

Mastering revenue cycle management

Ob/gyns can reduce the amount of time spent collecting revenue, but they need to research which plan fits their practice's needs best.

by JAMES F. SWEENEY

Doctors are fond of complaining that they didn't go to medical school in order to practice business, but independent physicians do spend much of their time on their practices' finances.

That requires mastering revenue cycle management (RCM), the financial process practices use to administer all the functions associated with claims processing, payment, and revenue generation.

At the level of the individual patient, RCM begins when that patient makes an appointment and ends when all claims and payments resulting from the appointment and subsequent services have been settled. At a higher level, it means ensuring that the practice generates enough income to pay expenses and yield a profit.

Revenue cycle management has never been easy, but the move to value-based care and reimbursement, as well as more risk-based payer contracts, has made it harder than ever. A 2016 survey by research firm Black Book found that 90 percent of small, independent prac-

tices were unprepared financially and technologically to implement value-based care.

Difficult though it may be, efficient and disciplined RCM is key to an independent practice's ability to remain so. "Effective revenue cycle management isn't going to guarantee your practice's financial success, but neglecting revenue cycle management might result in its failure," says Melissa Lucarelli, MD, a family physician in Randolph, Wis.

A move to outsourcing

As RCM becomes increasingly demanding, more practices are turning to vendors to handle part or all of it.

The Black Book study predicted that the U.S. market for physician and ambulatory RCM outsourcing and extended business office services would grow by 42 percent between the end of 2016 and the beginning of 2019. The same survey of 2,000 independent physician practices found that 59 percent of providers intended to outsource some or all of their billing.

"High-impact drivers of the physicians practice outsourcing market in-

clude the increasing emphasis on compliance and risk management, and the need for more efficient and cost-effective processes," Black Book managing partner Doug Brown says in the study.

The rising costs of operating a practice also underscore the importance of RCM. A 2018 Medical Group Management Association study found that over the past 5 years, median operating costs for primary care practices have risen by 13%, from \$391,798 to \$441,559 per physician. And while revenue can fluctuate, expenses such as salaries, rent, insurance, and equipment payments must be paid on a regular schedule.

Outsourcing RCM is comparable to a primary care physician referring a patient to a specialist, says Todd Van Meter, senior vice president, ambulatory care, for Optum360, a revenue cycle management firm based in Eden Prairie, Minn.

The specialist has greater resources, knowledge, and expertise to handle the task than does the generalist, he says. And unlike a practice whose primary mission is providing healthcare, a ven-

dor is focused solely on RCM, making it easier for them to stay current on regulatory and reporting requirements while discovering new efficiencies.

Lucarelli says outsourcing much of her RCM has been a boon for her small, rural practice. “These are tasks we could do and we used to do, but the system does the heavy lifting and the drudgery stuff that keeps us away from the medical stuff we want to do,” she says.

Lucarelli uses her EHR vendor, Athenahealth, for coding, billing, verifying insurance coverage, interfacing with payers, and other functions. She adds that outsourcing the RCM function has made it possible for her to reduce the practice’s back office staff from four to two, a part-time billing clerk who posts claims and an office manager.

The system has been particularly helpful for meeting reporting requirements under the Merit-based Incentive Payment System, as well as providing upgrades, such as free interfaces with labs. “There is no way that I would go back to the old way and be able to provide medical care the way I want to,” she says.

Keeping it in the practice

Not all practices find it beneficial to outsource RCM.

Associated Physicians is a 20-doctor independent practice in Madison, Wis., that offers comprehensive primary care services, including physical therapy, nutrition counseling, and diabetes education while operating its own lab.

The accompanying volume and complexity of paperwork, reporting, and regulations would push some practices to outsource their RCM, but Associated Physicians does nearly everything with

its own employees. “We want to remain independent. Part of that independence is wanting to do as much inside as possible,” says Executive Director Terri Carufel-Wert, RN, MHA.

The practice employs 11 back office personnel, including coders and billing and payment specialists. While that’s substantial overhead, Carufel-Wert and Business Operations Manager Margaret Wilkinson, CMC, say the team saves money by performing at a very high level.

Communication and coordination are key, Carufel-Wert says. Everyone, from physicians to billing clerks, works from the same guidelines, and new providers are quickly trained on office

Using an RCM vendor does not have to be an all-or-nothing proposition.

procedures. The coders are so well-versed in regulations that they seldom make billing errors and even occasionally correct private payers, she adds.

Employees are cross-trained on jobs so there’s no drop-off in performance during someone’s absence. The staff analyzes potential new practice offerings and equipment to determine if reimbursement will make them profitable.

The practice is proactive with patients as well. Whenever possible, it obtains payment upfront and frequently has to educate patients about what their insurance covers and how much it pays.

The hard work pays off. The average time between billing and reimbursement from payers and patients is

22 days, which Wilkinson says is much shorter than average.

“We had to do a lot of training and educating, but we are now able to deliver quality care at an affordable price,” Wilkinson adds.

A personal touch

Newton Family Physicians has done its own RCM for all 37 years of its existence and expects to continue to do so, says practice administrator Melissa White.

“We find it just works better for us,” says White. The Newton, N.C., practice has six physicians and four nurse practitioners. Doing its own RCM requires three full-time-equivalent employees doing coding, billing, and other back office tasks, while White and a part-time employee handle collections.

The practice has considered using a vendor for RCM and probably would save money by doing so, White says, but worries that introducing a third party would hurt long-standing patient relationships in the rural communities it serves.

For example, the practice knows when a patient has lost a job or been sick and will take that into consideration during billing, White says. It also offers no-interest payment plans.

“It’s not always about saving two cents,” she says. “From a community perspective, we just have better reception.”

While the practice will use a collection agency for some unpaid debts, it prefers to rely on the personal touch, White says, adding, “We found that it works better for us because when you call someone and they know you they’re more likely to deal with you than they are with a collection agency.”



GUIDELINES FOR SELECTING AN RCM VENDOR

Whether outsourcing all RCM functions or only some services, here are some guidelines for selecting a vendor from industry sources:

1. CHOOSE A REPUTABLE AND EXPERIENCED

VENDOR. Ask about qualifications, certifications, and association memberships. Check references.

2. KNOW WHAT YOU'RE PAYING FOR.

Vendors offer a variety of services and packages and comparison shopping can be confusing. Make sure you get what you need and aren't paying for services you don't need. Ask an experienced attorney to review the contract.

3. MAKE SURE THE VENDOR PROVIDES A CUSTOMIZABLE AND USABLE DASHBOARD.

This is a practice's interface with RCM and if it's hard to use or difficult to read the operation will suffer.

4. GET ANALYTICS.

A good RCM vendor will not only handle coding and billing, but offer real-time analytics tools that filter data, generate the necessary reports, and make it easy

to identify problem areas that should be addressed.

5. MAKE SURE THE VENDOR PROVIDES REGULAR UPDATES.

Reimbursement is constantly changing, and RCM software must be current to avoid problems with denials and failure to meet reporting and performance standards.

6. CHECK THE VENDOR'S CUSTOMER SERVICE RECORD AND REFERENCES

and know exactly what type and how much help your contract stipulates.

7. MAKE SURE IT'S COMPATIBLE WITH YOUR EHR SYSTEM

and that you will be able to run your own reports.

8. SET AGREED-UPON PERFORMANCE

GOALS. You're hiring a vendor to improve RCM and having benchmarks in place will let you know if that's being accomplished.

Their personal, in-house approach works, she says, adding that Newton has a reimbursement rate of 97% to 99%.

RCM patterns

As part of his RCM, Jeffrey Kagan, MD meets with his accountant annually to project income and expenses for his two-physician practice in Newington, Conn.

The accuracy of those predictions determines whether the practice is profitable or if Kagan must tap into a line of credit to pay himself and em-

ployees. After 25 years in practice, he has identified reimbursement patterns, such as slower and fewer patient payments in the first half of the year because people have not yet met their insurance deductibles.

This trend has gotten worse as more employers switch to high-deductible plans, he says.

The practice uses an outside vendor for billing and occasionally hires a collection agency, but performs other functions itself. Kagan does everything he can to get patients to pay their co-pays and other costs at the time of their ap-

pointment. "If I can get my money in 3 months, I'm thrilled," he says. "There are some who take longer, but none of my expenses get held up for 3 months."

He takes payments via credit cards, accepting the service fee if it means getting paid faster. He also has had to get stricter with non-paying patients, either dropping the worst offenders or refusing to schedule new appointments until their debts are settled.

His staff also knows to verify insurance eligibility at the beginning of an appointment. "It only takes a few minutes to do that in the beginning, but it probably takes an hour to fix it later," he says.

Choosing an RCM vendor

Using an RCM vendor does not have to be an all-or-nothing proposition. Many independent physicians, like Melissa Lucarelli, MD, a solo practitioner in Randolph, Wis., choose to outsource some functions and keep others.

She recommends developing policies and processes for each phase of RCM, from preauthorization to collections, then scrutinizing them to determine if it makes financial sense to outsource that phase. That self-examination led her from doing virtually everything in-house to outsourcing most of the work. ■

James F. Sweeney is a freelance writer in Cleveland. He is a former newspaper and magazine reporter and editor.

DISCLOSURE The author reports no potential conflicts of interest with regard to this article.

FROM THE PAGES OF

Medical Economics
SMARTER BUSINESS. BETTER PATIENT CARE.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.