SEE YOUR REV CYCLE DIFFERENTLY

EPIC EXPECTATIONS

Cost cuts your health information system should deliver

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Contract Management

Value-based reimbursement has changed the way hospitals and health systems manage revenue. Rather than offsetting expenses by delivering more services and generating more revenue, the focus for providers is on providing high-quality care while reducing costs and ensuring accurate and timely payment.

This paper highlights cost issues in the industry and opportunities for revenue cycle managers using Epic health information systems (HIS) to cut costs, increase efficiencies and contribute to organizational profitability.

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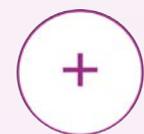
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Costs Under Scrutiny

With the healthcare industry feeling increased pressure to lower costs, executives and managers are scrutinizing every function for possible cost savings. In fact, in a Kaufman Hall survey of 350-plus hospitals and health systems, nearly one-third of chief financial officers (CFOs) said cost reduction is their highest-priority performance management activity for 2018. A prime candidate for cost cutting is revenue cycle management (RCM), where the latest available numbers revealed that RCM inefficiencies accounted for 15% of the trillions spent on healthcare.[1]

15%

RCM inefficiencies accounted for 15% of the trillions spent on healthcare.[1]

Average processing times and costs of billing and insurance-related activities for various medical services also reveal efficiency opportunities. A Journal of the American Medical Association (JAMA) study shows that during a primary care visit, these activities take an average of 13 minutes and cost $20.49; for an emergency department visit, 32 minutes and $61.54; and for a general inpatient stay, 73 minutes and $124.26. An ambulatory surgical procedure averages 75 minutes and costs $170.40; an inpatient surgical procedure requires 100 minutes and costs $215.10.[2] Considering these numbers are multiplied millions of times every year, it's easy to see why healthcare administrative costs are reduction targets.

As a majority of hospitals and health systems have learned, RCM technology is essential in a payment environment where collecting more with less cost is paramount. Among the RCM systems on the market, Epic is the leading provider, with 27% of healthcare organizations choosing Epic.[3]

Expectation #1: Higher patient collections for less

Health insurance deductibles and out-of-pocket (OOP) maximums have skyrocketed in the last few years. Between 2015 and 2017, costs rose 29.4% to an average of $1,820 and more than $4,400, respectively. Twenty percent of working-age Americans with health insurance had serious problems paying their medical bills in the last year, increasing bad debt write-offs to 4.4% in 2015, from 0.9% in 2008.

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1 Murphy, Brooke, "25 things to know about revenue cycle management, January 30, 2017.
2 Masterson,Les, "JAMA: Admin costs vary by type of visit" February 20, 2018.
3 Belliveau, Jacqueline, RevCycleIntelligence, "Top Revenue Cycle Management Vendors and How to Select One."

Hospitals are becoming more proactive to increase the likelihood of collecting what patients owe and reduce bad debt expense. Optimized Epic systems can help identify patients who have had difficulty paying so providers can engage counselors to collect payment before or during the patient visit, provide financial counseling and/or set up payment plans to reduce collection costs. Epic users can batch requests for payer eligibility verification and share responses across the enterprise, reducing duplicate inquiries and increasing patient collections. They can process credit card transactions and provide combined hospital and physician statements to patients, which are less costly and easier for patients to understand. Proving these strategies can deliver solid results; one U.S. health system increased self-pay collections by $5 million in 14 months using a suite of patient access tools integrated with Epic.

Expectation #2: Improved charge capture productivity

Charge capture can be difficult to manage and prone to breakdowns because of decentralized processes involving many people. Charge capture problems can cause hospitals to lose up to 1% of annual net revenue—substantial for any size organization.

Hospitals that successfully manage charge capture often use technology to reduce labor costs associated with working on charge issues. Third-party partners who optimize Epic systems can combine a health system's custom charging policies with machine learning, predictive analytics and rules to continuously identify charges requiring attention, freeing the staff for higher-value activities. As an example, after a multistate integrated health network moved from a legacy charge capture tool to a new solution in Epic, their cases per month fell from several hundred to fewer than five, allowing them to reallocate manhours. **Another healthcare system worked with an Epic implementation partner to recover $7.5 million in missing charges in just 15 months.**

Expectation #3: Lower-cost claims management

Claims management can have a major impact on a healthcare organization's financial performance. Despite the importance, up to 80% of medical bills contain errors ranging from a misspelled name to an incorrect code,[8] which can lead to claim denials, rejections and payment delays.

When optimized, Epic systems can generate automated audits of every claim for missing charges before they go to payers. This lowers the cost of submitting additional claims, which averages up to $25 each,[9] and identifies trends to prevent future revenue leakage. It also helps expedite payer payment, reducing total accounts receivable (AR) days. Integrating claims monitoring into the Epic workflow reduces payer calls and website logins to check claims status, allowing staff to focus on other duties and accelerating payment.

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4 Black Book, "Providers Driven to Implement Patient-Centric Financial Solutions as Consumer Payment Responsibility Skyrockets 29 Percent, Black Book Survey," October 24, 2017.
5 Henry J. Kaiser Family Foundation, "New Kaiser/New York Times Survey Finds One in Five Working-Age Americans With Health Insurance Report Problems Paying Medical Bills," January 5, 2016.
6 Lazarus, Jim, Advisory Board, "You're probably leaving $22 million on the table. Here are 4 things to do about it." June 29, 2017.
7 Smith, Cathy, HFMA Blog, "Capturing all charges: The operational reality," January 21, 2016.
8,9 Medical Billers and Coders, "How Important is Error-Free Claims Processing to Improve Profitability of Your Practice?" October 12, 2016.

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After implementing claims management software and improved workflows, average clean claims rates exceeding 98% are not uncommon for Epic users. A major southwestern U.S. hospital increased its clean claims rate by 13% and saved $250,000 in operating costs.

Expectation #4: More efficient denial management

Claim denials, a costly norm for healthcare organizations, are on the rise. Hospitals wrote off an astonishing 90% more denials as uncollectable than they did just six years ago, a $3.5 million increase for a median 350-bed facility.[10] While payers are reluctant to report the number of claims they deny, estimates range from 5%-25%.[11]

Nearly 90% of claim denials are preventable and two-thirds are recoverable,[12] but cracking the code can be expensive and time-consuming for hospitals. Epic users who work with third-party solutions partners can automate appeals for denied claims, saving staff up to 33 minutes in research and management per appeal. An Epic-equipped regional medical center in the southeastern U.S. achieved $17 million in denial improvement, increased denial collections by 5% and grew net revenue by 4.6% in 22 months.

Expectation #5: More favorable payer contracts

Payer contracting is complicated, time-consuming and can be costly if it's not closely managed and monitored for accuracy and compliance. The Medical Group Management Association (MGMA) estimates payers reimburse doctors 7%-11% less on average than they contracted for.[13] PricewaterhouseCoopers says healthcare providers could save up to 2% of annual costs just by eliminating contract errors and enforcing compliance.[14] By strategically controlling payer contracts, providers can benefit from more favorable terms, lower fees and advantageous discounts they might otherwise miss.

An automated contract management solution can lower the risk of errors and scale to the most complex agreements. A good Epic solutions partner can provide real-time modeling of "what if" contract scenarios, 360-degree visibility into contract terms, simplified loading of commercial and government contracts and enhanced compliance monitoring.

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10 "Hospital Revenue Cycles Showing Strength But Risks Include Denials," November 14, 2017.
11 Belliveau, Jacqueline, RevCycleIntelligence, "Top 4 Claims Denial Management Challenges Impacting Revenue," March 10, 2017.
12 Haines, Morgan, Advisory Board, "An ounce of prevention pays off: 90% of denials are preventable," December 11, 2014.
13 Medical Billers and Coders, "5 Tricks in Medical Practice's to improve your Accounts Receivable," April 28, 2017.
14 Becker's Hospital Review, "Contract Management Best Practices: Avoiding the Common Mistakes that Cost Hospitals Millions of Dollars Annually," February 23, 2011.

Healthy returns

Hospitals and health systems invest in systems like Epic to improve revenue cycle management and encourage the most clinically effective and cost-efficient patient care. Optimizing these systems by integrating third-party solutions that provide for automated financial processing enables revenue cycle managers to cut costs, operate more efficiently, make better use of staff resources, improve employee and patient satisfaction and make meaningful contributions to the organization's bottom line.
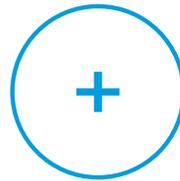
EXPLORE OUR ALL-IN-ONE PLATFORM

Eligibility
Verify insurance coverage to reduce claims rejections and denials

Revenue Integrity
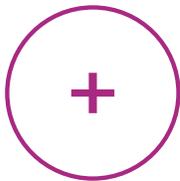Find missing charges and capture revenue you're due

Claim Management
Automatically submit and track claims, and reduce AR days with intelligent-driven workflow

Denial Management
Prevent denials and automate appeals

Contract Management
Gain control over payer negotiations, manage your contracts and recover owed revenue

Patient Financial Experience
Collect patient payments, determine propensity to pay and improve the patient experience

Agency Management
Get insights into outsourced agency effectiveness

Social Determinants of Health
Use data on broad factors that influence healthy to improve clinical outcomes

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ABOUT WAYSTAR

Waystar simplifies and unifies the healthcare revenue cycle with innovative, cloud-based technology. Together, our technology, data and client support streamline workflows and improve financials for our clients, so they can focus on their patients.