



# A nexus of value

**Optimize revenue cycle and EHR system performance to realize better financial and clinical outcomes**



**The movement from fee-for-service toward value-based outcomes and bundled payments requires dramatic changes not only in revenue cycle processes, but also in the information technology (IT) that supports their operational efficiency.** Industry leaders believe that revenue cycle operations should move from the back office to the front office. This transition will require integrated IT solutions that are sustainable and scalable, and can communicate with both newer enterprise-wide technologies and legacy systems.

**Here's the challenge:** Most provider organizations have been so focused on meeting government mandates, such as Meaningful Use and ICD-10, that they have not had time, or budget, to optimize revenue cycle IT capabilities. Forty percent of hospital CFOs report delaying the purchase of new revenue cycle software until 2016. However, there is good news. An almost equal number of CFOs, 41 percent, say they are now in a position to move ahead with next-generation revenue cycle management tools.<sup>i</sup>

As healthcare organizations consider potential revenue cycle software suites, they would be well served to look for interoperability with electronic health records (EHRs); the ability to connect clinicians, billing administrators, and payers; and strategic counsel to ensure that the process facilitates broader organizational imperatives. Interoperability, in particular, will be key when measuring future-state revenue cycle processes and alternative payment structures, as information that impacts payments and penalties may be stored in clinical facilities outside of the hospital.

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## How can optimizing revenue cycle and EHR systems benefit provider organizations?

### Such efforts allow hospitals to:

- Reduce denials and accounts receivable (A/R) days outstanding
- Meet the demand for heightened patient engagement with more patient-friendly billing processes and pricing transparency
- Reach better understanding of billing, payment, and service usage patterns by applying advanced analytics to revenue-cycle-generated data
- Facilitate value-based billing automatically by integrating revenue cycle software with EHR systems
- Streamline operations by aligning revenue cycle IT optimization with EHR workflow optimization

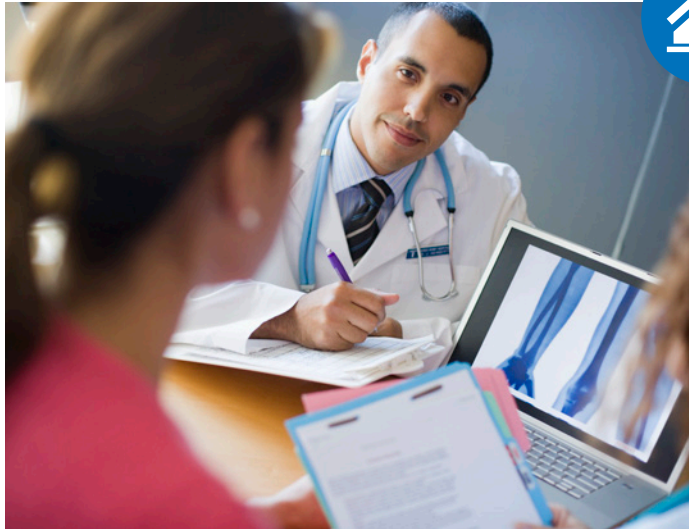
<sup>i</sup> Millard, M. (2015). Revenue cycle headed for a 'new world,' *Healthcare IT News*.

## Five benefits of revenue cycle optimization

1

### Increasing revenue

Consolidating revenue cycle operations on one platform that serves an entire healthcare network has been shown to reduce denial rates and A/R days outstanding and increase revenue significantly.<sup>ii</sup> Reducing the number of software vendors and overall headcount reduces total cost of ownership, thus contributing to the mandate to take costs out of the system. Hospitals with a centralized billing department should have more time to focus on ensuring full reimbursement by tightening the connection between coding and clinical documentation, **understanding the connection between “value” and fees**, and minimizing delays and denials.



2

### Meeting the needs of empowered patients

As patients face higher deductibles and ever-increasing out-of-pocket costs, the demand for price transparency is at an all-time high. Significantly, the amount of revenue collected directly from patients has increased to 30–35 percent from 5–10 percent a decade ago.<sup>iii</sup> Billing is now one of many touchpoints where provider organizations can **positively interact** with a patient and facilitate engagement. By contrast, frustrating experiences with revenue cycle functions can have a negative influence on how a patient views a physician practice or hospital.



It is critical to patient satisfaction to connect with patients positively throughout their healthcare experience. **Technology-driven patient engagement solutions** that impact the revenue cycle include online preregistration and scheduling, on-site kiosks where patients can view their billing information, electronic bill paying via patient portals, and streamlined payment collection at the point of service. Whatever the solution, it is important to leverage data across service lines and locations so patients ultimately receive accurate bills reflecting the fees they anticipated.

<sup>i</sup> Morse, S. (2015). Intermountain integrates revenue cycle management, *Healthcare IT News*.

<sup>ii</sup> Millard, M. (2015). Revenue cycle vendors rush to innovate amid consumer changes in healthcare, *Healthcare Finance News*.

## Five benefits of revenue cycle optimization (continued)

### 3 Understanding billing, payment, and usage patterns

**By applying data mining and analysis tools to revenue cycle data** (including clinical clues that trigger bonus payments or penalties), healthcare organizations can gain insights that ease the transition to value-based payments. It is invaluable to understand patient utilization and outcomes, performance of payer contract terms, denial history, and cash flow patterns as the basis of decision making, versus having the market dictate its terms to you. In addition, the accumulation of payer remittance data can be used to foster hospital and health plan alignment on procedures and treatments that can lead to improved outcomes.<sup>iv</sup>



### 4 Facilitating value-based billing

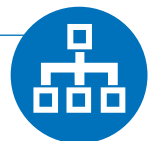
Integrating the revenue cycle system with EHR technologies puts the focus on the consumer across the entire healthcare experience. Integration with quality data should help executives learn how well their contracts are performing in near real time. As providers continue the transition to reimbursement for value and compliance with numerous healthcare reform initiatives, accuracy of procedures and related costs will be paramount. And, **combining cost analyses with revenue cycle data and clinical data** gives executives support for resource allocation decisions. For example, in a bundled payment model, if the provider is spending enormous resources and funds to avoid a 1 percent penalty on reimbursement, and the 1 percent reimbursement is de minimus in relation to the effort, it might make better financial sense to absorb the penalty.



### 5 Optimizing workflow

When critical workflow processes are not aligned with new or existing clinical and financial systems, inefficiencies in resource utilization and patient treatment can result. Many hospitals have multiple streams leading to the revenue cycle process, thereby increasing the likelihood of unwanted workarounds, errors, and charge corrections. The solution often can be found in optimizing system workflow processes in tandem with the revenue cycle.

**By automating the workflow with process-enabled analytics and aggregating related documentation**, hospitals can streamline operations. They will be able to more rapidly authorize services based on health plan guidelines; validate coverage; document patient encounters, test results, and procedures; and generate bills, all in one seamless process. The end results are faster bill processing; more fluid cash flow; and, in our experience, up to a 2–4 percent increase in net revenue.



<sup>iv</sup> Morse, S. (2015). Completing the cycle: Healthcare finance execs see 2016 as the year of integration for revenue cycle, *Healthcare Finance News*.

## How KPMG can help

**KPMG LLP (KPMG) takes a value-driven approach to revenue cycle IT optimization. We seek to align revenue cycle IT improvements with the imperatives driving your business—reducing denials and maximizing revenue, meeting the needs of a more discerning healthcare consumer, better understanding payment trends, realizing outcomes-based reimbursements, and facilitating a smoother workflow.**

Our team of revenue cycle professionals comprises strategy and advisory leaders, specialists in healthcare IT, leading data scientists, and proprietary predictive analytics tools. The team has deep industry experience serving large, complex health systems across the United States, as well as academic medical centers, children's and community hospitals, and large multispecialty clinics.

From an up-front HealthCheck diagnostic assessment and identification of workflow breakdowns, to full life cycle revenue cycle IT optimization projects and broader business transformation engagements, KPMG has the experience, people, and technologies to help your organization view the changing healthcare landscape as an opportunity rather than a challenge.

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