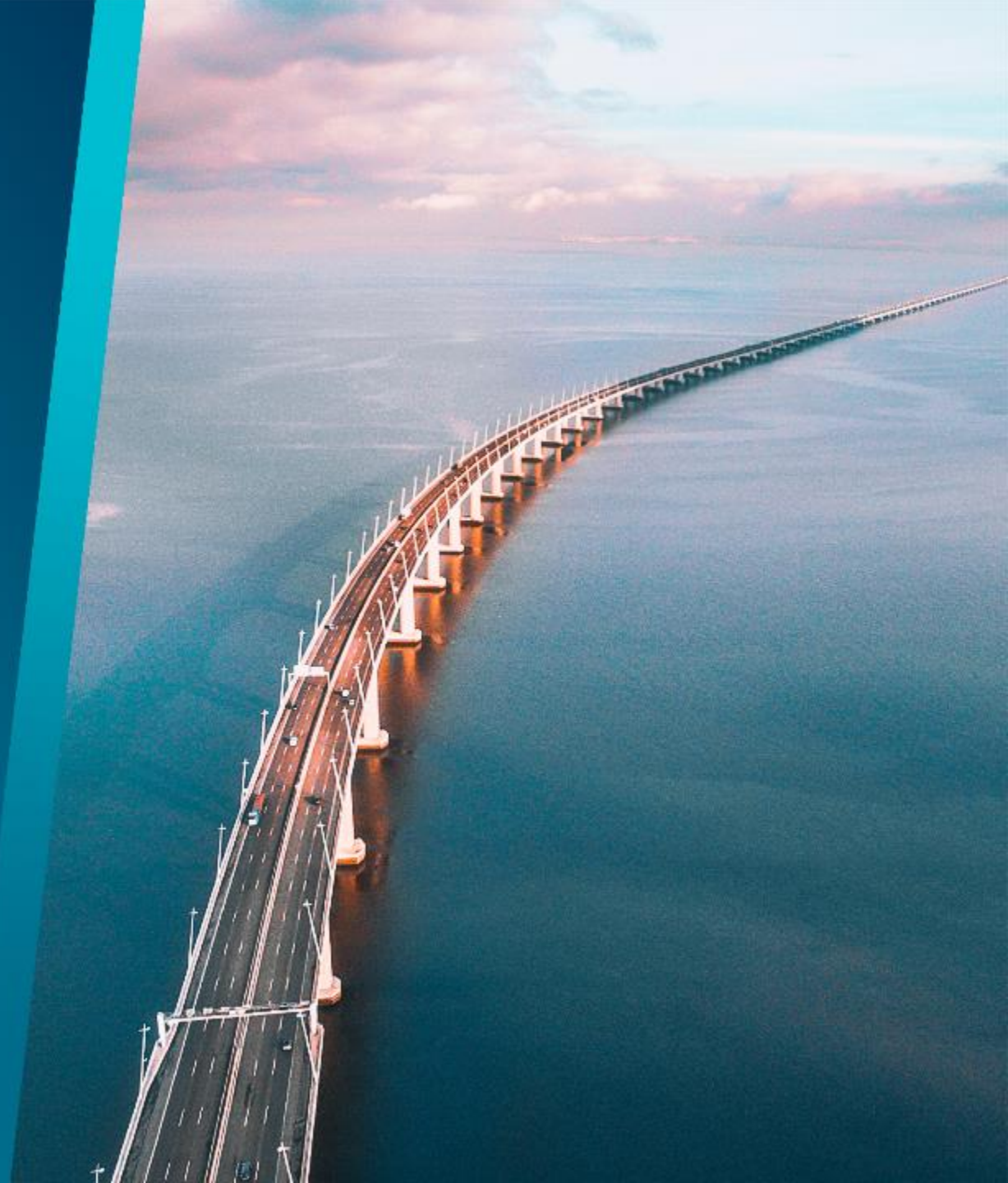


# EVALUATING THE PERFORMANCE OF OUTSOURCED REVENUE CYCLE MANAGEMENT VENDORS

MICHIGAN HFMA

November 2023



# TODAY'S SPEAKER



**Caroline Znaniec, MBA, MS-HCA, CRIP, CRCR** is a Managing Director in Protiviti's Healthcare Business Performance Improvement Practice and Protiviti's Healthcare Provider Operations Solutions Leader. She has 27+ years professional consulting and industry experience in healthcare provider services.

Caroline has experience serving in industry roles such as Corporate Compliance Officer and in Revenue Integrity Leadership for large integrated health systems.

Caroline is an Advisory Board Member of the National Association of Healthcare Revenue Integrity (NAHRI), Social Media Chair of the Maryland Healthcare Financial Management Association (HFMA), National Certification Committee Member of the American Association of Healthcare Administrative Management (AAHAM) and contributing member of the Association of Healthcare Internal Auditors (AHIA).

# TODAY'S PRESENTATION

Revenue cycle outsourcing is increasing at a rapid pace as healthcare organizations are challenged with meeting staffing needs, required skill sets and supporting technology, changing regulations and payment models, and revenue targets. As the trend towards outsourcing grows, so does the need to better define the need and the relationship of the vendor.

This session will focus on best practices around managing the relationship of the outsourced revenue cycle vendor, with a focus on considerations for relationship and contract management, monitoring revenue cycle performance and taking action towards correction to improve the organization's return on investment.

## **Learning Objectives:**

- Discuss the growth drivers for outsourced revenue cycle management and the varied solutions
- Review best practice vendor management collaboration practices, including leveraging data to inform operational changes to improve net revenue
- Identify common areas of opportunity for improvement

# THE GROWTH AND DRIVERS OF OUTSOURCED RCM

>22%

Hospitals and Health Systems outsource a component of their revenue cycle  
(HFMA/XIFIN 2022 -<https://www.hfma.org/gated/trends-in-hospital-outpatient-revenue-cycle-management/>)

>27%

Of those Hospitals that Outsource Operations, How Many Outsource Revenue Cycle?  
(Kaufman Hall 2022 -<https://www.kaufmanhall.com/sites/default/files/2022-10/2022-State-Healthcare-Performance-Improvement.pdf>)

>10%

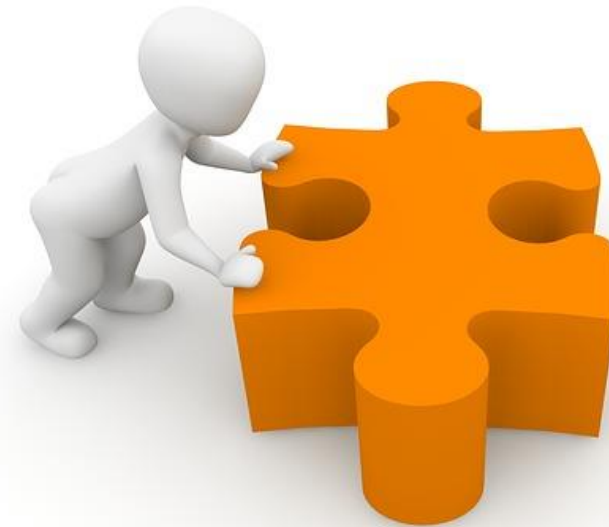
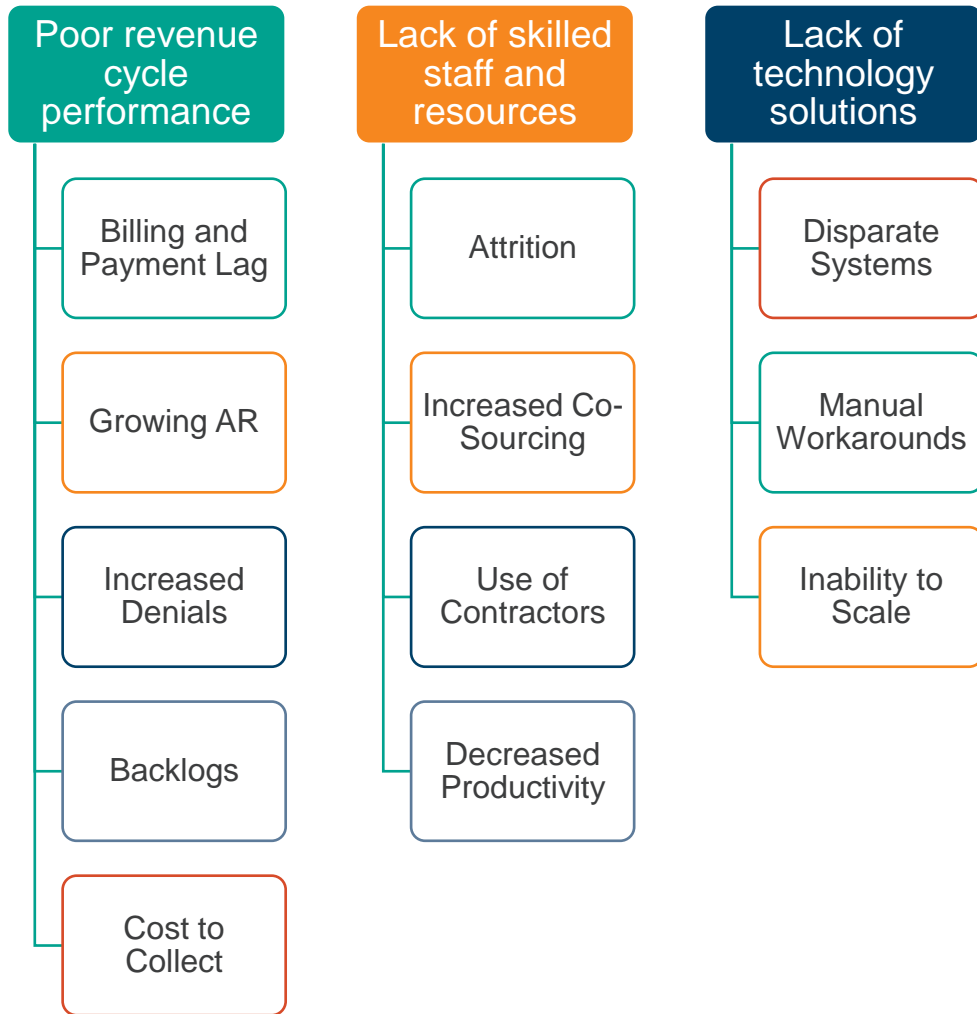
Anticipated revenue growth of outsourced RCM over the next few years  
(Grand View Research - <https://www.grandviewresearch.com/industry-analysis/us-revenue-cycle-management-rcm-market>)

## Top Drivers

1. Cost-Effectiveness
2. Process Optimization
3. Revenue Generation
4. Margin Improvement
5. Pace of Regulatory Changes
6. Required Skill Sets
7. Patient Experience

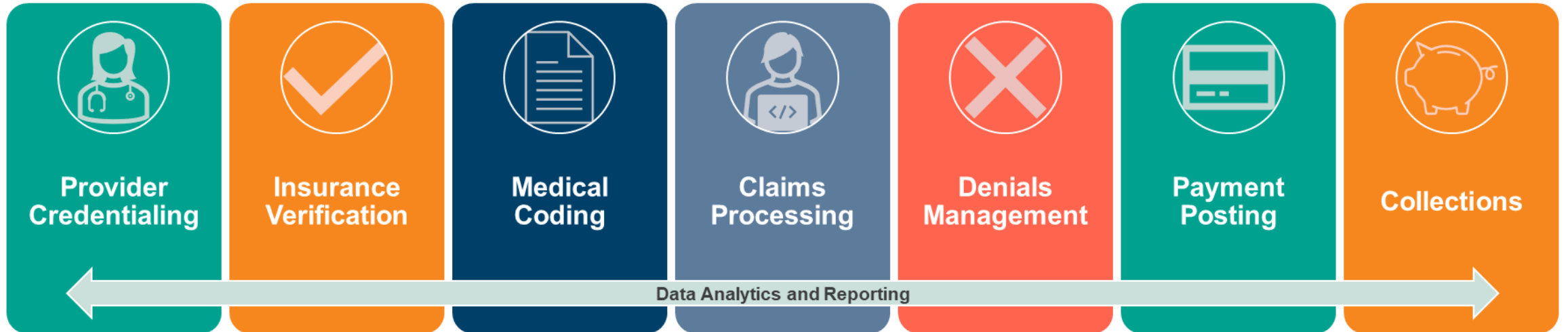
Evaluating the Need to Outsource

# EVALUATING THE NEED TO OUTSOURCE



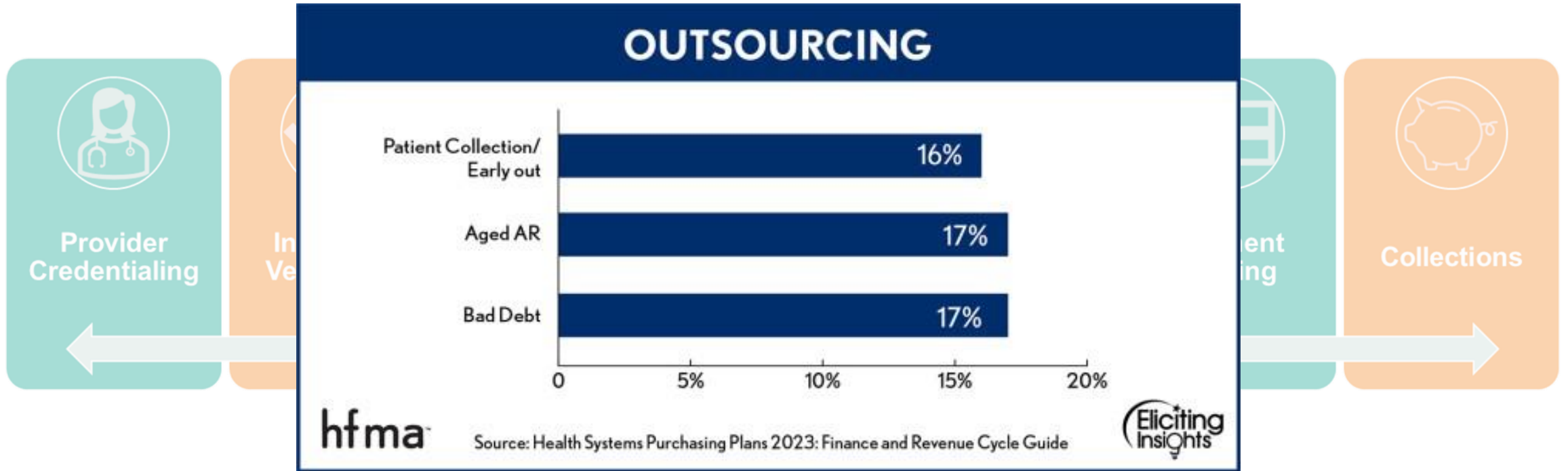
Common Areas in RCM Outsourcing

# COMMON AREAS FOR REVENUE CYCLE OUTSOURCING





# COMMON AREAS FOR REVENUE CYCLE OUTSOURCING



Common Gaps in RCM Outsourcing

# COMMON GAPS IN RCM OUTSOURCING

## Revenue Integrity

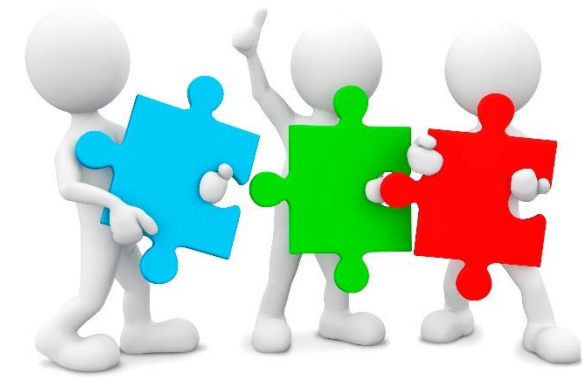
Charge Capture

CDM

Documentation  
Quality

Pricing and  
Estimates

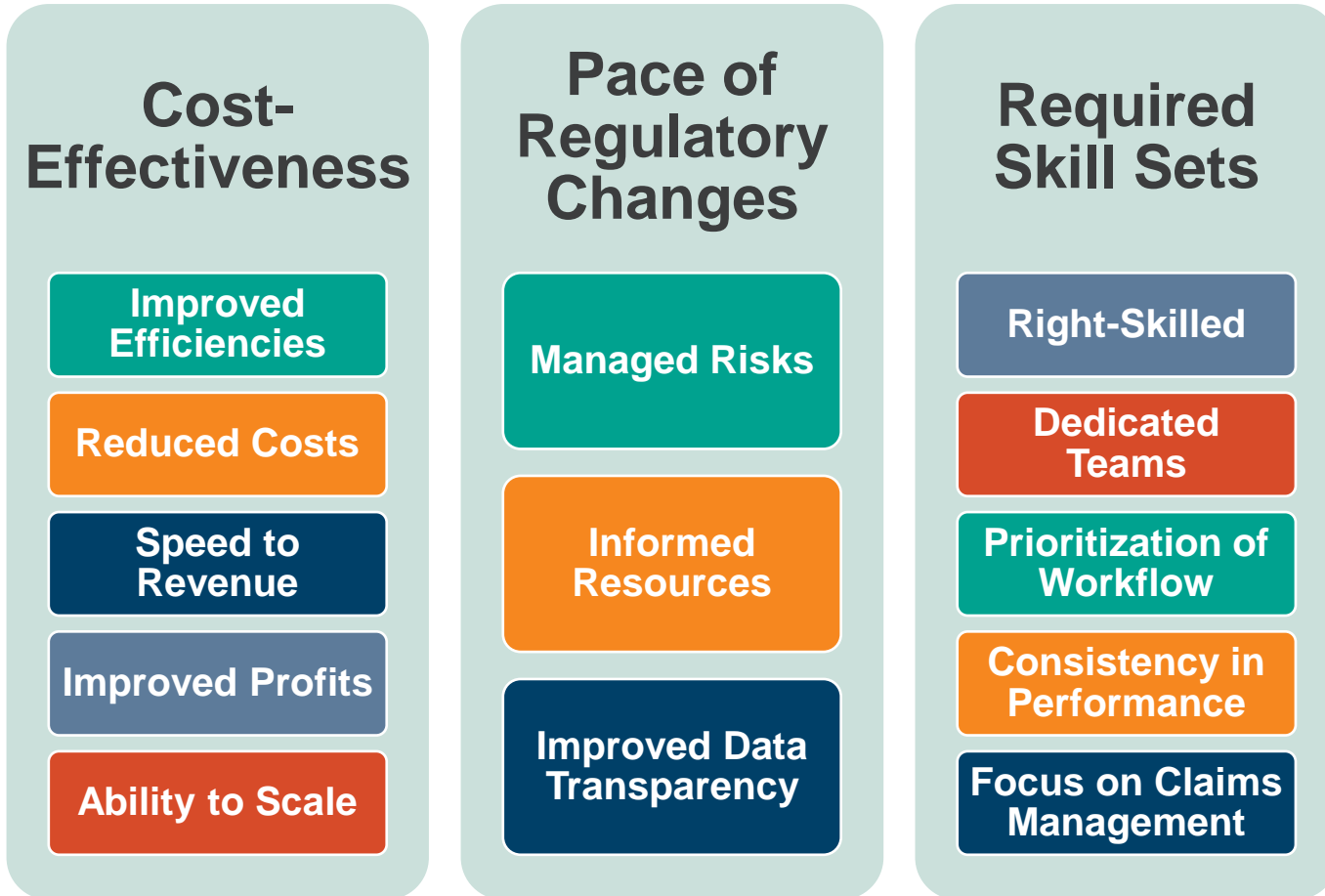
Patient Quality  
and Outcomes



The Benefits of Outsourcing



# THE BENEFITS OF OUTSOURCING



Achieving the Benefits of Outsourcing

# ACHIEVING THE BENEFITS OF OUTSOURCING

Define Scope

Establish Roles, Responsibilities and Accountabilities

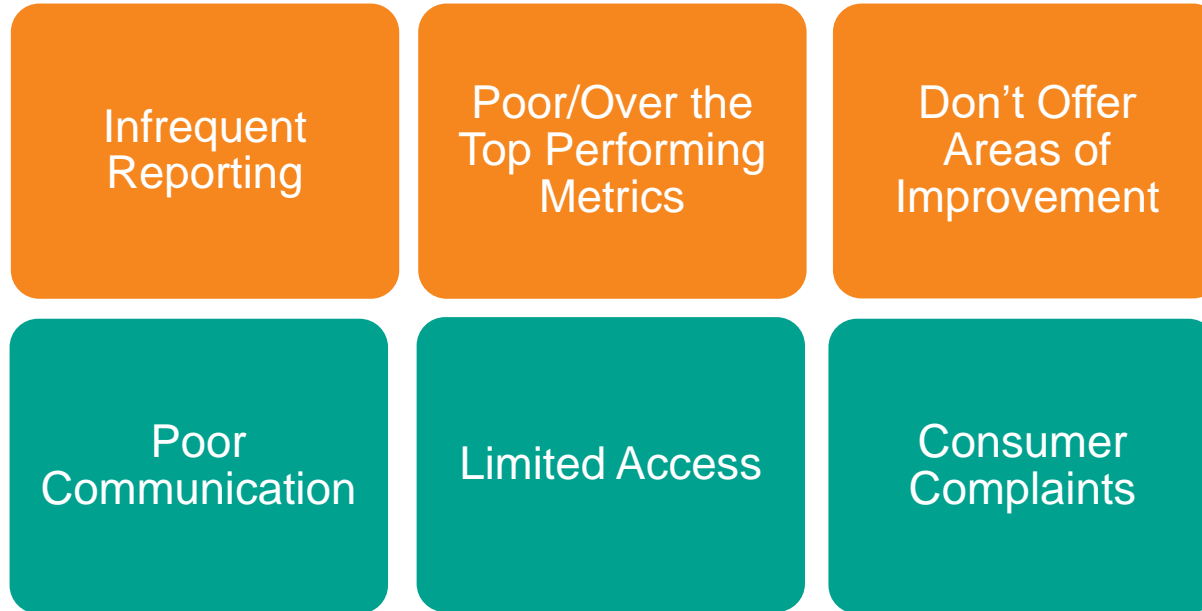
Set Key Performance Indicators and Performance Expectations

Develop a Regular Cadence for Feedback and Communication

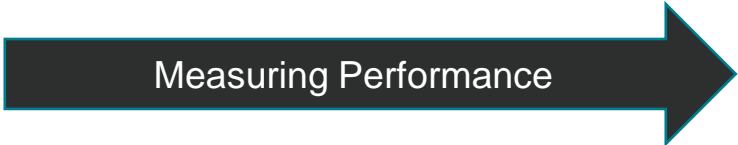
Continually Measure ROI

What Raises a Red Flag?

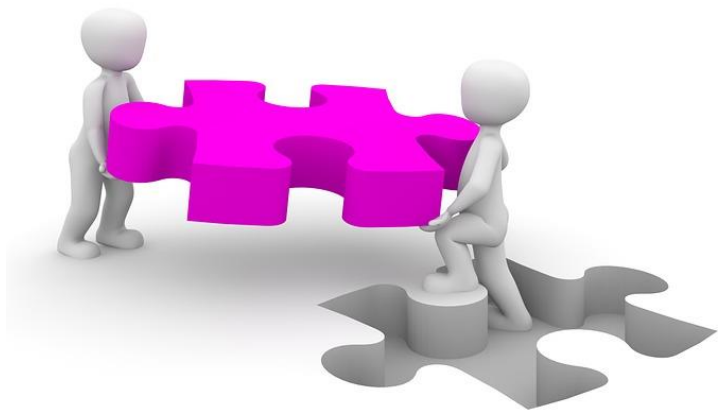
# WHAT RAISES A RED FLAG?



# Lack of Transparency



# MEASURING PERFORMANCE



## Efficiency

Productivity

Lag Days

Cost to Collect

## Quality

Edits

Rejections

Denials

Write Offs

## Efficacy

Accounts Receivable

Timely Payment

Accurate Payment

Consumer Satisfaction

# MEASURING PERFORMANCE

## Sample KPIs and benchmarks - **EFFICIENCY**

**Efficiency**

Productivity

Lag Days

Cost to Collect

the ability to achieve an end goal with little to no waste, effort, or energy

KPI	Formula	Benchmark
<b>Billing Staff Productivity</b>	Total Number of Claims Processed/Total Number of Hours Worked	<b>12-15 per hour</b>
<b>Areas to Troubleshoot</b>	Lack of training, undefined performance expectations, lack of policy and process	

KPI	Formula	Benchmark
<b>Claim Lag Days</b>	Date of Claim Submission – Date of Service	<b>3 days</b>
<b>Areas to Troubleshoot</b>	Charge capture timeliness, coding workflows, workqueue management	

KPI	Formula	Benchmark
<b>Cost to Collect</b>	Total Number of Claims Processed/Total Number of Hours Worked	<b>2 – 4% of net revenue</b>
<b>Areas to Troubleshoot</b>	Manual processes, workqueue management, denials and rejection management, revenue cycle performance monitoring and feedback	

# MEASURING PERFORMANCE

## Sample KPIs and benchmarks - **QUALITY**

**Quality**

- Edits
- Rejections
- Denials
- Write Offs

the degree to which an organization satisfies a specified set of attributes or requirements

KPI	Formula	Benchmark
<b>First Pass Yield</b>	Number of Claims Paid Correctly on First Submission/Total Number of Claims Submitted	<b>&gt;=95%</b>
<b>Areas to Troubleshoot</b>	Registration processes, claim lag, coding integrity, stakeholder communication	
KPI	Formula	Benchmark
<b>Initial Denials - % Claims Dollars</b>	Total Initial Denial Claims Gross Charges/Total Claims Submitted Gross Charges	<b>&lt;10%</b>
<b>Areas to Troubleshoot</b>	Denials and appeals management, reporting and communication, staff training	
KPI	Formula	Benchmark
<b>Denials Overturned</b>	Denials Overturned and Paid/Total Number of Denied Claims	<b>50%</b>
<b>Areas to Troubleshoot</b>	Payer contract management, utilization management, denials management and reporting	
KPI	Formula	Benchmark
<b>Write-Off Percentage</b>	(Total Write-Offs/Total Charges) x 100	<b>5 – 7 % of net revenue</b>
<b>Areas to Troubleshoot</b>	Payer contract management, documentation and coding integrity, claim lag, denial management, staff training	

# MEASURING PERFORMANCE

## Sample KPIs and benchmarks - EFFICACY

### Efficacy

Accounts Receivable

Timely Payment

Accurate Payment

Consumer Satisfaction

the quality of being effective

KPI	Formula	Benchmark
Net Days in A/R	Current Receivables [net of credits]/Average Daily Charge Amount	<35
Areas to Troubleshoot	Payer performance, self-pay account management, productivity, denials management and reporting, collections	
KPI	Formula	Benchmark
Aged A/R 90 Days and Greater	(Dollar Value of AR >90 Days/Total Dollar Value of AR) x 100	<20%
Areas to Troubleshoot	Payer performance, payment collection, denials management and reporting	
KPI	Formula	Benchmark
First Pass Yield	Number of Claims Paid Correctly on First Submission/Total Number of Claims Submitted	>=95%
Areas to Troubleshoot	Payer performance, registration, denials management and reporting, coding quality, CDM maintenance	
KPI	Formula	Benchmark
Ratio of Statements to Visit**	Number of Statements Sent/Number of Visits or Encounters	<=1:1
Areas to Troubleshoot	Patient collections, registration and scheduling, financial counseling	

\*\*visits, phone calls, online self-service, mailings

Collaboration Strategies in Summary



# COLLABORATION STRATEGIES IN SUMMARY

What makes the RCM vendor relationship better?

Active participation

Alignment of goals

Regular communication

Transparent Reporting

Responsiveness



Q & A

# Q & A



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