Gaining Control of Your Revenue Cycle
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In January 2003, the Healthcare Financial Management Association (HFMA) published an article entitled "Revenue Cycle Examined" written by current CEO and President of HFMA, Richard L Clarke. In the article, Clarke reviewed the recent initiatives supported by the HFMA's Patient Financial Services Task Force, including their recommendation to re-define the revenue cycle. They emphasized "achieving the mission of the organization through continuous improvement, and anticipating trends in revenue cycle management."

In an industry where healthcare reform and changes to pricing practices are as familiar as the common cold, healthcare leaders must focus on ways to increase their financial and operational performance and are looking for solutions and best practices to guide them through the changing environment.

In order for healthcare organizations to focus on continuous improvement, they must first learn to create a shared culture and vision for success. This shared culture can be achieved by using the following guiding Tenets:

Tenet #1: Determine WHAT is going to be measured
Healthcare leaders should expand their currently reported metrics to include those beyond the traditional Cash and Accounts Receivable measures. Certainly these two measures are important in their own right, but they are probably not enough to help business leaders understand the complete health of their revenue cycle performance. Revenue cycle metrics should be expanded to include leading indicators of financial performance including those that will help to predict future performance and foreshadow downstream effects of current business practices. In addition to Cash and A/R, Average Daily Revenue, Percent Accounts Receivable > 90 days, and Total Charges Billed are just three of the many key metrics that should be used and trended to predict future performance.

Tenet #2: Determine HOW to measure key metrics
In addition to determining what to measure, it is extremely essential that the business leaders discuss and agree on how to measure key metrics. While it sounds simple, it is imperative that business leaders from all parts of the organization are in the same room and agree upon formal definitions for the company's key metrics. Even an exercise as simple as writing the formula's down on paper for all to see will ensure that there are no misunderstandings in how key metrics are being calculated. This will also ensure that everyone shares the knowledge of what factors drive each metric.

Tenet #3: Formulate a strategy to share the data and ensure it's visibility throughout the organization
By developing a strategy for review of performance metrics as well as a communication strategy, everyone in the organization will have the exposure and ability to focus on consistent objectives. The strategy should consist of how and when the operational leaders will meet to review key metrics along with a detailed plan of which metrics will be reviewed. By committing this to paper and action, the organization will share the

knowledge of what metrics are important to achieving operational goals as well as share a commitment to review and discuss metrics that may fall short of the performance standards. Using a Business Performance Management (BPM) system will aid organizations in delivering a complete set of job specific metrics to office personnel. In the end, planning for and taking action to review metrics will assure the organization's commitment to a unified strategy and common vision.

Tenet #4: Create a culture of continuous improvement through use of data and asking "why"

Now that your organization has access to performance metrics including agreement on what to measure and how to measure it, it is imperative that the organization develop a culture of relying on the data to continuously ask "why" the performance is the way it is. In times of performance decline, asking "why" will allow the leaders to uncover root causes that may have contributed to a declining metrics. In addition, leaders will be able to make rational, educated decisions based on the picture painted by the metric. In the past, leaders have relied on their gut to make decisions and, as a result, depended on chance to improve the performance. By using data, leaders are sure to implement performance solutions that will address performance concerns. Furthermore, by using data to support business decisions, strategy and targeted focus will supersede chance.

Tenet #5: Continuous Improvement / Analyzing Trends

To help support the vision and shared culture, healthcare leaders are looking to Operational Dashboards and Scorecards to assist with the story telling and collaboration among members of the organization.

These "dashboards":

- Synthesize and assemble key indicators that help to tell the "story" of the organization's financial performance
- Emphasize organizational performance against internal and external targets / goals
- Trend data over time to allow leaders to make business decisions based on historical performance and not react to one time changes in performance
- Paint a picture that allows business leaders to strategically plan their future direction based on past performance
- Organize data into one view so that historical and current performance are kept together thereby allowing effective comparisons to be made between current and historical performance
- Illustrate relationships between key indicators by showing dependency and the interrelationship among performance indicators
- Promotes uniformity in reporting thereby encouraging goal congruence and improved morale
- Allows management teams to abide by the common principle that most of your time should be spent **<u>analyzing</u>** the data rather than compiling the detail from various sources of information.

Tenet #6: Benchmarking
Benchmarking allows the organization to assess how well they are doing compared to internal peer groups or external competitors. Once an internal baseline is established and performance is measured on a consistent basis, operational leaders can use benchmarks to continuously understand their performance in relation to their peer groups as well as against changes in industry or market. It is important to note, that competitors do not always have to be those in the same industry but could be offering similar services in a different field. The important thing, in this case, is that the organization is using external groups to challenge the status quo and take their current performance to the next achievable level.

Reference:
David Hammer. "Performance is Reality. How is Your Revenue Cycle Holding Up?" HFM Magazine. July 2005.

Tracey Lewis is currently a Black Belt with the Performance Excellence Department of New York Presbyterian Hospital in New York City. Her past experiences include working as a consultant for the Healthcare practices of both Arthur Andersen Business Consulting and Cap Gemini Ernst and Young. During this time, Tracey was engaged to assist clients with their Revenue Cycle Re-designs including implementing benchmarks and best practice process flows to optimize both efficiency and revenue. Following her consulting experiences, Tracey was a Manager of Analytics and then the Director of Productivity and Quality for Tenet HealthSystem, Dallas TX.