

Back 2 Basics: Revenue Cycle: KPI, Risk Factors, and Compliance

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- 1 -

Our Time Together

- List guidelines to develop your Key Indicators
 - May be called Key Performance Indicators (KPIs)
- Some commonly used KPIs & current trends
- Revenue cycle leakage points
 - Risks/opportunities
- Some core compliance issues



- 2 -

Polling Question

Describe yourself:

- Provider, hospital
- Provider, physician
- Provider, other
- Payer
- Vendor, supplier, support provider/payer operations as well as Consultant or other

- 3 -

ACRONYMS

- ADR: Average Daily Revenue
- A/R: Accounts Receivable
 - AR "Days"
 - AR Dollar Amount
- CMS: Centers for Medicare & Medicaid Services
- DNFB: Discharged, not Final Billed
- HARA: Hospital Accounts Receivable Analysis
- HIM: Health Information Management Association
- HAC: Hospital Acquired Condition
- KPI: Key Performance Indicator
- POS: Point of Service (Collections)



- 4 -

TERMS

- **Accounts Receivable**
 - A/R Days - Refers to amount of money owed and the span of time between the date a service is rendered and the date paid; oftentimes referred to as **A/R**
 - A/R Dollars - Refers to the amount of money owed to a provider at a point in time; usually booked at month end; may be termed **A/R**
- **Average Daily Revenue** - Calculated by taking the amount of charges (revenue) generated during a period of time divided by the number of days in that period
- **Bad Debt:** Amount not recovered from a patient following exhaustion of all collection efforts

- 5 -

TERMS

- **Cost to Collect:** A figure that tabulates business office expense (or patient access and business office – or patient access, business office, and HIM) for a given period; divide the figure by the total number of dollars collected during the same period
- **Credits; Credit Balances:** Accounts that have been overpaid
- **Days in AR:** See A/R Days
- **Outlier:** Additional payment by a health plan or payer to a provider. The amount paid/formula depends on contract.
 - Medicare: OPPS and PPS
 - Others: varies

- 6 -

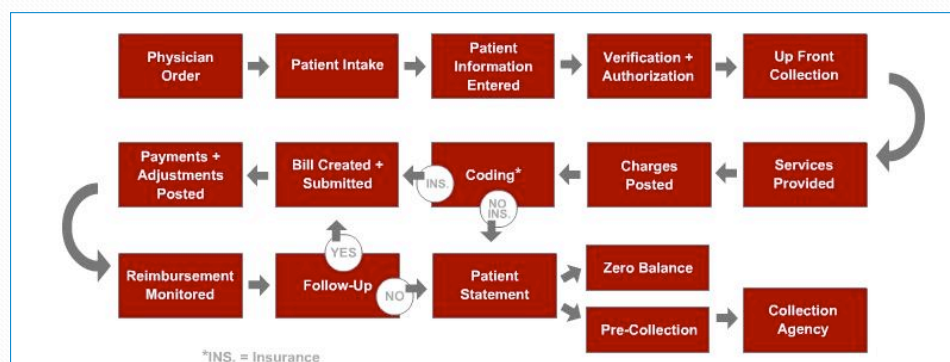
The Revenue Cycle

- Successfully managing the revenue cycle is the blood line of your organization
- Various revenue cycle stakeholders throughout the cycle
 - Let's review a simple diagram of the cycle
- What are you measuring?
 - If there are areas you believe are important, or areas "at risk," you should measure them.



- 7 -

The Revenue Cycle



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- 8 -

Metrics: More than One Source



http://www.hfma.org/NR/rdonlyres/0F0BA35D-5D24-4F7A-8E33-B64FC2BE013C/0/Hammer_Mgd_Care_KPIs.pdf

- HFMA's Two-Day PFS BootCamp
- Claudia's "Back to Basics"
 - Claudia published KPIs she has used
 - We'll review some of those
- David Hammer
 - KPIs / Standards published on HFMA's website

- 9 -

KPIs – Sources, continued

- HFMA developed common set of revenue cycle KPIs; published 8 in January, 2010
 - http://www.hfma.org/library/revenue/improvement/KPI_Home.htm
- HFMA: Glossary of Ratio Formulas
 - http://www.hfma.org/library/accounting/financialperformance/ratio_formulas.htm
- HFMA developing next phase of KPIs;
 - Claudia: Chairing that subcommittee

KPIs – Sources, continued

- Multitude of other avenues to obtain KPIs
 - Hospital systems
 - Healthcare systems
 - Healthcare organizations
- HARA
 - URL:
http://www.aspenpublishers.com/Product.asp?catalog_name=Aspen&product_id=SS10788123
 - Quarterly report; annual subscription

HFMA's Research 2009 Initiative

- HFMA's Patient Friendly Billing© - Strategies for High Performing Revenue Cycle
 - People
 - Processes
 - Technology
 - Communication
 - Culture
 - Metrics
 - Monitor & report frequently
 - Look beyond traditional metrics for success
 - Seek the consumer's perspective

Polling Question

INSTRUCTIONS: Answer the situation that best describes your scenario.

My organization currently tracks Key Indicators and...

- We track but we are not confident that we're tracking the right things
- We track and we're quite confident that we track the right indicators
- We track but we're considering, or I'm considering, modifying what we track
- Other (i.e. we don't track, we track too much, we don't understand what we're tracking, we seem to change them too often, not applicable, etc...)

- 13 -

You Can't Track Everything Well

- Suggest:
 - High-level indicators
 - Helicopter view
 - Base-line indicators
 - The devil is in the details
- Be able to drill down into the details and sort by aging, insurance health plan, inpatient, outpatient, emergency room, etc
 - Health plan; aging category
 - HIM/DNFB, Quality Management

Polling Exercise

To calculate our A/R days and we use revenue:
from the last three-month:

- From the last three months
- From the last four months
- Other (i.e. I'm not sure, not applicable)

- 15 -

High Level KPIs and Target Ranges

Gross Receivables (track and monitor)

- **AR Days** (< 50 days)
- **AR Days over 120 days** (you determine)
- **Monthly AR Collections** (not < 100% of last three months average)
- **DNFB** (< 5 days)
(note: includes HIM & other teams that may affect DNFB – Quality Management, Insurance Verification; if significant, set a goal for each, monitor, track, and report)
- **Plus any overall indicator you need to track – Examples?**

Base Level KPIs and Target Ranges - Middle

Middle – HIM, Case Management, Departments/Charges++

HIM DNFB (you determine goal; may be 5 days; sometimes additional reviews are being performed due to RACs or due to high overall charges *before billing* and they are held up in this category)

Case Management/Quality Review/Utilization Review
(you determine goal)

Surgery Adding Charges Timely (Should be 100% within your time frames; consider one to three days)

Other Key Departments/Charging (Should be 100% within your time frames; consider one to three days)

Other ?

Base Level KPIs and Target Ranges - Front End

Front End - Patient Access

POS Collection (you determine goal; may be 50% of all self-pay amounts, 2% of overall net revenue, 50% of amount due at time of encounter, or a % from a specific department, such as ER)

Pre-registrations verified (100%)

Pre-registrations certified; pre-authorized (100%)

Registration accuracy (>95%)

Plus any overall indicator you need to track – Examples?

Base Level KPIs and Target Ranges - Back End

% of accts < 90 days (80% of total gross AR)
% accts 91 to 180 days (< 17% total gross AR)
% accts over 180 days (< 3% total gross AR)
First time Billing (5 days from discharge or date of service)
Medicare Suspense File and other electronic billing files (< or = 1 day)
Claim re-billings after denial/rejection (15 days)
Secondary billings after payment or rejection (5 days)
Credit Balances; Gross Amount (1-2 days of gross revenue)
Credit Balances; Aging (< or = 30 days)
Re-billings (<5% of total claims)
Bad Debt Expense (<4% of gross revenue or <2% net)
Cost-to-collect ratio (2%)
• Plus any overall indicator you need to track – Examples?

David Hammer's Revenue Cycle KPI/Standards



- Scheduled patients' preregistered rate 98%
- Deposit request rate for copayments & deductibles \geq 98%
- Insurance verified of scheduled patients \geq 98%
- Insurance verified of unscheduled inpatients within one business day \geq 98%
- Patient access/registration; avg registration interview duration \leq 10 minutes
- Average patient wait time \leq 10 minutes
- Average inpatient registrations per registrar per shift 35

- 20 -

David Hammer, continued

- ABNs/MSPQs obtained when required 100%
- Collection of election services deposits prior to service 100%
- Collection of inpatient patient-pay balances prior to discharge $\geq 65\%$
- Collection of outpatient patient-pay balances prior to discharge $\geq 75\%$
- Collection of ED patient-pay balances prior to discharge $\geq 50\%$
- Screening of uninsured inpatients & high-balance outpatients for financial assistance $\geq 98\%$
- Prompt-payment discount % = from 5 to 20%

- 21 -

David Hammer, continued

- Inpatient charges coded per coder per day 23-26
- Observation charts coded per coder per day 36-40
- Ambulatory surgery charts coded per coder per day 36-40
- Outpatient charts coded per coder per day 150-230
- Chart delinquency greater than 30 days (Joint Commission definition) $\leq 5\%$
- HIM "DRG development" hold greater than late charge hold ≤ 2 A/R days
- MPI duplicates as a % of total MPI entries $\leq 0.5\%$
- PEPER potential overcodes beyond 75th percentile $\leq 2\%$

- 22 -

David Hammer, continued

- Late charge hold period – 2 to 4 days
- Late charges as a % of total charges $\leq 2\%$
- Lost charges as a % of total charges $\leq 1\%$
- Chargemaster duplicate items – 0
- Chargemaster incorrect/missing HCPCS/CPT codes - 0
- Chargemaster incorrect/invalid revenue codes - 0
- Chargemaster item has incorrect modifier - 0
- Chargemaster item has missing modifier – 0
- Chargemaster price/item is editable on line - 0

- 23 -

David Hammer, continued

- Electronic claim submission rate 100%
- Final billed/claim not submitted; backlog ≤ 1 a/R day
- Medicare supplemental insurance billing following adjudication ≤ 2 business days
- Non-Medicare COB to insurance billing following COB payment ≤ 2 business days ^{$\geq \geq$}
- Medicare RTP denial rate $\leq 3\%$
- Insurance A/R aged more than 90 days from service/discharge $\leq 15-20\%$
- Insurance A/R aged more than 180 days $\leq 5\%$
- Insurance A/R aged more than 365 days $\leq 2\%$
- Bad debt write offs as a % of gross revenue $\leq 3\%$

- 24 -

National HFMA's KPIs

- The next few slides will briefly give an overview of national HFMA's KPIs
- Published January, 2010 HFMA
- HFMA Website

HFMA KPI #1

Measure: Net Days in Accounts Receivable (A/R)

Purpose: Trending indicator of overall A/R Performance

Value: Indicates revenue cycle (RC) efficiency

Metric Calculation:

Equation

$$\frac{\text{Net A/R}}{\text{Net Patient Service Revenue}}$$

Variables to Numerator

- Excludes credit balances, non-patient A/R related 3rd party settlements and non-patient A/R

Variables to Denominator

- Most recent three month daily average

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HFMA KPI #2

Measure: Aged A/R as a % of Billed A/R

Purpose: Trending indicator of receivable collectibility

Value: Indicates RC's ability to liquidate A/R

Metric Calculation:

Equation

$$\frac{\text{>30, >60, >90, >120 days}}{\text{Total A/R}}$$

Variables to Numerator

- Aged from discharge date
- Includes all active billed debit balance accounts (self-pay, commercial, third-party)
- Excludes DNFB and in-house accounts

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HFMA KPI #3

Measure: Point of Service Cash (POS) Collections

Purpose: Trending indicator of point of service collection efforts

Value: Indicates potential exposure to bad debt, accelerates cash collections and can reduce collection costs

Metric Calculation:

Equation

$$\frac{\text{POS Payments}}{\text{Total Patient Cash Collected}}$$

Variables to Numerator

- Patient payments collected prior to or up to 7 days after discharge
- Current encounter only
- Does not include cash collected on prior encounters

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HFMA KPI #4

Measure: Cost to Collect

Purpose: Trending indicator of operational performance

Value: Indicates the efficiency and productivity of RC process

Metric Calculation:

Equation

$$\frac{\text{Total RC Cost}}{\text{Total Cash Collected}}$$

Variables to Numerator

- Total RC cost includes: See next slide
- Total Patient access costs includes:

Variables to Denominator

- Cash collected must match the same time frame as cost in the numerator

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HFMA KPI #5

Measure: Cash Collection as a Percent of Adjusted- Net Patient Services Revenue

Purpose: Trending indicator of RC to convert net patient services revenue to cash

Value: Indicates fiscal integrity/financial health of the organization

Metric Calculation:

Equation

$$\frac{\text{Cash Collected}}{\text{Average Net Revenue}}$$

Variables to Numerator

- Use the current month's cash collected

Variables to Denominator

- Use prior three months average net revenue
- Average net revenue is defined as patient service net revenue less bad debt

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HFMA KPI #6

Measure: Bad Debt

Purpose: Trending indicator of the effectiveness of self-pay collection efforts and financial counseling

Value: Indicates organizations ability to collect self-pay accounts and identifying payer sources for those who can't meet financial obligations

Metric Calculation:

Equation

$$\frac{\text{Bad Debt Write-Off}}{\text{Gross Patient Service Revenue}}$$

Variables to Numerator

- Expressed as a percentage

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HFMA KPI #7

Measure: Charity Care

Purpose: Trending indicator of local ability to pay

Value: Indicates services provided to patients deemed unable to pay

Metric Calculation:

Equation

$$\frac{\text{Charity Care Write-Off}}{\text{Gross Patient Service Revenue}}$$

Variables to Numerator

- Expressed as a percentage

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HFMA KPI #8

Measure: Days in Total Discharged Not Final Billed (DNFB)

Purpose: Trending indicator of claims generation process

Value: Indicates RC performance and can identify performance issues impacting cash flow

Metric Calculation:

Equation

$$\frac{\text{Gross Days in A/R (not final billed)}}{\text{Average Daily Gross Revenue}}$$

Variables to Numerator

- Includes inpatient and outpatient
- Excludes in-house claims
- Only days not final billed
- Expressed in days

Variables to Denominator

- From reporting month

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Polling Question

Our organization:

- Uses many of the key indicators reviewed, but not necessarily in the manner described
- Uses some of the key indicators reviewed
- Uses just a few of the indicators described
- Other

One Approach - Develop Team to Select Which KPIs to Track

- What will you track?
- What is critical?
- Administrative support
- What will you do with the measures/reports?
- How will their significance be communicated?
- Determine: What will be done when there's issues?
 - May be a significant challenge
- How will successes be celebrated?

- 35 -

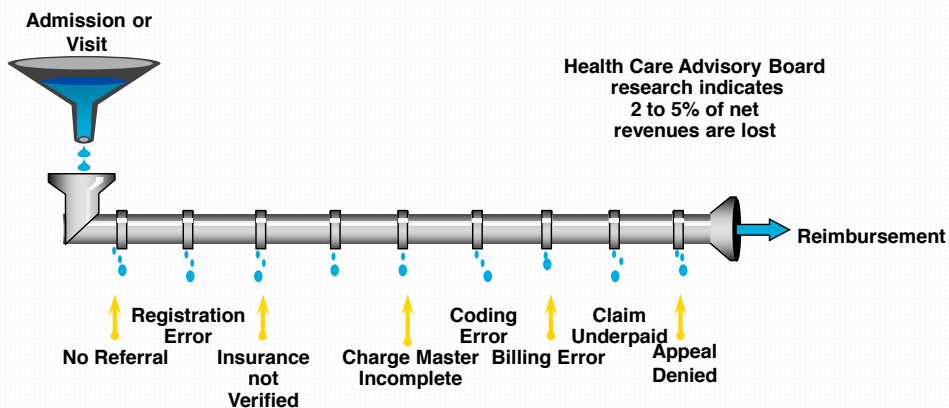
Routinely Assess Other Factors

- Every month/quarter review & assess:
- What external and internal factors are significant?
 - What state and regulatory constraints are affecting the revenue cycle?
 - What are the risks and potential liability?
 - What changes should we make?
 - Do we need a SWAT team deployed?
 - May be a significant challenge

Additional Thoughts

- Staff may not do what's *expected* but what's *inspected*
- Track performance over time
- Communicate performance and areas of risk
- Monitor and modify critical KPIs

Revenue Cycle Leakage Points Pipeline



Issues

- Critical: performance-driven culture
- Professional & respectful interplay with customers
- How do you monitor staff one-on-one interplay?
- Advanced Beneficiary Notice (ABN)
 - ABN process; potentially lost revenue
 - Medicare; other payers
 - Know when to obtain one
- POS collection? What areas? Why?
 - Plans for future?
 - ER admissions are typically over 50% of our admissions
 - Bad Debt is typically over 50% of uncollected copays/deductibles

Issues, Cont.

- How quickly do you:
 - Submit claims once “dropped” from system?
 - Processes to properly handle edits
 - Continually expanding CCI & OCE edits may cause delays
 - Address medical necessity issues
 - NCD
 - LCD

Delays May be Caused – Claims Not Paid or Incorrectly Paid

- Correct Coding Initiative (CCI) edits
 - Potential claim scrubber issues
 - Somewhere in your account flow
 - HIM
 - Coding specialist
- National Coverage Determinations (NCDs)
 - Medical necessity
- Medicare Secondary Payer (MSP)
 - Billing the correct payer
- Outpatient Code Editor (OCE)



- 41 -

Outpatient Code Editor (OCE)



- Over 1,000 edits in 2010; updated quarterly
- Facility OCE edits vs Physician OCE edits
 - Example: blood transfusion procedure code is on the claim but there is no code for the blood product
 - Medicare FSSO system: RTP

- 42 -

Issues, Cont.

- How quickly do you follow up on:
 - Unpaid balances
 - “On-line” rejections
 - Credit balances
 - Ensuring that the payment received is accurate
 - Patient **balances** – what processes are in place
 - What education
 - What technology
 - Plans for the future
- Medical necessity for “patient status”
 - Documentation
- Observation vs Inpatient
 - RAC: hospital vs physician
- Unit problems – over and under

RECOVERY AUDIT CONTRACTORS (RAC)



Information:
<http://www.cms.hhs.gov/RAC/downloads/>

- 2010: Known issues
- Your responsibility: audit, self-check, analyze, document, fix, audit again
- Country divided into four RACs to cover all the providers throughout the country
- Other payers are duplicating these types of audits
 - Medicaid Integrity Contractors (MICs)

Money Recovered

- Medically unnecessary
 - Inpatient hospital 30%
 - Inpatient rehab 5.6%
 - SNF 0.25%
 - Outpatient hospital 0.47%
- Incorrectly coded
 - Inpatient hospital 30%
 - Inpatient rehab 0%
 - SNF 0.62%
 - Outpatient hospital 2.44%
 - Physician 1%
- Insufficient documentation or none
 - Inpatient hospital 6.5%
 - Inpatient rehab 0.44%
 - SNF 0.48%
 - Outpatient hospital 0.11%
- Other
 - Inpatient hospital 12.5%
 - Inpatient rehab 0%
 - SNF 0.41%
 - Outpatient hospital 1.22%
 - Physician 1.44%

45

More Delays – More Non-Payment Issues



Coordinate education, audits, and consultants

- Payer A denies patient's inpatient stay
 - Wants service modified to Observation
 - Patient status
 - Issues – when advised by payer, physician's order, patient's perspective
 - Payer issues
 - Short inpatient stays – 1 to 3 days
 - Medical necessity
 - If RAC overturns hospital's inpatient admission; physician impact
- Units incorrect or checked
- Inpatient only procedures; Medicare Addendum B – lists HCPCS with Status Indicator C

- 46 -

You Lead the Way – Closing Thoughts

- Key performance indicators
 - Set attainable goals
 - Go for consensus & commitment from stakeholders on the KPI
 - How should the KPIs should be used to affect change
 - Celebrate successes
- Scheduling, Pre-registration and verification: insurance/demographics – automated?
- Registration accuracy – manual/automated?
- Managed care: PCP authorization, referrals
 - Need policies and procedures to cover all aspects
 - Emergency/urgent services vs elective services
 - “Late-boards” - surgery bookings
 - When service is not authorized properly – who follows up?

Polling Question

Indicate at least one thing you plan to do:



- Discuss one or some of these concepts with someone within the organization
- Share this information to a group of individuals
- Ask my vendor to help us develop some additional Key Indicators
- My brain hurts; I can't think anymore

I love to help...

Contact -
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Thank You!