

## **REVENUE CYCLE TURNAROUND: Can you go it alone?**

By Jim Yarsinsky, CPAM

It happens. Sometimes hospital receivables go awry, at times a lot awry! But how do receivables become out of kilter, and what is the best approach in fixing your organization's receivable turnover rate?

### **Reasons for Poorly Performing Receivables**

A major contributor to a slowdown in cash collections is that third party insurance companies, Medicare, and Medicaid effectively avoid paying claims by requiring that invoices comply *perfectly* with their individual requirements. To further burden the provider, they frequently change those requirements.

In addition, hospitals that are in need of an A/R turnaround may have a lack of internal controls (i.e., the ability of the patient financial business office to control itself), low morale, anxiety on the part of the staff, and a staff that lacks the skill sets necessary to perform effectively. Often, contributing factors are that IT systems are not working properly, revenue cycle departments do not collaborate, and management does not provide the necessary support or guidance.

### **Considerations When Undertaking an A/R Turnaround**

If you believe that you need drastic action towards an immediate "turnaround", you first need to write a game plan (and you will always know what the next step needs to be). This is key! The busier you are, the more you need to plan.

The next important consideration is to determine if you have enough resources to reach your cash and AR objectives. More and more, savvy PFS managers are hiring resources on a short-term basis to work down backlogs. Their hospitals are willing to pay the short term costs associated with obtaining a trained person for the time period required rather than obligate themselves to costs of employing a full-time permanent employee. Interim staff can be an excellent solution to resolve bottlenecks and backlogs. This approach can be very cost-effective if the interim staff is dedicated, capable, and dependable.

Another approach used by many health care providers is to outsource portions of its accounts receivables to an outside vendor specializing in health care receivables and collections. A/R outsourcing has become more common in healthcare as hospitals seek ways to improve their operational performance. Using a specialized medical billing and collection service is often effective, but does not always guarantee proper, timely payment. Good planning is crucial before starting an outsource arrangement. This approach can fail horribly if proper consideration is not given to the key issues, system interfaces are not adequately established, or a long-term game plan is not integrated into the process.

Enlisting the assistance of a revenue cycle consultant is another consideration in that most of these individuals are seasoned and have no agenda or bias that may affect the decision-making

process. As a result, they make the necessary decisions regardless of the popularity of those decisions or the political implications. Revenue cycle consultants can assist hospital management to re-engineer ineffective workflows, procedures, and processes while spending considerable time in training the staff. These individuals concentrate on managing operational aspects relating to change without becoming unnecessarily wrapped-up in the internal battles that can often sidetrack turnaround efforts.

## **Beginning a Turnaround Project**

Should you attempt an A/R turnaround without any outside interim assistance? If the goal is to create an environment conducive to change as opposed to struggling with the barriers that likely contributed to the receivable problems in the first place, the answer is clearly that, at a minimum, this approach should be given serious consideration. Another important consideration is whether the internal management team has the necessary time to devote to turning around the patient financial services department quickly while operating their day-to-day business at the same time. More and more, in-the-know health care financial managers around the country are getting their business offices in shape by bringing in interim outside help.

Regardless of whether you choose to bring on board outside assistance, there are some basic guidelines to follow in affecting an accounts receivable turnaround:

***Create a sense of urgency to everyone that business as usual must change:*** Once you decide to go forward, you have to be determined to effectively implement the identified new methods and systems.

***Do not restrict your focus to Patient Accounting:*** Although patient accounting is where it all ends up, do not neglect the other components of the revenue cycle in performing your assessment and developing a roadmap for change. Patient Access, ancillary departments, and Health Information Management (HIM) are major players in the revenue cycle and inefficient or ineffective operations in these areas can have a significant impact on the management of the accounts receivable.

Conduct a top-to-bottom operational review including an analysis of billing systems, billing practices, staffing methodologies, staffing levels, and a comprehensive accounts receivable analysis: This should be the first phase in improving revenue cycle performances. Interview all management personnel within the business office and key staff members during the fact-finding effort.

***Develop an action plan:*** Review the current or most recent training program utilized by the hospital and assess whether revisions or new training program is most appropriate.

***Communicate the vision and set goals with everyone:*** Be sure you spend considerable time educating the staff on what life will be like after the implementation. Make them part of the process by keeping them informed every step of the way. People are more wary of what they do not know than what they do know.

**Vigorously pursue the collection of all accounts receivable in excess of 45 days:** Efforts beyond the usual will be necessary to just maintain the status quo since the change process will inevitably result in some productivity loss in the short term during the transition period. Have your collectors work a couple of “prime-time” evening hours a week, give staff incentives to improve their productivity, and reassign work responsibilities to achieve optimal results.

**Reduce denials:** Another main focus area in any turnaround program should be implementation of an effective denials management program. Many healthcare financial managers do not have a good understanding as to the reasons for their payment denials. You will need to have specific policy and procedures surrounding the handling of pre-certification and authorization denials. More significantly, a monitoring process will be required to track the causes on an ongoing basis and continually take steps to eliminate them.

**Eliminate all billing backlogs:** Identify those accounts within the accounts receivable that have low probability of collection. Either allowance these accounts or outsource them to a vendor capable of making an effective final collection effort. If you believe that adequate internal resources are, or can be made, available, organize the accounts to be worked in descending balance order, offer overtime if needed, and implement a concentrated follow-up effort. If internal resources are not available consider hiring well-trained interim staff to work on backlogs while the permanent staff concentrates on maintaining current accounts and implementing system, procedural, protocol, and workflow changes. Contracting with a good temp agency lets revenue cycle departments’ staff up only when they need extra help, holding down costs. Also, in some cases, it is a good idea to bring in a temp when a permanent spot opens as a way to audition a candidate. More and more hospital patient accounting departments are incorporating temp workers in long-term plans, whereas 10-15 years ago they used temps just to fill occasional holes.

## **Achieving Success**

As hospitals deal with the ever-changing financial environment, the billing and collections operation is one of the most crucial aspects of managing a healthcare business. Cash-starved health systems are generally the victim of a declining A/R turnover rate and a deteriorating A/R aging schedule.

Turning around a troubled revenue cycle is no easy feat. Most hospitals first need to determine precisely what is wrong with the infrastructure of their revenue cycle, and then construct a work plan that will achieve the necessary changes while maintaining cash flow in the interim.

Whichever road you decide to take during a Patient Accounting turnaround attempt, remember that proper planning and allocating the right resources to produce maximum performance are the keys to any successful A/R turnaround effort.

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