

BECKER'S HOSPITAL REVIEW

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Nearly 50 million Americans live in rural areas and depend on their community hospitals for care. Rural hospitals, however, face significant financial challenges. If unaddressed, these challenges could jeopardize the availability of services at these vital healthcare organizations. To remain financially viable, rural hospitals must build a culture of revenue cycle excellence.

A combination of demographic, economic, and technological factors cause many rural hospitals to struggle. Rural facilities traditionally serve socioeconomically disadvantaged populations. Patients often experience numerous health disparities and poorer outcomes than those served by urban hospitals. Rural hospitals also serve a greater percentage of government-insured patients. Many derive nearly two-thirds of inpatient reimbursement from Medicare and Medicaid. These constraints make it difficult for rural hospitals to improve their financial standing.

More than 80 rural hospitals have closed since 2010, and many others are vulnerable to closing. Research from The Chartis Group and iVantage Health Analytics highlights the financial peril rural hospitals face: 44 percent of rural U.S. hospitals are operating in the red in 2018, a 10 percent increase since 2017. Financial pressures on rural medical providers are not expected to subside in the near future. Many stakeholders expect operating margins for hospitals in all states to decline over the next decade.

Survival is the biggest challenge for rural hospitals today, according to Noel Felipe, Division President of Operations at MedAssist, which offers a suite of revenue cycle solutions to hospitals. He said few rural hospitals have lucrative contracts with payers, and they often lack the capital to invest in next-generation revenue cycle technology. According to Mr. Felipe, however, rural hospitals can still maintain a strong financial position with consistent discipline in revenue cycle fundamentals.

"They must have an organizational commitment to excellence, and they have to flawlessly execute in the revenue cycle arena," Mr. Felipe said. Although many of the issues facing rural hospitals are beyond their control, these facilities can boost financial performance by identifying inefficiencies in the revenue cycle and then taking the steps necessary to correct them.

Drive revenue cycle improvement from financial clearance to financial settlement

The hospital revenue cycle is complex. Effectively managing it requires transparency and constant communication between many departments. Rural hospitals exploring ways to drive revenue cycle improvement must begin their journeys by examining pre-registration practices.

Pre-registration is crucial in today's healthcare environment, where rural hospital operating margins are thin and patients bear a greater percentage of the cost. During pre-registration, healthcare organizations must inform the patient of any financial responsibility and verify the patient's demographic data and insurance coverage, as any inaccuracies could lead to a claim denial. "Hospital staff have to validate every single data element, every single piece of demographic information for new and returning patients," said Mr.

Felipe.

Hospitals that overlook the importance of pre-registration processes may see a significant percent of claims denied by payers due to simple, avoidable errors that occur during patient check-in. "In many scenarios, patients will present for services, and the registrar will ask them their name, identify that the person has been there before, and then copy forward all of the demographic and insurance information from a prior visit to the current episode," said Mr. Felipe.

This copy-and-paste method leads to challenges when hospitals submit claims for payment. The patient's insurance plan or other information may have changed since his or her last visit. This causes the hospital to incur additional costs to rework the claim and results in delayed payment.

Healthcare providers have the opportunity to correct and resubmit denied claims – but it costs a hospital on average \$35 to complete this process. The cost to rework and resubmit one claim may be relatively low, but a high rate of denials can take a significant toll on an organization's finances.

Many rural hospitals are prioritizing pre-registration activities, and have partnered with MedAssist to help them achieve success in this area. MedAssist provides services and technology to help rural hospitals manage every part of pre-registration, from verifying patients' identification to assisting patients with government assistance programs and ensuring all documentation is on file to expedite complex claims such as disability decisions.

By improving pre-registration processes, rural hospitals can cut uncompensated care costs and increase revenue. It is also a way to improve the patient experience. A complicated check-in process can frustrate patients who may already be experiencing stress related to the treatment or procedure they are about to receive. Hospitals can eliminate this added anxiety by gathering all necessary information from the patient prior to the date of service.

Whether a patient is registered in advance or on the day of service, MedAssist helps ensure rural hospitals have the most up-to-date information. "One thing we strive for ... is making sure the process is streamlined," said Jessica Arnold, Operations Manager at MedAssist. "That's going to drive how your claims are processed. [We make] sure we have the correct insurance on file, from day one."

Once information collected during registration is verified, the hospital must obtain any necessary pre-authorizations from the patient's health insurance company to prevent denial of the claim. Mr. Felipe noted it is critical for rural hospitals to have effective case managers and utilization review employees, to ensure the patient's care aligns with the authorization the hospital received prior to admission.

For example, if a patient is on the third day of their hospital stay and only has four days of authorization, it is critical for case managers and utilization reviewers to reach out to the physician to ensure the patient is on track to be discharged. If the patient is not ready to be discharged, the hospital must act quickly to get additional authorization or to accelerate the pace of care and ensure an appropriate discharge plan is in place, according to Mr. Felipe.

Managing the many intricate parts of the revenue cycle can be complicated for even the most sophisticated healthcare organizations. Because of the complexity, revenue cycle improvement requires dedication from a hospital's entire team. "From the CEO, CFO, and all the way down, it is a huge team effort that requires everyone doing their part and working together," said Ms. Arnold.

Flawlessly executing revenue cycle fundamentals

Before a rural hospital can begin the revenue cycle improvement journey, leaders must first determine where to focus their efforts. Mr. Felipe said MedAssist performs a detailed analysis to reveal improvement opportunities in a rural hospital's revenue cycle.

"We will take a retrospective view. We will look at their paid claims data for a period of 12 months, and we will actually perform an assessment or an analysis of where there are denials, where there are underpayments, where they're not collecting to the extent that is available to them, either contractually or at all," he said. "We will then take those insights and identify the root causes."

Pinpointing problem areas is the first phase. The next step is addressing the challenges. Due to the time and expertise required to establish strong revenue cycle practices, many rural hospitals outsource all or part of the process to companies such as MedAssist. This helps ensure revenue flows smoothly, even as payment models become increasingly complex and the reimbursement landscape evolves.

"We bring in our consultant partners to help customers identify solutions to those root causes, help write policies and procedures, help establish the correct chain of command, and correctly track key performance indicators, to give revenue cycle and financial leaders good information around how the revenue cycle is performing," Mr. Felipe said.

The healthcare environment is challenging for rural hospitals, which makes it essential for these organizations to effectively manage the revenue cycle. "This is about meticulously executing on the fundamentals," said Mr. Felipe. "[Rural hospitals] don't have enough excess cash to be able to underperform on those fundamentals."

Aspen Valley Hospital improves financial strength

In 2004, Aspen Valley Hospital, a 25-bed critical access hospital in Colorado, saw its cash decreasing and its receivables and write-offs increasing. The hospital decided to partner with MedAssist, and this resulted in significant improvements across several financial metrics.

Aspen Valley Hospital is located in a resort community and faced challenges in recruiting and retaining employees qualified to execute the complex processes associated with healthcare receivables, management and processing. This made it extremely difficult for the hospital to maintain the business office's performance at or above industry standards.

These challenges caused delays in claims processing and significant increases in claim denials. After experiencing a dramatic year-over-year increase in receivables, in fiscal year 2004, Aspen Valley Hospital realized it needed to redesign its revenue cycle and engaged both MedAssist and First Consulting Group (FCG) to guide the process.

Using MedAssist's full business office outsourcing solution, MedAssist and FCG evaluated the resources needed to drive improvement at Aspen Valley Hospital. They then organized employees and addressed past-due receivables. As a result of the focused initiatives, the hospital's days cash on hand jumped 583 percent, from 73 days to 426 days, and net days in accounts receivable dropped 50 percent, from 129 in 2005 to 65 in 12 months' time.

Achieving those results required a true partnership between the hospital and MedAssist, according to Deborah Essex, Revenue Cycle Director at Aspen Valley Hospital. She stated the close relationship between her team and the MedAssist team has helped make the partnership a success over the years. "Basically, we treat them like another department of the hospital," she said. "We are one team."

MedAssist's commitment to the hospital's mission has also been critical to the success of the partnership. "We really do drive home ... that the expectation is world-class customer service," said Ms. Essex. "We made MedAssist aware that we expect world-class customer service, and the parameters and the metrics around that. They have all jumped on board."

Hocking Valley Community Hospital boosts cash flow

In addition to the pressures facing the healthcare industry as a whole, Hocking Valley Community Hospital, a rural hospital in Logan, Ohio, has a challenging payer mix, which is 70 percent Medicare and Medicaid. To effectively manage these revenue streams and improve its financial situation, the hospital partnered with MedAssist to redesign the revenue cycle.

A few years ago, Hocking Valley Community Hospital was facing a familiar problem for many rural hospitals. Leadership knew the hospital needed to improve revenue cycle performance, but the hospital could not afford the technology required to achieve this goal. "We were with our hands [tied] behind our backs," said Hocking Valley Community Hospital CFO Julie Grow.

Realizing the hospital needed assistance from an outside partner, Hocking Valley Community Hospital enlisted the help of MedAssist. The hospital now uses the company from the front end to the back end of the revenue cycle process.

The biggest difference the hospital has seen since it partnered with MedAssist? A significant increase in cash. "We started with MedAssist with 80 percent cash collection of our net revenue, and at the end of December, we were at 92 percent collection of our net revenue," said Ms. Grow. "In total, that has been a \$3.5 million cash influx." The increase in cash has allowed the hospital to move forward with projects, including the implementation of a new EHR system, that it would not have been able to afford in the past.

Conclusion

Rural hospitals across the nation face intense financial pressures. The leaders of these organizations know how vital it is to establish strong revenue cycle practices, but they often lack the expert resources and up-front capital needed to do so. To overcome this challenge, rural hospitals are successfully partnering with revenue cycle companies like MedAssist that offer the technology and services needed to improve their financial performance. ■



Insured or not, everything that goes into the non-clinical part of the patient experience is a complicated maze of financial traps and hoops... for both patients and hospitals. Hospital leaders can now simplify the financial experience for both patients and the people of their organization. Hospitals achieve a stronger financial foundation, while patients experience clarity and a path to peace of mind about how to pay for their care.

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