The Value-Driven Revenue Cycle

HEALTHCARE VALUE: JAMES H. LANDMAN

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CONVERSATIONS ON IMPROVING THE VALUE OF HEALTH CARE OFTEN FOCUS ON CLINICAL PERFORMANCE IMPROVEMENT EFFORTS. YET DURING PHASE 2 OF HFMA'S VALUE PROJECT RESEARCH, CFOS TIME AND AGAIN IDENTIFIED THE REVENUE CYCLE AS THE PLACE WHERE THEIR HOSPITAL'S PERFORMANCE IMPROVEMENT EFFORTS HAVE BEGUN.

The connection between value and the revenue cycle may not be immediately apparent. Value is defined as the relationship between the quality of care and the total cost of care to the purchaser. But when the concept of quality is broken down into its component parts—clinical outcomes and patient safety, of course, but also patient access and satisfaction—connections begin to appear.

Clinical quality improvement is, moreover, dependent on the analysis of physician practice data, the accuracy of which is driven largely by high-performing coding and documentation procedures. And as healthcare organizations face the considerable infrastructure costs of adapting to a new value-based payment system, a high-performing revenue cycle can help to ensure their financial viability through the transition.

In short, the revenue cycle contributes to value creation in at least three ways:

- Improving patient access to and satisfaction with care
- Accurately documenting and coding services patients receive
- Ensuring financial sustainability through the transition to value

Patient Access and Satisfaction

Encounters with the revenue cycle form bookends of a patient's hospital experience. Initial contacts with the revenue cycle play a significant role in both the patient's ability to access care and his or her satisfaction with that care. Following treatment, contacts with the revenue cycle will continue to shape the patient's experience and satisfaction.

Patient scheduling and registration have been described as the hospital's face, and they certainly form a patient's first impression of the hospital. Many patients are naturally apprehensive about their treatment, but they are also apprehensive about the cost of the care they will receive—especially as more patients face higher deductibles and copayments. To ease these concerns, and to prepare for intensifying demand for greater price transparency, hospitals should focus attention on their ability to provide cost-of-service estimates to patients.

In the April 2013 issue of HFMA's *Revenue Cycle Strategist* newsletter, former Obama administration healthcare adviser Bob Kocher notes that hospitals that cannot tell a patient what an elective, scheduled procedure is going to cost will begin to lose patients. The excuse that "every patient is different" is wearing thin: Kocher argues that patients would be satisfied with an estimate that provides 80 percent confidence on cost. How does an ability to make such estimates promote value? It gives patients some certainty—and fewer worries—about the costs they will face. It enables hospitals to make accurate point-of-service collections, which mitigates potential patient frustration with hospital billing processes after care has been received. Ultimately, it will support a hospital's ability to demonstrate its value proposition to the community.

Another important focus for the revenue cycle is the conversion rate of uninsured inpatients to payer source (one of HFMA's patient access MAP Key performance indicators). In the coming year, as health insurance marketplaces become operational and many states accept the Affordable Care Act's expansion of Medicaid, performance on this indicator will become even more critical. The ability to secure funding for uninsured patients is of course beneficial to the hospital, but as the definition of this indicator emphasizes, it also is an important driver of patient satisfaction—giving patients access to care they might otherwise feel they could not afford.

Coding and Documentation

The changes that will be coming to the revenue cycle and clinical documentation with the transition to ICD-10 have already focused most hospitals' attention on their coding and documentation functions. Although the transition will be challenging, it also will enhance the contribution of these functions to the creation of value.

Full and accurate documentation and coding of clinical services is of obvious value to the hospital itself, ensuring that the hospital is paid for the care it provides. But these functions also play a critical role in enhancing the quality and cost-effectiveness of the care provided. As hospitals and health systems work with physicians to define care pathways and establish care protocols, an accurate understanding of the services that are contributing to desired patient outcomes is essential. Full documentation is also required by clinical teams working to identify variations in practice patterns that might add cost without improving quality.

The far greater level of detail in the ICD-10 coding system will provide a much richer data source for quality improvement efforts, but it also will compound the complexity of clinical documentation and coding efforts. Because accurate coding depends on the quality of clinical documentation, it is important for hospitals to focus now on preparing their clinicians as well as their coders for the changes that will come with the transition to ICD-10. Both the financial well-being of the organization and the quality of the care it provides to its patients will benefit.

Financial Sustainability

The transition to value-based payment is already driving significant infrastructure investments at many hospitals and systems. Implementation of clinical and financial systems that improve business intelligence, development of physician networks to support population health management, and the

building out of systems able to coordinate care across the continuum are all adding pressure to the bottom line.

The old saying “no margin, no mission” has been given new meaning as organizations focus on enhancing the quality and cost-effectiveness of care and better managing population health. A high-performing revenue cycle will provide the fuel needed to propel organizations through the investments, experimentation, and uncertainty inherent in the transition to value.

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