

CONTROLLING REVENUE LEAKAGE

Four Mistakes to Avoid

By Johnny Pezzuto

Senior Director, Revenue Integrity at R1 RCM

Healthcare organizations lose one to three percent of revenue to leakage annually, an estimate many consider conservative based on the resources dedicated to identifying and recouping lost cash. This means that even at one percent, a \$500 million health system could lose as much as \$5 million in revenue every year.

Left unchecked, small losses can, over time, impact healthcare providers' financial performance substantially. What providers capture not only drives current revenue, it dictates target prices for future reimbursement. Ignoring small leaks can cost millions now, jeopardize an organization's future viability and potentially subject it to expensive audits and clawbacks.

Most chief financial officers know their organizations collect less than what they're owed, but they often can't identify the source or extent of revenue leakage. While there are many proven strategies available to help address the problem, there are also a few common missteps that can derail a revenue integrity program. Here are four mistakes to avoid.

CONTENTS

- 1 [Four Mistakes to Avoid](#)
- 2 [The Benefits of Controlling Revenue Leakage](#)

MISTAKE #1

Limiting Revenue Recovery to Denials and Underpayments

Five to 10 percent of claims are denied, on average,¹ and insurers routinely underpay providers an average of seven to 11 percent.² Clearly, managing these issues is paramount and should be a major part of any revenue leakage mitigation strategy. What many providers don't realize, however, is that they could have an even bigger problem.

Incorrect and/or incomplete coding/charging can result in losing up to 3 percent of net revenue, an amount that can surpass denied and underpaid claims.

5-10%
of Claims are Denied

7-11%
Insurers that Underpay Providers

UP TO
3%
Net Revenue Loss

A comprehensive revenue integrity program designed to maximize reimbursement should include a focus on denials, underpayments and accurate coding and charging. Losses from each area are recoverable.

MISTAKE #2

Managing Payer Contracts in Isolation

Contract management tools are essential to keeping up with complex, constantly-changing payer rules and requirements. They cannot, however, deliver their full value if they operate in isolation.

By integrating contract management and revenue integrity solutions, providers gain visibility into actual reimbursement potential and can prioritize work queues based on net revenue impact.

This improves compliance with payer agreements, makes it easier to catch errors early and ensures providers receive the reimbursements owed.

MISTAKE #3

Depending Too Much on One Leakage Identification Source

It is nearly impossible to identify revenue leakage manually, given the multitude of data anomalies and exceptions that could indicate missing or incorrect charges and codes. Only technology solutions can synthesize multiple data sources, quickly access all payer contract structures and rules and perform the analysis in a timely manner.

Providers who rely only on billing scrubbers and coding tools may miss important sources of revenue leakage. This is because these solutions are not typically tailored to provider-specific managed care contract payment terms or provider specific charging practices. In fact, claims can appear to be clean even when they are missing charges, which can reduce reimbursement below what is owed. A more comprehensive revenue integrity solution touching every part of the revenue cycle can help close these costly gaps.

MISTAKE #4

Not Investing in a Long-term Solution

Technology has moved revenue integrity solutions light years ahead and delivered untold millions in dollars, time savings and productivity. While many solutions are effective, some have hidden shortcomings, producing high false positives and low acceptance rates.

Because they can't pull in specific payer contract data, providers spend unproductive time chasing and verifying small revenue opportunities.

The best revenue integrity solutions give providers control of revenue leakage over the long term. To ensure a sound investment, providers should ask solutions partners about their average false positive rates, if they integrate facility-specific payer contract information rather than applying generic estimates and whether they measure cash collected or just leakage identified. It is also important to confirm that revenue integrity solutions are integrated versus running on different platforms, and that they are comprehensive and include charge capture, diagnosis related group (DRG) shifts, charge master management, strategic pricing and other key functions.

The Benefits of Controlling Revenue Leakage

Revenue leakage is a moving target whose sources are constantly changing and often hidden. Despite these challenges, healthcare providers cannot afford to turn a blind eye.

Forward-thinking organizations that proactively tackle revenue leakage are seeing significant results, including a 1.5% improvement in net patient revenue.³

The keys to success are adopting a holistic revenue integrity approach, monitoring progress and continually refining strategies to yield long-term financial results and operating efficiencies.

R1's Revenue Integrity Solutions

R1 Revenue Integrity Solutions leverage advanced technology and analytics, a proprietary rules engine and extensive project management and healthcare expertise to help providers gain accurate reimbursement for the care provided. Building solid and compliant foundations for pricing, coding and charging while monitoring reimbursements for accuracy is at the core of any revenue integrity initiative. R1 Revenue Integrity Solutions include:

- **Chargemaster Optimization**
- **Charge Capture**
- **Contract Management and Modeling**
- **HIM Coding Reviews**
- **Transfer DRG Reviews**
- **Payment Variance Analysis**
- **Strategic Pricing and Modeling**

SOURCES:

1. LaPointe, Jacqueline. Top 4 Claims Denial Management Challenges Impacting Revenue, RevCycleIntelligence, March 10, 2017
2. Rivet Health. Is Underpayment Robbing Your Practice of 7-11%?
3. R1 RCM Results



ABOUT R1 RCM

R1 RCM is a leading provider of technology-enabled RCM services which transform and solve revenue cycle performance challenges across hospitals, health systems and group physician practices. R1's proven and scalable operating models seamlessly complement a healthcare organization's infrastructure, quickly driving sustainable improvements to net patient revenue and cash flows while reducing operating costs and enhancing the patient experience.

Learn more at r1rcm.com or contact us contact@r1rcm.com.