

White Paper

The Critical Role of Analytics in Revenue Cycle Optimization

A Complex Healthcare Landscape Requires Sound Decision-Making

The healthcare landscape is becoming more complicated every day. Legislative reforms, security and privacy concerns, declining reimbursements and margins, increasing bad debt and alternative care and payment plans have created a challenging environment that is likely to become even more taxing in the near future. A recent survey of healthcare executives found that 90 percent anticipate a “high or very high level of complexity” over the next five years, and unfortunately, more than 40 percent indicated they are not prepared to deal with this difficult environment.¹ The move to a value-based care delivery system away from the familiarity of a volume-based model means healthcare providers will soon be operating in a whole new world—one where it will be essential to make sound, fact-based decisions to achieve maximum efficiency while taking on more risk and increased responsibility for patient outcomes.

More and more healthcare organizations are recognizing the need to improve on how they make decisions that impact both clinical and financial operations. A recent survey of healthcare CEOs found that hospitals were looking for tools, analytics, incentives and transparency to identify areas where they should implement performance changes² to respond to the evolving healthcare landscape. Another survey of CIOs of major health systems reported that “creating an information-driven health system using advanced analytics” was their number one long-term priority,³ acknowledging their goal to make data the basis of their decision-making process.

Analytics Can Support Fact-Based Decisions

Some organizations are well on their way to improving how they make decisions by utilizing the power of data analytics. Using analytics to harness the valuable information locked away in electronic health records and other clinical sources across the care continuum, these organizations are making significant progress moving forward to a new value-based care model, empowering improved patient outcomes through real-time information sharing, recognizing critical health trends within patient populations, identifying and enabling preventative care measures through predictive analysis, and gaining insights into new treatments and technologies.

In addition to clinical applications, an increasing number of progressive organizations are also recognizing the important role data analytics can play in revenue optimization—especially the real-time capabilities and transparency analytics can provide. In today’s difficult business environment, maximizing revenue is critical to support quality care while ensuring the

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organization's ongoing financial stability, but unfortunately many challenges stand in the way. Gross charges denied by payers continue to escalate,⁴ and some experts are predicting that ICD-10 will only make matters worse, possibly increasing denials by as much as 200 percent.⁵ Some studies have found that, on average, denials cost providers 3 percent of their net revenue stream,⁶ consuming precious dollars that, in some cases, can push the balance sheet into a negative position. Whatever the actual figures are, it is obviously imperative for organizations to maximize every revenue opportunity and not fall victim to poor documentation, submission errors and other preventable events that lead to claim denials and revenue leakage, negatively impacting the organization's financial health.

Analytics Provide Actionable Information And Transparency To Drive Revenue Optimization In Critical Performance Areas

Ensuring optimal revenue cycle performance has never been more important than it is today, and analytics can play a key role in helping the healthcare organization achieve that goal by establishing a culture of fact-based decision-making. Analytics can provide powerful, easy to use tools that create deep insight into the revenue cycle management (RCM) process, enabling the organization to more effectively define revenue goals, monitor progress and identify potential problems. Through the skillful use of advanced analytics, data created during day-to-day operations—from admissions through care delivery, coding, billing and collection—can be transformed into simple, easy to understand actionable intelligence that can provide transparency into the processes, procedures and employee performance that impact revenue, empowering sound decision-making to support revenue optimization in critical performance areas.

✓ Clinical Documentation Improvement

One major component of revenue cycle management that data analytics can vastly enhance is Clinical Documentation Improvement (CDI). With advanced analytics, physicians and coders can receive feedback on their documentation in real-time, not only improving the documentation but also impacting and improving patient care. Real-time data accurately shows a patient's clinical status at all times, as well as accurately documenting which services were provided. This detailed and timely information is critical for effective team care within the organization, as well as care coordination across the care continuum.

Real-time feedback also empowers collaboration and strengthens relationships among physicians and the coding team, helping physicians understand specificity requirements for more accurate documentation and eventually improving documentation quality. Physicians can receive feedback on a regular basis, providing positive reinforcement when documentation is good or guidance when more detail is needed, rather than sporadic feedback only when more information is required.

For coders, clinical documentation specialists and compliance auditors, analytics can provide features to support efficient workflow, such as real-time code lookup capabilities and collaboration pages for providers, allowing reviewers to quickly check the feedback in real-time entered by each provider and respond in real-time if needed.

Analytics put administrators in the driver's seat, providing a transparent view of the entire documentation process from start to finish, turning complex data into real-time actionable information for evidence-based decisions that support

improvement initiatives. For instance, analytics can enable administrators to:

- Track and trend documentation specificity of providers and coders
- Develop benchmark comparisons of provider and coder performance
- Drill down to determine what each provider needs as part of their specific education
- Identify improvement opportunities or show trends across entities, specialties, and timeframes
- Compare providers against their peers within a specialty or a facility, and
- Addresses regulatory mandates by tracking coders' accuracy and competency to ensure compliance with regulations

Advanced analytics can be a powerful tool to manage coding issues

Advanced analytics can be a powerful tool to manage coding issues, identify training opportunities and provide guidance to increase documentation accuracy. These CDI initiatives decrease coder queries, payment delays and reimbursement denials, positively impacting cash flow and the organization's bottom line.

✓ **Better Management Of Accounts Receivables And Revenue At Risk**

Another important role data analytics can play in RCM is to consolidate disparate financial and patient data from various financial systems. This provides transparency and insight into the organization's accounts receivables and helps identify revenue that may be at risk. Analytics can provide visibility across the many departments that impact revenue to help management and staff better understand the interdependencies that exist in the revenue cycle, often leading to improvement initiatives that reduce denials and other avenues of revenue loss.

Dashboards and reporting capabilities can convert data into insight, providing real-time information that lays the groundwork for sound decisions, enabling organizations to effectively monitor and manage their accounts receivables. These valuable analytic tools can:

- Identify revenue bottlenecks
- Reduce bad debt by identifying its root causes
- Identify revenue at risk through predictive and comparative analytics
- Manage reimbursement trends
- Reduce revenue leakage
- Guide business strategy by identifying service line profitability
- Streamline monthly reserves, and
- Accelerate cash flow across the enterprise

Additionally, organizations can increase staff productivity and save countless hours normally spent compiling figures, cleansing and mastering data, building and supporting interfaces and producing and distributing reports.

✓ Coding Audit And Compliance

Coding audit and compliance are key areas that require close scrutiny in revenue cycle management and another place where analytics can be quite useful. Organizations can be proactive, checking compliance adherence and optimizing reimbursements by auditing and evaluating internal coding practices, coding accuracy of reimbursements and overall coding quality. Analytics can identify denial trends not apparent in the aggregate data, as well as the strengths and weaknesses of coding, documentation, billing, and reimbursement practices, creating opportunities for performance improvement.

The entire auditing process can be automated, eliminating the need for costly, inefficient manual procedures while, at the same time, turning the data into useful information that can drive improvements in coding quality, compliance controls and data safeguards.

The High Cost Of Denials

Some healthcare organizations may wonder if utilizing state-of-the-art analytics in their RCM operation is worth the investment in time, effort and resources. The answer is a resounding yes. By comparing the high cost of ongoing denials to the contribution analytics can make in the RCM arena, it quickly becomes apparent analytics pay for themselves in short order in cost savings from preventable denials and RCM process improvements.

Roughly 90% of all denials are preventable.

Industry experts estimate that roughly 90% of all denials are preventable.⁷ According to the Medical Group Management Association, even top-performing practices report having 4.05% of claims denied on the first submission, and 65% of these denied claims are never resubmitted⁸ —that's money left on the table. When hospitals resubmit a claim, it can cost from \$50 to more than \$100 in staff time just to collect the information needed to analyze the denial.⁹ Obviously, the costs surrounding denials can quickly mount up. For example, a typical community hospital with 185 beds billing approximately \$63 million a year from patient treatment is estimated to lose \$6.3 million annually in denials.¹⁰

Analytics can provide the powerful data insight tools to create the business intelligence needed to stem the tide of denials and take the entire RCM operation to a whole new level of performance.

Conclusion

Analytics can play a vital role in optimizing the healthcare organization's revenue cycle by transforming huge volumes of complex data into actionable information that can be used to make fact-based decisions in key revenue performance areas. Analytics can provide transparency and insight into the entire revenue cycle process, empowering healthcare organizations to take advantage of every revenue opportunity while reducing threats to the bottom line. Healthcare organizations need to transition away from merely using their data for simple report generation to harnessing the tremendous power of real-time data to help them make the sound decisions that are necessary to thrive in the new value-based world.

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