

And We Have Lift-Off: Improvements in Healthcare Revenue Cycle Management to Address COVID-19 Challenges

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G force is used to describe the acceleration of an object relative to gravity. The Wright brothers understood that the lift of the airplane had to be greater than the force of gravity. In much the same way, the pull of gravity that healthcare providers are facing today is COVID-19.

Although there are exceptions to every rule, the current public health emergency has been marked by sharp declines in patient care volume and, in turn, patient care revenue. Whereas recent data show a recovery in the works, as is often the case with economic performance and rollercoasters, the healthcare sector's financial fortunes will undoubtedly rebound much more slowly than they fell.

In light of the above, providers that have lost economic altitude as a result of the pandemic must take stock of what they can do to generate the economic lift that they need to regain altitude while the pandemic, by many measures, seems to be getting worse before it gets better. As described below, one thing that providers can do is to evaluate and improve their operational processes that comprise their revenue cycle management system. Although efforts to diversify and strengthen healthcare offerings, improve the patient care experience, and increase operating efficiencies can contribute to the creation of needed economic lift, better revenue cycle management practices may be the most efficient way for a healthcare provider to create the lift necessary to regain altitude as it pulls out of the turbulence created by the COVID-19 crisis.

How COVID-19 Changed the Healthcare Revenue Cycle.

In March 2020, many healthcare providers were grounded, left sitting on the runway, as a result of decreases in patient volume driven by such factors as social distancing measures, COVID-19 public health initiatives restricting the provision of elective patient care services by hospitals and other healthcare providers, generalized fears of contracting COVID-19, and other aspects of the COVID-19 pandemic. How declines in patient volume translate into lost healthcare revenue depends on a number of factors including the type of provider at issue, the nature of the services that were deferred or lost as a result of the public health emergency, and the availability of financial assistance through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Provider Protection Fund and other federal and state healthcare initiatives designed to shore up the finances of providers through the public health emergency.^[1] The report found that even including funding from the, hospital operating margins are still down 28% year-to-date compared to 2019.

In a May 2020 report, the American Hospital Association (“AHA”) estimated that the financial impact of COVID-19 on hospitals and health systems totaled \$202.6 billion in losses over a four-month period between March 2020 and June 2020. In a June 2020 report, AHA estimated that there would be an additional \$120.5 billion in total financial losses from July 2020 through December 2020, bringing the total projected losses to hospitals and health systems in 2020 to at least \$323.1 billion. As for primary care practices, according to a study reported by Health Affairs in September 2020, primary care practices are expected to lose \$67,774 in gross revenue per full-time-equivalent physician. In addition, it was estimated that the cost at a national level to neutralize the revenue losses caused by COVID-19 among primary care practices would be \$15.1 billion – one half of what it will be if COVID-19 telemedicine payment policies are not sustained.

Rising to the Challenge: Revenue Cycle Management

Although provider revenue loss estimates can vary widely from study to study, it is commonly understood that COVID-19 has had, and continues to have, a significant negative impact on provider revenue streams. Over the course of the pandemic, healthcare providers have seen their typically steady rate of billings to commercial and governmental payers deteriorate due to the unexpected drop in patient care volumes brought about by the public health emergency. As a result, and despite some recent improvements in financial performance, Kaufman Hall’s August 2020 National Hospital Flash Report shows that hospital operating margins as of July 2020 are down by 28% year-to-date as compared to 2019 – and this calculation includes the impact of CARES Act funding.

In light of the above, the question being asked by many healthcare providers is what can be done to improve operating margins and normalize cash flows when the forces that have created the current situation are unprecedented, unexpected, and generally outside of a provider’s control. According to Randy Notes, Healthcare Principal at RSM US LLP, “the first thing that needs to be done is to better understand where opportunities exist within current operations to become more efficient, better reflect the work being done, and capture all revenue that is due. Often times this is not solely operational improvement and can include either taking advantage of existing automation or bringing in new technology”

Given the foregoing, a provider is well advised to undertake a comprehensive and focused audit of its revenue cycle management system in order to determine whether its system is as efficient and robust as it can be given the current state of revenue cycle technology – think automation! As discussed in more detail below, a revenue cycle management system audit can help a provider both identify areas and opportunities (both large and small) for short-term and long-term system improvements and assist a provider in prioritizing such improvements so as to achieve the provider’s short-term and long-term revenue cycle objectives. As reported by RSM US, revenue cycle audits and improvements typically yield a minimum of 3-4% improvement on net revenue with an average return on investment of 3:1.

Revenue Cycle Management System Audit

According to RSM US, a revenue cycle management audit should focus on three key areas: revenue leakage, denial management and prevention, and the effectiveness of revenue cycle workflows on accounts receivable aging.

With COVID and the reduction in healthcare revenue as described above, it is critical to a healthcare provider’s bottom line to ensure that charges (revenue) are entered timely, with solid processes in each department for charge capture and reconciliation. Accuracy in charging and coding will mitigate

risk of revenue leakage, ensuring services performed and supplies used are charged and accurately reflected on the claim.

Whether a provider is facing challenges in regards to inadequate or nonexistent denial reporting, outdated denial processes, or a fundamental need to recoup lost revenue and maximize reimbursements, improving denial success rates throughout the revenue cycle can be achieved by (i) developing a solution to quickly determine root causes of denials, and (ii) implementing a corrective action plan for the resolution of such denials. Utilizing HIPAA 835 Transaction (Electronic Remittance Advice) data is key to identification of initial denials. Current revenue cycle technology has shown that automation can significantly improve a provider's ability to quickly identify denied accounts in a provider's accounts receivable ledger and spot trends in denials. Automation can also yield significant cash acceleration benefits by reducing the aging of receivables, the unnecessary reworking of appeals, and the rebilling of claims.

Looking beyond a provider's current electronic health record ("EHR") system, a provider's revenue cycle is at risk if its EHR system provides limited or no data visibility. In order to reduce revenue cycle risks resulting from a deficient EHR system, it may not be necessary for the provider to replace the system. Instead, a provider can reduce such risks by using 835 Transaction data to quickly and easily determine the cause(s) of denials and enhance the provider's ability to monitor overturned denials. Data and reporting can also be enhanced by utilizing EHR data combined with a visualization tool to provide weekly reporting that includes updates, validation of data and publishing dashboards for monitoring and trending denials, work-in-progress in billing and follow-up areas, productivity and cash collections.

In conclusion, although much of the healthcare revenue disruptions that have emerged from the current healthcare crisis are beyond a healthcare provider's control, a focus on revenue cycle management, the identification of system shortcomings, and the implementation of process and technological improvements designed to enhance and update revenue cycle management systems are examples of strategies within a provider's control that can improve cash flows for short-term and long-term benefits.

This article is not an unequivocal statement of the law, but instead represents our best interpretation of where things currently stand. This article does not address the potential impacts of the numerous other local, state and federal orders that have been issued in response to the COVID-19 pandemic, but which are not referenced in this article.

FOOTNOTES

^[1] See, Sheppard Mullin Healthcare Law Blog articles regarding provider financial assistance programs including, "[More Relief on the Way for Healthcare Providers: Provider Relief Fund Payment Opportunities and Flexibility in Repayment Requirements](#)," by M. Paddock and T. Thompson (Sheppard Mullin Healthcare Law Blog, October 19, 2020).

*RSM U.S. is a leading provider of audit, tax and consulting services for the healthcare industry and other economic sectors in the U.S.. Adam Waggoner, Director (213-330-4788); and Randy Notes, Health Care Partner, Revenue Cycle Leader (212-372-1297) and Connie Lockhart, Health Care Director, Health Care Management Consulting (713-503-6882).

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