The Healthcare Tsunami: How to Fund Future Initiatives Through the Revenue Cycle

Written by Bob Herman | December 09, 2011

Tags: [Dr. Kevin Fickenscher](#) | [Global Care Delivery](#) | [healthcare reform](#) | [Mark Bodnar](#) | [revenue cycle](#) | [Rick Hogan](#)

For Kevin Fickenscher, MD, healthcare is very much like a tsunami. In the middle of the ocean, people won't feel the tsunami. As it gets close to shore, however, that's when people see the tsunami and its "waves of destruction."

"I use this as my metaphor for healthcare because the event is a disruption that is separated by time and distance from the actual tsunami wave," says Dr. Fickenscher, who is the president and founder of CREO Strategic Solutions. "We are situated [in healthcare] where a number of events that started a decade ago are creating tsunami waves now, and we are facing that tsunami wave."

Dr. Fickenscher, CEO and Founder of Global Care Delivery Mark Bodnar and President and Founder of Healthcare Success Organization Rick Hogan recently led a webinar titled, "Funding Accountable Care Initiatives, Innovation and Transformation: The Global Care Model for Revenue Cycle Management." The presenters indicated that healthcare is undoubtedly facing a gigantic wave of change — but there are ways hospitals can deal with it. The management and remediation of the revenue cycle, in particular, can directly help hospitals weather the storm.

National and global healthcare issues
Dr. Fickenscher said three of the biggest healthcare issues within the United States involve costs, quality and service. People expect they are going to receive low-cost and perfect care at a high quality, but that does not always occur, especially since high-quality care is normally associated with high costs. "Twenty percent of our entire GDP is now consumed by healthcare," Dr. Fickenscher said. "That's a huge chunk of change, and that needs to be addressed. As we put more dollars into healthcare, [fewer] dollars go elsewhere." He added that the answer to the cost problem is in the field, but the incentives within the healthcare industry are often "disparate, inconsistent and dysfunctional."

Globally, there are five main forces coming down on U.S. healthcare.

1. Shifting world economic power. After World War II, Dr. Fickenscher says the United States was the main economic power and could therefore absorb some of the increasing costs within healthcare. However, the U.S.'s global growth rate is flattening out, and as a result, it cannot absorb the same pressures.

2. Fiscal pressure on governments. From Greece to Wisconsin, all forms of government are being tasked to trim budgets and live more within means, and healthcare is starting to bear large chunks of the cuts.

3. Global migration and virtualization. Some sectors within the healthcare industry, such as pharmaceutical companies, are looking to relocate to other parts of the world in order to reduce operational costs, but Dr. Fickenscher said the consequences of this on healthcare remain to be seen.

4. Consumer market expectations. As mentioned, patients expect a high-quality healthcare experience, and the current "information democracy" allows patients to visualize and quantify what "quality" is.

5. Simultaneous cultural diversity and integration. Because there are distinct differences in population, healthcare organizations can no longer treat everyone the same.

Similarly, Dr. Fickenscher said there are five healthcare forces that are on the rise and will have an even bigger impact on U.S. healthcare over the next several years.

1. Large scale consolidation. "This year, for the first time, we have more than 50 percent of physicians employed by organizations," Dr. Fickenscher said. "Particularly interesting to note is if we take that data and ratchet it forward to 2020, 75 percent of all physicians will be employed. Consolidation is clearly happening."

2. Breakdown of traditional boundaries. Wal-Mart is setting up clinics across the country, which is just one example of how other companies are trying to provide a healthcare service that people want — and for cheap.

3. Cross-industry convergence. Healthcare, business, information technology and other industries are sharing common goals and struggles.

4. Rising tide of technology. Mobile health, or mhealth, is creating a "revolution" that allows people to think, "If you can digitize it, you can move it anyplace," Dr. Fickenscher said.

5. Workforce globalization. Technology has allowed the hospital workforce to connect with each in ways never seen, which will change the delivery of healthcare.

Where revenue cycle management fits in
With an overabundance of local, national and global healthcare social issues hanging over the heads of hospital leaders, how do they even begin to tackle the issues to provide more effective and cost-efficient healthcare for patients?

Hospitals have to think simply and practically, Mr. Bodnar said. The revenue cycle is one of the easiest areas where hospitals can focus on finding money to help fund other initiatives. Mr. Hogan said 80 to 90 percent of all hospitals have some type of error on claims or bills, and those monies add up. For example, Global Care Delivery usually is able to help a 400-bed hospital system find $3 million to $5 million on average in their revenue cycle, according to Mr. Bodnar, and that is a significant amount of money for any hospital to divert to other areas that are being impacted by local and global forces. Mr. Bodnar then explained four specific ways hospitals can emphasize revenue cycle management improvement.

1. Get the hospital culture behind the recovery effort. Mr. Bodnar said the hospital CEO and CFO have to get behind the effort and support the idea of fixing the revenue cycle and finding all claims that slip through the cracks. "It's up to the C-level to be understanding and say, 'Let's take a look at this system and fix it,'" Mr. Hogan added.

2. Convert reports into "health data intelligence." Payors usually have more efficient processes in place than hospitals because they look at claims reports and data from a batch mode instead of a transaction-by-transaction basis, Mr. Bodnar said. However, hospitals can fight discrepancies with payors if they adjudicate claims like the payor and ensure their health data is "intelligent" — or accurate and impactful. If hospitals are able to catch error patterns in bills and claims through accurate data and advanced software systems, they can win any issue — even the claims that involve seven figures. "Once you have more control of your data and if your reports are more accurate, you will win that issue [with the payor]," Mr. Bodnar said.

3. Aggregate three to five years of data. Mr. Bodnar said aggregating and charting out three to five years worth of data is most useful because it allows hospitals to see bigger patterns than monthly or a year's worth of data. In that data, it's most important to look at the small-money, big-volume claims — those that are $2,500 or lower — because those are the ones with the common errors. "Usually, the issue will be small at the beginning, but over the years, it gets to be large," Mr. Bodnar said.

4. Consider foreign claims. Mr. Bodnar said a lot of hospitals do not consider international claims because of their low volume, but allowing international insurance claims to be heavily discounted eats away at a hospital's bottom line. Hospitals must manage their systems so that processes for claims, foreign and domestic, are fixed and regularly monitored.