Debunking **four common myths** of revenue cycle outsourcing

HEALTH CARE EXECUTIVE eBOOK

Outsourcing: a strategic option for enhancing revenue cycle operations

Contents

Faced with a perfect storm of government mandates, rising consumerism, more competition and greater risks of non-payment,

Health systems are finding it tougher than ever to manage their revenue cycles.

Consequently, health system business models are undergoing rapid change as they seek to meet demands for a more cohesive continuum of care, with better outcomes and greater patient satisfaction.

On the **clinical side**, the heightened emphasis on quality, patient satisfaction, value and outcomes is displacing traditional, fee-centric approaches to care delivery. As a result, innovative new partnerships, affiliations, outsourcing arrangements and service channels are proliferating.

On the **financial side**, a similar phenomenon is occurring. Contracting for front-, mid- and back-office functions of revenue cycle management (RCM) is ramping up. Traditional approaches to RCM, an article in Healthcare Finance points out, can't accommodate waves of change providers are seeing in billing, reimbursement and collection functions.[1] Therefore, to plug gaps and inefficiencies that drain revenue, health care service providers increasingly rely on partners.

Outsourcing is a form of partnering

Just as health system leaders are building partnerships for success on the clinical side, they also see the value of adding outside expertise to improve revenue performance. **So a health system can focus on its core strength–the health of its patients–while outside experts focus their full attention on improving the financial health of the organization.**

This e-book explores the advantages of using outside experts as a strategic option for managing and enhancing revenue cycle operations. You will find concrete, real-world examples of how health systems are effectively using this approach to improve revenue performance.

But first, about that elephant in the room…

Yes, it's the O-word: outsourcing. By any name, people mistakenly associate the term with ruthless cost-cutting. But given the changes going on, outsourcing of some or all of the RCM functions and systems can be a high-value business strategy. Throughout this e-book, four myths will be presented–and debunked. Starting now:

> 54 percent of hospital CFOs believe they must leverage next-generation financial system technologies, including software and outsourced services, to keep their hospitals solvent."

SOURCE: "CFOS CLAMOR FOR RCM UPGRADES," HEALTHCARE IT NEWS, CITING A BLACK BOOK MARKETING RESEARCH SURVEY

MYTH 1 | Outsourcing is just for organizations trying to cut costs

People commonly assume that the primary reason for outsourcing is to reduce costs. Maybe that is true for those who equate outsourcing with "offshoring," where jobs are "shipped overseas."

In the modern economy, however, the top reason for outsourcing is to improve performance—typically for a combination of objectives that involve improving efficiency, increasing capabilities, increasing or scaling capacity, coping with rapid change and focusing more attention on core functions.

Lower costs often work hand-in-hand with these benefits. As a by-product of their size and expertise, outsourcing firms benefit from economies of scale. They can typically perform services at a lower cost than their clients can achieve internally.

> Most hospital CFOs have no choice but to leverage next-generation financial system solutions, including software and outsourced services, in order to remain solvent. The reimbursement challenges ahead to get paid may require several new applications."
>
> DOUG BROWN, MANAGING PARTNER, BLACK BOOK

Technology: A major reason RCM is a fertile field for outside help

Like executives everywhere, you probably wish your health system had more talent and sufficient capital to invest in modern IT systems, equipment and innovative applications. You know the drill: just getting a system upgraded may involve layers of approvals and years of delays to get crucial enhancements developed and implemented. Outsourcing by-passes or alleviates these battles.

Outsourcing is a strategic option many health systems employ to put technological change on a fast track. In essence, it becomes a key catalyst for direly needed innovations.

Health systems are like many other businesses in that roughly two thirds of their IT budget goes toward maintaining existing systems and capabilities. By partnering with a Revenue Cycle Management firm with a strong technology offering, CFOs can stay abreast of the latest IT capabilities and deploy many of them against their revenue cycle.

In health care, contract services are everywhere.

Chances are, your health system is **already partnering** with outside services and experts–**heavily**!

You're probably partnering with:

- Radiologists, anesthesiologists, ER physicians and managed physician groups
- Ambulatory service centers that keep your patients in-network and refer them back to you when in-patient care is needed

And you're probably contracting–or outsourcing–with providers of:

- Software and other IT services
- Consulting and other advisory services
- Payroll and other financial services
- Legal services

MYTH
Debunk

There are multiple ways health systems can gain technology advantages from relying on RCM service providers during times of transition.

- Add new or upgraded functions—such as value-based billing, advanced analytics, or denial management systems—with minimal capital outlay
- Simplify conversion to a new hospital information system or patient accounting system
- Minimize the headaches of integrating an acquired hospital's systems
- Free up the health system's IT staff to work on other, high-priority projects

CASE STUDY

Franciscan Missionaries of Our Lady Health System (FMOLHS) illustrates how partnering can address multiple needs for technology, innovation and support during transitional periods.

FMOLHS serves Louisiana through a network of five hospitals plus clinics and physicians across the state. Acquisitions have resulted in a diverse technology footprint. When the 1,800-bed system acquired its latest hospital, executives were concerned about absorbing another health information system while simultaneously undertaking several other initiatives.

To standardize and streamline its revenue cycle operations, FMOLHS selected nThrive* as its system-wide strategic technology partner in December of 2013. The system is now using 13 nThrive solutions and services system-wide, most at all locations. In addition, FMOLHS is relying on nThrive for RCM services at two hospitals until all business offices have been consolidated.

MYTH 2 | Outsourcing revenue cycle functions is mainly for health systems on the brink

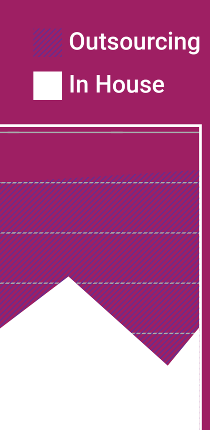
There's not a strong correlation between financially weak health systems and those opting to use contracted RCM services. In today's health care systems, performance improvement is the main goal for outsourcing revenue cycle functions.

A survey by Black Book Marketing Research found that 82% of respondents (at both strong and weak health systems) cited inability to support meaningful analytics or new reimbursement models as their main reasons for outsourcing.[2]

Increasingly, health system leaders view outsourcing as a way to add value by subtracting distractive, disruptive processes that are ancillary to the health system's mission. Especially in times of rapid change, partnering with outside service providers helps health systems focus on their core strengths.

"It has been no surprise that many overwhelmed health system leaders have realized that RCM isn't their organization's core competency, and have turned to large end-to-end outsourcing firms for RCM to refocus on patient care and clinical service delivery," stated Doug Brown, managing partner of Black Book Marketing.

Achieve sustained performance improvement by focusing on core strengths



MYTH **Debunk**

Are you dealing with some of these situations? Maybe you need outside expertise.

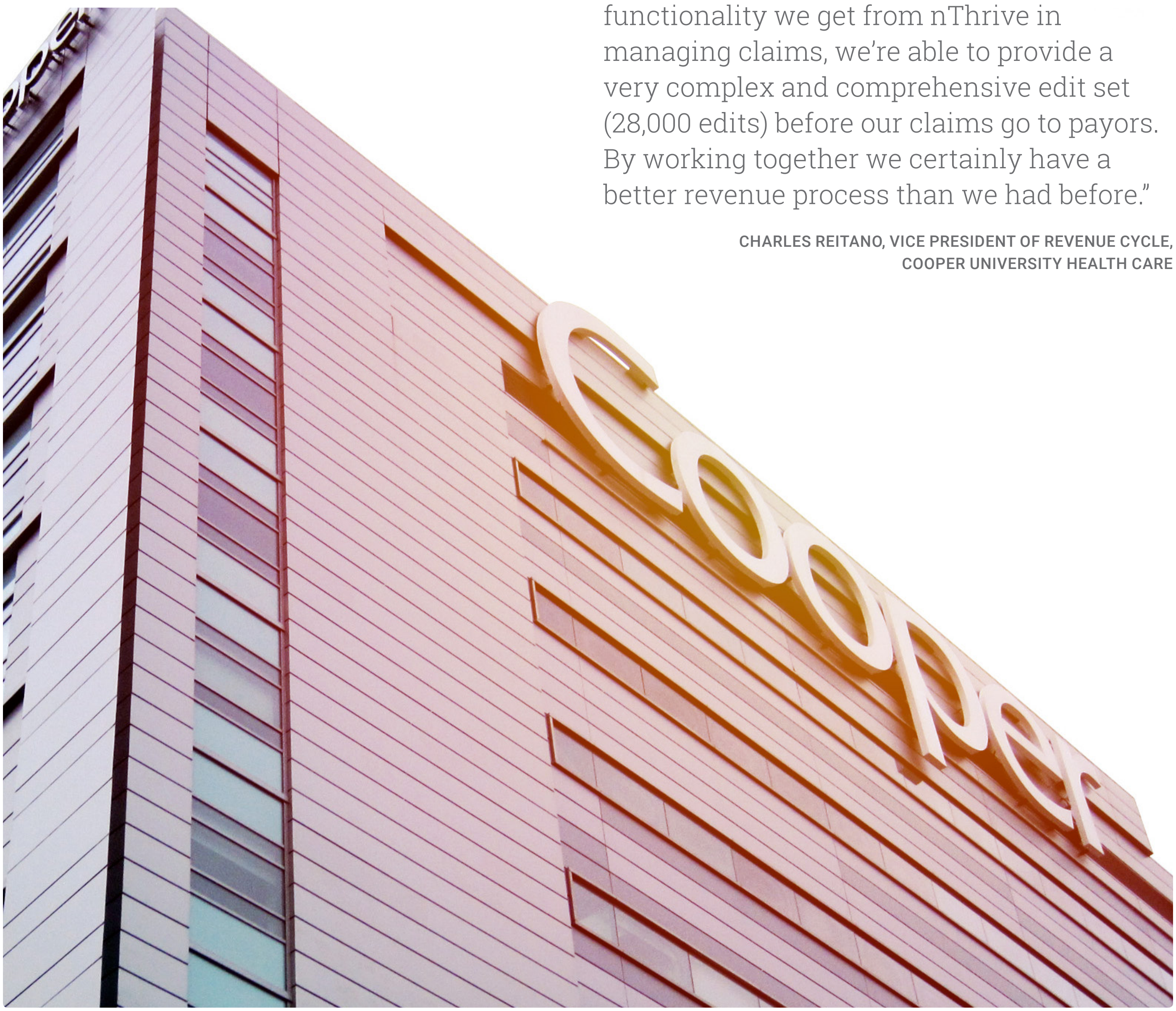
- Payment reform calls for closer integration of RCM with clinical and care management systems.
- Coping with a firestorm of change: Compressed margins, higher risk of patient non-payment, increasing A/R backlogs, payor denials and underpayments.
- Current staffing lacks specialized revenue cycle expertise and technologies to analyze trends and accelerate payments.
- Negotiations with payors are hampered by lack of data and insights about reimbursement trends and policies at peer health systems.
- Internal competition for IT resources impairs the CFO's ability to upgrade RCM.
- Disparate systems inhibit use of revenue cycle analytics.
- ICD-10 issues still cast a cloud on future revenue.

Don't think of outsourcing as something that will polarize opinions. Rather, view it as a strategic option for management to consider on its merits for your health system's specific circumstances. If you take options off the table, you may be leaving money on the table.

CASE STUDY

Cooper University Health Care is a healthy 635-bed hospital with a network of more than 100 outpatient offices throughout southern New Jersey. Cooper partnered with nThrive* for claims management, improved billing accuracy and compliance, revenue cycle profitability and overall operational efficiency. By revising contracts and processes to achieve payment integrity, nThrive recovered $2.6 million in underpayments in one year.

> With the expertise, flexibility and functionality we get from nThrive in managing claims, we're able to provide a very complex and comprehensive edit set (28,000 edits) before our claims go to payors. By working together we certainly have a better revenue process than we had before."
>
> CHARLES REITANO, VICE PRESIDENT OF REVENUE CYCLE, COOPER UNIVERSITY HEALTH CARE



MYTH 3 | Once you rely on outside services, you can never go back

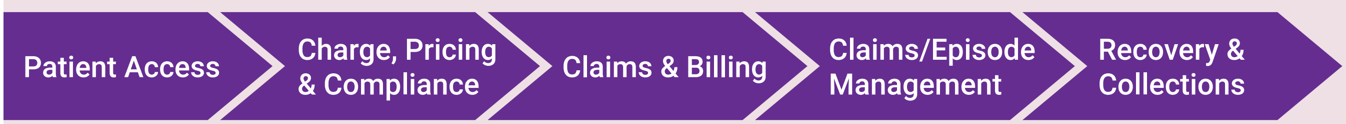
This myth is grounded in the notion that outside providers seek to "lock in" the customer. They start by deploying proprietary systems and methodologies. Then, they use their deep expertise to deliver superior performance at cost effective rates. Before long, the contracted firm's executives can cite proof points of their success in optimizing the health system's revenue cycle.

With such a powerful "lock in," no health system could easily return to in-house staffing—right? Wrong. Read on.

Outsourcing is a strategy that doesn't have to be forever

Most providers of Revenue Cycle Managed Operations focus on coding, collections and other back-office functions. But the revenue cycle actually begins when a prospective patient begins shopping for medical services and then calls for an appointment. So partnering makes sense for functions across the entire revenue cycle, from eligibility and patient check-in to collections, denial recovery and performance improvement analysis.

The better RCM service providers don't just try to take over the staff-intensive parts of RCM.



Rather, they can operate as trusted partners who support business transformation and performance improvement. The potential outcomes can be a significant improvement over the status quo when provider partners are able to offer a blend of technology, processing services, expertise and advisory services to best identify and resolve revenue cycle issues. They can eliminate manual and redundant processes, address root causes, accelerate cash flow and apply their superior analytics and expertise to cutting denial and underpayment rates to best-practice rates of 2 percent or less.

Leading RCM service providers can:

- Implement customizable technologies without wholesale replacement of legacy systems
- Leverage "lessons learned" from industry-wide tracking of payor behavior
- Help renegotiate payor contracts
- Develop metrics-driven appeal processes for denied claims

Leading providers of RCM services offer their clients two levels of capabilities:

1. Full service outsourcing—encompassing the entire spectrum of RCM functions, packaged with complete technology tools and analytical expertise
2. User-specified components of RCM—such as A/R, denial recovery, underpayment recovery and silent PPO recovery services

MYTH
Debunk

nThrive is one of the few firms offering full service outsourcing, outsourcing of user-specified components, plus a third option:

A defined pathway to return to in-house management of any or all outsourced functions.

This can include knowledge transfer to your staff and use of proprietary technology. This "take-back" option is available for all situations, but is especially designed to support key situations, such as:

- **Mergers and acquisitions**
- **New system implementations**
- **Temporary limits on internal resources**

These situations can arise unexpectedly, so don't overlook them when evaluating RCM service providers. Always ask:

"What happens if we want to bring some or all of the outsourced services back in-house?"

CASE STUDY

Barnabas Health, New Jersey's largest integrated delivery health system, faced high denial rates, high denial values and a difficult appeal process. After engaging with nThrive* for a **defined period**, process improvements, staff training and other cash acceleration and A/R reduction measures led to a significant increase in cash collections and reduction in aged A/R. In four years, Barnabas Health recovered $34 million in cash, grew cash on hand from below 60 days to 155 days and has **transitioned back to full internal staffing**.

John Doll, senior vice president of finance, said, "One of the most impressive things about the engagement is the level of support from nThrive did not drop off during the entire period. If anything, it was stepped up as we needed answers around transitioning our business office back to internal resources. The engagement lives on and is critical to our success going forward."

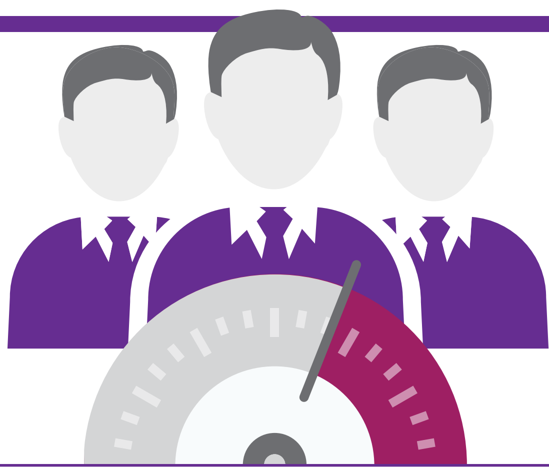
MYTH 4 | Outsourcing destroys jobs

Simply put, outsourcing is the transference of activities formerly performed by one organization to another organization. More often than not, both organizations are in the same country and perhaps are even in the same local area. In such cases, many of the jobs "lost" in the U.S. are now performed by other Americans with higher skillsets. It's like a college football team that improves its offense by bringing in a newly-recruited five-star quarterback.

Typically, the external provider of services performs them more efficiently, so that could mean a small net reduction in the two firms' total employment. However, the external provider may be performing more or better services, offsetting some or all of any net job loss due to increased efficiency.

Outsourcing arrangements commonly have another element that minimizes job loss: Re-badging. Often a contracted firm hires some personnel from its client—and gives them training to increase their skills and professionalism. Re-badging is a triple "win":

- the service provider gets a head start on performance improvement by retaining the people who are most familiar with existing processes,
- the health system seamlessly transitions into the partnering relationship, and
- the health system's "re-badged" staffers not only remain fully employed, but also receive training in new skills that will enhance their career paths.



Outsourcing Delivers Increased Efficiency

While employment rates remains constant, outsourcing increases efficiency which leads to increased revenue reimbursement.

BEFORE OUTSOURCING
AFTER OUTSOURCING

MYTH **Debunk**

In the final analysis, focusing on who employs people and where the work is done obscures what's really important: What results are being achieved?

Forward-looking health system executives understand that industry changes require a higher level of expertise in today's business operations. They know they need insightful analytics, predictive workflows and hard-to-develop skills to collect more money, faster—a sure-fire recipe for improving financial strength so the health system can keep growing and adding more jobs within the community it serves. They know that now, more than ever, strategic partnering merits consideration as a way to stay financially healthy.

CASE STUDY

Centegra Health System, is a three-hospital system located in McHenry County, Illinois. Recognizing needs to improve its revenue cycle process, Centegra engaged with nThrive* for full business office services and expert consulting.

nThrive retained Centegra's billing department employees and trained them onsite alongside nThrive billing experts to achieve a 90-day go-live goal.

"We wanted to make sure the knowledge and expertise that existed at Centegra was maintained by bringing those associates on with nThrive," said Robin Stoen, revenue cycle director.

Centegra transitioned to a full business office operation in less than 90 days. nThrive and Centegra are now working to realize all the benefits from the expedited conversion. Through creating a centralized process for identifying aged claims, Centegra has already seen a reduction in bill holds. With comprehensive reports and analysis of A/R performance, Centegra has also improved its ability to predict cash flow.

"nThrive's technology is very robust and they are helping us implement best practices," Stoen commented. "Now we can have visibility into opportunities and improvements every week."

After the **MYTHS**

Three things to consider when balancing contract RCM services with employee services

1 Does your RCM partner have "skin in the game"?

For most health systems, huge amounts of capital—and years of effort—would be required to realize the transformational potential of RCM technology.

The level of investment required doesn't scale proportionately with health system size. Community hospitals, in particular, frequently lack the financial clout and resources needed to keep their core systems in sync with the fast pace of change in health care.

Ayla Ellision, writing in Becker's Hospital Review about the Black Book survey, noted that "90 percent of CFOs who changed to RCM outsourcing said they didn't have access to the capital or the corporate approvals for new RCM and analytics software technology when they made the decision to outsource."[3]

Some providers of RCM operations will backload the technology investment required of a health system based on performance. The RCM partner can recoup its capital investment in technology through a mutually agreed upon success fee. A small fraction of the overall technology cost is built into the fees a health system pays for the full scope of services. From the health system's perspective, the cost sharing approach not only minimizes capital outlay, but aligns the costs with the benefit stream instead of front-loading precious capital before benefits can be achieved.

"Back loading" technology costs only works if the RCM service provider has its own proprietary technology. Most providers do not; their offerings are structured on software licensed from vendors.

CASE STUDY

Richmond University Medical Center engages with nThrive* technology for case management and claims. Rob Ren, vice president of revenue cycle and managed care, said:

> Our relationship with nThrive is a true partnership. We embrace nThrive and what they have to offer—and that's where the magic begins. We value their insight and their extensive knowledge of health care, both federal and state."

Strategic partnerships are built on trust

Trust doesn't come from a PowerPoint presentation or a flowery case history. It's built over time, one step at a time. But even in situations of turning over cash flow, outsourcing works when the partnership is based on a foundation of mutual trust and collaboration.

To see evidence of relationships built on extraordinary trust, look within your own organization. Look at the patients who come through your doors every day for surgical procedures. They are trusting their lives to your health system.

Revenue is your lifeblood. Can you trust it to the status quo?

2 Pattern detection is critical—can you do it?

Read any review of hospital management trends, and you'll see a common refrain: Health systems can't rely on old technology to cope with all the changes occurring in the new era of health care.

A qualified RCM partner must deliver sophisticated capabilities that probably far exceed what you can achieve today. Advanced data analytics and reporting, in particular, are integral pieces of the puzzle for health systems seeking to bring in more cash, faster and more efficiently.

Take pattern detection, for example. With the power of advanced RCM data analytics, health systems can regularly review data sets involving thousands of patients and their claims, spotting trends—and emerging problems—by payor, claim type, location, region, physician, or other category. This enables tighter linkage between RCM and clinical processes, improving care management, cost efficiency and cash flow across care settings.

Denials and underpayments are major sore spots for CFOs. Health systems struggle with payor systems that differ not only by organization, but by state as well. Look for an RCM partner that can normalize data and standardize denial reporting, enabling identification of root causes of problems in your processes. Root cause analysis, by the way, is a sophisticated capability that most health systems lack the resources to achieve internally.

What more can you do to remove obstacles to full payment? You can leverage your partner's technology and expertise to:

- Find and report trends across high- and low-dollar accounts
- Uncover problems in data gathering
- Use "decision tree" workflows to assure that similar claims are consistently processed the same way
- Use consistent, step-by-step processes for getting denials reprocessed and paid
- Address root causes and reduce future payment delays
- Improve training and on-board programs to ensure that staff skills are current

3 Can business excellence create a competitive advantage for your health system?

Probably not, skeptics will say. Patients don't choose your health system because you prepare accurate, timely invoices and work well with payors. Rather, they may come because they perceive you as the best health system in your community. Or perhaps you're known for the quality of care in certain medical units, such as Maternity, Cardiac, Neurology, or Oncology.

But a closer look reveals a different story. In the post-ACA landscape, health care purchasers—including employers, physician groups and price-conscious consumers—will have lower switching costs. They won't hesitate to switch health care systems to obtain their goals for quality, cost and convenience.

If an RCM partnership delivers measurably improved results, they go straight to the bottom-line. That additional margin provides fuel for a competitive advantage. With more cash, the health system can add new services, purchase the latest equipment and therefore achieve better outcomes and more patient satisfaction.

In this scenario, strength in RCM can also contribute to the long-range competitive positioning your health system stakes out. Here's why.

According to Sg2's report, The Health Enterprise of Tomorrow, hospitals are at a strategic crossroads in defining their future.[4] Sg2 sees two viable approaches:

1. **Expand your impact beyond the 5 percent of the population who need inpatient care.** Sg2 sees a fundamental shift—"from the traditional inpatient-focused, hospital-centric view toward a new future emphasizing outpatient and virtual [care program] growth."
2. **Narrow your focus to core specialties**. "Destination" specialty care offers promising growth. "Some high-performing, high-profile centers have already stepped into direct contracting with national employers to provide specialized services to their employees. But careful attention to value will be needed," notes the report.

Neither of these approaches can succeed without innovative, top-notch RCM solutions that support your hospital's value proposition. As the Sg2 report states, "In an increasingly price-sensitive health care environment, the highest levels of quality and cost efficiency will be required of all providers."

CASE STUDY

Hackensack UMC Mountainside Hospital, a 365-bed hospital in Montclair, N.J., had been achieving best-practice revenue performance by relying on nThrive* to manage its revenue cycle operations. In four years, the partnership had built a culture of collaboration that produced ongoing performance improvements.

In 2012, Mountainside's new leadership team decided to continue the partnership and further strengthen revenue operations. Mountainside's CFO, Anthony Esposito, said, "When hospitals go through significant organizational and cultural change, it's important to have a trusted partner by your side to help drive transformational strategies that optimize financial and operational performance."

In the two years following the decision to continue partnering with nThrive, the hospital:

- Moved its cash-as-a-percentage of goal from 92 percent to 102 percent
- Reduced its denial rate from 8 percent to 3.61 percent
- Continued to increase self-pay collections at a rate of 13 percent per quarter

"The level of analysis has enabled our leadership to implement best practice process improvements and has provided our staff with complete insight into Mountainside's financial health," Esposito said.

Open a dialog with nThrive

Let's discuss the strengths and weaknesses of your current processes. Let's explore what combination of services could best augment your strengths and correct RCM deficiencies.

nThrive has a lengthy track record of helping health systems optimize their revenue cycle management operations. Our Revenue Cycle Services team collects over $4 billion annually for health system clients.

Our solutions encompass proprietary software technology, highly specialized professionals and flexible approaches to managing your services off-site. Working as your partner, we will focus our expertise on the specific areas that you define, for a specified time period. At the end of an engagement, we will work just as diligently to successfully transfer full operational control back to your organization.

Sources

1 "Revenue cycle outsourcing to surge in next 5 years, report says," by Susan Morse, Healthcare Finance, January 20, 2015.

2 "Financially Overwhelmed Hospitals Ditching Fragmented, Niche RCM Solutions for Comprehensive, end-to-end Outsourcing Service Vendors, says Latest Black Book Poll, PR Web, September 16, 2015.

3 "Solving the Revenue Cycle Paradox: What Options Do Struggling Hospitals Have?" by Ayla Ellison, Becker's Hospital Review, February 2, 2015.

4 "The Health Enterprise of Tomorrow – Facing a Fork in the Road, Sg2, November 19, 2014.

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*Disclaimer: References to nThrive in these instances refer specifically to experiences with the legacy MedAssets, Inc. organization, also previously known as MedAssets Net Revenue Systems, LLC and-Precyse Solutions LLC collectively, "MedAssets-Precyse."