



Maximizing the ROI of HIT Systems in the Ambulatory Practice



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Nearly 10 years ago, Meaningful Use brought about new reimbursement policies, with penalties and incentives based on technology use. As a result, many practices that were previously uninterested in an electronic health record (EHR) were forced to rethink their choice—and to spend heavily on health information technology (HIT). Now, those same ambulatory practices are thinking about profitability and looking for ways to get a return on their investment in HIT.

The traditional calculation for ROI is the benefit (return) of an investment divided by its cost, with the result expressed as a percentage.¹ Yet this formula is nearly impossible to apply to HIT, because return on investment is seen as encompassing more than money in healthcare. Within the healthcare system, the benefits of technology investments also include gains in patient safety, increased patient engagement, better utilization of resources, and improved transitions of care. And it becomes even harder to calculate the ROI of HIT under value-based models for reimbursement.

According to a 2016 report from SourceMed,² “The shift from volume to value-based models requires that we reevaluate how to manage revenue cycles.” The report concludes that the trend toward outsourcing revenue cycle management (RCM) is primarily driven by declining reimbursement rates under value-based care models. The latest Black Book Market Survey report concurs on this point, saying “*Providers are faced with pressures to preserve financial solvency, as well as increase productivities in care delivery, implement and keep up with regulatory mandates, and reduce RCM expenses associated with getting paid.*”³

This pressure to maximize the ROI of health information technology has 85 percent of organizations, hospitals, and physician practices seeking to replace their current RCM systems or thinking about switching to another vendor, according to the Black Book Market Survey.⁴ The survey also found that a whopping 93% of CFOs are looking for end-to-end revenue cycle management solutions that deliver ROI.

So how does an ambulatory practice maximize the ROI of technology? According to Charles Kaplan, General Manager, RCM NextGen Healthcare, who spoke on a NextGen webcast, there are three practical ways to do so in purely financial terms. These tactics include: boosting efficiency through automation, using data analytics strategically, and reducing the total cost of HIT ownership. This paper will take a closer look at all three.

Use automation to boost the efficiency of revenue cycle management

Revenue cycle management can be defined as *the process that manages claims processing, payment, and revenue generation; and often entails the use of certain technologies to keep track of the claims process at every checkpoint*. It makes sense that a practice can either boost or detract from profitability, depending on how well it manages the revenue cycle. A meta-analysis of recent research concludes that, across the board, 50% of all healthcare dollars are wasted on inefficient processes.⁵ The SourceMed report focused specifically on the waste associated with an inefficient revenue cycle, concluding that:

*Every step in the RCM process has the potential for administrative waste: excessive paperwork, back-and-forth interactions between provider and payer, contracts with each payer, and varying forms of information exchange with each payer. Managing the business of healthcare through improvements in the RCM process allows healthcare providers to dramatically reduce costs in the administrative processes associated with RCM.*⁶

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An independent ambulatory practice can take the first step toward maximizing ROI by eliminating manual billing processes that are resource-intensive and error prone. The obvious place to start is by improving efficiency through prevention of claims denials. While 63% of denied claims are recoverable on average, providers spend roughly \$118 per claim on appeals, or as much as \$8.6 billion in administrative costs nationwide.⁷ Despite this vast potential for revenue loss, a 2016 HIMSS Analytics survey found that roughly one-third of providers “still use a manual versus automated process to manage claims, including denials.”⁸

A practice can reduce billing errors and denied claims by automating the claims management process. An integrated HIT system with an advanced rules engine for charge review can help ensure a claim is paid the first time around—saving time and money on resubmitting claims and improving collection rates. However, an end-to-end RCM solution can boost profitability in many other ways, when automation includes such steps as:

- Checking insurance eligibility (to prevent denied claims)
- Sending appointment reminders (to reduce downtime and scheduling inefficiencies)
- Providing treatment estimates at the time of scheduling (so patients can plan for out-of-pocket expense)
- Accepting multiple forms of payment (to provide convenient options for patients)
- Processing automatic payments (for patients on a monthly payment plan)
- Coding assistance (the system can provide automated suggestions or checks for CPT and ICD-10 codes)
- Claim scrubbing (to validate codes before the claim is submitted)

This kind of automation—from patient scheduling through claims submission—can not only reduce labor costs, but can help to prevent the most common types of human errors in billing: coding errors, missing patient data, duplicate bills or claims, incomplete documentation, and failure to verify insurance coverage.

Use data analytics to gain clinical business intelligence

Clinical business intelligence can be defined as “the aggregation, analysis, and use of clinical, financial, operational, and non-traditional data captured inside and out of the healthcare setting to directly inform decision-making.” In other words, it’s not just about the numbers—the financial data—any more. According to the HIMSS Clinical Business Intelligence Primer:

Clinical business intelligence is important for health systems leaders who are transforming their organizations into efficient vehicles for the delivery of high-quality care. Data analysis to improve care is being embraced and moved to the center of organizational strategies due to a confluence of several trends.⁹

Analytics that integrate clinical data from the EHR with financial data from the RCM or practice management system can provide insights that help a practice to operate leaner, in order to increase profitability. A practice can also benefit from analytics that have the ability to generate custom reports. For example, a practice might track claims denial trends so it can correct the problems resulting in denials, and then track the effectiveness of the improvement effort. The system could be set to generate alerts when something falls outside a set parameter: a percentage of claims being denied, for example, or a number of bills that are 90 days past due.

Clinical business intelligence also helps with population health management and risk stratification of patients, so a practice can efficiently manage large patient populations in a quality-focused, cost-effective manner. With an end-to-end RCM solution, a practice can gain data that helps it reduce costs by practicing prevention for high-risk patients, running reports on clinical cost drivers, identifying where patient engagement is needed, managing transitions of care, and tracking outcomes. All of these activities can support a practice making the transition from “volume to value” or receiving bundled payments through an accountable care organization (ACO).

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Reduce total cost of HIT ownership through collaboration with the right vendor

With so many providers and practices looking to boost profitability through better management of the revenue cycle, the total spending on healthcare RCM solutions is expected to reach \$7 billion by 2020.¹⁰ As more vendors flood the market with their solutions, it becomes increasingly important for a practice to partner with a vendor that can help it reach its business goals.

The key is to modernize HIT systems and work with a vendor that can synchronize clinical and financial data through a fully integrated suite of solutions that run on a single platform. ROI increases when a practice uses a vendor that delivers both solutions and managed services, covering the entire revenue cycle. The managed-service model removes the up-front cost of software licenses and eliminates ongoing fees for upgrades and operational costs (server fees, EDI transaction services, lockbox, clearinghouse, and eligibility checking). Managed services can also alleviate administrative and regulatory burdens, because the vendor becomes a strategic partner that handles compliance issues. The need to hire, train, and retain RCM employees is also eliminated under a single-platform, managed-services model.

In 2016, Black Book researchers found that practices of 25 physicians or fewer were overwhelmingly looking to outsource RCM.¹¹ This trend is not likely to slow down.

NextGen Healthcare is the partner of choice

Black Book Market researchers included NextGen Healthcare in its top vendor list for RCM outsourcing.¹² The report noted that NextGen Healthcare ranks highly in customer

approval and loyalty, and concludes that, *“The survey of 2,000 independent physician practices and 200 hospital-based organizations suggested that more providers, especially those in small practices, may soon be looking to top-ranked vendors for revenue cycle management solutions.”*

NextGen® Financial Suite is a managed-services, single-platform offering designed to manage the entire revenue cycle. It combines innovative technology and billing expertise to help medical practices reduce administrative cost and achieve gains in efficiency, productivity, and ROI. The Financial Suite is fully integrated with the EHR, practice management solutions, and electronic eligibility verification systems.

NextGen Healthcare can help a medical practice:

- Tighten the revenue cycle through solutions to report on and collect money earned from payers and patients.
- Use technology to save time and money, by automating tasks and focusing on denial prevention rather than denial management.
- Harness analytics and reporting capabilities to effectively manage patient populations in a cost-effective manner.

Because every practice is different, NextGen Financial Suite is flexible and able to meet a variety of needs through additional revenue-boosting services packages, including NextGen Financial Suite Pro (Complete management of both insurance and patient billing as well as denial and A/R management) and NextGen Financial Suite Plus (Full support to manage denials, insurance A/R, payor credits, and refunds).

For more information:

<https://www.nextgen.com/Revenue-Cycle-Management-RCM>

1 [Investopedia](#).

2 Sourcemed, “Revenue Cycle Management in a Value-based World: What Outpatient Service Providers Need to Know,” <http://www.himss.org/file/1313391/download?token=sMA2p89s>.

3 Black Book Market Survey.

4 Ibid.

5 Agency for Healthcare Research and Quality, Costs and Benefits of Health Information Technology, 2006, <https://www.ncbi.nlm.nih.gov/books/NBK37992/>.

6 Sourcemed, “Revenue Cycle Management in a Value-based World: What Outpatient Service Providers Need to Know,” <http://www.himss.org/file/1313391/download?token=sMA2p89s>.

7 Change Healthcare, LLC, Health Hospital Revenue Cycle Index, 2017, <http://healthyhospital.changehealthcare.com/wp-content/uploads/2017/06/change-healthcare-healthy-hospital-denials-index-2017-06-a-2.pdf>.

8 <https://revcycleintelligence.com/news/31-of-providers-still-use-manual-claims-denial-management>.

9 An Introduction to the HIMSS Clinical Business Intelligence Primer, 2013, <http://www.himss.org/library/clinical-business-intelligence/clinical-business-intelligence-primer?navItemNumber=18232>.

10 <http://www.prnewswire.com/news-releases/revenue-cycle-management-market-growth-to-2020-propelled-by-rising-investments-in-healthcare-it-566161821.html>.

11 <https://www.prnewswire.com/news-releases/accelerating-number-of-physicians-select-outsourced-rcm-services-to-align-clinical-financial-outcomes-shows-black-book-survey-on-value-based-care-prep-300336641.html>.

12 Ibid.