

REVENUE CYCLE TEAM CASE STUDY

THE CHALLENGE

The challenge in this engagement was an accounts receivable balance that was growing and operating margins that were declining despite efforts to reduce operational expenditures at this 431-bed urban hospital and comprehensive outpatient health network. The system treats over 20,000 admissions, 200,000 outpatients, and 40,000 emergency visits per year with an annual operating budget of more than \$200 million. At the beginning of the engagement, days revenue outstanding in accounts receivable were 84 while benchmarks for similar hospitals were in the low 60's indicating a breakdown in front-end procedures slowing payment and delays in account follow-up and resolution. Adjustments to revenue had increased 5 percentage points or over \$16 million with no significant changes in volume, payer mix, pricing or contract changes indicating that earned revenue wasn't being collected.

Fragmented registration, verification, and account follow-up processes contributed to this problem. Also, timely and comprehensive reporting of key data elements was not occurring and accountability for performance was lacking.

THE SOLUTION

Phase 2 Consulting conducted a gap analysis for each major process in the revenue cycle to measure current performance to benchmarks and identify opportunities. This gap analysis was conducted using internal health system data including patient level detail to determine the root cause of lost revenue. The consultants also interviewed key stakeholders within each process to confirm their understanding of the situation and gain a better perspective of the issues and opportunities.

Following the gap analysis, Phase 2 Consulting was able to develop recommendations and quantify each opportunity in terms of balance sheet benefit and income statement improvement. The end product was a prioritized list of opportunities ranked by dollar impact that became the basis of a workplan that was implemented. In summary, Phase 2 Consulting worked closely with administrators, managers, and supervisors to develop a data driven strategy, set goals to accomplish the new direction, and facilitated the enabling of key stakeholders to change the current situation.

THE RESULTS

Following the completion of this engagement, a vice president at this health system noted, "...this has been the most successful consulting engagement that this hospital has ever engaged in." The financial results equated to a 33% reduction in accounts receivable days to 56 days revenue outstanding resulting in an increase in cash of more than \$24 million. Income statement improvement amounted to over \$4 million annually from decreased adjustments and write-offs, a 2% bottom-line improvement. Phase 2 Consulting revenue cycle clients consistently realize a 1-3% improvement in profitability.