

## Revenue cycle integration Creating sustainable value and enhancing market position

### What's at stake?

As the health care environment continues to evolve, complex challenges are increasingly pressuring provider organizations to break from the status quo. Changes in government regulations, competitive balance, and market trends are demanding that provider organizations evolve in order to be successful. Health systems must therefore evaluate not only how to compete in external markets, but also how to maximize efficiency and effectiveness of their internal infrastructure and operations.

One of the more significant areas of opportunity for many organizations lies in increasing the integration of their revenue cycle organization(s) – acute, ambulatory, and post-acute. Effective integration strategies enable providers to increase

efficiency, reduce costs, increase collections, and improve net operating margins.

In light of the growing myriad of pressures taking shape in the health care arena, achieving these financial improvements will play a critical role in enhancing and sustaining market position. However, in order to understand how this solution supports provider evolution, it is important to first understand the impacts of the key pressures in the industry so that providers can define the most effective revenue cycle integration strategy for their organization.

#### Market pressures:

- **Regulatory and technology** – Regulations in terms of meaningful use, reimbursement, transparency, and others continue to pressure providers to maintain compliance as well as invest in technology enabling long term success, though many face up-front investments at the same time as reduced reimbursement rates.
- **New care delivery models** – Accountable Care Organizations and other delivery models are accelerating as the Department of Health and Human Services (HHS)

declared a goal to have 30% of Medicare payments in alternative payment models - such as bundled payments - by the end of 2016 and 50% by the end of 2018<sup>1</sup>.

This increases the need for integration among hospitals, physicians, and patients to effectively manage patient care and financial exposure among all parties.

- **Competition and convergence** – Vertical and horizontal consolidation for the five year period from 2009 through 2013 showed 14% increase in hospital deal volume<sup>2</sup> setting the stage for what will likely be a continued period of rapid consolidation among health care providers, particularly as providers seek to build scale, add capabilities, and cut costs.
- **Consumerism** – Enhancing the customer experience begins with revenue cycle during scheduling and ends with revenue cycle during account resolution and collections. As such, the revenue cycle will become an increasingly key differentiator, and providing the seamless offerings of an integrated revenue cycle will be key to appealing to the demands of modern health care consumers.



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Although there are unique aspects to each of these pressures, perhaps the most common shared theme is that they are all driving providers to improve efficiency and maximize the measurable value of the care they provide. Provider organizations must therefore seek out comprehensive solutions that will improve both cost and quality. With this realization in mind, the case for integration is clear, because increasing revenue cycle integration can enable providers to reduce costs, improve the ability to measure outcomes, and ultimately increase the quality of care and customer service they provide.

## Our take

"Revenue cycle integration" refers to the degree of alignment of leadership, operational teams, and business support systems across the various business units that support the continuum of care. However, it should be noted that this is a relative concept, and the appropriate form of revenue cycle integration varies from one provider organization to the next depending on a variety of factors. Organizations with little to no integration typically function in a fragmented fashion, with independent operational silos and supporting IT systems. More integrated provider organizations utilize consolidated governance structures, centralized business units focused on specialized functions, standardized processes, and a uniform technology platform.

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**Leadership alignment, operating model design, and technology standardization are all key factors for integration**

Leadership alignment, organizational structure, and technology standardization are all key factors in the integration equation, and as such, there are a variety of ways in which organizations can increase the integration of their revenue cycle. In order to better understand the various integration levers and their associated impacts, it helps to organize integration opportunities into several domains – customer engagement, talent operating model, process innovation, technology enablers, and measurement and analytics.

### **Customer engagement**

The revenue cycle function has perhaps the greatest number of interactions with a patient – more than any other function in a health care organization. From the first time a patient calls to schedule an appointment to the time the patient's last bill is paid, revenue cycle operations have a profound impact on patient experience and, therefore, customer engagement. Many organizations have recognized the need to address problematic revenue cycle processes in the acute care setting that lead to delays in payment, confusing bills, and dissatisfied patients. Other organizations are recognizing revenue cycle integration is a competitive advantage that distinguishes the organization in its market; here, all patient-facing functions are integrated and have the same look and feel across all care sites, so the same patient will have the same experience no matter the setting.

### **Talent operating model**

Providers should seek to maximize integration by utilizing a consolidated leadership structure and centralized shared service departments for key areas of revenue cycle operations across the organization. Establishing enterprise-wide revenue cycle leadership sets the foundation for integration and enables the creation of key centralized business units for Patient Access, Health Information Management, Patient Financial Services, and

Customer Service. Organizing in this fashion enables staff to specialize in critical end-to-end revenue cycle functions while supporting patients across the various service lines that comprise the continuum of care.

### **Process innovation**

The creation of shared service departments enables the standardization of leading practice processes for key revenue cycle functions. As a result, efficiency is increased through enhanced specialization and the reduction of handoffs and miscommunications. In addition to improving productivity and reducing costs, this also creates a more transparent and consistent experience for patients as they are scheduled, financially cleared, charged, and billed for services.

### **Technology enablers**

Provider organizations will need to support the centralized service offerings of an integrated revenue cycle with standardized technology platforms that enable comprehensive data management and reporting of cross-disciplinary quality metrics for value based compensation models. Use of these unified technology platforms across care-delivery service lines will allow data to be tracked across the enterprise, which enables better patient and population health management. Additionally, these technologies will also drive accountability for quality and standardized patient communications, thus providing the transparency required to meet the evolving demands of health care consumers.

### **Measurement and analytics**

Implementing strategically balanced improvements across these domains can improve revenue cycle integration and yield improvements in both service quality and financial performance. With the integration levers and associated benefits in mind, it becomes clear that an integrated revenue cycle operating model

can act as the lynchpin that helps organizations manage the ongoing transformation of the U.S. health care landscape. In order to respond to the various pressures that exist in this new environment, provider organizations cannot afford to maintain the revenue cycle status quo and continue operating in the traditional silos of acute, ambulatory, and post-acute operations. As costs continue to rise and traditional reimbursement declines, the price of doing nothing becomes risking extinction as providers fail to cover costs, operate inefficiently, and are unable to effectively manage new forms of reimbursement. Thus, it is critical for every provider organization to adopt an integration strategy, and the main question that remains is "how do we design and implement a revenue cycle integration strategy that will be right for our organization today and tomorrow?"

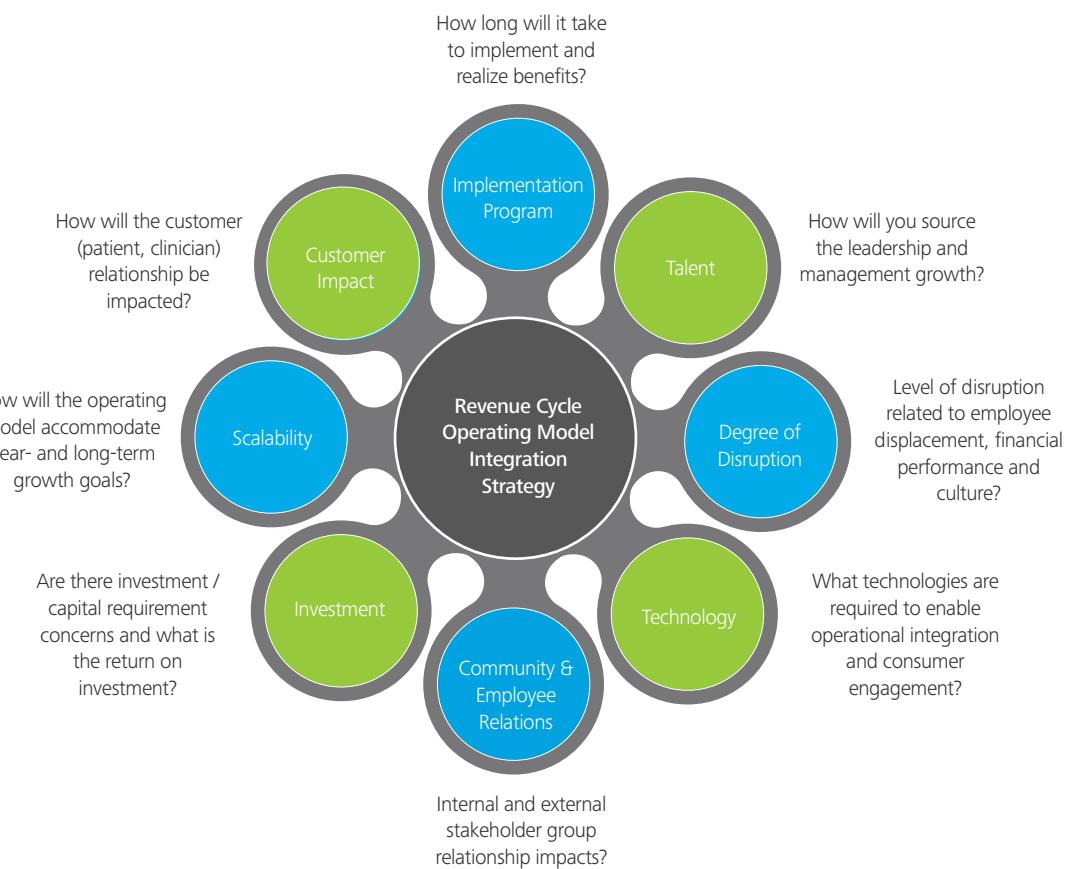
#### Case Study

A large academic medical center with over 1,400 employed physicians identified that a lack of standardization and consistency across its revenue cycle operations was leading to decreased patient satisfaction, limited managerial and strategic flexibility, and increased costs. A thorough qualitative and quantitative analysis identified an opportunity to increase integration between its physician and hospital revenue cycle and move toward a single, integrated revenue cycle management structure supporting the medical center overall. Benefits of this integration included:

- improved operational and financial performance through standardized operations
- greater transparency and accountability through common performance reporting
- decreased costs related to human resources and purchased services (vendors)

In addition to these internal benefits, patient experiences were improved through redesigned and simplified statements and payment options, optimized customer touchpoints, and more effective up-front management of financial obligations.

**Figure 1. Considerations for Revenue Cycle Operating Model Integration Strategy**



# The path forward

Integration is a complex decision with various integrated revenue cycle models that span the spectrum from fragmented to fully integrated. The degree of revenue cycle integration should be determined by both organizational and competitive factors, such as your organization's tolerance for disruption, and whether or not your competitors are driving patient demand for a seamless inpatient, outpatient, and overall customer experience.

Most provider operating models will fall within a spectrum of the following three models:

- **Distinct Organizations:** separate and distinct operating and technical solutions for acute, ambulatory, and post-acute revenue cycle activities
- **Structural Integration:** senior leader oversight for acute, ambulatory, and post-acute operations; functional distinctions still exist
- **Operational Integration:** enterprise governance of revenue cycle services; integrated operational teams across acute, ambulatory, and post-acute

As an organization progresses through the degrees of integration, management efficiencies and agility to respond to market or competitive pressures increases. Although these efficiency gains provide clear benefits, it should be noted that increasing the integration of a traditionally silo-ed organization can require a significant investment in time, resources, and cultural capital. Understanding the long term goals of the organization and the current operational and technical capabilities is a critical first step in undertaking a revenue cycle operating model transformation.

Five key steps should be considered when embarking on an operating model transformation:

## Step 1: Define organizational goals and aspirations for revenue cycle integration

Determining the degree of integration starts at the top: what do your organization's leaders hope to achieve with a transformation? It also requires an honest assessment of the organization's tolerance and readiness for change. Without clear alignment on where the organization is and needs to be, road bumps are likely to appear that delay or prevent implementation of an enterprise revenue cycle model.

## Step 2: Establish criteria to evaluate revenue cycle function "fit" for operational integration

An initial inventory of established criteria to evaluate your organization's enterprise revenue cycle functions for operational integration could include:

- Patient Experience Impact
- Cost Optimization Impact
- Revenue Enhancement Impact
- Suitability for Operational Integration

Each of the enterprise revenue cycle functions should be evaluated against established criteria to determine overall 'fit' for operational integration.

## Step 3: Assess internal and external considerations in relation to such criteria

In addition to alignment with your organization's strategic vision and goals, there are numerous factors that providers should consider when defining a revenue cycle integration strategy (Figure 1). These considerations will further define the appropriate path to action and also help identify what additional resource requirements may be necessary to achieve the vision

## Step 4: Prioritize revenue cycle functions for integration

Once there is a strong picture of which functions would make a good operational fit for integration and what the required investments may be to achieve it, informed decisions can be made about the prioritization for revenue cycle functions to be integrated.

This prioritization should be established using defined criteria, which may or may not include some of the same considerations evaluated in Step 3. Availability of resources, capital budget requirements, and patient experience impact should all be considered in this step.

## Step 5: Embark on your journey

Achieving enterprise revenue cycle integration is not something that happens overnight; it is a journey that requires alignment and agreement at all levels of your organization. Once an organization has defined an operating model strategy several integration programs should be established that will facilitate the change process (Figure 2).

**Figure 2. Key Implementation Programs to Facilitate the Change Process**

Revenue Cycle Integration Council	Physician Champions & Operational Leaders	Performance Management
A Revenue Cycle Integration Council drives change & maintains alignment with the company's vision and related enterprise initiatives	Physician champions and revenue cycle operational leaders own the integration design, implementation of the resulting operating model, and ongoing operational and financial performance	Well defined operational and financial performance expectations and metrics are crucial to measuring and monitoring effectiveness of the integration
Customer Experience Advisors	Enterprise Infrastructure Support	Communication & Education
Establishing and engaging Customer Advisor Teams, separate for internal and external customers, provides an opportunity to capture the voice of the customer and solicit input related to experiences and revenue cycle service levels	Integration is enabled by ongoing collaboration with enabling corporate infrastructure departments, including human resources, real estate, technology, etc.	Frequent and multi-channel communication paired with employee training and customer education is essential to a successful implementation and operational environment

## The bottom line

Finding ways to add value, eliminate operational silos, gain efficiencies, and drive down costs are critical as health care organizations strive to find ways to combat market pressures, changing regulatory environments, and increase patient engagement in their care. As outlined in this paper, integrating acute, professional and post-acute revenue cycle operations can provide numerous benefits and can aid in value realization, strategically positioning health care providers for the future.

While the integration process can be daunting, a focus on cross functional engagement, integration planning, and project management mitigates the risk associated with a large scale organizational integration. The steps recommended in this paper serve as a high-level blueprint to guide organizations through both the visioning and alignment process.

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### References

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<sup>2</sup> Irving Levin Associates, Inc., The Hospital Acquisition Report 2014

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