CHANGE HEALTHCARE

Sarah Boyd Simonson
Director of Client
Management, Laboratory
Revenue Cycle Management
Change Healthcare

*Sarah is responsible for
outsourced billing for
more than 30 independent
and hospital-based
outreach labs nationwide.
She has a Master's in
Health Administration
from the Medical College
of South Carolina.*

How Business Intelligence Delivers Financial Insight to Outreach Labs

BI can improve operational performance and compliance, and helps analyze metrics against business objectives

Hospital-based 'outreach' laboratories are under increasing financial pressure due to escalating costs, falling reimbursements, and growing competition. As a result, there's little margin for error when it comes to financial management.

Enter business intelligence (BI) tools, which can help analyze the past, interpret the present, and forecast the future, including identifying and addressing vulnerabilities before profitability is affected.

BI can help you attain—and maintain—billing, collections, test profitability, and client compliance at optimal levels. The software enables timely reporting, analysis, and presentation of multiple fiscal metrics, providing information that's critical in today's healthcare environment.

BI software gives you the flexibility to analyze and compare metrics in three key areas:

- **Operational Performance**. Using BI, an outreach lab can better assess and improve operational performance. That's key to profitability and overall strategic management.

- **Business Objectives**. Improved access to key financial indicators enables you to assess performance against pre-defined goals as well as against peers. This helps foster more effective long-term planning and better adherence to incremental and strategic business objectives.

- **Regulatory Compliance**. BI can help ensure regulatory compliance by identifying patterns that could help detect medical-necessity violations. That's important both from a financial management standpoint and from the perspective of reducing the risk of regulatory penalties.

Informed Decision-Making

In simplest terms, BI enables you to tap into many databases and deliver easy-to-comprehend insights to your billing staff, account-management team, and customers. You can create detailed, customized reports on revenue, collections, claim denials, cash flow, and testing/client profitability. And with easy-to-use, Web-based interfaces that use dashboards and scorecards, you can focus on key financial metrics such as accounts receivable (A/R), days sales outstanding (DSO), gross charges and collections, and revenue per test or provider.

Flexible electronic reports derived from BI systems provide a major advantage over paper-based monthly or quarterly spreadsheet-driven reports. The latter are both less timely, and can be time-consuming and resource-intensive to produce. In addition, spreadsheet reports frequently are difficult to interpret and have a higher risk of human error. Conversely, when you can track key financial metrics on a daily basis, you can help ensure business trends are stable or improving. Just as vital signs provide critical insight into a patient's health, revenue-management metrics play a similar role when it comes to monitoring the financial condition of your laboratory.

User-Defined Analytics and Metrics

You can use the analytical capabilities within business intelligence systems to help make your forecasting more effective. For example, you might want to more easily compare different measurements, such as income and margins, against planned benchmarks. You may uncover, for instance, unnecessary or underutilized services or underperforming clients. Or you might use BI to analyze and investigate patterns of insurance claim denials in order to resolve potentially damaging front-end errors that could negatively affect cash flow. The point is: BI can help identify specific problems—enabling you to make important business decisions faster.

Flexibility

Flexibility is one of the key benefits of advanced business intelligence. Most BI applications include a core set of metrics, but there are no right or wrong components to use. Some outreach labs, for example, may want to emphasize the timing of cash for charges by date-of-service, while others may want to monitor daily activity against established targets.

You can define the metrics you want captured, and you can determine which of these metrics you want to compare with other measurements. BI allows you to choose selected metrics that accurately reflect the key variables upon which your unique financial health depends. Put another way, each metric should answer a fundamental question that's important to your business.

Commonly used outreach-lab metrics collectively provide a detailed snapshot of your business operations. By monitoring these measurements on a regular basis, you can gain insight into the financial and operational mechanics of your business. Some of the more frequently used metrics include:

- Charges
- Average net receipts
- Gross collections, expressed as a percentage
- Net collections, expressed as a percentage
- Days sales outstanding (DSO)
- Claim denial rates
- Number of days in accounts receivable (A/R)
- The proportion of A/R greater than 90 or 120 days
- Charge lags
- Credit balance
- Bad debt, expressed as a percentage
- Net revenue, per encounter
- Number of procedures, per encounter

As your managers become more familiar with each metric, they may gain new perspectives about the business side of your lab while gaining a better understanding of how the metrics relate to one another. Moreover, because BI is customizable, your teams can track not only their own financial performance, but also the performance of your billing office or vendor.

Here's an example of how BI can help quickly isolate a potentially expensive problem: You discover an upward trend in the volume of claim denials

through automatically generated reports. BI flags the issue, then enables you to look deeper and take the necessary steps to address it. For instance, the increase in denials may relate to timely claim-filing limits recently imposed by one or more payers. Or alternatively, your billing staff may not be following prescribed follow-up procedures.

BI also can help you uncover issues or challenges that might otherwise have gone unnoticed. For example, analyses might show that changes in your payer mix is negatively impacting your bottom line.

BI can help you attain—and maintain—billing, collections, test profitability, and client compliance at optimal levels.

Business Intelligence and Improved Compliance

Regulatory compliance is supported through embedded compliance logic, monitoring, and reporting. Advanced BI applications maintain up-to-date compliance rules and provide audit logs and functionality to ensure timely and accurate documentation of payment claims, physician acknowledgement letters, annual disclosures, ABNs, indigent patient forms, etc. Because the penalties for federal and state non-compliance have never been higher, and enforcement activities never more aggressive, any steps that can reduce exposure are vital for both the lab and the hospital.

Analyzing Benchmarks and Assessing Productivity

Robust BI also helps you measure and compare specific lab metrics against both internal and external benchmarks. Tracking your own progress enables you to improve current operations, while benchmarking your performance against similar labs can help you ascertain strengths and vulnerabilities—crucial insights needed for developing long-term strategic plans.

Tracking productivity is particularly important when labs must work harder to generate even modest increases in income. For most laboratories, the primary way to increase productivity and ultimately revenue is to understand how to optimize tests using excess time and instrument capacity.

Traditionally, most labs track productivity, profitability, and front-end compliance monthly. Often, they do so manually or by piecing together data mined from multiple systems, databases, and spreadsheets. Advanced BI, on the other hand, can produce automatically generated reports on a daily, weekly, or monthly basis to track productivity by physician, test, sales representative, or client. You can more efficiently and strategically manage your operations using relevant, comprehensive, actionable data.

Transforming Information into Knowledge

Business information today is more accessible and actionable than ever before, given the availability of Web-based business intelligence tools. Outreach labs can access information that previously might have been hidden, and that information now can be updated daily and presented graphically.

This kind of transparency and collaboration delivers unprecedented knowledge and insight for your laboratory administrators. The result is a more sophisticated understanding of your business, a better grasp of long-term trends, and quicker identification of problems. The result for many outreach labs: more agile and timely responses to critical market and business challenges.

changehealthcare.com