

Best Practices When Outsourcing Revenue Cycle Management

Providers are facing one of the worst economic crises of modern times. Outsourcing full revenue cycle management to a third party could help some cut costs while focusing on patient care.



Source: Getty Images



October 23, 2020 - Mission statements from healthcare organizations come in many shapes and sizes, but at the heart of all those missions is the intention to provide high-quality, patient-centered care that improves the health of those served by the provider.

While that intention is straightforward enough, the act of delivering on that promise is not. Regardless of size, healthcare organizations must balance myriad processes, many of which are not direct patient care. A prime example is revenue cycle management.

The revenue cycle is a critical healthcare process, and its management is central to the business of healthcare. But **revenue cycle management** is complex and frequently wrought with inefficiencies.

“It’s an area where lots and lots of hospitals struggle and the difference between effective revenue cycle management and ineffective revenue cycle management is success or failure in the industry,” says Jordan Shields, a partner at Juniper Advisory, an independent advisory firm that works exclusively with hospitals and health systems.

Ineffective revenue cycle management, therefore, is not an option for healthcare organizations striving to live up to their missions.

Many hospitals and practices recognize this and are prioritizing revenue cycle management optimization in order to keep delivering on their missions. Those efforts, which include technology implementations, workflow overhauls, and additional hires, among other items, can be successful. For example, data analytics solutions have been proven to **increase revenue cycle efficiency** for some providers, while new patient billing processes have **improved collection rates** across the board for others.

The efforts can bring in significant money for providers. However, those efforts require extensive upfront investment and are generally resource-intensive, which many deter organizations that do not have the capital or do not want to take resources away from patient care.

For the latter organizations – and others like those in areas with shortages of qualified medical professionals – revenue cycle outsourcing has been a solution.

“You don’t have to be everything or do everything,” asserts Craig Jones, CFO of District Medical Group. “You can focus on what you do best and let some other people do the things that you’re not as quite as good at, and if you get the right people and the right resources, everything works out.”

The Arizona-based integrated medical group of over 650 providers handed over its revenue cycle management operations to the third-party vendor R1 RCM in March after deciding that the group’s core strength is quality clinical care, not revenue cycle management.

That is not to say District Medical Group wasn’t good at revenue cycle management. In fact, according to the CFO, the group did well with managing accounts receivable for a long time. However, when it started experiencing leadership problems with its central business office, leaders started thinking.

“We’ve always done this and we’ve done well with it, but going forward, should we really be spending our executive level time on the business office, worrying about where we find more coders, how we get billers to work well, and what about the charge capture? Is that really the best use of our time or is the best use of our time focusing on growing the providers and the physician practice,” Jones posited.

Revenue cycle outsourcing isn’t just an option for struggling providers. In fact, outsourcing may



Jordan Shields, Juniper Advisory

Source: Juniper Advisory

not be enough for a truly distressed organization to turn the corner, Shields said.

“It makes the most sense for organizations that are doing okay but believe they could find improvement,” the consultant stated.

For these organizations, outsourcing can help to identify and implement improvements for better revenue capture and collection.

Revenue cycle outsourcing market is growing

The revenue cycle outsourcing market is expected to grow at a CAGR of 11.9 through 2023, rising from \$11.7 billion in 2017 to a whopping \$23 billion by the end of the period, **according to** The Market Reports.

The market is slated to grow as providers see revenue cycle outsourcing as a “reasonable solution” for rising costs and administrative burdens, the market research company stated. Outsourcing full revenue cycle management can also help healthcare organizations improve KPIs, the report said.

Key players in the market during the period will include Conifer Health Solutions, nthrive, Optum360, Change Healthcare, McKesson RelayHealth, Parallon, MedData, MedAssist, The SSI Group, Availity, Accretive Health, GeBBS Healthcare, and Cerner. Notably, Cerner recently **sold** its revenue cycle outsourcing arm to R1 RCM. R1 also previously **took over** Accretive Health through a rebranding effort.

THE UPSIDE OF FULL REVENUE OUTSOURCING

District Medical Group just went live with full revenue cycle outsourcing a couple of months ago, and during a pandemic to boot. But the decision is already proving to be a good one for the group, especially in light of COVID-19.

Like many providers during the pandemic, District Medical Group flipped the switch to **telehealth services** even though its providers had only dipped their toes with virtual care previously. Now over their heads, the group’s outsourcing partner has helped providers code the new services and bill payers for them.

“Long-term, they’ll be working with us as we make sure we’re documenting things appropriately and that we continue to apply the benefits of telemedicine to wherever it’s practical and seems to make sense. Part of that will be determined by how much the payers will continue to pay for that. But they’re there to help us,” Jones added.



Additionally, Jones anticipates the outsourcing partnership to help grow the “revenue-producing side, not just the billing side” of



Craig Jones, DMG

Source: DMG

the business.

District Medical Group has plans to grow in order to reach more patients and deliver more valuable services to those individuals. Outsourcing has freed up HR resources to focus on recruiting medical assistants, nurses, physicians, and other staff to help with running clinics and generating revenue, rather than coders and medical billers to fulfill gaps on the billing side.

“R1 was able to take on those responsibilities and we didn't have to worry about them. We could focus on our core business and I think that's what you'll see practices and providers out there

catching on to,” Jones said.

Another provider catching on to revenue cycle outsourcing is Boulder Community Health. But for the health system in Colorado, outsourcing means maintaining its independence.

“We are one of only a couple remaining independent, community-based, locally-governed healthcare systems, and we very strongly believe that is the very best way that we can serve our community, provide the highest value healthcare, and keep costs down,” says CFO Bill Munson.

Increasing economic pressures, however, recently called for new solutions.*

Remaining independent in the face of increasing **healthcare consolidation** is difficult, especially as reimbursement rates continue to decline and expenses continue to climb. Growing demands for state-of-the-art technologies and more retail-like experiences also add to the pressures independent providers face.

Leaders at Boulder Community Health decided to outsource its revenue cycle management operations to Optum in order to support its independence. The health services business also took over data and analytics and care coordination for the health system, while health system leaders continue to make all decisions regarding patient care and strategic planning.*

This type of partnership is not unique to Optum, which **partnered** with John Muir Health last year to manage the provider's key non-clinical functions, including revenue cycle management. As part of the partnership, about 540 John Muir Health employees were rebadged to become Optum employees.

For Boulder Community Health though, the outsourcing partnership is central to supporting its mission.

“This innovative affiliation with Optum really flows directly from our organization's strategic vision and that's to partner to create and care for the healthiest community in the nation,” Munson explained.

“This is going to greatly accelerate our efforts to improve the value



Bill Munson, BCH

Source: BCH

of healthcare that we provide to our community,” the finance leader added. “It will improve the patient experience. It will increase our organization's ability to innovate. It will improve the success and the performance of our organization achieving strategic initiatives. And I think it will help us to adapt and respond to future challenges more quickly and more effectively.”

More healthcare organizations like District Medical Group and Boulder Community Health will consider revenue cycle outsourcing as leaders try to recover from **massive revenue hits** resulting from the pandemic, Juniper's Shields predicted.

However, outsourcing may not be the panacea organizations think it is, the consultant stressed.

THE DOWNSIDE

The COVID-19 pandemic highlighted some major downsides of revenue cycle outsourcing, says Caroline Znaniec, a managing director in CohnReznick's healthcare practice.

“Businesses, even in outsourcing, shut down,” Znaniec stated. “We heard situations in which large academic health centers that were 100 percent outsourced to international companies. When COVID first came through it came through more so in those areas, for example, in India and the Philippines, where there are larger hubs of offshore outsourcing. They didn't have a contingency plan.”

COVID-19 has been an unprecedented public health crisis, so it is not surprising that many contingency plans, whether they were crafted by outsourcing companies or businesses in other sectors, did not account for a global event that would shut down entire economies for months.

This, however, created a problem for providers who are serving the mission of caring for patients.

“They're still seeing patients, they're still gathering information that's sitting there waiting to be coded, sitting there waiting to be billed, payments waiting to being processed, and their hands are tied because their vendor didn't have a contingency plan and they didn't have a contingency plan for their vendor not having a contingency plan. It really hit them hard and that's one of the larger lessons learned,” Znaniec explained.

Many outsourcing companies have since created contingency plans for the era of COVID-19 or are at least working on establishing the right protocols. But there are still many other concerns about revenue cycle outsourcing. Number one being lackluster return on investment.

Hospitals that outsource end-to-end revenue cycle management report higher claim denial rates and longer collection times compared to hospitals that handle revenue cycle management internally, an analysis from public accounting, consulting, and technology firm Crowe **showed**.

What's more, about a third of providers in a recent **KLAS report** said they regret their revenue cycle outsourcing decision, with most citing dissatisfaction with the vendor.

“Provider organizations investing in outsourced revenue cycle services to relieve cost and resource burdens need their firms to take true ownership of the complex revenue cycle and deliver accordingly,” KLAS stated in the report. “Unfortunately, some firms are falling short—most common for clients using full revenue cycle outsourcing.”

The problem with outsourcing underscores a necessary, but oftentimes overlooked healthcare process: vendor management.

“Regardless of whether it’s offshore or domestic, have your eyes on that particular vendor,” advised Znaniec. “It gets back to the basics of vendor management. Are you understanding the capabilities of your outsourcing vendor? Are they appropriately addressing your business needs?”

To answer these questions, communication is key. Znaniec stressed that providers need to have and maintain regular meetings with their outsourcing partners. Meetings also need to be structured so everyone knows what is going to be addressed and the information they need to bring to the table to add to the discussion.

“Too often, organizations at any level, get used to having the same group that meets maybe once a month. So, when that meeting comes up, you think, we can skip this one or we can move it. Stay with it,” Znaniec suggested. “You’ve got to be very regimented and stick to your own rules, making sure that again you have a laid out agenda, you have expectations of what people are going to discuss, what they’re going to bring to the table, and make sure that there are follow-up items coming out of the meeting.”

This level of attention needs to be maintained, added Shields, who views outsourcing as more of a short- or medium-term fix for providers, rather than a true solution for revenue cycle management woes.

“It can bring near-term improvements, but an outsourced service is almost by definition intended to sunset in the near or medium term, at which point you need to find some alternative outsourcing platform, probably because you’re having difficulties and the relationship is no longer working well,” Shields. “So, think it’s accurate that hospitals are looking under all of the cushions to support operations as the pandemic continues and that will lead many to outsourcing, but it’s not a solution to those fundamental problems. It fills an immediate hole without addressing the longer term operating issues.”

For this reason, it is important for providers to understand that outsourcing does not eliminate the need for a revenue cycle skillset. Providers still need some dedicated revenue cycle management staff; their roles are just modified to help ensure outsourcing success by tracking revenue cycle performance and confirming revenue integrity, Znaniec added.



Caroline Znaniec, CohnReznick

Source: CohnReznick

SUCCESS HINGES ON FINDING THE RIGHT FIT

But District Medical Group's Jones is one of those providers who are confident the group is overcoming the top challenges of revenue cycle outsourcing.

"Even though we're not their largest client by any means, they did place a client success representative right here in our offices. So, this person has an office here and they have a small team that is on-site that was rebadged," Jones said.

Having that dedicated resource even though most of the actual revenue cycle management functions are done off-site at processing centers is key to getting that level of communication and collaboration needed for outsourcing success.

"It's more like they're our revenue cycle coworker," Jones continued. "That gives my CEO and myself a lot of comfort knowing that they're here for us."

Munson in Boulder, Colorado is similarly excited about the health system's new partnership, which he doesn't consider traditional outsourcing.

"I would characterize our relationship more as smart-sourcing rather than outsourcing because this isn't a relationship based solely on achieving cost reductions or efficiency," Munson said. "There's a risk and reward for both parties based on the failure or success of the work we do together."

Accountability is another staple of successful revenue cycle outsourcing, and adding risk to the contract can ensure outsourcing companies are doing what is in the best interest of the provider, not just their own pockets.

"Give them a little bit of a risk in the game, but you have to be careful, too, and what I mean by that is, a lot of these billing companies want to take a percentage off of what they collect, but what they end up doing is cherry picking which accounts they're going to look at," Znaniec explained.

Finding a company that is a cultural fit can help. Shared values and aligned missions were the top reasons why Boulder Community Health and District Medical Group selected their outsourcing partners. The providers also took into account breadth and sophistication of resources.

According to the firm Crowe, providers should also consider:

- Lower overall cost structure (while achieving similar performance)
- Access to consistent, advanced revenue cycle technology
- Ability to scale operations, such as adding new facilities
- Access to centralized talent pools versus geographically disparate talent pools

These benefits and their efficiency gains may outweigh the performance lags many hospitals experience when they outsource revenue cycle management, the firm stated.

But providers need to do their due diligence and vet revenue cycle outsourcing vendors properly.

Eliminating an entire department is not something to take lightly, so providers will need to return to their mission in order to implement the right solution for optimizing revenue cycle management and revenue capture.