

# Improving health system revenue cycle management

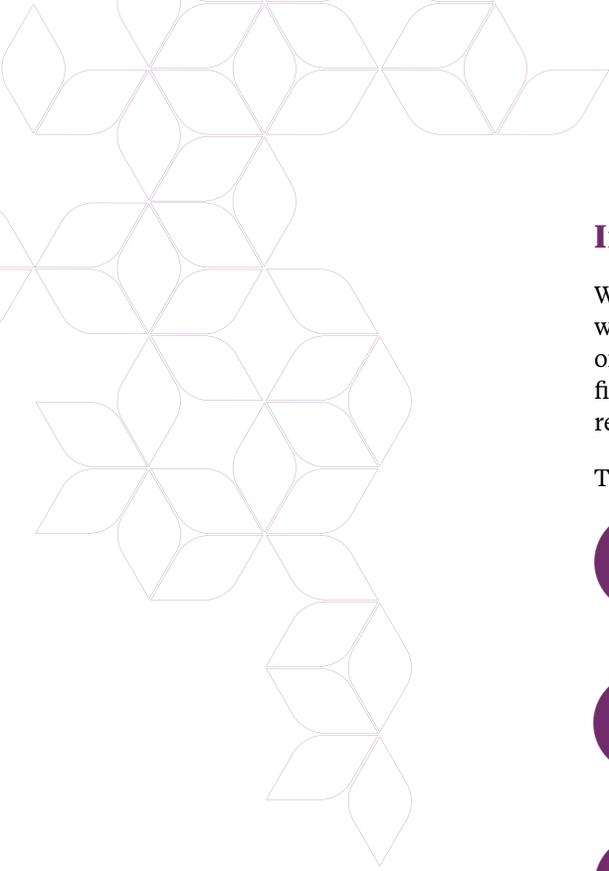
*Revenue cycle experts offer insights and advice to address the top issues that concern hospital administrators the most, including:*

- 1. Medicaid reimbursement*
- 2. Managing increasing costs for staff and supplies*
- 3. Reducing operating costs*
- 4. Government funding cuts*



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## Improving health system revenue cycle management

What's keeping health system administrators up at night? Like many of us, they worry about money issues. According to research conducted by American College of Healthcare Executives (ACHE), today's health system CEOs face unprecedented financial uncertainty as a result of increased competition and ever-changing regulatory requirements.

Top issues that concern administrators the most include:

-  **1. Medicaid reimbursement**
-  **2. Managing increasing costs for staff and supplies**
-  **3. Reducing operating costs**
-  **4. Government funding cuts<sup>1</sup>**

Before you can determine where to allocate funds and resources, the first step is to better understand your organization's revenue cycle.

By leveraging best practices and powerful data analytics, you can keep your hospital financially healthy and transform these four high-stakes challenges into your competitive advantage.

## Best practices for addressing hospital and health system CEOs' top financial challenges

### Challenge:

*Avoiding Medicaid reimbursement denials and under-reimbursement*



If your hospital or health system is experiencing a lot more claim denials this year, you are not alone. Medicaid claim denials and under-reimbursement issues are at an all-time high.

An American Medical Association study found that the cost of staff time to investigate claims appeals averages almost \$15,000 annually per health system. That doesn't even include millions left on the table because of under-reimbursement.<sup>3</sup>



Medicaid support for hospitals is anticipated to drop by a whopping **\$2 billion** in 2018

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dramatically increasing uncompensated care costs.<sup>2</sup>

**What can you do to better manage your Medicaid claims?**

1. **Technology is key to managing Medicaid.** Rules and regulations constantly change — one way to stay on top of these changes is by using software and services designed to automatically update diagnostic codes and payer requirements.

Automation can minimize the time your staff spends researching claims regulations and increase the time your staff has for double-checking claims to make sure they meet all necessary requirements.

Automated software systems can streamline the documentation process and help you stay ahead of issues by alerting you to items that need to be resolved before claims are submitted. As a result, this greatly minimizes the time your staff spends sleuthing out what's missing.<sup>3</sup>

2. **Don't ignore denials.** Investigate denials to learn what caused them. This will help prevent future denials and allow for more accurate and consistent reimbursements.

Dashboards can help health system administrators monitor payment denials and stay current on revenue cycle management issues in real time, on a daily basis.<sup>3</sup>

3. **Make everyone in your practice accountable for understanding basic Medicaid standards and changes to reimbursement policies.** That's right — even if you have software to flag inaccuracies, it's best if your billing staff and everyone else in your practice is informed about Medicaid reimbursement.

It helps to subscribe to newsletters — and share updates broadly. Encourage staff to attend conferences to stay in the loop on updates and policies.

**Challenge:**

*Reducing costs for staff and supplies*



*You can't manage what you don't measure. When it comes to reducing staffing costs or saving on supplies, start by using data analytics to follow the money and identify where the greatest opportunities are for cost reductions. Consider the expert tips below.*

1. **Use data analytics to assess if your staff is focused on the right priorities.**

To better manage the high cost of labor and assess return on investment (ROI), managers need access to different types of data across the continuum of care.

Key performance indicators (KPIs) you should be monitoring at your health system include staff hours, overtime, and the ratio of patients and full-time staff per occupied bed.<sup>4</sup>

Know your bottlenecks. A robust dashboard with graphs and charts will help you track revenue cycle management throughout the health system and help identify problem areas.<sup>8</sup>

2. **Add more nurse practitioners and physician assistants to your staff.** The Medical Group Management Association suggests increasing non-physician providers to your practice as a way to earn more revenue. Providers that do this reportedly earn \$100,748 more in revenue after operating expenses per physician than practices with fewer such workers.



Hospital-owned primary care practices with more non-physician providers earned **\$131,770 more in revenue** after operating expenses per physician.<sup>5</sup>



**43%**

of hospital supply chain costs on average

while general store room costs represent only

**9%**

**3. Maximize or redistribute your current resources.** Think about asking experts you have in the supply chain area to support all departments throughout your health system. Applying supply chain expertise to all departments is a great way to save money by reducing system-wide supply costs.<sup>6</sup>

**4. Negotiate for better prices, especially where savings are most needed.** According to Becker’s Hospital CFO Report, operating room expenses make up about 43% of hospital supply chain costs on average while general store room costs represent only 9%. So why do most hospitals focus cost-reduction efforts mostly on general store room inventory when operating room expenses are a far greater opportunity for savings?

One reason is that surgeons often negotiate their own deals with implant and device vendors, and they often don’t want to compromise those relationships. By arming them with data analytics that benchmark costs against industry standards, for example, you can help jumpstart conversations that lead to improved savings negotiations.<sup>6</sup>

**Challenge:**  
*Reducing operating costs*



Hospitals and health systems face greater cost pressures today than ever in history. But should hospital administration target all overall costs equally?

According to a March 17, 2017, Health Management blog, “Seven Ways for Hospitals to Control Overhead Expenses,” the answer is no. The blog emphasized that overhead costs that improve efficiency and quality of care as important as ever to keep. Draw the line at costs that don’t contribute to quality of care, such as administrative procedures, which can often be reduced.<sup>7</sup>



**Here are some tips.**

**1 Invest in health IT systems.** Clinical decision support (CDS) systems offer a variety of tools to improve clinical decision making. For example, these systems include alerts and reminders to care providers and patients; clinical guidelines; condition-specific order sets; focused patient data reports and summaries; documentation templates; diagnostic support; and other helpful tools.

Health systems can use these evidence-based systems to identify unnecessary tests that can potentially be eliminated without impacting patient care quality.

These systems can also include alerts to reduce prescription errors made by clinicians.<sup>8</sup>

**2 Shipping costs offer great savings potential.** Hospitals can save thousands of dollars by reducing overnight shipping for operating room supplies, for example. Automating supply orders offers a powerful way to minimize last-minute, rush supply orders while keeping real-time track of your inventory and spending.<sup>7</sup>

**3 Go green.** Health systems can achieve dramatic savings by improving landscaping irrigation. One health system saved \$180,000 during each six-month watering season. Investing in energy-efficient lighting and fixtures helped another health system save \$900,000 every year. Installing solar panels in sunny areas saved \$12,000 over a three-year period. Installing water-saving sinks, toilets and urinals saved \$257,000 annually.<sup>7</sup>

**4 Lower patient readmission risk.** Many Medicare patients discharged from the hospital return within 30 days, often unnecessarily. Reducing the high cost of readmission not only saves your health system a lot of money, but it can be an opportunity to provide better care to patients, who most often would prefer to stay out of the hospital.

The Center for Healthcare Quality & Payment Reform recommends hospitals tap the power of data analytics to minimize readmissions. By analyzing patient data, hospitals can create automated follow-up programs, offering reminders to take medications and schedule doctor appointments. These programs can dramatically reduce readmissions.<sup>8</sup>

**Challenge:**  
*Coping with government funding cuts*



*Starting January 1, 2018, the Trump administration implemented a \$1.6 billion cut to the 340B Drug Discount Program, which requires drug makers to offer deep discounts to safety net hospitals for certain drugs prescribed for Medicare patients.<sup>9</sup>*

With uncertainty lingering about future government funding cuts, health systems need to continually seek ways to improve profitability and reduce costs.

**1. Seek out resources to help you stay on top of regulatory changes and trends.**

Your staff should read regulation-focused newsletters and websites to better understand a) what's happening and why; b) who is affected; and c) how you should prepare. Attending conferences and webinars is even better because these events give you an opportunity to ask questions specific to your hospital or health system.

**2. Stay focused on quality care and patient satisfaction.** Hospitals and health systems that scored highest in patient satisfaction gained net margins that were 50% higher, on average, compared to those that provided an average customer experience.

When patients are treated well, they are less likely to complain and waste valuable staff time spent resolving and investigating conflicts.<sup>8</sup>

**3. Cut back on unnecessary testing.** U.S. hospitals waste an estimated \$5 billion each year because of redundant testing. Doctors need to educate patients on whether or not tests are evidenced-based and necessary to avoid unnecessary testing costs for both the patient and the health system.<sup>8</sup>



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## **Conclusion**

Understanding your revenue cycles helps you identify opportunities for revenue growth and ways to eliminate waste. Revenue cycle management also helps administrators determine where to best allocate funds and resources.

When it comes to improving revenue cycle management and cutting costs, hospitals should categorize spending into two categories: 1) those that differentiate their services, and 2) those that don't.

What truly matters is the quality of physicians, nurses, clinicians and clinical protocols. You can't go wrong by spending money on great doctors and innovative ways of giving patients better care. These are worthy investments. Everything else is administrative spending, an area that can take away from spending on what really matters — providing quality care and services that improve health outcomes.<sup>10</sup>

## **About the authors**

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**David Keenan, MHA, RPh**, has more than 25 years of experience in the health-system pharmacy setting working within university-teaching, community-teaching and community hospital organizations, each using various models of pharmacy service delivery. David has experience with information technology systems including implementation and support of pharmacy functions within electronic health records, pharmacy automation including automated dispensing technology, and reporting tools. David received his Bachelor of Science in Pharmacy from the Philadelphia College of Pharmacy and Science in 1986 and his Masters of Health Administration from Saint Joseph's University in 2016.



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