

hfma
hawaii chapter

2022 Hawaii HFMA Annual Conference April 7 & 8, 2022 -Prince Waikiki-

2021-22
**BOLDER
BRIGHTER
BETTER**
hfma

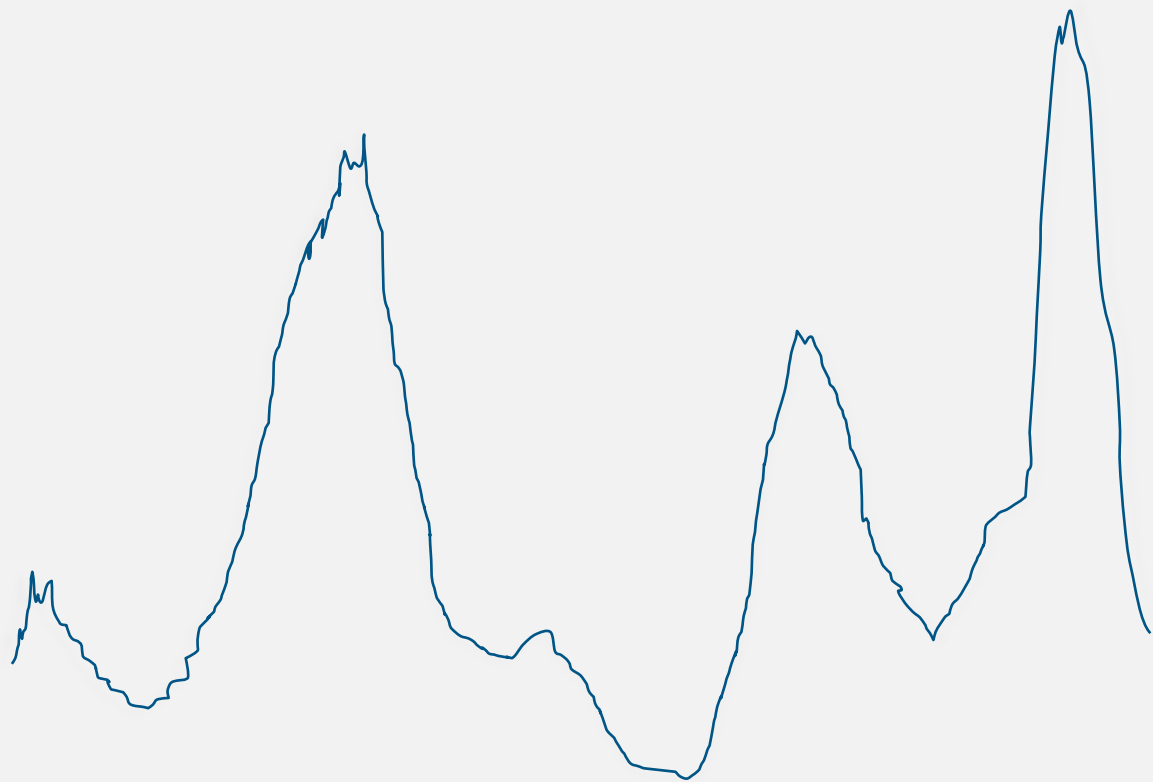
Navigating the storm. Keeping your revenue on course through disruption

April 7, 2022



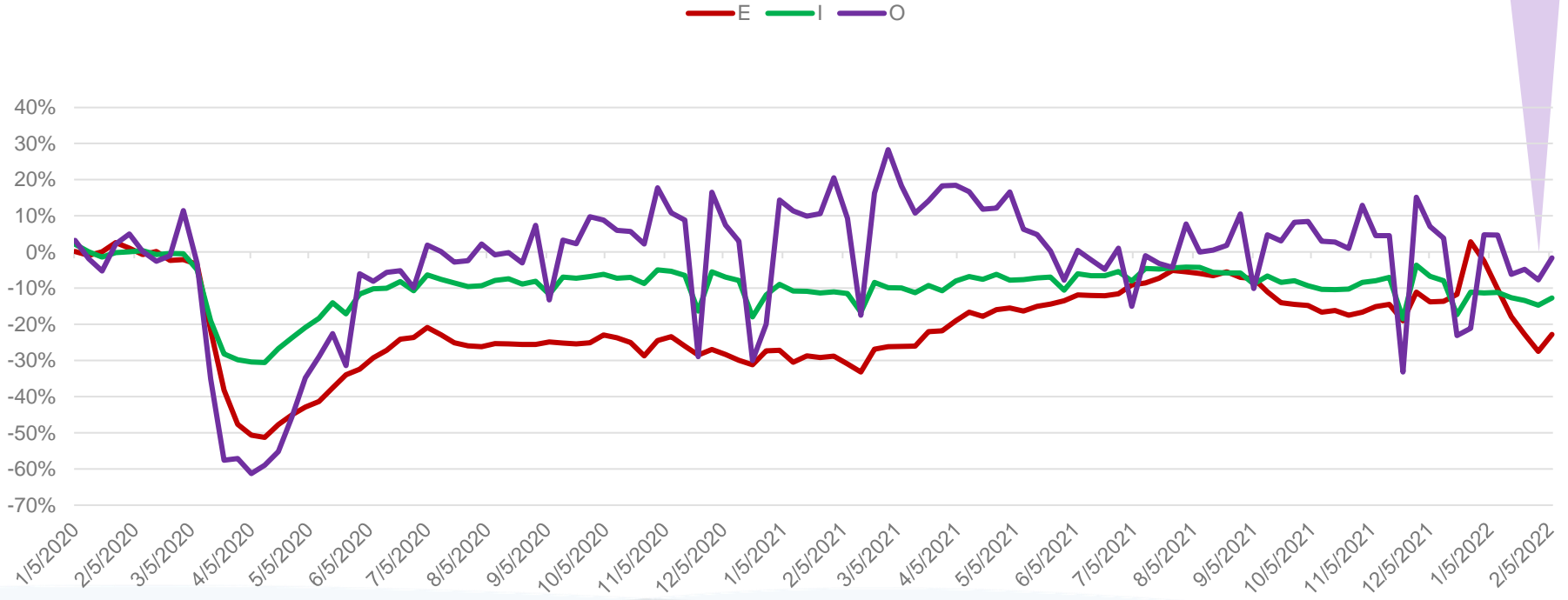
Disruption....





COVID-19 impacts to hospital visit volume – a “new normal”?

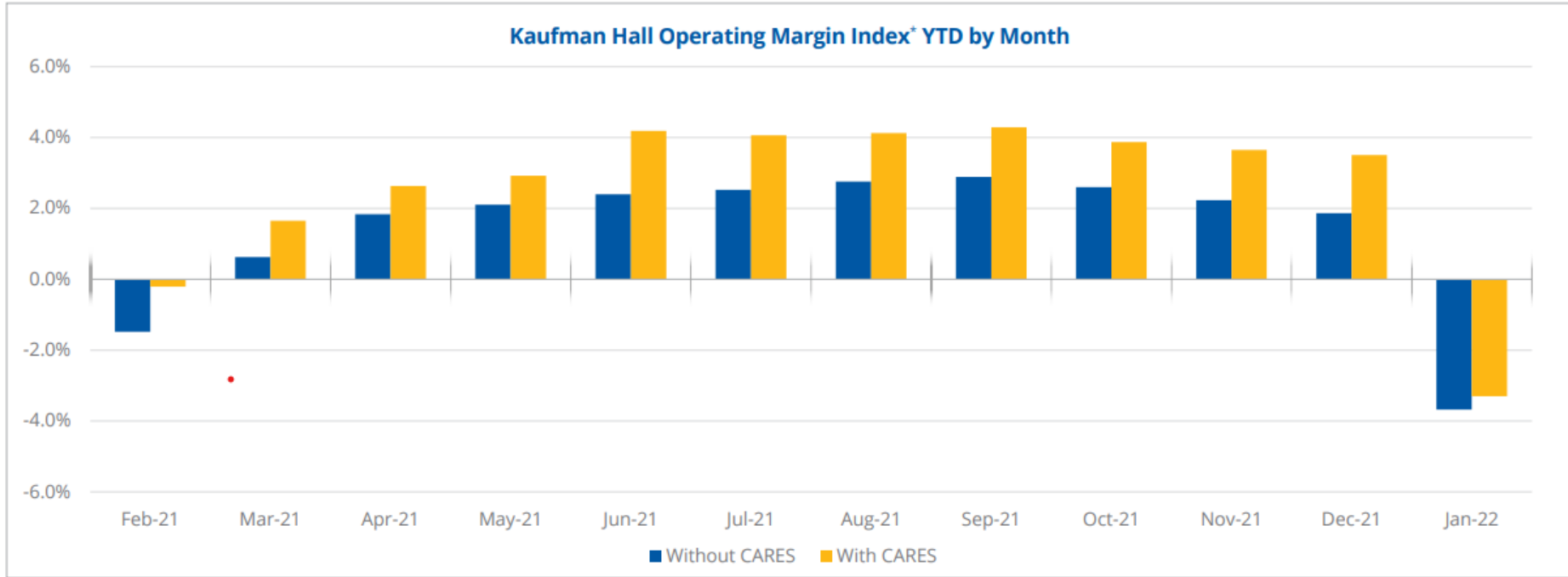
Weekly Visit Volumes - By Treatment Setting (2020 - Current)



2/6/22:

- ER (-22.8%)
- IP (-12.7%)
- OP (1.6%)

Kaufmann Hall on margins: -3% and -4% with and without CARES funding



Source: National Hospital Flash Report (February 2022)

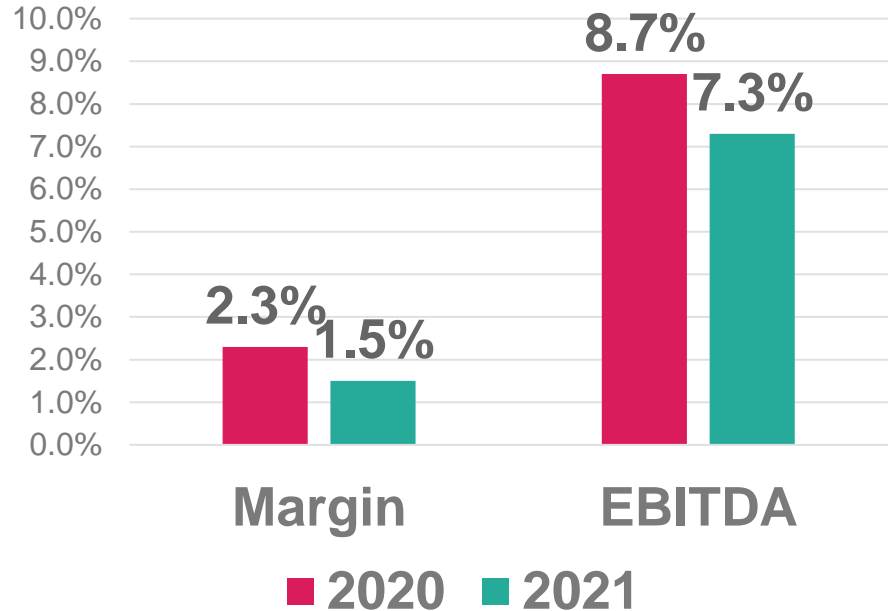
https://www.kaufmanhall.com/sites/default/files/2021-02/national-hospital-flash-report_feb.-2022_final.pdf



“Health organizations continue to be hampered by traditional fee-for-service reimbursement due to their experience during the coronavirus pandemic, which resulted in “no services and no fees”

Kevin Holloran
Senior Director
Head of U.S. NFP H&HS
Fitch Ratings, Inc.

Fitch Ratings NFP Hospitals 2020:2021



OUTLOOK REPORT



Fitch Ratings 2022 Outlook: U.S. Not-For-Profit Hospitals and Health Systems

Tue 07 Dec, 2021 - 10:13 AM ET

Sector headwinds in 2022 are noteworthy and will require careful monitoring and consistent problem solving by management teams to overcome old and new challenges. Not-for-profit healthcare historically has been a low-margin sector, and it has been difficult for the sector to keep top-line revenues on pace with escalating operating expenses, now further complicated by inflationary pressures. Fitch Ratings expects 2022 operating margins will reflect this ongoing challenge, but weaker margins will be offset by currently strong balance sheets maintained by providers for cushion during periods of uncertainty. Fitch anticipates pressures will be within an expected range of volatility for the sector but does not foresee any significant deterioration of rated healthcare providers' financial positions to trigger downward rating momentum.




2022 TRENDS IN RCM

	<h2>Workforce</h2>	20-30% of the healthcare workforce has been lost since 2020 ¹ . #1, #2, and #3 issue facing healthcare leaders is labor. Opportunities to innovate with enabling solutions are being closely evaluated.
	<h2>Automation</h2>	50% of Providers will invest in AI by 2023 ² . Organizations are well -positioned to harness automation capabilities to offset labor and workforce issues. Revenue integrity efforts are empowered by automation though end-to-end holistic solutions.
	<h2>Profitability</h2>	Hospitals lost an estimated \$54B to \$92B in 2021 ³ – The last two years put most organizations on their heels with volatility in volumes, operational issues, relief fund documentation, and compressed margins.
	<h2>Payer Mix</h2>	Government payers represent will represent 52.0% of the hospital payer mix by 2028 ⁴ . An increased focus on revenue integrity, contracting, and operational expenses given fallout from employment shifts, economic downturn, and demographic changes.
	<h2>Health Equity</h2>	Black Americans are 2.6X more likely to have medical debt than their whites ⁵ . Covid-19 shined a bright light on different outcomes simply because of where and how people live, and revenue management needs to be there every step of the way.
	<h2>Frictionless</h2>	93% of healthcare indicated a poor billing experience would prevent them from returning to a healthcare provider ⁶ . The patient is the new payer, and providers will need to rethink revenue cycle management and capture every dollar in this new healthcare economy.

1. <https://www.healthleadersmedia.com/finance/staffing-crisis-will-dominate-2022-finance-trends-heres-what-do-about-it>; 2. <https://www.gartner.com/en/newsroom/press-releases/2020-05-21-gartner-says-50-percent-of-us-healthcare-providers-will-invest-in-rpa-in-the-next-three-years> ; 3. <https://www.aha.org/system/files/media/file/2021/09/AHA-KH-Ebook-Financial-Effects-of-COVID-Outlook-9-21-21.pdf> ; 5. <https://www.advisory.com/blog/2021/01/revenue-cycle-inequity> ; 6. <https://patientengagementthit.com/news/90-of-patients-say-loyalty-relies-on-patient-financial-experience>

Over 9% of expected reimbursement is leaking

RISING DENIALS	DECLINING REIMBURSEMENT	RISING BAD DEBT	COVID-19
58%	\$257	\$42.7	\$54 - \$94
of commercial claims deny initially	BILLION reductions in federal payments <i>(est. 2010-2029)</i>	BILLION uncompensated care provided annually	BILLION losses to hospitals and health systems



Can my patients easily find me schedule, register and pay?

How do I get paid faster & at a lower cost?

Does coverage exist & do I have the right coverage?

Did I get paid accurately per the contract?

Where is my claim in the payment process?

What is the actual value of my denials & underpayments?

Am I coding things the right way?

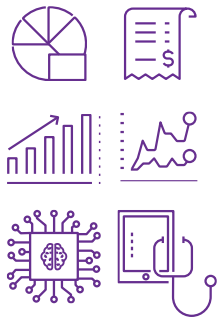
Are there any additional payment opportunities I'm missing?

Challenges



Payers:

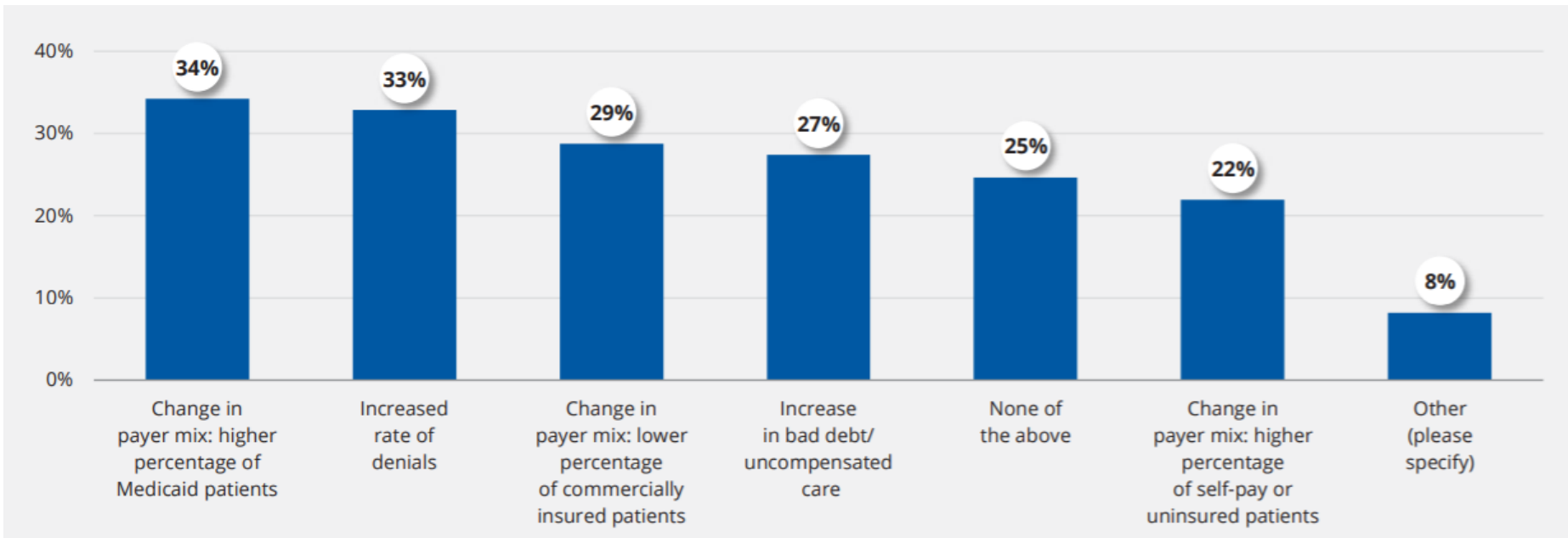
- Automated claims clearinghouse
- Changing rules
- Sophisticated actuarial analytics
- No urgency to pay claim



Providers:

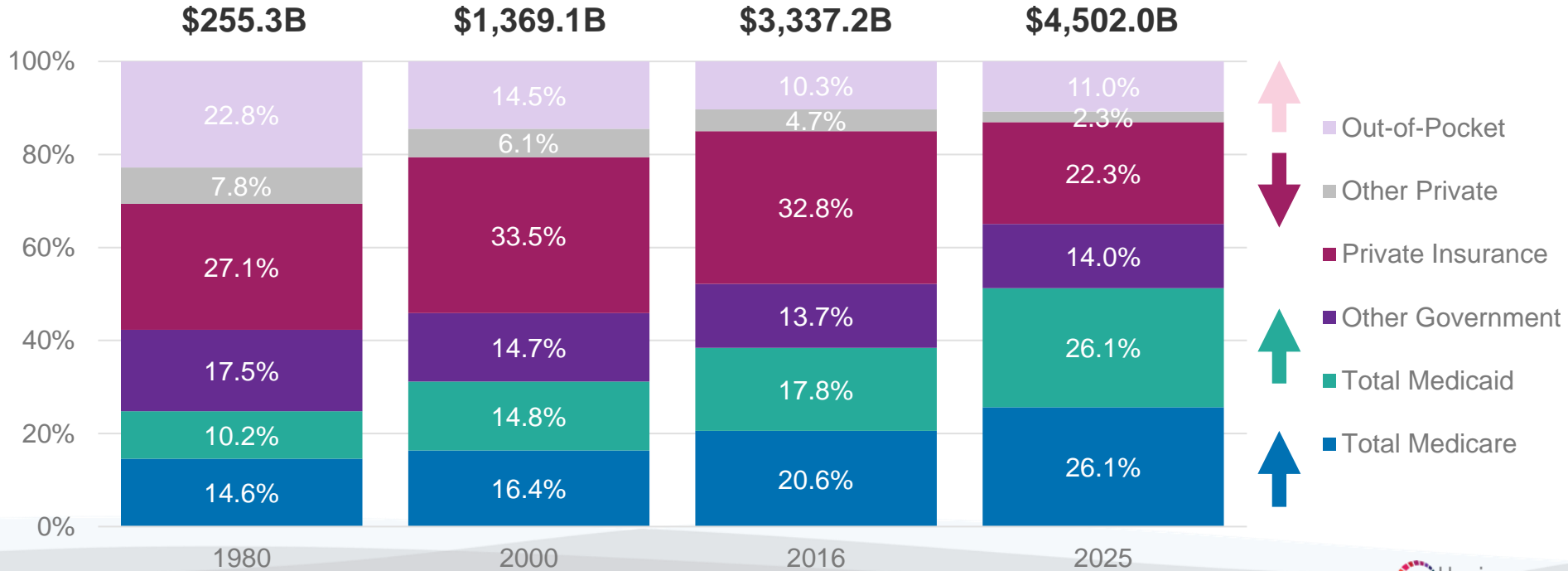
- Fixed resources
- Inventory mixed
- Wasteful claim touches
- Lack of analytics/insight
- Need revenue ASAP

Kaufmann Hall: 75% of hospitals had adverse RCM impacts in 2021



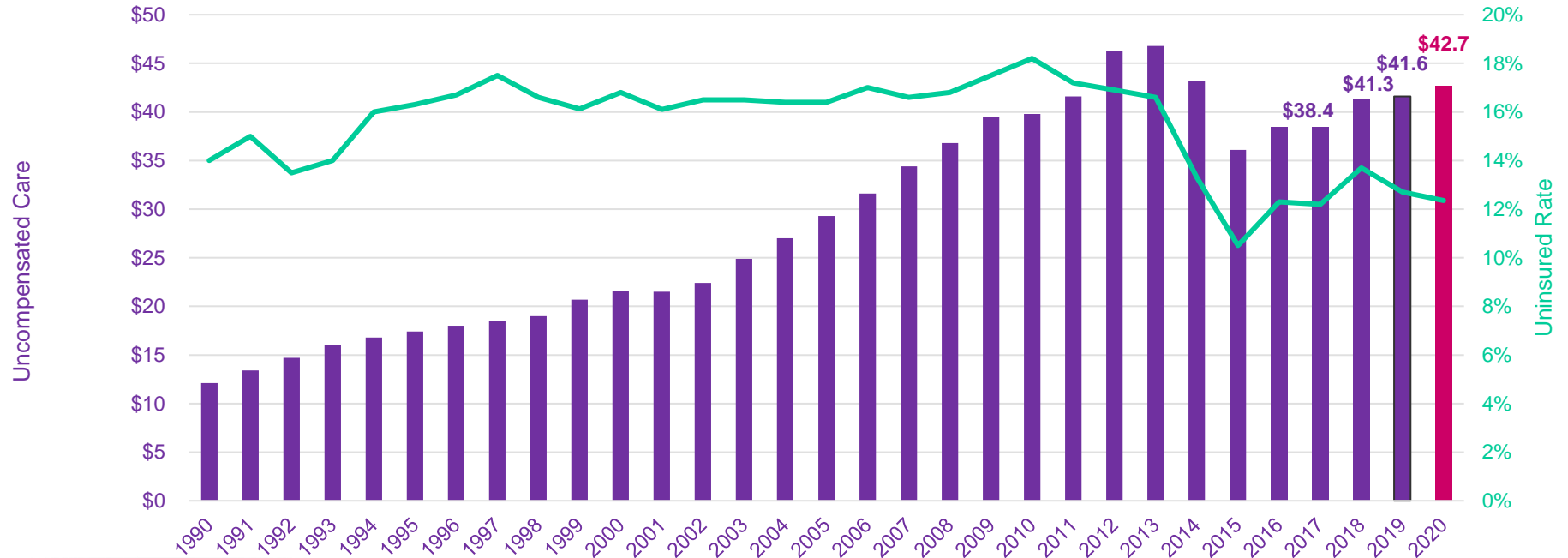
Impacts from unemployment will dilute reimbursement significantly

DISTRIBUTION OF NATIONAL HEALTH EXPENDITURES BY SOURCE PAYMENT

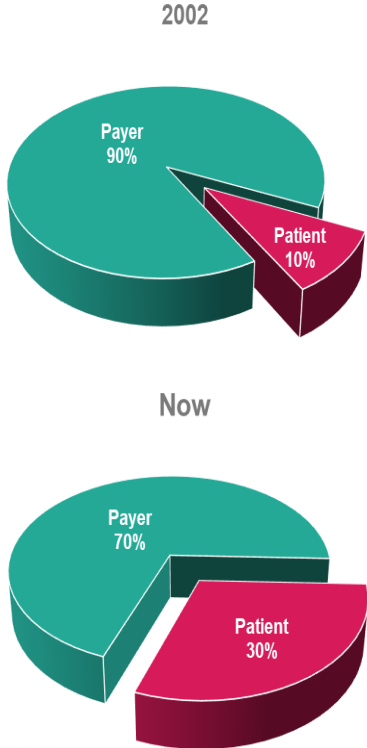


Uncompensated care **increased** by **\$1.1B** in 2020 to **\$42.7B** – forth increase in five years

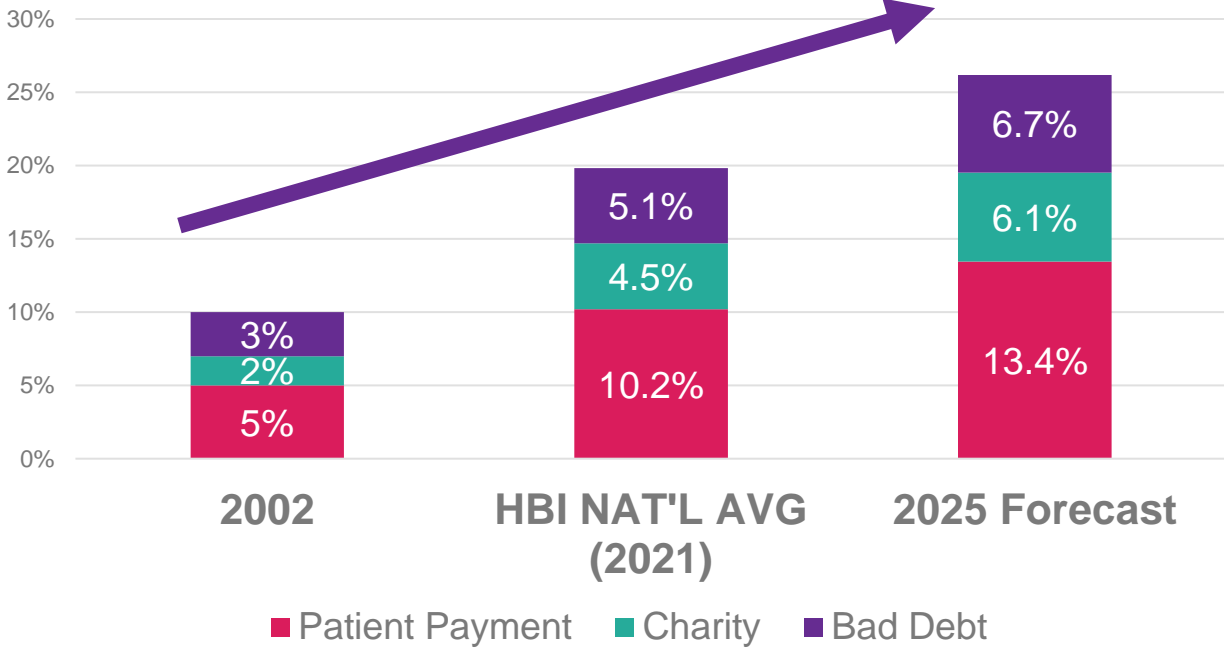
AHA: Uncompensated Care and Uninsured Rate
1990-2020 (\$B)



Patients are the new payer, and the yield of patient revenue is at significant risk...



Self Pay A/R Analysis

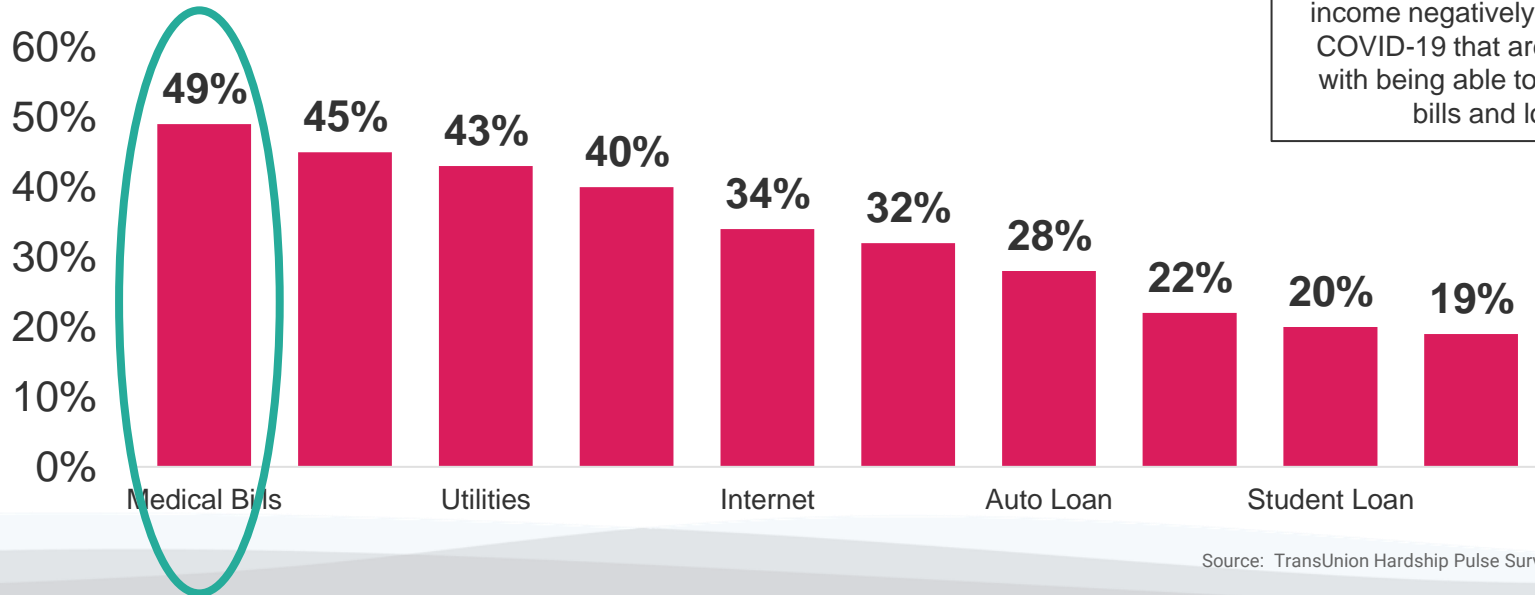


Sources: HFMA: <https://www.hfma.org/Content.aspx?id=45784> ; Advisory Board: <https://www.hfma.org/Content.aspx?id=45784>; DarkDaily: <https://www.darkdaily.com/because-of-expanded-numbers-of-patients-with-high-deductible-health-plans-patients-are-now-responsible-for-30-of-hospital-revenues-920/> ; VisitPay: http://www.visitpay.com/wp-content/uploads/2017/11/visitpay-patient_pay_crisis_whitepaper.pdf



For households with medical bills and negatively impacted finances, their medical bills are at the highest risk of nonpayment

Q: Which bills and loans will you not be able to pay?



Asked of households with medical bills that have had their income negatively impacted by COVID-19 that are concerned with being able to pay current bills and loans

PERCENT OF ADULT AGE 19-64 WHO HAD MEDICAL BILL OR DEBT PROBLEMS IN THE PAST YEAR

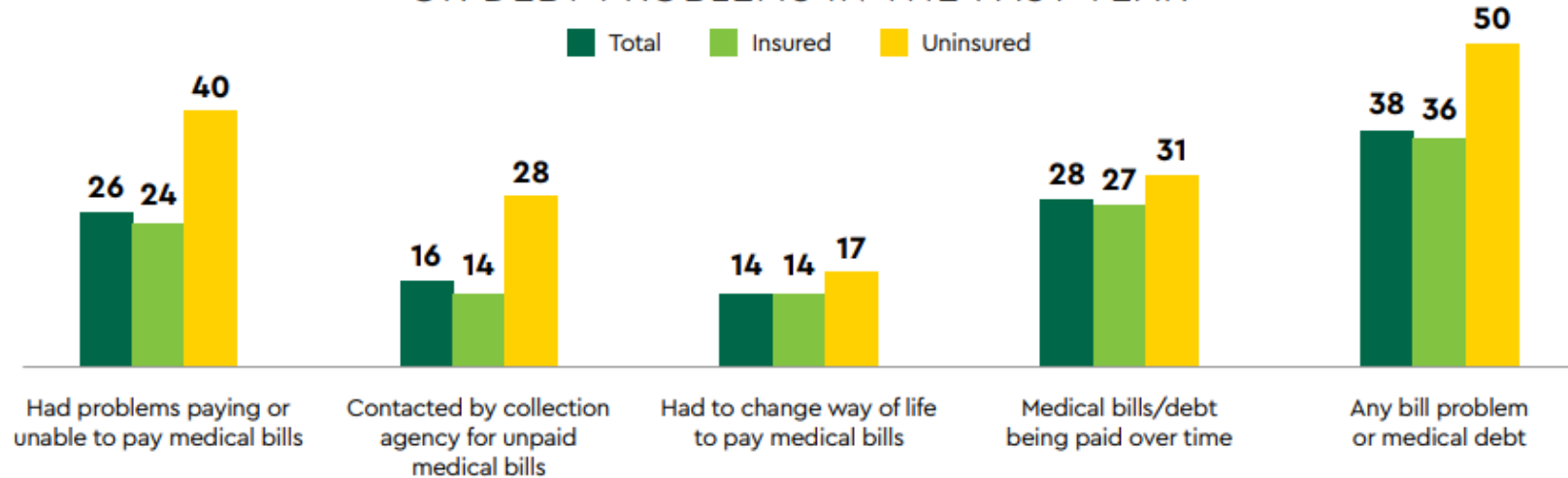


Figure 3

12. Kalorama, *Out-of-Pocket Healthcare Expenditures in the United States, 5th Edition*, July 12, 2021.
13. S. Collins, G. Aboulaflia, M. Gunja, "As the Pandemic Eases, What is the State of Health Care Coverage and Affordability in the U.S.? Findings from the Commonwealth Fund Health Care Coverage and COVID-19 Survey, March–June 2021," *Commonwealth Fund Issue Briefs*, July 2021.
14. D. Grunebaum, "One in Four Seniors Lack \$500 for Medical Bills: Survey," *MedicareGuide blog post*, October 19, 2021.
15. S. Collins, G. Aboulaflia, M. Gunja, "As the Pandemic Eases, What is the State of Health Care Coverage and Affordability in the U.S.? Findings from the Commonwealth Fund Health Care Coverage and COVID-19 Survey, March–June 2021."
16. N. Eddy, "Medical Debt Soars To \$140 Billion and is Examined as a Social Determinant by JAMA," *Healthcare Finance*, July 21, 2021.

CMS Enforcement for Price Transparency



HOSPITALS

CMS issued over 300 warnings, but no fines, to hospitals falling short on price transparency last year

By **Dave Muoio** • Jan 7, 2022 03:32pm

- Centers for Medicare & Medicaid Services (CMS) had issued roughly **335 warning notices** to hospitals it determined to be out of compliance
- Agency has issued to noncompliant hospitals **98 requests for a corrective action plan**
- **23 have addressed their citations** and received a case closure notice from CMS



What does "Revenue Management Excellence" look like?

Average Importance of Revenue Cycle Initiatives in Preparation for 2021 - Full Sample

Source: Healthcare Business Insights, Part of Clarivate (2021)

n = 23 health systems, representing 197 hospitals

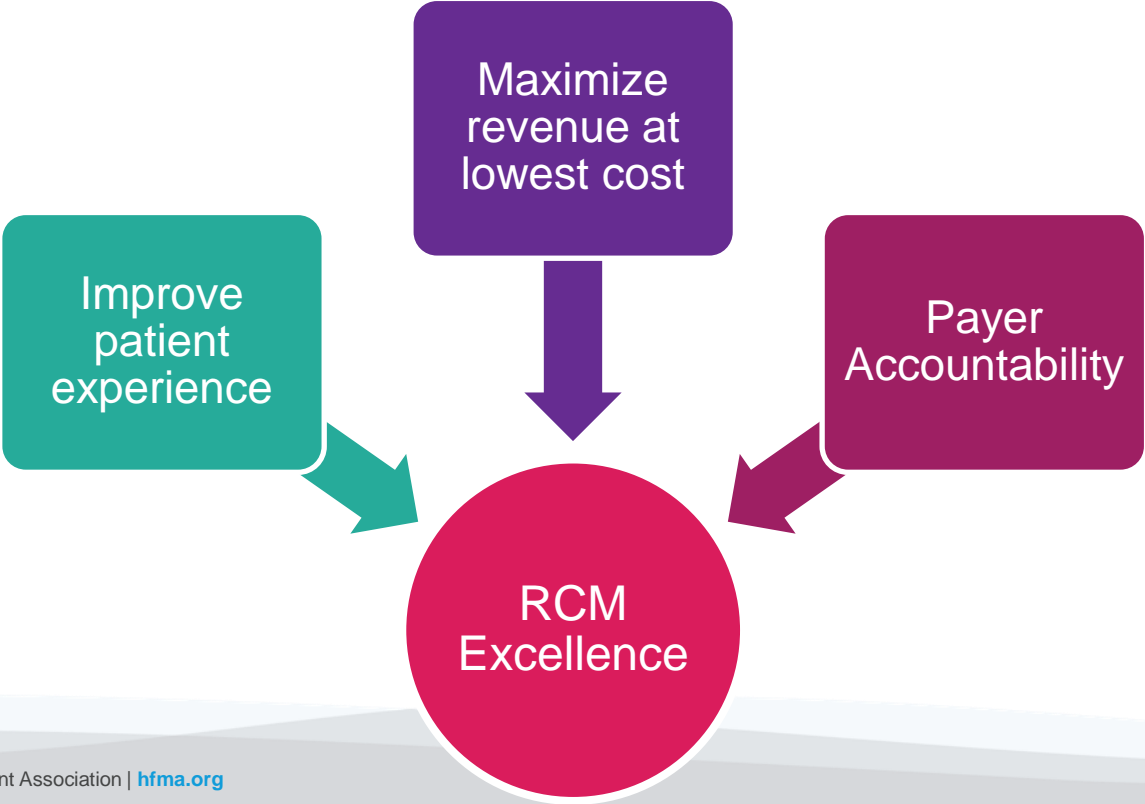
Revenue Cycle Initiative	Average Importance in Preparation for 2021
Analytics	9.1
Staff Satisfaction and Engagement	9.0
Automation	8.7
Measuring and Improving the Patient Experience	8.6
Denial Management and Prevention	8.5
Revenue Integrity	8.4
Payer Relations and Accountability	8.3
Cost Reduction	8.3
Price Transparency	8.3
Case Management/Utilization Review	8.1
Point-of-Service/Pre-Service Collections	7.9
Improving Revenue Cycle Processes for Telehealth Services	7.9
Patient-Facing Technology	7.9
COVID-19 Pandemic Response	7.6
Professional Revenue Cycle Oversight (e.g., Medical Group Billing)	7.4
Reducing Compliance Risk	7.2
Vendor Optimization	7.2
Artificial Intelligence	7.0
Patient Recruitment and Retention	6.7
Outsourcing/Insourcing Strategy	5.9

RCM is focused on performing tasks more efficiently – more importantly, leveraging technology to ensure the **right insight** is provided to the **right person** at the **right time** – specifically in the areas of **Patient and Payer PAYMENTS**.

RCM KPIs (as of Q3 2021)

ITEM	KPI	DESCRIPTION	BENCHMARK	VALENCE	SOURCE(s)
1	A/R Days (days)	Measure of revenue cycle efficiency. Measurement of the length of time it takes receive and post payments for medical services after discharge. Common measurement for performance of all functions of revenue cycle management. CALCULATION: A/R days = A/R balance/average daily charge amount. Gross	42.2	↓	HBI
2	Denials (% of NPR)	Denial write-offs as a percent of net patient revenue (NPR). Refusal of an insurance carrier to honor a request by an individual (or his or her provider) to pay for healthcare services obtained from a healthcare professional. Goal is to minimize claim touches and maximize first pass yield on clean claims. CALCULATION: Total dollar amount of claims denied by payers divided by the total dollar amount of claims submitted. Gross	1.3%	↓	HBI
3	Cost to Collect (%)	Indicator of operational performance, measures the efficiency and productivity of revenue cycle process. Includes labor, software and any services involved in collecting patient and payer revenue. CALCULATION: Total revenue cycle cost divided by total revenue collected within a given period. Net	2.3%	↓	HBI
4	Bad Debt (% NPR)	Indicates organization's ability to collect on accounts and identify payer sources for those who cannot meet financial obligations. Can point towards missed opportunities in classifying patients into payment or charity buckets, as well as compliance with payer rules. CALCULATION: Divide the amount of bad debt by the total accounts receivable for a period. Gross	2.9%	↓	HBI
5	POS Collections (% NPR)	Patient payments prior to or at time of service and up to seven days after discharge and/or patient cash collected on prior service(s) at the time of a new service. Accelerates cash collections and can reduce collection costs. CALCULATION: POS cash collected divided by total cash collected during a given period. Net	0.9%	↑	HBI
6	Charity Care Adjustments (% NPR)	Trending indicator of the performance the provider's financial assistance policy. Indicates services provided under the provider's financial assistance policy for the under or uninsured. CALCULATION: Dollars of accounts qualifying for charity care divided by total account dollars. Bad debt, shortpayments and charity care make up total uncompensated care. Gross	1.5%	↓	HBI
7	% A/R > 90 days	Total insurance AR aged greater than 90 days from discharge as percent of all discharged AR that is not in DNFB, BD or in credit status	39.8%	↓	HBI
8	Clean Claim Rate	Total clean claims number divided by total number of clean claims	90.0%	↑	HBI
9	Operating Margin (%)	Indicator of the income derived from patient care operations. Profitability indicators measure the extent to which the organization is using its financial and physical assets to generate a profit. CALCULATION: (Total operating revenue - total operating expenses) ÷ total operating revenue. Net	1.6%	↑	HFMA
10	Days Cash on Hand	Represents the amount of money it takes to pay all of the hospital's expenses for that number of days. CALCULATION: Dividing unrestricted cash and cash equivalents by the system's average daily cost of operations, excluding depreciation (annual operating expenses, excluding depreciation, divided by 365). Net	234.3	↑	BECKERS

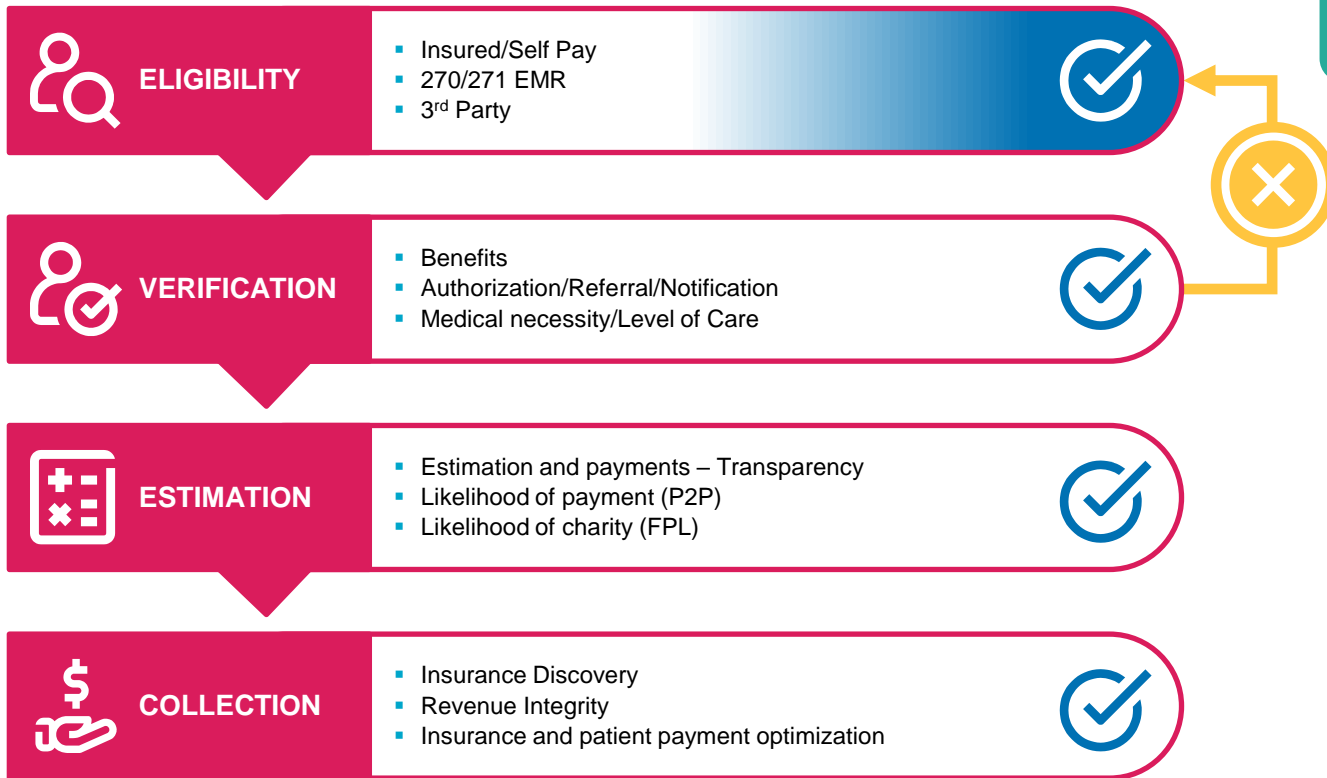
RCM excellence requires diligent focus in three areas



Patient Engagement in the Revenue Cycle

Improve
patient
experience

Improve
patient
experience





Organizations are struggling because they have so many denials that require devoted efforts. Beyond just the financial impact of denials, the rework prevents organizations from being able to be more successful in their revenue cycle and even in their work with patients because they must keep addressing this issue.

— Jim Lazarus, Advisory Board

Burden of Payment Variances



\$3 trillion

claims submitted

> \$262 billion denied,

averaging almost
\$5 million per hospital

Industry average denial
rate between **5-10%**



65% of claims denials
are never re-submitted

The MGMA found only **35%** of
providers appeal denied claim



31%

of hospitals manage
denials manually

**> 60% without an
external solution**

but plan to purchase one
in the next **7-12 months**



Track Payor Performance

Payor Score Cards

(Track by Payor and Plan)

Sample Metrics

- Initial Denial Rate – (Zero Pay and Partial Pay)
- Denials Overturned by Appeal
- Denial Write-offs as a Percent of Net Revenue
- Payment as a percent of charges (PAF)
- Current Balances
- Bad-debt (from patients with plan)
- Underpayments and Actual Payments (Percent and Dollars)
- Underpayment recoveries

Identify Top Vs. Bottom Performers:

Review and analyze your top contracts and plans by specific KPI's such as current balance, under payments and actual payments



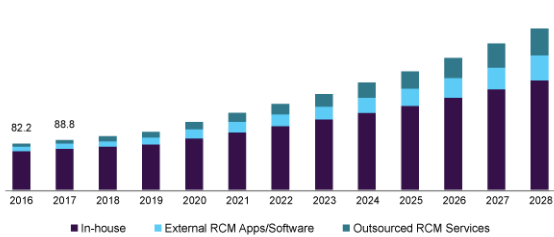
No metric or KPI is meaningful by itself!

Maximize revenue at lowest cost

Revenue cycle management (RCM) market has had rapid growth with mixed results

RCM vendor-fest

The U.S. RCM market size, by sourcing, 2016 - 2028 (USD Billion)



Source: www.grandviewresearch.com

Integrated with EHR / Practice Management	Point-Focus Solutions for Multiple Specialties	RCM Services for Specialties (Vertically Focused)
<ul style="list-style-type: none"> AdvantusMD, Alscripts, Athenahealth, AtoS, Azalea, CareCloud, Cerner, CHT, Chrono, ClinicalWorks, Epic, essence, FORMATIV, HCA, hms, Kareo, Intermedix, MatrixCare, McKesson, MEDNAX, Model N, OPTUM, TRUE NORTH, WRSHealth 	<ul style="list-style-type: none"> 3M, 04Health, ABILITY, AdvantEdge, Axiom, BillingParadise, CHANGE, CIPHERHEALTH, Greenmy, MedAssist, Thrive, R1, Rainree, RECONDO, BELVO, Wavstar, WellSky, vizient, ZOTEC 	<ul style="list-style-type: none"> ARXESS, EMS, BPS, Clinicient, Derm, EYELOG, INFIX, Medac, net health, Nextech, PRIMO, PRIORITY, VANTAGE, WebPT

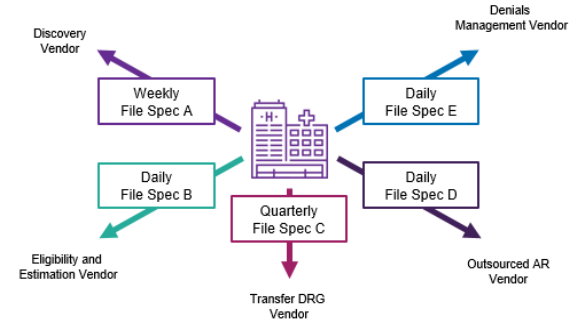
Disparate results

69% of Hospitals Use Multiple Vendors for Revenue Cycle Management

Most hospitals use their EHR system and at least one other vendor solution for revenue cycle management, but using multiple solutions led to claim denials issues.



Vendor cost / maintenance



Maximize
revenue at
lowest cost

End-to-End RCM

– a holistic approach to rethink revenue management in the healthcare ecosystem



**Less complexity by
consolidating vendors**



**Reduced level of IT
work**



**Improved data
security**



**Improved
cost-efficiencies**



































**Higher ROI from
solution synergy**



**Best-in-breed
solutions**

Maximize
revenue at
lowest cost

Enterprise RCM Capability Map

Vendor	Estimation	E&B / Fin. Clearance	CDI	CDM	Charge Capture	Claims	Contract Management	RPA	Enterprise Analytics
1									
2									
3									
4									
5									

Healthcare providers should examine the **entire lifecycle** and not overlook the simple steps at the beginning...

Focusing on the **patient experience** and helping patients understand how to access the healthcare services they need **positively impacts the revenue cycle....**

Each of these pieces is great individually, but the trick is getting them **all to work together.**

That's when you get outstanding performance in your revenue cycle management.

Laura Holt
Director of RCM
St. Luke's Hospital



A woman with short blonde hair, wearing a black blazer over a white top and a pearl necklace, is pointing upwards with her right hand. She is looking towards the camera with a slight smile. To her left, a man in a light blue shirt is looking down at something on a desk. To her right, another man in a white shirt is looking towards the camera. The background is a whiteboard with some faint markings. The entire image has a purple overlay.

Q&A



We rethink revenue cycle management

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Healthcare Industry Insights

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APPENDIX

Patient Engagement in the Revenue Cycle

