HME and Pharmacy Providers

Incremental Improvement: An RCM Field Guide

Introduction

Those of us who have been in the healthcare RCM field for some time know there is no such thing as perfection. Unless your business is 100% cash-up-front, it is impossible to achieve a 100% payment rate. The reality is, when we allow insurance companies to comprise most of our revenues, we inherit a ton of risk of non-payment.

Have you ever played the arcade game, Whac-A-Mole? The revenue cycle management (RCM) game is a never-ending game of Whac-A-Mole where the mole is payment issues from specific insurance companies.

This week, it's Blue Cross Blue Shield denying claims in error for documentation that's already been provided. We contact our representative, get it straightened out, and ask them to reprocess the claims in-bulk that denied in error. The moment we hang up the phone, the next issue comes in: Now United Healthcare is denying for authorization on items that were previously verified to not require an authorization. Again, we light up the phones. This time, we've got call reference numbers and recordings to prove the authorization denials were in error. *Whack!* Issue resolved… Until another mole rears its ugly head.

This relentless cycle of problem identification, problem solving, clean-up, and repeat can be frustrating. In response, we experience high burnout and turnover in key RCM roles.

So, what's the solution?

That's just the thing – there is no "solution." The RCM game is a game of Whac-A-Mole and that is not likely to change anytime soon. What's needed is a paradigm shift. Rather than seeking perfection, we seek incremental improvement. We celebrate those wins as they come, knowing that tomorrow we'll be back at it, solving the next problem.

Action Items

It's important to establish a pattern and cadence, utilizing triage to identify the most important issues and focusing your attention on those.

At Prochant, we like to establish a quarterly pattern for major changes and initiatives, as well as a weekly pattern for incremental improvement.

Each week, we review what happened last week, and then strategize on what can be done to prevent those issues going forward.

We have found that it is useful to analyze the following information on a weekly basis so you can rapidly take action:

- Top 5 Preventable Denials
- Top 5 Write-Off Reasons
- Days Ahead/Behind for Billing & Cash
- Key Performance Indicator Data on DSO, 90+ A/R Balance, & Net Collections Rate

Top 5 Preventable Denials

Start with last week's top 5 preventable denials. Break it down by payer and procedure to identify problem areas. Brainstorm ways to prevent those denials going forward. Where possible, update standard operating procedures (SOPs) and other work guides, as well as information systems, such as the contract file for the relevant payer.

Next, identify the affected population of claims/orders. Assign projects to appropriate team members to get them resolved either one at a time or in bulk where possible.

Top 5 Write-Off Reasons

Repeat this process with the top 5 write-off reasons for the past week.

1) Identify problem areas

2) Brainstorm preventative solutions

3) Update SOPs & systems

4) Assign clean-up projects

This pattern establishes a key feedback loop from your back office to your frontoffice, ensuring constant incremental improvement.

Days Ahead/Behind for Billing & Cash

Days ahead/behind for billing and cash tells us, as of "today," for example, the 14th of the month, how much should we have billed (to hit our monthly goal)? How much have we actually billed?

It is the same thing for cash. When we identify discrepancies, do we know why? Can we explain?

Look at this example: Perhaps you closed the previous month later than usual, so you didn't start posting cash in the new month until several days in. Now, you're backlogged. As a result, your cash days show you're significantly behind. However, you can see that you have outstanding deposits pending cash posting that make up the difference. Since this has been identified, you can plan to have a few people work over the weekend to catch up the backlog, bringing the cash days back in line with expectations. You will incrementally improve this week so that next week when you look at these numbers, you'll see a different story and can act accordingly.

Key Performance Indicator Data on DSO, 90+ A/R Balance, & Net Collections Rate

The strategy behind reviewing the key performance indicators is similar. Typically, providers only review the above numbers after closing a month.

However, this can lead to nasty surprises and uncomfortable questions from our bosses.

Continuing with the previous example where you have a cash-posting backlog:

When you review your KPIs, you see that your 90+ A/R balance is higher than expected, and your Net Collections Rate is lower than expected. You understand why: The unposted cash is causing your A/R to be inflated and your collections to look deflated artificially.

Had you not uncovered this and approved the over-time for weekend work to catch up the backlog, you might be standing in front of your boss, unable to explain why you just posted bad KPIs following a month-end close. Instead, your incremental improvements allowed you to address the issues during the month, so that when it closes, the KPIs show a much more realistic picture.

Conclusion

Will this game ever stop? No. Next week will bring a new set of issues (i.e. "moles") for you to whack, and that's okay, because it's the nature of RCM.

What you will achieve doing this is industry-leading metrics and KPIs. A DSO in the 30s or 40s, a 90+ A/R balance in the teens or low single digits, and a Net Collections Rate in the high 90s. That's the best you can hope for.

Your goal, once you're there, is to stay there. How do you stay there? Incremental improvement – every single week/month/quarter.

What happens if you stop? The numbers will slide in the wrong direction until you get back on it. If you're not careful, you'll end up with a big mess to clean up when you do get back on it.

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