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How Purpose-Built RCM Systems for Labs Boost Enterprise ROI

Investing in purpose-built revenue cycle management systems transforms labs from cost to profit centers, drawing in revenue for the entire organization.

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Pairing an enterprise system with a purpose-built revenue cycle management (RCM) platform can improve operational and financial performance for laboratories, particularly ancillary and outreach labs, according to recent insights from IDC research director Mutaz Shegewi.

In a recent IDC white paper*, Shegewi states, "Hospital ancillary laboratories, outreach lab programs, and specialty or proprietary testing labs hold the potential to positively

impact a health system's balance sheet."

To do so successfully, the laboratory requires sophisticated, lab-specific RCM capabilities, including business intelligence and connectivity. Purpose-built RCM systems for labs help health systems go from being data-rich to data-driven, a quality Shegewi says is necessary for improving patient outcomes, managing costs, and enhancing the patient experience while remaining competitive in the face of new market entrants in the healthcare market.

However, many health systems still consider their laboratories as a cost center as opposed to a profit center. Those that think about their laboratories as cost centers tend to believe that enterprise systems are "good enough," despite shortcomings and lack of sophistication in handling the lab's unique data and workflow requirements. These health systems also tend to consider the cost to recover relatively small balances on lab testing prohibitive, which leads to policies that increase write-offs and reduce margins.

On the other hand, health systems that see the lab as a profit center also see it as an investment. These health systems understand that efficiencies in the laboratory benefit the broader healthcare ecosystem. They also know that the complexities of lab data and workflows require specialized tools and technology and purposeful data exchange with all parties that access or contribute lab information.

These entities also tend to recognize that ensuring optimal cash collections is a necessity in today's market, even for relatively small balances. As a result, a better lab RCM system isn't optional. Robust lab revenue cycle management leads to improved patient outcomes, better patient experiences, and wider economic benefits.

There is a stark difference between traditional RCM systems and the next generation of RCM technology, Shegewi explains. Traditional RCM systems focus on back-office billing. This includes claim processing, claim review, payment posting and adjustments, and denials and collection management. Meanwhile, next-

generation RCM systems focus on the end-to-end alignment of clinical and financial functions across the health system. This alignment creates a myriad of benefits, including:

- Reducing the time between laboratory date of service and when the health system is reimbursed for providing that service
- Improving financial integrity by bridging clinical and financial data across workflows
- Increasing automation, particularly workflow automation
- Producing relevant analytics and generating real-time insights to guide decision-making
- Facilitating a patient's understanding of coverage, costs, and financial responsibilities

Shegewi presents the "ideal end state," where health system performance is improved by leveraging high-integrity laboratory data. This state underscores many of the ways that purpose-built laboratory RCM and business intelligence tools can enhance enterprise system investments and reduce risk for hospitals and health systems. Specifically, he describes the benefits that "thrivers" — those that incorporate purpose-built laboratory RCM capabilities — can achieve:

- Increased ability to collect on claims regardless of volume, value, or complexity while minimizing labor costs
- Improved reimbursements through fewer denials and improved appeals success
- Lower labor costs through intelligent workflow automation, configuration, and logic specialization
- Enhanced financial visibility with machine learning-enabled business analytics and visualizations
- Delivery of lab-specific business intelligence to the health system to enable data-driven decision-making based on data models with financial referential integrity

- Improved bidirectional data exchange that helps close gaps in care and drives better outcomes, more fruitful engagements, and improved experiences between laboratories, patients, and physician clients
- Lower risk and compliance exposure by employing intelligent workflow automation that minimizes manual and ad hoc decision-making

Other characteristics of the ideal end state include a cloud-based, end-to-end, platform ecosystem (as opposed to a focus on applications) with system openness that is data-driven and outcome-focused, as well as interoperable and designed for value creation and the continuity of care.

Only these purpose-built solutions will position health systems to optimize financial performance, Shegewi states. This also ensures laboratories are high performing, future-ready, and service-oriented profit centers that enable knowledge transfer between providers and payers.

Finally, he outlines several case studies that showcase the benefits of supplementing enterprise systems with purpose-built RCM systems. For example, Northwell Health Labs (NHL), a business unit of Northwell Health, is expected to manage according to a budget and contribute to Northwell Health's bottom line. Therefore, strong cash flow and transparency are vital. When NHL adopted a purpose-built RCM solution, it experienced marked improvements in financial outcomes, including a reduction in days sales outstanding (DSO) and quicker turn-around time on accounts receivable.

In another case study, Sonora Quest Laboratories (SQL) revealed that it adopted an industry-leading lab RCM solution to span financial, clinical, and receivables in a streamlined manner. SQL was under tremendous pressure as a result of PAMA. The organization experienced a 10 percent reduction in reimbursement rates and needed to uncover new ways to generate value, grow top-line revenue, maximize reimbursement, and drive down denials. The SQL team reported that its RCM partner enabled the organization to be much nimbler in managing the reimbursement cycle and that the analytics have been transformational. The team now regularly taps these analytics to isolate and correlate issues and find the root cause quickly. The analytics also help identify new trends in RCM data.

To learn more about Mutaz Shegewi's analysis and findings including the considerations that lead to suboptimal laboratory financial performance and risk exposure, read the *IDC white paper, "Making a Case for Purpose-Built RCM: How Actionable Data and Lab Visibility Benefits Health Systems."

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