

A ROADMAP TO SUCCESS . . .

Understanding the Value of Managing the RCM Process

*By Richard Schickler, CPA, EVP, MED3000 Physician Services
Bill Stone, VP RCM Sales*

As physicians and hospitals face an uncertain future, the market is seeing a resurgence of hospital and physician alignment strategies. Most hospitals want to avoid the mistakes of the 1990s, when physicians were offered guaranteed incomes with little focus on productivity and margins. As hospital systems begin the employment cycle again, hospital CFOs are looking more closely at financial outcomes and how to manage the revenue cycle management (RCM) process in order to meet performance targets.

As hospitals align with medical groups, they are faced with the complexity of consolidating an array of operations, practice management systems, databases, and EDI vendors. Add in the intricacies of RCM operations, which may be done in-house or outsourced to a third party billing vendor, and serviced in either a centralized or de-centralized fashion, and it's not surprising that many hospitals lose over \$100,000 per year on each physician they employ.

The blame for this financial performance often falls on the varied practice management systems themselves. In such cases, a unified information system, plus a significant amount of capital, is seen as the key to a more certain future. But you too may be wondering if the PM system is really the death of the RCM process or whether there are deeper-rooted issues that need to be evaluated.

In a recent client study, a large academic medical system in the Southwestern U.S. was facing this predicament. The system employs in excess of 350 physicians in over 200 offices spread across a broad geography. Their former outsourced RCM operation included processing handled both in the U.S. and overseas. They operated their organization on four different practice management systems with in excess of ten different databases and two EDI vendors. The patient visits were steadily increasing, but cash was in decline. RCM processes were varied and inconsistently applied across all platforms. Confidence was steadily eroding and the old adage that "I am working harder but making less" was absolutely true. The need for stability and reestablishing physician/hospital confidence became a priority. The working thesis of the hospital executive team was that a single enterprise-wide practice management system was needed in order to improve performance.

MED3000 was engaged by this organization in late 2008 to bring stability to the RCM operations and improve the group's cash flow. While the number of practice management platforms was reduced from four to three, MED3000 developed a common set of policies and procedures across all practice management platforms. All existing databases were immediately evaluated, modified, and retooled to match the common set of policies and procedures. MED3000 then implemented a refined and focused EDI solution. The former RCM vendor's overseas operation was abandoned and all personnel began working out of three U.S.-based processing centers.

The outcomes for the medical group are impressive. During the first nine months of engagement, the group's visits have increased 9%, while their revenue has increased by 11%. During this period, the group achieved record cash collections in three of those months. While increased patient volume contributed to the enhanced cash collections, the streamlined RCM process was also a significant factor. The urgent perceived need for a common practice management system strategy has been slowed to a more methodical approach.

An effective RCM process can occur without deploying valuable capital and unnecessarily exposing the organization to a system migration on to a common practice management platform. Health system executives and physicians should take comfort in knowing that the goal of delivering stability and improved financial results can become a reality with a strategically designed RCM process.