

Executive Briefing

Beyond Key Financial Indicators: A More Comprehensive Look at Improving Your Professional Fee Revenue Cycle

The financial well-being of your faculty practice plan (FPP) is dependent on the optimization of the revenue cycle, historically difficult to attain and always a work in progress. Over the years, professional fee revenue cycles have evolved toward greater integration to improve performance, control costs, ensure compliance, and foster a consistent approach to patient relations.¹ Across all models, the challenges in achieving performance expectations throughout the professional fee revenue cycle presently include:

- A higher degree of complexity that has surpassed the ability of management.
- Poorly trained employees.
- A lack of defined processes and tools to assist employees.
- Underutilized capabilities within information systems.
- A lack of support from faculty and front-end staff in terms of charge capture.
- Changing payor requirements (e.g., electronic claim submission) and antiquated legacy information systems.

Physician practice organizations widely use national financial performance benchmarks, as sampled in the table below, to measure overall financial performance. While there is a clear imperative for poorly performing physician practices to improve their organizational structure, operational processes, and work flows, better-performing practices can equally benefit from a more detailed review of their revenue cycle.

Median Values	Your Organization	MGMA ²	UHC/AAMC ³	ECG
Days in A/R	?	42.5	53.5	53.0
Gross Collection Rate	?	60.6%	36.5%	30.2%
Net Collection Rate	?	97.7%	96.1%	84.2%
Percentage of A/R > 120 Days	?	22.2%	18.8%	25.0%

Aside from a disciplined review of key financial indicators, a comprehensive assessment of your revenue cycle will enable you to better understand the improvement opportunities to enhance cash flows and streamline operations. Components of this review should include the following:

¹ The Physicians at Teaching Hospitals (PATH) audits of the 1990s created an impetus for FPPs to integrate and consolidate key revenue cycle functions to ensure compliance with Medicare and Medicaid regulations.

² MGMA *Cost Survey: 2006 Report Based on 2005 Data*, Table 1.2, All Multispecialty Practices.

³ University HealthSystem Consortium (UHC)/AAMC 2006 Faculty Practice Solutions Center Academic Practice Billing and Collections Resource Survey.

- *Stakeholder Interviews* – Reviewing the status of revenue cycle with department chairs, physicians, and administrators will allow you to gain an in-depth understanding of the unknown issues facing your organization and help you to determine what organizational and operational changes are necessary and feasible. This is a critical step to ensure that intended outcomes are embraced by your organization.
- *Statistical and Benchmarking Analysis* – Evaluating the performance of major revenue cycle functions (e.g., scheduling, registration, charge capture, payment posting) relative to available published industry benchmarks, such as UHC/AAMC, MGMA, and/or proprietary data such as that collected by ECG Management Consultants, Inc., will identify negative trends and under-performing areas in your revenue cycle. For example, lag days that are consistently above benchmarks or trend upward across multiple periods indicate that charge capture processes must be refined.
- *Operational Review* – An assessment of revenue cycle processes, including front-end (e.g., registration, scheduling) and back-end (e.g., charge/claim error correction, A/R follow-up) activities, will uncover improvement opportunities. The focus of reviewing work flow processes is to identify potential problem areas, such as workload backlogs, inadequate internal controls, duplication of effort, inadequate written procedures, insufficient office automation, inappropriate physician environment, informal workaround initiatives, and ineffective payor charge/payment interfaces.

It should not be surprising that poorly executed revenue cycle activities result in inefficient operations and poor financial outcomes. For example, when inaccurate or incomplete demographic and/or insurance information is processed, considerable rework by staff in the form of increased claim edits and claim rejections will ensue. The increase in rework inevitably results in poor customer service and a natural increase in and aging of A/R. Effective management of all revenue cycle operations positively affects overall practice performance in improved collections, enhanced cash flow, greater customer service, and efficient and effective ambulatory operations.
- *Assessment of Organizational Structure and Staffing* – This includes an evaluation of the organizational structure and staffing of the revenue cycle with regard to logical and efficient grouping of functions, appropriate spans of control among managers and supervisors, and reasonable matching of job duties and skills in relation to current job classifications. The purpose of this review is to evaluate staffing levels and productivity and recommend improvement initiatives and opportunities to redeploy staff.
- *Evaluation of Information Systems* – Effective utilization of the billing system is key to the success of the revenue cycle operation. An assessment of your staff’s familiarity with and use of your organization’s practice management system (e.g., GE Healthcare/IDX) is essential to determining whether your organization is fully utilizing the system capabilities. Better-performing professional fee billing practices optimize the use of electronic interfaces related to eligibility verification, registration data, charge capture, claims submission, and payment posting. A review of information systems from this perspective will address staff training needs, potential system functionality improvements, and other system-related initiatives that could be utilized to enhance performance and staff efficiency.

In our experience, a review of your financial indicators may reveal your opportunity; a more in-depth review of your billing organization beyond the key financial metrics will compel you to proactively streamline revenue cycle activities, whether your organization is capable of managing challenges or struggling to break even.

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For questions about this Executive Briefing or assistance in optimizing your revenue cycle operations, please contact Mr. Rajeev B. Patel or Mr. Earl J. Brigham. Mr. Patel can be reached at 617-227-0100 or rpatel@ecgmc.com. Mr. Brigham can be reached at 206-689-2200 or ebrigham@ecgmc.com.

About ECG Management Consultants, Inc.

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