Maricopa Medical Center gains net revenue improvement of $17.5 million with Charge Integrity and Patient Access Solutions

As health care providers strive to gain additional cost savings from business operations, a fresh look at the basics can help achieve stronger financial results. For Maricopa Medical Center, improving the basic linkage between its supply chain and revenue cycle has yielded significant savings.

Maricopa Medical Center is a major component of the larger Maricopa Integrated Health System that provides comprehensive health care for all citizens in Arizona's Valley of the Sun. As the primary health care "safety net" for residents of the Phoenix area, a major teaching hospital and home to a Level One trauma center and the nation's second-largest burn center, Marciopa Medical Center faces financial and operating challenges as diverse as the communities it serves.

Challenge

One challenge facing Siobhan Mee, Maricopa Integrated Health System director of revenue management, was ensuring that charges for supplies used in the facility were in synch with the item costs. Mee knew there historically had been a disconnect, caused partially by many non-item file purchases and special ordering by clinicians that not only circumvented normal purchasing processes but also prevented proper tracking of costs.

Since supply information was not linked to the chargemaster, cost changes were verbally updated and little communication occurred between purchasing and revenue cycle personnel when these changes occurred. Charges often remained the same, even after costs increased or decreased.

Attempts were made to manually link supply information with the chargemaster, but the process proved to be too time- and labor-intensive. The end result—a chargemaster filled with under-charges and items priced above the set mark-up.

In addition to linkage issues, Maricopa Medical Center faced uncertainty about its pricing strategy. A commitment to move toward an acquisition-based strategy was complicated by a reluctance to adjust formula markups, since the gross and net impacts of a price change could not be estimated. There was concern that adjustments would either hurt net receivables or have no net impact and increase contractual adjustments. The manual process of evaluating and updating annually didn't allow for defensible pricing of supplies.

Maricopa Medical Center has experienced a dramatic turnaround in both the linkage of its supply chain with the revenue cycle and in its ability to develop a sustainable pricing strategy.

Maricopa Medical Center also wanted to solve the challenge of informing its patients upfront what they would owe for the health care services they utilized during their visits. Maricopa sought a solution that could: implement an estimating process at all clinical sites for patients qualifying for charity care; calculate the patient's financial responsibility; assist in informing the patient in pre-service or upon arrival what his or her out-of-pocket cost would be; and could help collect and document the amount owed.

Solution

Maricopa Medical Center's ongoing 10-year relationship with nThrive* provided an avenue to achieve a solution. Mee and her team chose Cost-to-Charge Analytics, an nThrive product that automatically and continuously links hospital supply information with the chargemaster.

As a first step, Maricopa Integrated Health System reviewed and updated the supplies and their charges, focusing initially on the high-dollar areas such as the burn unit, trauma center, cath lab and interventional radiology. As the Cost-to-Charge Analytics implementation began, items were mapped over a several-week period and mapping questions were relayed to various departments.

Once the product went "live," a review of key items revealed many more supplies than items. Materials management worked with departments to add missing items to the item master, which led to the eventual clean-up of the entire item master.

After completion, formula mark-ups were reviewed and adjusted and contract carve-outs were priced within their own tier by revenue code. Cost-to-Charge Analytics allowed Maricopa Medical Center to simulate markups and adjust formulas accordingly.

Throughout the installation process and into the operational phase, Mee reports, Cost-to-Charge Analytics has proven to be flexible, easy to use and understand and a producer of accurate reports and results that track to expectations. The ongoing support and expertise provided by nThrive allows for a collaborative approach to problem-solving, while still focusing on clean, compliant charging.

Mee and her team reviewed various options and chose CarePricer to help inform the system's patients of their financial responsibility. CarePricer was designed to provide accurate, patient-friendly estimates to help patients understand the costs of services being performed and assist Maricopa Medical Center in reducing bad debt by collecting payments upfront or establishing payment plans.

Results

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Supply pricing is now updated monthly to the chargemaster and tracking of non-file purchases has reduced their frequency dramatically to just over 11 percent.

In addition to Cost-to-Charge Analytics, Maricopa Medical Center also uses nThrive Charge Capture Audit to validate accurate charges and compliant billing, building upon Cost-to-Charge Analytics' capabilities. Mee reports that both products continue to show a significant annual return on investment.

Annual chargemaster and rate reviews conducted onsite give Maricopa Medical Center an opportunity to review and consult with clinical leadership and also provides updated information about service lines and processes. Information gained from these reviews allow for enhanced processes, accurate and defensible pricing and additional edits for Charge Capture Audit.

For patient payment estimation, success with CarePricer has come in the form of high adoption rates in the system's clinics, management involvement and in the modification of front-end workflows.

Most important is the benefit to the bottom line. Maricopa Medical Center's quest to increase accurate pricing, charging and estimating patient liability has paid huge dividends—a $17.5 million improvement in net revenue. In this case, a closer look at the basics of revenue cycle management made a lot of financial sense.

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