Value-based reimbursement leads providers to externalize revenue cycle management.

As value-based reimbursement becomes the norm, consumers demand better-quality care. As federal agencies put new regulations in place, provider executives are feeling the impact. And perhaps no leader feels the effects of these changes more so than the chief financial officer.

Significant pressure is on CFOs to find new ways to manage their organizations’ revenue cycles. As the C-suite sees that reimbursement will be affected by quality as well as cost, strategic investments in clinical excellence often compete for funding against improved financial and administrative operations.

Adapting revenue cycle management (RCM) to the developing economics of value-based care isn’t an easy proposition. But one thing is clear: Providers need to focus on their core competencies in the new world of value, and collecting revenue isn’t likely to be on the top of that competency list. As CFOs and other financial leaders consider strategic alternatives to the status quo, we recommend they consider externalizing revenue cycle operations so they can keep their focus on delivering high-quality patient care.

In this Roadmap to Partnership article, we’ll discuss the steps a finance executive can take to determine whether externalizing RCM functions to a partner is the right way to modernize their revenue cycle — from accessing RCM operations and payer contracts to change management, transitioning and measuring results.

### Assessing revenue cycle operations

Fee-for-service reimbursement is pretty cut-and-dried for revenue cycle managers. Profits revolve around billing, collecting from insurers and resolving patient claims on an individual basis. That’s not the case under fee-for-value models, where insurers capitate reimbursement for certain populations — a scenario that has RCM leaders scrambling for ways to handle changes in revenue, compliance and resource allocation.

**STEP 1: Assess your current revenue cycle.**

To truly understand the current state of your revenue cycle, CFOs and other leaders should measure staff productivity, efficiency of processes and the level of automation. Careful study will help determine how RCM functions compare with the rest of the industry, and whether investment in an outside partnership will be more effective and affordable.

**STEP 2: Identify a goal or desired objective.**

If the decision is made to engage an external RCM partner, health system executives need to determine what they want to accomplish by doing so. Is the move about strengthening capabilities in value-based care? Can the organization put funds required for new RCM technologies toward clinical functions if a partner takes control of revenue cycle responsibilities? Will it improve compliance?
**STEP 3: Evaluate and quantify partnership opportunities.**

With clear goals in mind, the next step is to dig into the numbers behind keeping revenue cycle functions in-house or contracting with an outside partner. Managing RCM internally requires continued investment in new technologies. Such investments may take money away from clinical care. Leadership should determine whether RCM is a core competency or whether it draws attention away from the health system’s central mission of providing quality patient care.

**Keys to identifying the best revenue cycle partner for you**

After careful scrutiny of productivity, processes and technology costs, many CFOs see the value in partnering with an external company that can take over day-to-day revenue cycle operations. Such a partner is built for RCM and can likely do it better than most hospitals or health systems.

For CFOs, it may make more sense to spend resources on clinical care than trying to maintain revenue cycle expertise in the complexity and changing rules of the current and future reimbursement environment. They also know that revenue cycle mistakes are anything but inconsequential, so ensuring accuracy and consistency in billing and reimbursement is crucial.

The next three steps of our Roadmap to Partnership provide insight into engaging the right RCM service vendor and what to look for in a partner you can trust.

**STEP 4: Assess your alternatives.**

There’s no one-size-fits-all solution for revenue cycle partnerships. Health systems are literally putting their financial well-being in the hands of the RCM partner, so choosing the right one requires asking the right questions. How flexible is the potential partner in molding its services to the health system’s needs? How committed are they to constantly upgrading and improving RCM technologies? Are they clear about how they’re going to make money? Will they continuously analyze ways to make improvements using sound metrics? Can they help improve the patient experience?

**STEP 5: Develop a transformation plan.**

Once the right RCM partner is found, it’s time to develop a transformation plan that efficiently and effectively moves responsibilities out of house. Plan development, led by the external partner, identifies strategies to success, establishes clear priorities and determines what technologies and human resources are needed to meet goals. The provider should conduct due diligence of the potential partner’s plan and work with them to outline the term sheet upon which the final contract is based.

**STEP 6: Establish clear service agreements.**

Any good partnership is built on clear understanding of what is expected of both sides, when deliverables will be met and what metrics will be used to measure success. Providers should work closely with their RCM partner to establish a master services agreement (MSA) and various service level agreements (SLAs) that govern the relationship. CFOs should require agreement language that provides for availability, turnaround time, response time and standing meetings, as well as the metrics for which the solution partner will be incentivized.
Making the transition to a revenue cycle partner

Transitioning revenue cycle duties to an external partner is about more than processes, technology and service level agreements. At its core, such a change involves moving people who work for your organization to the partner’s physical location. That can cause great angst amongst employees, many of whom will fear losing their jobs.

Staff will wonder how they’ll fit into the partner’s culture and whether their paths to career growth will be blocked. Lower morale is a fact of most transitions, and employee concerns should be those of management as well.

That’s where change management comes in. Provider and solution partners should anticipate and prepare for every employee concern. A good revenue cycle management (RCM) partner will create better overall compensation packages to stimulate employee optimism about the change. And don’t forget about employees who don’t move. Many middle- and upper-level revenue cycle managers will continue as health system employees and, based on their responsibilities, will need updates on the success of the venture. Constant communication with executives is crucial, and you should plan for regular reports to directors and managers whose roles are dependent on the revenue cycle.

The next steps of our Roadmap to Partnership help define what change management is required and how provider and RCM partners can ensure a smooth transition for everyone.

**STEP 7: Establish and execute a governance structure.**

MSA and SLAs will provide the basis for governance between the two partnering organizations. Health system leadership and the new RCM partner should jointly develop a framework to guide how priorities will be set, how decisions will be made and how the two partnering organizations will work together to ensure results are delivered as expected.

**STEP 8: Develop the transition-management and change-management plan.**

Any plan you create should address both employees making the move to the RCM partner as well as non-impacted employees. Change management and communication planning helps all stakeholders — internal and external — prepare for the overall change and the inevitable dip in employee performance.

**STEP 9: Launch transition and transformation initiatives.**

Planning is complete. Agreements are signed. Transition and change management protocols are in place. Now is the time for communication initiatives to go into full swing. Meetings should be held with transitioned employees and with employees who remain with the health system. Employee newsletters and email lists can be utilized to their fullest extent to communicate the benefits employees will gain from the partnership. Issues management and community relations professionals should proactively reach out to stakeholders. It’s all about communication, both during the transition and well beyond. This is also the time for the external partner to upgrade and optimize tools and technologies.
Getting value out of revenue cycle management partnerships

A lot of work and time goes into creating a revenue cycle partnership. Regardless of how well implementation and transition went, the yardstick by which everything is measured is the impact to revenue and costs. Consistent reporting by your partner allows CFOs to better manage already narrow margins under value-based reimbursement. And if you can work together to demonstrate savings by externalizing RCM you can confidently devote more of your resources to your organization’s core capabilities.

These final steps of our Roadmap to Partnership drive home the importance of measuring how the RCM partner is managing processes and how well both sides can overcome obstacles to keep revenue management on an upward trend.

**STEP 10: Measure, monitor performance and results.**

After the transition to an RCM partner, CFOs need to monitor performance. The solution partner should keep track of previously agreed-upon metrics and report data based on previously agreed-upon timing and methods in the service agreements. Metric dashboards are valuable resources for health system leaders. The RCM partner should provide regular views into patient access, coding and documentation improvement, billing, compliance and collections — all based on the health system leaders’ need to know.

**STEP 11: Continuously work together to improve results and manage/remove obstacles.**

Health systems and RCM partners share in the benefits of a successful collaboration, and each should continually look to the other for improvements. Using performance, quality and training feedback loops, they can take steps to improve upon success metrics and see that the new normal is better than conditions prior to the transition. Expect surprises to pop up. As partners who share incentives, both sides should jointly manage and remove obstacles that get in the way of upward movement of the provider’s revenue cycle.

Embracing an external revenue cycle solution can be time- and resource-consuming, but the results can be well worth it. Letting a solution partner focus on making the investments in creating world-class revenue cycles means health system leaders can put their energies toward better patient care.