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Evaluating Your CBO Strategy: A 3-Step Guide for Healthcare Providers

BECKER'S HOSPITAL REVIEW

Faced with increasing financial pressures from declining reimbursements, high deductible health plans and uncertainty surrounding federal payer regulations, many healthcare organizations are seeing the value in creating a more strategic and agile revenue cycle system.

To ensure their organizations efficiently respond to and change financial strategies amid unpredictable business environments, many leaders are strengthening their organization's fundamental billing practices and boosting revenue cycle responsiveness by implementing a combined business office (CBO). For healthcare organizations, centralizing hospital and physician business offices presents opportunities to increase operational efficiencies, improve the patient experience and realize other critical financial benefits.

Many organizations refer to CBO as a blanket term for any type of revenue cycle integration between hospitals and physician offices. Because a combined business office can be structured several ways, and each organization is unique, providers must carefully consider strategies to ensure people, process, policies and technology successfully align to achieve the improved outcomes associated with the full revenue cycle integration of a CBO.

This Becker's Healthcare e-book, based on survey responses from healthcare executives and a roundtable discussion with 19 hospital and health system CEOs, CFOs and COOs, discusses various CBO models, the benefits of a CBO and corresponding enterprise revenue cycle management solution, along with the factors organizations should consider before adopting such a model.

CFO participants in this report include:

- Pat Keel, CFO of Memphis, Tenn.-based St. Jude Children's Research Hospital
- Becky Magee, senior vice president and CIO of Fayetteville, Ark.-based Washington Regional Medical System

Step 1: Which CBO model is right for your organization?

Becker's survey results from 73 C-suite executives and financial leaders, completed in February of 2018, found 74 percent were either motivated to implement a CBO model or had done so already. Respondents identified improving the patient billing experience, increasing staff efficiency and improving overall revenue capture as the top three reasons to implement a CBO. Implementing this financial management structure is a logical step for hospitals and health systems looking to achieve physician-system integration while improving the patient financial experience.

The Healthcare Financial Management Association defines the most robust combined business office model as integrating hospital and physician billing for all care sites across the system to the same physical location under one leadership team, producing combined patient statements from a single revenue cycle solution. However, hospitals can choose from different models when considering integrating hospital and physician billing, according to a 2015 article from the HFMA.

Here are the three main types of CBO models, which contain varying degrees of revenue cycle integration between the hospital and physician billing offices. The third model represents a true CBO model with full organizational and system integration. Health systems often adopt the first two types of models as gradual steps toward implementing a fully-integrated CBO.

1. Physician and hospital revenue cycles managed separately and overseen by a single health system executive. Each revenue cycle functions independently in this model. However, some integration is achieved by appointing a single revenue cycle leader to oversee financial performance at the enterprise level. This leadership structure establishes a single point of accountability and provides a liaison for external parties, according to the HFMA article. This model can serve as a starting point for healthcare organizations looking to mature their financial integration.

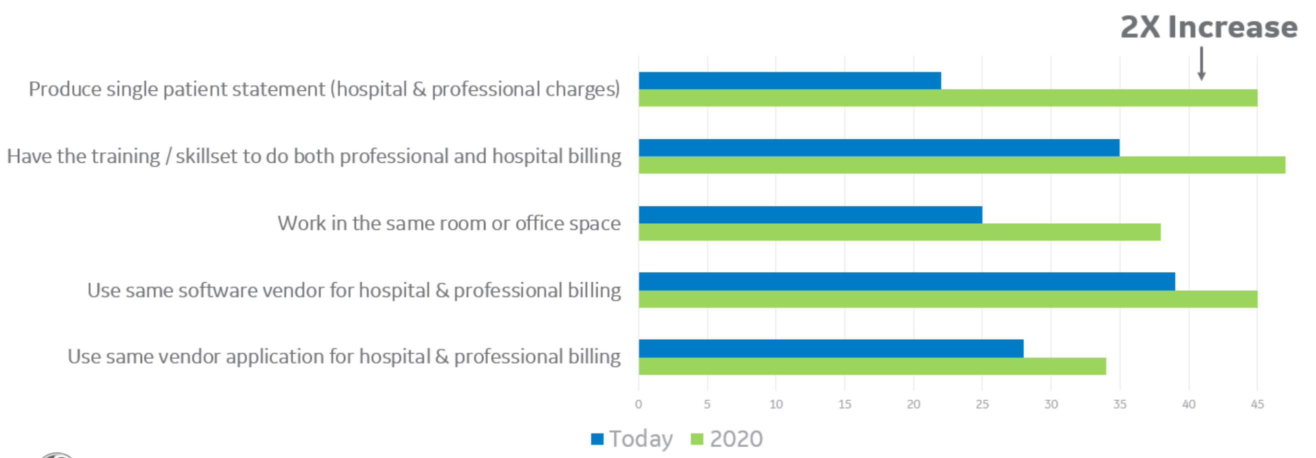
2. Revenue cycle overseen by a single health system executive with directors managing aspects of both hospital and physician revenue cycles. Through this model, directors are responsible for various revenue cycle functions involving both the hospital and physician practices. This model has limited financial integration, as most revenue cycle staff exclusively focus on either physician or hospital financial activities. However, the leadership structure encourages directors to identify inefficiencies in both revenue cycles and gradually shift toward further integration, according to HFMA.

3. Complete integration of all billing processes. In this model, hospital and physician billing are handled at an enterprise-level, and staff members are fully versed on both hospital and physician components of their functional area, according to HFMA. Recruitment and onboarding are key, involving extensive staff training, education and monitoring to ensure all employees can understand and are competent in the functions of both revenue cycles. By combining revenue cycles under an integrated team using a single revenue cycle solution, the goal is to eliminate financial inefficiencies and create a more flexible workforce to continually improve functions.

Before diving into one model, leaders should carefully assess how and to what degree they should implement an integrated RCM approach, while also considering how people, process, policy and technology components interact with each other. When weighing their decision, healthcare leaders must assess potential internal barriers to CBO adoption, including physician dynamics, staffing concerns, competing organizational priorities, technological limitations and geographical restrictions, according to HFMA. Not all models will work for every organization, so health systems must consider their operational, financial and cultural tolerance when selecting the most appropriate model and integration path.

Current vs Future State of CBOs

"Which of the following applies to the current and future set-up of your professional and technical billing organizations? (Select all that apply)"



Becker's Combined Business Office Survey, February 2018

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Step 2: Navigating common CBO challenges

A fully combined business office results in concrete benefits for an organization, such as better patient satisfaction and increased revenue. However, there is a broad array of obstacles that can hinder a successful integration. It is important leaders address the following three challenges before implementing a CBO.

Challenge 1: Culture. An organization's culture needs to revolve around a shared set of goals and universal vision for an integrated revenue cycle approach, according to Pat Keel, CFO of Memphis, Tenn.-based St. Jude Children's Research Hospital. "Culture, or not taking that into account, can absolutely cause the implementation to fail," she said. "You have to be able to define what you want your culture to be, and what behaviors you expect people to exhibit in that culture."

If employees are not invested in the CBO or don't feel a sense of camaraderie with the team, they will not be motivated to work toward the shared goal. To keep employees engaged and motivated, financial leaders must take the time to reward workers' performance, instill a sense of permanence when introducing the CBO and reinforce its scalability.

San Diego-based Sharp HealthCare adopted a unique approach to rewarding revenue cycle staff members' performance. The health system partnered with Virence Health to introduce the concept of gamification into their office using analytics from their existing Centricity™ Business revenue cycle solution. The system allows employees to receive points for completing individual tasks. The more difficult the task, the more points received. Employees can also participate in team challenges and one-on-one productivity showdowns.

By providing a structured approach to friendly staff competition with the gamification strategy, Sharp HealthCare sustained behavioral changes and achieved better outcomes in its revenue cycle. The Virence Health system also helped to boost employee satisfaction and give financial leaders a real-time understanding of how their billing office functioned.

Challenge 2: The right technology. To achieve greater financial efficiency and adaptability, finance leaders must empower their teams with the right tools. Outdated technology solutions do not provide the level of insight and automation required to make significant revenue cycle improvements.

St. Jude Children's relied on a 30-year-old technology platform to handle billing operations before implementing a CBO solution in 2018, according to Ms. Keel. The old billing system required a lot of manual intervention, and the health system lacked access to trusted, organized data, which resulted in a very low clean claim rate.

"From a technology standpoint, our hospital billing system was archaic and nearing the end of its life," said Ms. Keel. "We said, we're going to have to implement a new system anyways, so let's find technology that will help us be more efficient and have the data and information we need to manage the revenue cycle on both the physician and hospital side."

Ms. Keel points to a best-of-breed solution that promotes interoperability and offers real-time data analytics as a key component of successful revenue cycle integration.

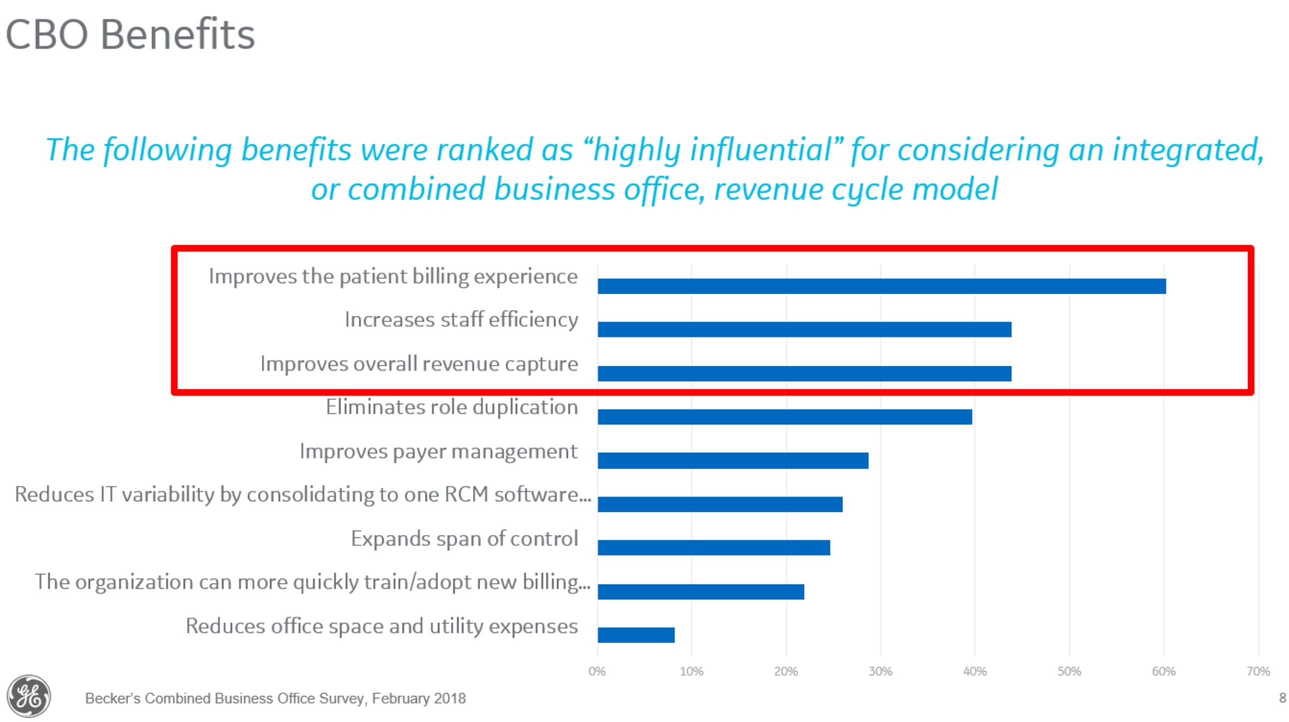
Challenge 3: Process. Managing financial operations in a siloed approach can cause numerous inefficiencies that waste time and money and hinder the patient financial experience, according to Becky Magee, senior vice president and CIO of Fayetteville, Ark.-based Washington Regional Medical System.

"We've rapidly grown in the last 10 years, acquiring many freestanding practices," said Ms. Magee. "We have disparate [RCM] solutions. … It's become apparent we are not serving our community very well due to the complexity we've added to their billing process."

To address this issue, Washington Regional did an extensive RCM vendor evaluation, and ultimately tapped Virence Health to create a centralized billing process for 45 care sites, including outpatient imaging centers, ambulatory clinics and hospitals. Revenue cycle leaders can identify opportunities to automate financial workflows by looking for processes that rely on paperwork or manual intervention. By standardizing employee workflows, the health system hopes to create a more consistent patient experience and streamlined financial assistant program across the enterprise.

Step 3: Maximizing the benefits of a CBO

A fully integrated CBO model requires careful planning and consideration, but the positive financial results are well worth the effort. By using technology to help



restructure and integrate physician and hospital billing process, organizations can maximize the benefits of their CBO, including lowering cost to collect, improving patient satisfaction and gaining a more adaptable revenue cycle.

1. Improve overall revenue capture. By consolidating hospital and physician billing functions, health systems can increase operational efficiencies and achieve greater economies of scale. Combining strategic and operational elements, including resources, management, overhead, vendors, IT platforms and business intelligence solutions, allows organizations to become more efficient at collecting the maximum reimbursement owed. Nearly 45 percent of *Becker's* survey respondents cited improved overall revenue capture as one of the top three motivations for implementing a CBO.

Ms. Keel also cited these benefits as a major driver for implementing a CBO at St. Jude Children's. "We wanted a process that didn't have a lot of waste or manual effort," she said. "We also wanted something to help convert claims to cash, allowing us to achieve the maximum amount without denials in the shortest amount of time."

This level of integration not only increases efficiency, but also improves visibility into financial performance across the entire revenue cycle. Ms. Magee said a major benefit of their Business Combined Business Office solution is its ability to provide an enterprise-wide look at the health system's financial operations in a single-system workflow and single-page view. This set-up allows end users to easily view data on indicators of financial health, such as days to collect and outstanding accounts receivable, and identify areas for improvement.

Developing more efficient financial processes is key to becoming an ideal partner for payers to link up with when value-based payments gain prevalence in a health system's market. A majority of executives and clinicians (77 percent) do not believe payers and providers are aligned in their efforts to achieve value-based care. A CBO and coinciding enterprise revenue cycle management solution can increase organizations' agility and adaptability to changing payer mix and levels of risk, helping CFOs and back-office billers better manage multiple payers and multiple contracts featuring differing requirements. Ms. Keel said the analytics capabilities associated with the Business Combined Business Office solution St. Jude implemented also allows them to trend information coming back from payers to better understand their expectations.

2. Improved patient billing experience. Patient experience and financial satisfaction play an important role in a health system's ability to collect, especially as patients bear greater financial responsibility for their care through high-deductible plans. As such, patients are increasingly demanding more transparent, user-friendly payment options that reflect transactions in other industries. Hospital leaders also recognize the benefits of these capabilities, with 60 percent of survey respondents citing an improved patient billing experience as the most desired benefit of a CBO.

A CBO can help health systems meet consumer expectations for transparency by providing patients with a consolidated statement. With a single hospital bill, patients can more easily understand exactly what they owe the health system. This is critical when it comes to patients paying medical bills on time, if at all. Thirty-nine percent of patients avoid paying a confusing hospital bill right away to see if it "clears up" with time, according to a 2016 report from Mad*Pow. This confusion, compounded with the need to coordinate multiple statements, also leads to increased patient phone calls to the billing office and decreased patient satisfaction. By combining physician and hospital charges on a single patient bill, a CBO gives patients the transparency they need to understand and pay their bills on time.

To further boost patient satisfaction, Washington Regional is implementing a combined customer service within its CBO, which will allow patients to call a single location for both hospital and physician billing questions. "It makes it more convenient for our patients to do business with us," Ms. Magee said. "One phone call can take care of all their questions."

A CBO also presents opportunities to improve the patient experience at the front-end of their episode of care, including the scheduling of appointments, according to Ms. Magee.

3. Increased staff efficiency. By combining billing operations, health systems can lay a stronger foundation to be more financially nimble as their markets and payer mix evolve. Almost 45 percent of respondents cited increasing staff efficiency as one of the largest motivating factors for creating a CBO.

"Every functional area is touched when moving to value-based care," said the senior vice president of mergers, acquisitions and partnership development at a nonprofit health system in the Midwest. Health systems with an integrated revenue cycle, in which staff members understand both hospital and physician billing operations, have more flexibility to adjust current functions and respond to requirement changes.

When combining business offices, health systems need to be prepared for a greater volume of claims and billing, particularly on the physician side, as a single outpatient or inpatient encounter can be associated with three to five different invoices. As such, volumes jump substantially as hospital facilities incorporate physician billing. However, a single billing and revenue cycle management solution supports revenue cycle teams in managing larger billing volumes. This type of technology allows for an exception-based workflow in which staff members are only alerted to tasks that require their attention, which helps avoid disruptions or tie-ups during the billing process.

Healthcare mergers and acquisitions are another ongoing trend revenue cycle leaders must consider when looking to strengthen their organization's financial performance. In the first quarter of 2018, 30 hospital and health system mergers and acquisitions transactions were announced, which marks an 11-plus percent increase from a year prior, according to an analysis by Kaufman Hall. For financial leaders, an expanded health system footprint often means a more complicated revenue cycle and more issues with compliance. However, a CBO can better facilitate regulatory compliance, since it's easier to manage compliance issues in one place rather than through separate facilities. Integrated financial operations also help health systems grow their footprint with limited or no increase in labor costs as billing volumes rise.

Conclusion

Healthcare organizations must strengthen financial processes to achieve improved revenue cycle visibility and adaptability amid industry pressures and pending value-based care initiatives. By integrating hospital and professional billing practices into a single centralized revenue cycle management solution, health systems can improve financial performance and reduce the cost to collect while also improving the patient financial experience. "Technology is an important element moving forward to supplement the continually changing horizon of healthcare reimbursement," Ms. Magee said. Ultimately, healthcare providers that invest the necessary human, financial and technological resources to proactively execute these changes will best position themselves for success through future payment models.