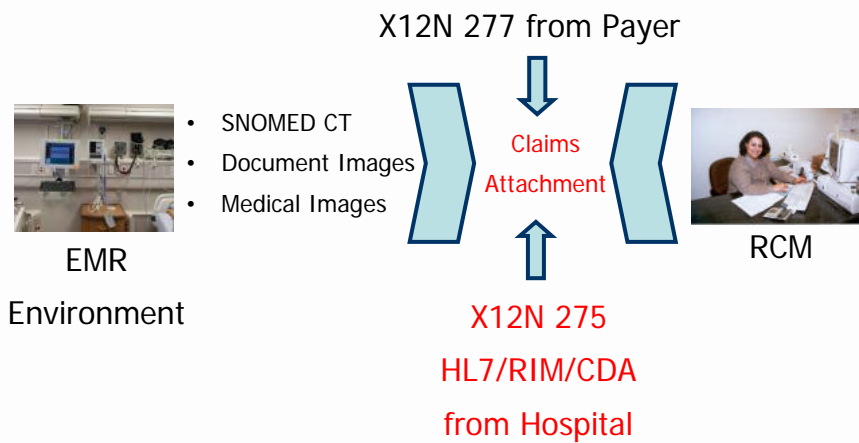


Interconnected RCM/EMR Environment

- Encoding transformation
- Data integration
- Billing synchronization
- Claims synchronization
- Web services



Future EMR Impact on RCM



Hospital Challenges for Next Generation RCM


- RCM replacement risk for CFO
- EMR integration/ongoing maintenance
- Infrastructure
- Stability of next generation RCH and EMR solutions
- Moving to a paperless environment



Hospital Strength Indicators

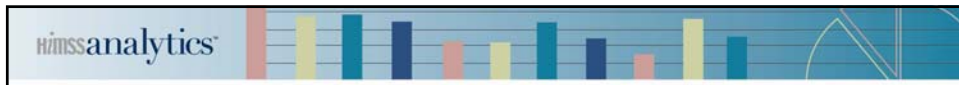
Metric	Low Q	High Q
Financial Strength Index	-2.0	3.5
Total Margin Percentage	-2.4	10.8
Hospital Charge Index	100.4	113.1
Inpatient Surgery Percent	17.3	22.8
Non-government IP Days	31.8	36.1
Hospital Cost Index	103.3	101.7
Net Patient Revenue/FTE	99.0	126.8
Medicare Length of Stay	4.3	3.9
Debt to Total Assets (Percent)	53.8	23.1

Check out: "Scoreboards and dashboards, using financial metrics to improve performance", HFM, July 2005, pp. 64-69



Appendix A

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RCM Coding Terminology

- SNOMED CT - Systematized Nomenclature of Medicine Clinical Terms
- LOINC - Logical Observation Identifiers Names and Codes
- HCPCS - Healthcare Common Procedure Coding System
- ICD 9 CM - International Classification of Diseases, Ninth Revision, Clinical Modification
- ICD10 CM - International Statistical Classification of Diseases and Related Health Problems, 10th revision, Clinical Modification
- CPT4 - Current Procedural Terminology, 4th Edition
- CPT5 - Current Procedural Terminology, 5th Edition
- DRG – Diagnosis Related Group

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X12N EDI Transactions

- **HIPAA/X12N Transaction Standards:**
- 837 Healthcare Claims
- 835 Healthcare Claim Payment/Advice
- 276 Healthcare Claims Status Request
- 277 Health Care Claim Status Request/Response transactions
- 275 Patient Information
- 270 Healthcare Eligibility Benefit Inquiry
- 271 Healthcare Eligibility Response
- 278 Healthcare Services Review Request
- 834 Benefit Enrollment and Maintenance
- 820 Payroll Deducted and Other Group Premium Payment
- NCPDP Pharmacy Claims