

## The Revenue Cycle: An Overlooked Opportunity to Achieve Academic Health System Priorities

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**When academic health systems consider strategies for advancing their strategic priorities, the revenue cycle might not be top of mind.** But advancing a revenue cycle model that incorporates industry-leading practices can help address two inherent challenges with which many academic health systems struggle:

1. The complexity of multiple management and governance structures across the shared landscape of the partnered medical school and healthcare delivery system
2. The need to fund a broad range of strategic priorities (whether expanding clinical service lines; modernizing or building clinical, research, and education structures; or fulfilling mission-critical research commitments)

A leading-practice revenue cycle operating model can enable increased access to capital and further the academic health system's ability to align the revenue cycle operating model to support strategic priorities; realize the full revenue potential at the lowest-possible cost to collect; and create a consistent and predictable patient financial experience across the academic health system.

In a recent series of interviews with the revenue cycle leaders of several leading academic health systems, we found that most organizations had redundancies in their revenue cycle operations and opportunities to better use technology to realize efficiencies.<sup>1</sup> Others that have advanced the needle in many ways acknowledged the effort and investment it took to move toward a leading-practice model and ultimately reach their goals.

<sup>1</sup> The Chartis Group, "How Academic Health Systems Can Leverage the Revenue Cycle to Achieve Strategic Priorities," October 2021.

## Five Differentiators of a Leading-Practice Revenue Cycle Operating Model

At the heart of a leading-practice revenue cycle operating model are five differentiators academic health systems should leverage:

1. Reduced redundancies through a centralized revenue cycle leadership model
2. Lower costs through a shared services operating model
3. Stronger consumer experience and performance with a comprehensive patient liability management strategy
4. Greater operational efficiency through increased focus on strategic vendor rationalization
5. Improved financial performance by leveraging automation

While board members would be well served to delegate the details of executing against these five differentiators, it is important to be involved at a portfolio level and to set clear expectations for the organization to address these key areas of opportunity.

### ***1. Reduced Redundancies through a Centralized Revenue Cycle Leadership Model***

Centralizing revenue cycle leadership is a key step in leveraging economies of scale and enabling revenue cycle operations to support an aligned strategy. Through our

#### **→ Key Board Takeaways**

- Identify how many distinct hospital and physician revenue cycles currently operate within your organization, and determine to what extent this complicates performance reporting and the ability to execute on strategic priorities.
- Consider where your organization has redundancy in revenue cycle operations that would benefit from shared service synergies.
- Understand the patient's financial experience with your organization (how many different statements do they receive, and how many numbers must they call to resolve financial questions?).
- Assess where your organization has redundant and/or underutilized business and technology vendors or business partners across the physician and hospital revenue cycle settings.
- Evaluate where your organization could reduce cost to collect and free up staff for more value-added work through strategic automation.

interviews, we found that organizations with a single, centralized revenue cycle leadership team across both the hospital and physician enterprise were more likely to have a leading-practice revenue cycle operating model. These models have more centralized access, stronger revenue integrity and support functions, consolidated billing statements, and centralized vendor management.

A centralized leadership revenue cycle operating model balances enterprise success with local preference and embraces enterprise-wide, evidence-based practices and standards.

## ***2. Lower Costs through a Shared Services Operating Model***

A shared services operating model enables organizational alignment and effectively leverages economies of scale across an academic health system—especially when accompanied by effective performance service-level agreements. Shared services operating models eliminate redundancy and waste, generate operational efficiencies, and reduce infrastructure expenses across all revenue cycle functions.

Other benefits of a shared services operating model include:

- The delivery of a streamlined and consistent patient financial experience
- A shortened integration cycle for newly acquired business units
- Reliable data
- Leveraged synergistic spread of technology-enabled workflows across the organization
- Expedited technology upgrades and implementations

## ***3. Stronger Consumer Experience and Performance with Comprehensive Patient Liability Management***

A comprehensive patient liability management program leverages technology during the patient's pre-service, time-of-service, and post-service interactions. That means patients can self-schedule and receive automated notifications of their authorization status and financial estimates, check in at their convenience, and make copayments through a secure Web site. Throughout care delivery, patients and care teams can easily access the patient's coverage benefits and treatment plan with clear bill expectations and follow-up instructions. After discharge, consumers can use the patient portal to schedule follow-up appointments, and they receive a single billing statement for all visits.

Effective technology-enabled patient liability management programs provide a consistent, predictable financial experience across the care continuum, bridging the

technical and professional components into a single thread. They increase patient engagement and retention, and they support the academic health system's financial performance by reducing bad debt and cost to collect.

#### ***4. Greater Operational Efficiency through Increased Focus on Strategic Vendor Rationalization***

Fully optimizing service and technology vendors and improving integration across physician and hospital revenue cycle operations requires a thorough review. Academic health systems should identify and evaluate opportunities across the enterprise to maximize technology enablement, performance efficiency, and strategic vendor partnerships. These opportunities may include:

- Optimizing vendor portfolios, including filling gaps and consolidating redundancies
- Terminating underperforming tools and services
- Insourcing certain outsourced services that may be optimized in-house
- Renegotiating more favorable rates with vendors based on consolidated volumes
- Actively monitoring performance dashboards for accountability with service-level performance agreements

An aligned, rationalized business and technology vendor portfolio supports a consistent patient experience; optimizes tools and technology for streamlined processes and workflows; reduces administrative burden; and improves academic health system financial performance at a lower or equal cost to collect.

#### ***5. Improved Financial Performance by Leveraging Automation***

Academic health systems can leverage automation across the revenue cycle to reduce costs and free up staff for more value-added work. The core revenue cycle patient management and patient accounting systems often offer automation opportunities that have not been fully deployed across the academic health system. Additionally, robotic process automation is a form of intelligent automation that uses software robots to replicate human interactions with a user interface. It can work around the clock, eliminate variation and reduce errors, and increase productivity (operating as much as 15 times faster than humans completing the same tasks).

For instance, during the pre-service stage, health systems can use automation to update patient demographics, verify insurance, query patients for missing information, and check medical necessity. During service, automation can identify missing charges and send department-specific alerts. Post-service, automation can

perform billing edit resolution, follow up on unpaid claims, appeal denials, identify and process underpayments, and post payments and adjustments.

When academic health systems effectively leverage automation, it enhances employee satisfaction, accelerates process execution, reduces data input errors, accelerates cash, reduces costs, and improves patient satisfaction through expedited financial cycle processing.

## **It's a Complex but Worthwhile Journey**

While these five differentiators may seem straightforward, the path to achieving them can be arduous, given the inherent complexities and unique challenges of academic health systems. At the same time, academic health systems that have undertaken the journey to implement a leading-practice revenue cycle operating model have found it well worth the effort. As one Chief Financial Officer put it, "It was a difficult journey that took many months, but it is one of the best decisions we've made."

The board can facilitate progress by partnering with system leadership to understand the current state of revenue cycle performance, the goals for short- and long-term performance improvement, and how the current structure either enables or limits the ability to execute on strategy. Setting an expectation for revenue cycle performance improvement is standard at the finance committee level, but tying initiatives to broader goals, such as patient and physician/clinician experience and/or funds flow incentives, will set a clear prioritization expectation that can pave the way for the organization buy-in required to support advancements in the five differentiators of a leading-practice revenue cycle operating model.

*The Governance Institute thanks Kevin Ormand, Director and Revenue Cycle Practice Leader, The Chartis Group, for contributing this article. He can be reached at [kormand@chartis.com](mailto:kormand@chartis.com).*

