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The Hunt for Efficiency

How Hospitals View Their Revenue Cycle Challenges

Survey shows increasing financial pressure will drive change

With the rise of the patient as payer, hospital executives and managers are facing more challenges than ever before in revenue cycle management (RCM). In a recent ABILITY® Network survey, hospital leaders ranked denial management and patient payment collection as their two greatest revenue challenges. Despite a significant portion of hospital managers and C-level executives reporting concerns over these obstacles, roughly 80% of respondents also felt that they were well-positioned to meet their RCM challenges in the coming years.

The market is eager to take advantage of new technology. Respondents predict that RCM spending is going to be on the upswing, with 60% of hospitals planning to increase investment in their revenue cycle. Why are these organizations considering a change? Financial pressure on reimbursements is reported by 61% of the survey and 56% cite the increasing burden of patient financial responsibility.

60%
of hospitals
are planning to increase RCM investment.

Hospitals are feeling the pinch of reimbursement changes

Changing payment models for acute facilities are a significant factor in the increasing financial pressure on the revenue cycle. When conventional payment structures are replaced by alternative payment models, the healthcare organization must shoulder greater financial risk. In cases where the cost of care is more than the established reimbursement, the hospital may pay out-of-pocket for the difference. These scenarios are on the increase and acute facilities want tools to help them remain profitable.

Another factor is merit-based pay incentives and penalties. The administrative focus of meeting measures can shift resources away from billing tasks. In these situations, billing departments can find themselves having to handle the normal claims workload with less labor. The ability to automate workflows allows staff the flexibility to concentrate on achieving maximum reimbursement.

The ability to automate workflows allows staff to do more with less.
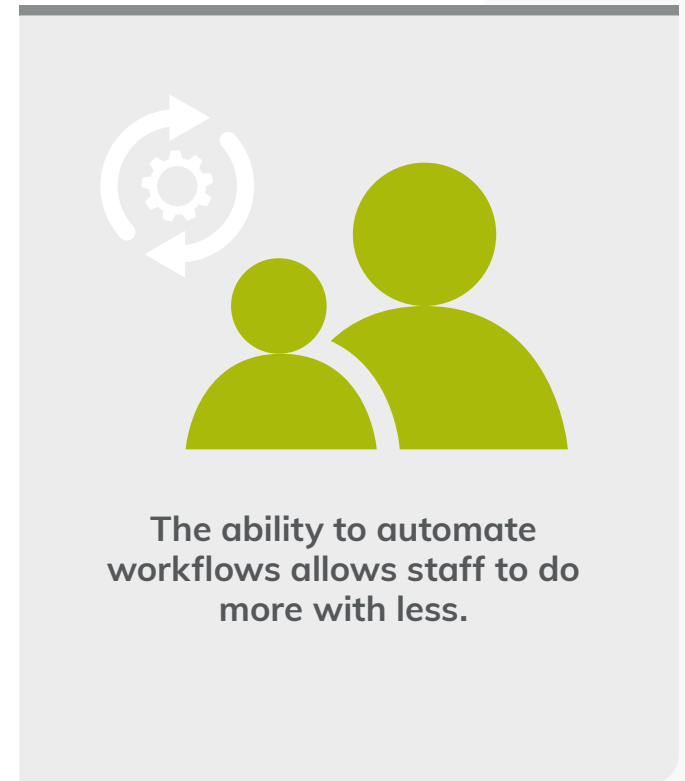
Collecting patient payment is more important than ever

High deductibles, increased co-pays and larger percentages of coinsurance are the results of payers shifting responsibility to patients for reimbursement.

Today, it is not uncommon to see deductibles of $5,000, which were a rarity a decade ago.

If an organization fails to collect patient payments effectively, it will find its revenue decreasing despite contractual amounts remaining the same, or even rising, because patients are responsible for a more significant percentage of overall collections.

Hospitals are creating efficient workflows to ease financial pressure

The survey indicates hospitals are on the hunt for automated solutions.

One statistic from the study suggests that the RCM vendor market is highly segmented. **About 40% of medium and large hospitals, and 19% of small ones, are using four or more companies for RCM.** Although it is not clear what the precise reason is for using multiple vendors, respondents' comments indicate that they may be trying to piece together a system with all the features they need. Seventy-one percent of respondents who changed vendors in the last two years say they did it for a specific software feature or functionality.

Saving time and increasing efficiency are the leading reasons for RCM change.

The top reason cited (78%) for a change in RCM was to save time and increase efficiency. This is a reaction to the increased pressure on reimbursements since efficiency directly translates into labor savings and maximizes revenue.

Most hospitals do not review RCM services on a regular basis

The frequency of reviewing RCM products and companies appears to happen as needed, according to 87% of the survey. Over the last two years, 23% of the participants began a new relationship with an RCM company while 14% switched from one RCM company to another.

Why organizations are considering a change

financial pressure on reimbursements **61%**

increasing burden of patient financial responsibility **56%**

Hospitals supplement EHR RCM systems with specialty RCM applications

Respondent data suggests that hospitals are open to assistance with RCM operations. While most hospitals have EHR systems with RCM functionality, a significant portion of them are also using — or would consider using — separate RCM applications to assist in functions such as claims scrubbing, claim attachment support and secondary claims processing.

Across all size segments surveyed, hospitals showed a strong preference for electronic health records (EHRs) with integrated RCM functions. Eighty percent of responding hospitals have at least some RCM functionality built into or integrated with their EHR. Of these, 85% placed high value on having RCM functionality within their EHR system. Despite these numbers, about half of hospitals surveyed would still consider additional RCM products that do not integrate with their EHRs.

Despite frequent use of EHRs for revenue cycle management, hospitals report using multiple companies' products for RCM functions.

Overall, about

60%

of hospitals

use at least three companies for RCM. This finding suggests that specialist RCM companies are an integral part of most hospitals' revenue cycle.

Survey reveals top ways hospitals measure RCM success

Days in A/R is the most frequently used metric by hospitals to measure RCM performance; collections rates and denial analytics are the second and third, respectively. The study reveals both hospital C-level executives and RCM managers place the most emphasis on A/R days.

The focus on other metrics such as denial analytics, claims status and first pass claims acceptance rates differ according to management level. C-level executives place greater focus on denial analytics (64%) than first pass claims acceptance rates (39%) and claim status (34%). On the other hand, RCM managers place almost equal importance to first pass claims acceptance rates (50%), denial analytics (47%) and claims status (47%).

The study reveals both C-level executives and RCM managers place the most emphasis on A/R days.

A hospital wish list for RCM companies

The last question of the survey asked respondents for suggestions or advice about how RCM companies can help their hospitals. Although there were many responses to this open-ended question, three themes prevailed:

- Understanding of hospital economic pressures
- Meeting of product/feature needs
- Increased system interoperability

The concept of increased system interoperability applies not only to software systems, but also to applications that use one platform to bring together previously segmented electronic operations. In the survey, 69% of managers and 91% of C-level executives were interested in combining RCM functions such as claim scrubbing, online claim entry, claim attachment support and automated secondary claims processing onto a single platform.

The planned increase in RCM spending as reported in the survey could be an indicator that organizations are **finding RCM companies that are listening and giving them the tools they need** – **and ABILITY is one of them.**

ABILITY is a leading information technology company helping hospitals simplify administrative and clinical complexity by enabling data-driven improvements in healthcare. Through specialized, easy-to-use applications and data analytics that work together, organizations rely on ABILITY to help optimize reimbursement, care quality and staffing.

Contact us today

Learn how ABILITY can you help you increase RCM efficiency, reduce days in A/R, simplify claims editing, automate secondary claims and improve your financial performance.