REVENUE CYCLE TRANSFORMATION

BACKGROUND
The client is a private, not-for-profit hospital system located in northern New Jersey that operates more than 400 beds in two counties and has more than 14,000 annual admissions.

When its chief executive officer joined the system in 2008, the executive team identified the need to improve accounting and revenue cycle performance. Audits found poor internal controls in finance which caused departmental operating deficiencies and weaknesses. Included in the leadership’s plan of action was a comprehensive revenue cycle assessment performed by FTI Consulting in 2011.

In early 2012, FTI Consulting presented findings that confirmed the revenue cycle opportunities and exactly where to attain them. Of particular note was a significant opportunity to reduce bad debt expense. The CEO authorized the engagement of FTI consultants to design and construct optimal revenue cycle processes, controls and workflows as part of an ongoing larger performance improvement plan within the organization.

APPROACH
FTI Consulting designed and initiated the implementation of a Revenue Cycle Process Improvement Plan which included a multi-faceted approach addressing opportunities for improvement in people, including organization of the business office, staffing, training, and incentives; process, including policies, procedures, and vendors; and the technology that supports the revenue cycle.

People
FTI Consulting assisted the health system in implementing a number of changes in how its staff supports and improves performance. Among the initial actions were implementing training programs in both patient access and patient financial services (PFS). The patient access training program was instrumental in front-end quality assurance, while the comprehensive PFS program supported performance of the business office staff.

FTI Consulting also assisted with reorganizing the business office, including the alignment of individuals’ roles and responsibilities with their strengths. The business office staff incentive plan was redefined to encourage improved performance. FTI Consulting experts engaged AR specialists who focused specifically on government and non-government billing and follow-up. Regularly scheduled staff meetings have been conducted to share information and address concerns as soon as they are known.

Process
FTI Consulting was involved with developing a comprehensive accounts receivable strategy and initiating improvements in business office quality reviews and productivity efforts, updating workflow, policies and procedures, implementing a Revenue Cycle Committee to oversee and coordinate activities impacting the revenue cycle and enhanced the Denials Committee structure to improve its effectiveness in reducing denial rates.

Tactically, FTI Consulting developed cash targets by payor, identified strategy to improve the billing clean claim rate, implemented a point-of-service collection policy with point-of-service collection targets and established discharged not final billed (DNFB) goals. The project also evaluated the many revenue cycle vendors for optimal relationships, resulting in changes to the charity/Medicaid-eligibility/self-pay vendor, addition of a low-dollar vendor and outsourced ambulance billing.

“Dedicated key stakeholders working closely with FTI consultants produced material net revenue results and a favorable return on investment. This revenue cycle operation is the best I have ever experienced.”

— New Jersey Hospital System CEO
REVENUE CYCLE TRANSFORMATION

Technology
FTI Consulting implemented a new bill editor in the business office, an integrated advanced beneficiary notification checker and developed a comprehensive revenue cycle dashboard to monitor revenue cycle performance.

RESULTS
FTI Consulting was able to enhance the client’s revenue cycle organization in realizing significant financial benefits, including increasing its net realizable rate of accounts receivable by 3.24 percent. Additional FTI Consulting driven client benefits included:

- Net patient cash collections increased from $1,740 per total adjusted days to $2,049 and bad debt expense, net of recoveries, decreased by over 30 percent.
- Net revenue as a percent of gross revenue improved from 19.90 percent to 23.15 percent; this performance improved cash collection over net revenue by a combined $67 million (adjusted for ACA Medicaid improvement).
- First pass denials declined by nearly one third and net days in accounts receivable fell by six days.
- Total adjusted days to net patient services revenue yield increased by 7.1 percent and more than $8 million in “old cash” (aged prior to project start) was collected.
- DNFB was reduced by 37 percent and credit balances declined by more than 60 percent.

CONCLUSION
The CEO concluded that the combination of dedicated key stakeholders and department heads working closely with FTI consultants over a sustained period produced very material, positive net revenue results. The client confirmed a favorable return on investment for this significant effort and the CEO announced that the revenue cycle operation is the best he has ever experienced. Acknowledging its relationship with FTI and the exceptional revenue cycle strategy now in place, the organization has positioned itself well to continue achieving ongoing financial benefits.

About FTI Consulting
FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

www.fticonsulting.com