Stemming the Outpatient Profit Squeeze

With a revenue cycle workflow gap analysis

For department heads, finance leaders, and RCM teams.



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### The Outpatient Profit Squeeze

Hospitals, health systems, and IDNs are looking to outreach, outpatient diagnostic, and ancillary services to boost top-line and bottom-line results and bolster overall quality of care. Diagnostic services delivered by outpatient radiology, pathology, and laboratory are especially important to informed care delivery. To manage billing, however, many of these departments are confined to using Electronic Health Record (EHR) systems designed for bigger-ticket, lower-volume claims. Because these systems lack specific front-end intelligence, system connectivity, and automation necessary to efficiently manage outpatient and outreach billing, too often the result is an unnecessarily high number of submission errors, processing delays, and claim denials. Insufficient analytics and reporting capabilities further complicate these challenges, preventing decision-makers from fully grasping scope, financial impacts, and root causes.

Lacking a more elegant technology solution, hospitals and IDNs often try to wrestle with excessive errors and denials by:

- Augmenting revenue cycle teams by increasing or constantly juggling workflow and tasks
- Automatically writing off denied claims below a minimum threshold
- Classifying denied claims under "contractual allowance" as opposed to bad debt

As one might expect, these solutions consistently prove tenuous. Boosting headcount alone is an expensive band-aid solution that erodes profitability and exacerbates compliance risks. Shuffling tasks and workflow impedes efficiency and can diminish staff satisfaction. In addition, XiFin data show that cumulatively, unnecessary write-offs for outpatient and outreach services invariably have a double-digit revenue impact. Finally, misclassifying losses under contractual allowance only obfuscates these critical yet fixable financial issues.

Moreover, the longstanding momentum toward outpatient services is fueling the burden of these challenges. Some key trends:

- Ninety-five percent of health leaders said outpatient volumes will increase, with 40% expecting jumps of 10% or more<sup>1</sup>
- Outpatient services grew from 28% of total hospital revenue in 1994 to 48% in 2018<sup>2</sup>
- Between 2011 and 2018, hospital outpatient revenue grew at a 9% compounded annual rate, compared to 6% for inpatient revenue<sup>3</sup>

The following sections are designed to help you explore the effectiveness of your current billing processes for outpatient diagnostic and ancillary services in detail. To this end, the analysis breaks down the outpatient/outreach revenue cycle management workflow—into three phases.





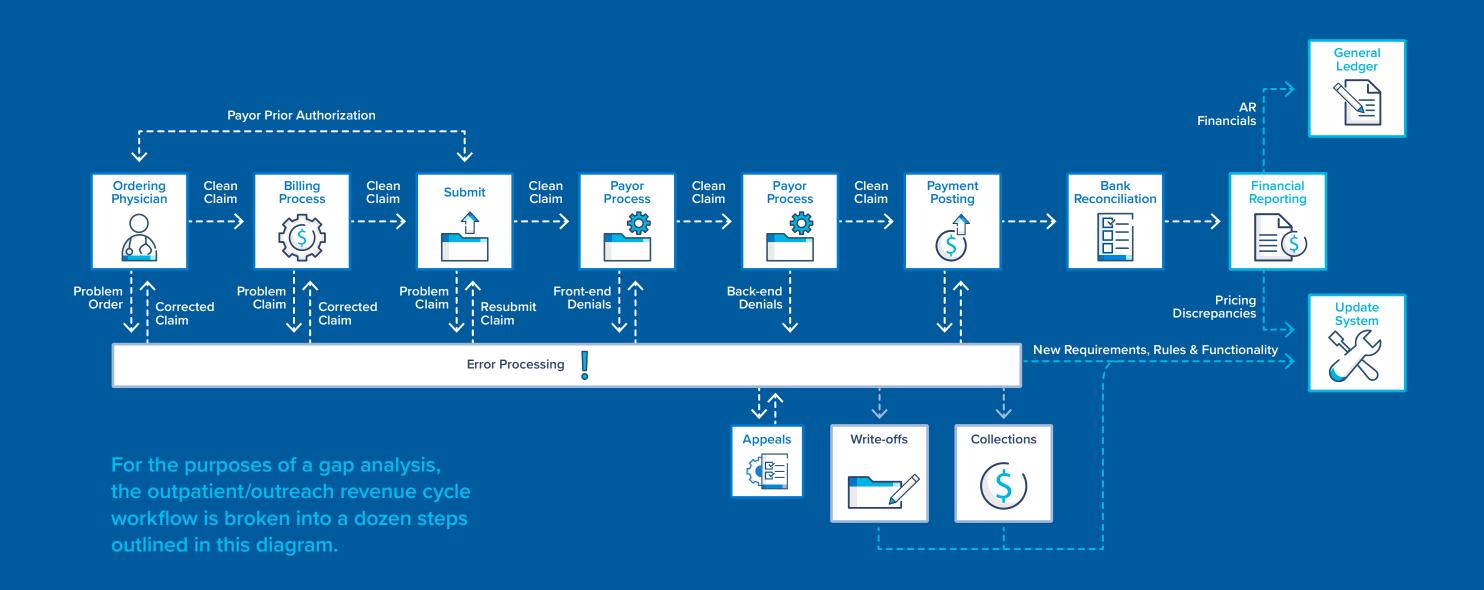


<sup>2023</sup> HFMA executive survey

**Deloitte Center for Health Solutions** 

**Deloitte Center for Health Solutions** 

### The Outpatient/Outreach Revenue Cycle Workflow



# Order **Entry and Patient** Registration



#### **POTENTIAL GAPS**

- Dependence on ordering physician for correct/relevant information
- Lack of in-person patient verification
- Lack of eligibility verification
- Lack of automated prior authorization check
- No estimation of patient responsibility up front



#### **ASSOCIATED IMPACTS**

- Missing and/or incorrect demographic/diagnosis information
- Increased front-end errors
- Excessive back-end denials
- Manual intervention by staff and delays to obtain the correct data
- **Delayed payments**
- **Decreased reimbursements**
- Patient responsibility billing errors
- Patients asked to verify insurance information multiple times
- Patient dissatisfaction and reluctance to pursue needed treatment
- Compliance exposure

Do you have the reporting capabilities to isolate and manage these potential problems?

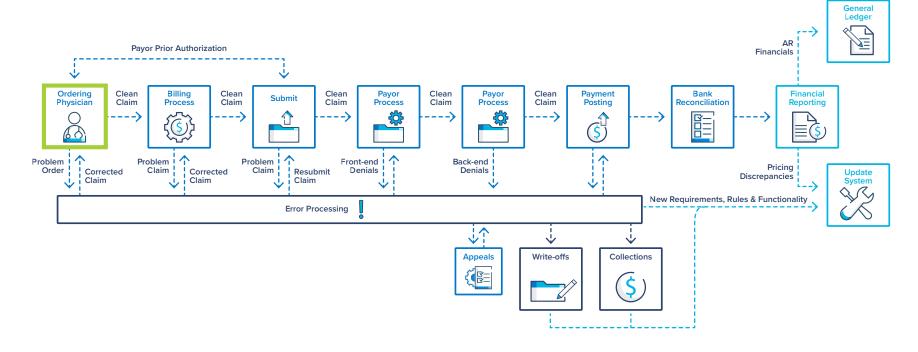
Have you ensured compliance with pricing transparency regulations and the **No Surprises Act?** 

# Order **Entry and Patient** Registration



- Ability to integrate with upfront applications and EHR systems via HL7 or web services embedded eligibility check
- Ability to perform and automate front-end edits such as demographics, missing/invalid information and diagnosis codes
- Automated handling of ongoing payor requirements changes
- Improved analytics to assess and measure performance

- Ability to benchmark performance against industry peers
- Full complement of user-configurable electronic and manual data entry workflows and fields to cover the range of ordering requirements
- Patient portal
- Physician portal
- Patient responsibility estimator



### Front-end **Billing**



#### **POTENTIAL GAPS**

- Lack of front-end edits for medical necessity, local coverage determination (LCD)/national coverage determination (NCD), advance beneficiary notice (ABN), insurance confirmation, and payor and coding edits
- Delayed manual edits or corrections
- No scrubbing for 24- and 72-hour rules
- No reconciliation of accounts/charges



#### **ASSOCIATED IMPACTS**

- Increased denials
- Increase in claims never submitted
- Increased write-offs
- **Delayed payments**
- Increased labor tasked with calling physicians' offices
- Increased appeals
- Decreased provider/patient satisfaction
- Increased compliance risks

Are you able to measure individual and team productivity in managing billings?

Can you easily identify adverse patterns in claim submissions?

Billing **Process** 

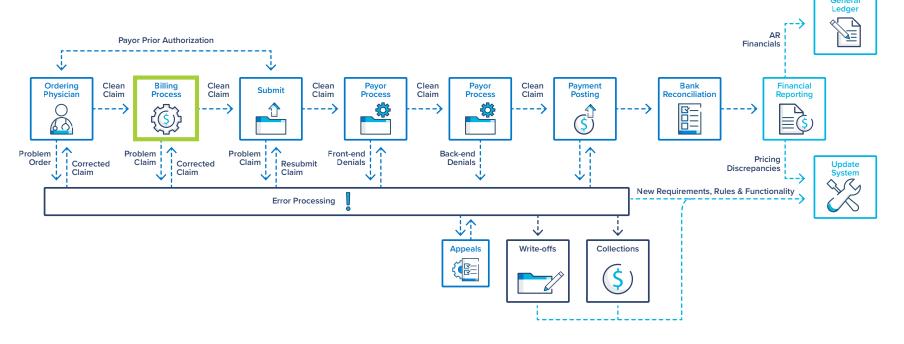


### Front-end Billing



- Further front-end, system set-up, and compliance checks
- Flexible billing logic configuration, including special and discount pricing, ability to load multiple fee schedules, dialysis, capitation, etc.
- Ability to automate portions of the error correction process via real-time data exchange and the XiFin client portal to reduce write-offs
- Exception processing capability—only claims with errors in queue
- Integration of compliance logic for 24- and 72-hour rules

- Ability to easily include and update LCDs, medical necessity, ABN, coding edits
- Robust third-party pay contract management
- Precision tracking of individual and team productivity
- Ability to perform 100% reconciliation
- Sophisticated process monitoring and management tools
- Searchable transaction details and histories

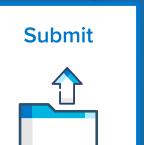


### **Payor** Management



#### **POTENTIAL GAPS**

- No eligibility benefits check
- No claim status check
- Increase in manual payor follow up
- Inability to capture and address payor changes





#### **ASSOCIATED IMPACTS**

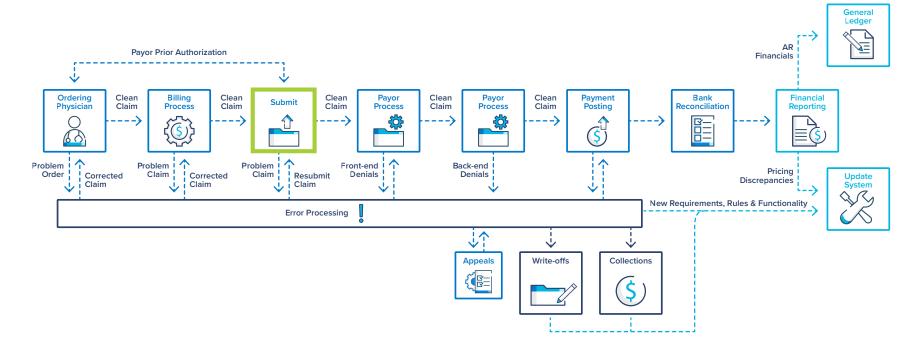
- Delayed and lost payments
- Increase in no-response/no-activity claims
- Inability to track payor and contract performance
- 5% financial impact (industry average)

Do you have the tools to effectively track, manage, and negotiate payor contracts?

### Payor Management



- Direct connectivity to major payors
- Eligibility, benefits, and claims status checks
- Outpatient and lab-specific experience and expertise (dedicated resources)
- Ability to accommodate timely and ongoing payor rule updates



# **Denial and** Appeals Management



#### **POTENTIAL GAPS**

- Current system prioritizes high-dollar claims; majority of low-dollar claims are not being addressed
- No mechanism for tracking or addressing underpayments
- Lack of visibility into denial codes and their impacts
- Unsure of physicians sanctioned by Medicare
- Lack of expertise in outpatient-specific appeals
- No denial and appeal automation



#### **ASSOCIATED IMPACTS**

- Inability to assess and correct denials—lost in queues
- Inability to assess profitability of individual tests/procedures and performance of individual sites, clients, and payors
- Lost revenue
- Manual labor

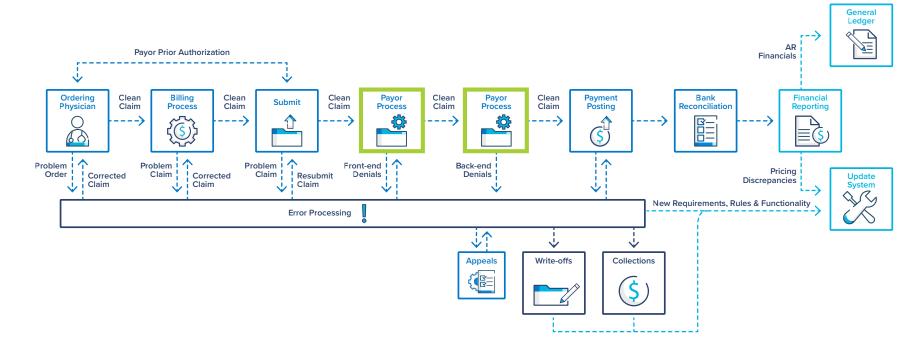
Are you able to accurately quantify underpayments and denials?



### **Denial** and **Appeals** Management



- Ability to automate and manage efficient processing of denials/appeals and next actions
- Ability to electronically integrate NPI and physician checks (compliance)
- Ability to access actionable payor payment/response performance for contracting intelligence
- Outpatient-specific revenue cycle expertise (e.g., radiology and imaging, molecular testings, and intricate appeals functionality)
- Supports automation of many appeals with payor-specific appeals forms, letters, supporting documentation attachment



### **Payment** Posting



#### **POTENTIAL GAPS**

- Potential lack of line-item posting
- Inability to identify and respond to underpayments
- No monitoring of actual payments against expected payments
- Lack of automated bank reconciliation
- Lack of automated transition to secondary insurance



#### **ASSOCIATED IMPACTS**

- Incorrect patient billings
- Patient dissatisfaction issues
- Inability to address or correct performance issues
- Increased labor required to accommodate financial analysis
- Lack of referential integrity
- 16% loss of revenues (industry average)

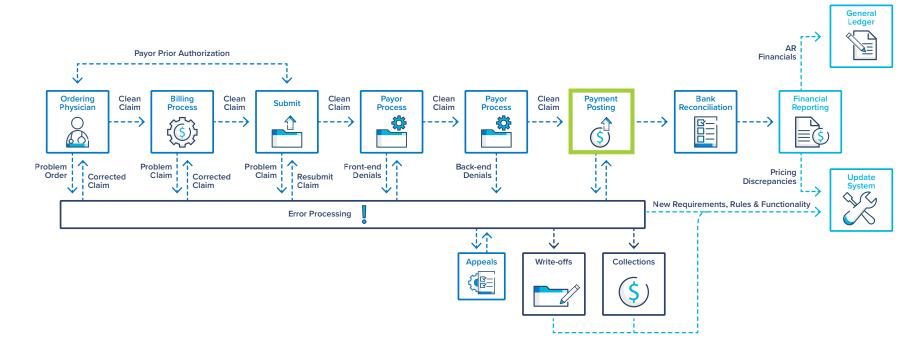




### **Payment Posting**



- High percentage of electronic posting, including patient payments
- Automated bank reconciliation
- Monitoring of actual payments against expected payments
- Identification of enrollment opportunities



### **Financial** Reporting



#### **POTENTIAL GAPS**

- Lack of visibility into revenue cycle performance at all levels (payor, test, procedure, client, physician) against key indicators
- No productivity reporting
- Data silos prevent financial performance oversight of zones, campuses, and providers
- Insufficient detail for proper reporting





#### **ASSOCIATED IMPACTS**

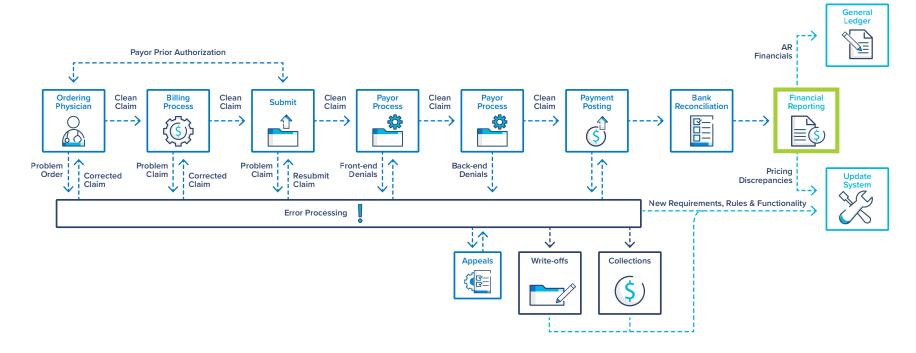
- Crucial financial decision-making inhibited
- Significant labor costs required to acquire data and perform needed financial analyses

Do you have the business intelligence (BI), database architecture, systems integration, development, QA, and related resources to build and maintain needed reporting capabilities?

### **Financial** Reporting



- Fully integrated BI, providing actionable financial insights
- Referential integrity
- Myriad of revenue cycle reports that can be easily amended
- User-friendly dashboards identify red flags and salient trends, supporting nimble decision-making
- Performance tracking against KPIs and best-in-class external benchmarking
- Simplified reporting submissions



# Systems, Security, and Compliance



#### **POTENTIAL GAPS**

- Fragmented policies, procedures, and workflow
- Knowledge not shared across individual process teams—no automation of decision-making
- Inability to accommodate rules associated with expanding payor markets
- No monitoring of payor or compliance changes
- No technology path supporting standardized processes or decision-making activities
- Lack of enterprise-class security at some or all levels
- Lack of comprehensive tools, capabilities, and processes to support ongoing compliance changes





#### **ASSOCIATED IMPACTS**

- Increased denials and decreased reimbursements
- Elevated labor costs
- Elevated risks of data breach/loss and ransomware
- Possible exposure to civil or criminal penalties and loss of customer goodwill

# Systems, Security, and Compliance

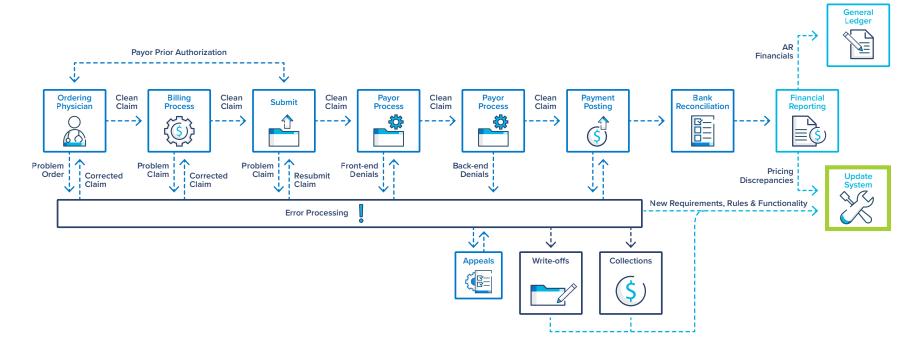


#### **SYSTEM SOLUTIONS**

- Ability to accommodate and quickly address the ongoing large volume payor edits
- Ability to adapt and deploy logic/rules engines to accommodate outpatient workflow and revenue cycle priorities
- Access to subject matter expertise, support, and needed resources

#### **SECURITY SOLUTIONS**

Comprehensive, enterprise-class security measures maintained (e.g., SOC 1 Type 2 and SOC 2 Type 2 audited, SSO, full data replication and redundant infrastructure in Tier 5 data center, armed security)

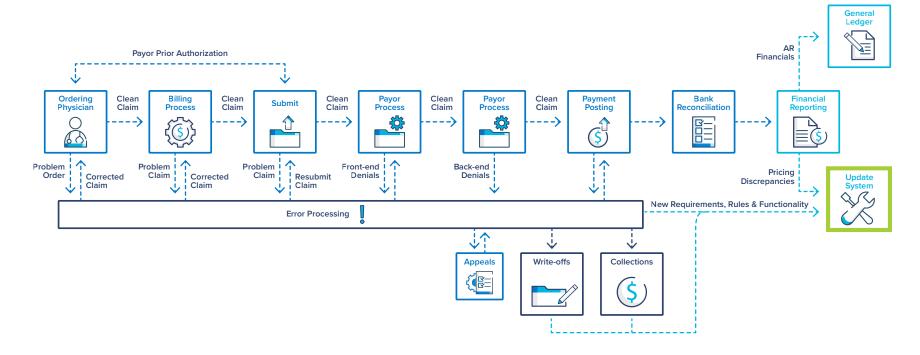


## Systems, Security, and Compliance



#### **COMPLIANCE LOGIC**

- System enforces configuration requirements and limits processing/clerical circumvention without approval
- Required coding and documentation enforced by system workflow
- Payor billing verified prior to billing patient
- Workflow to minimize clerical decision-making and unnecessary re-submissions
- Key compliance alerts/flags
- Potential non-compliant actions logged for auditing





Would your outpatient diagnostics services benefit from a complimentary revenue cycle gap consultation?

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