Revenue Cycle 101
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Debra Lowe, Administrative Director, Revenue Cycle
- What is the Revenue Cycle?
- What are the fundamental KPIs?
- What are potential impacts of Healthcare Reform?
- Why should I want to know more about R/C?
- Questions?
What is the Revenue Cycle?

- Fundamentals – let us not confuse
  - Charges
  - Cash
  - Cost

- Revenue cycle is a combination of processes whose end result is cash (net revenue)
Understanding the Processes

Upstream Processes

Scheduling → PreRegistration → Authorization → Verification → Financial Counseling → Registration → Bed Control

Pre-Admission Functions

Authorization → Verification
Understanding the Processes

Midstream Processes

1. Financial Counseling
2. In-house Management
3. Discharge
Understanding the Processes

Downstream Processes

- Customer Service
- Coding ➔ Billing ➔ Follow-up ➔ Denial/Underpayment ➔ Self Pay Collections ➔ Collection Agency/Bad Debt
- Cash Management

Continual feedback loop
Revenue Cycle Processes

- Scheduling of an appointment
- Collection of patient/guarantor/payer information
- Verification of insurance
- Certification of need
  - Pre-cert
  - Pre-determination
  - Medical Necessity
- Patient encounter
  - Need a provider order for the services
  - Need patient consent
Revenue Cycle Processes continued

- Need charges for the patient encounter
  - Verification of charges – balancing
- Need the encounter to be clinically approved by the payer – Utilization Management. Need certification of the appropriate level of care
- Need documentation of the encounter
- Need the encounter coded by Medical Information Management specialists
  - Inpatient – DRG
  - Outpatient – APC, CPT, HCPCS
Revenue Cycle Processes continued

- Need a bill – a culmination of the information provided by all of the above
  - Demographics
  - Payer
  - Charges
  - Certification
  - Codes
- Bill is submitted to the payer
- Payer processes the bill
- Payer pays, denies or suspends, or ignores the claim
Revenue Cycle Processes continued

- Provider receives payment, denial or request for additional information
  - If claim is paid
    - Was it paid correctly – yes or no?
    - Is there a balance? – move to next responsible party
  - If denied –
    - Do we have enough information to appeal?
  - Request for additional information
    - Do we have the additional information requested?
  - If they ignored – we need to determine why
Revenue Cycle Processes continued

- If claim is not paid – what is our recourse?
  - Bad Debt
  - Financial Assistance
  - Payer communications
What are the fundamental KPIs?

- Gross Days in A/R (gross AR/gross revenue)
- Net Days in A/R (net AR/net revenue)
- % AR > 90 days from discharge
- % cash collected of net revenue (cash collected/net revenue)
- Clean claim rate (% claims left shop without human intervention)
- % net revenue collected pre-service
- % of registrations that are perfect
- % of bad debt (bad debt write-offs/gross revenue
- % administrative adjustments
- DNFB (discharged not final billed)
What are the potential impacts of Healthcare Reform?

- Major shift projected from

Paying for volume  Paying for Outcomes

Could shift the revenue cycle focus further to the front end
Why should I want to know more about Revenue Cycle?

- Primary job of the revenue cycle is……

- To produce enough cash to pay payroll and accounts payable

- Without an effective revenue cycle – there is no hospital/clinic/physician office
Questions?