What the New Health Economy™ Means for your Revenue Cycle
Our Agenda for Today

I. Today’s Revenue Cycle
   The Case for Change

II. Healthcare Reform
    The New Health Economy™

III. New Entrants
     Disruptions by New Entrants in the Healthcare Economy

IV. Our Patients
    How Our Patients are Adapting to the New Health Economy™ and Driving the Future of the Revenue Cycle

V. Revenue Cycle Transformation
    The Six Ingredients Required to Transform Your Revenue Cycle to Value Based Delivery
### Traditional Linear View of Revenue Cycle Functions

<table>
<thead>
<tr>
<th>Access Management</th>
<th>Charge Capture and HIM</th>
<th>Accounts Receivable Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Access Management</strong></td>
<td><strong>Charge Capture</strong></td>
<td><strong>Accounts Receivable Management</strong></td>
</tr>
<tr>
<td>• Scheduling / Pre-Registration</td>
<td>• Charge Capture (manual and electronic)</td>
<td>• Hard versus soft denials</td>
</tr>
<tr>
<td>• Financial clearance</td>
<td>• Charge Reconciliation</td>
<td>• Initial versus final</td>
</tr>
<tr>
<td>o Insurance verification</td>
<td>• Charge Description Master (CDM) Maintenance</td>
<td><strong>Managed Care Contracting</strong></td>
</tr>
<tr>
<td>o Pre-cert / authorization</td>
<td>• Strategic Pricing</td>
<td>• Contract management system maintenance</td>
</tr>
<tr>
<td>o Pre-point of service collections</td>
<td><strong>Health Information Management</strong></td>
<td>• Contract modelling / Pro-ration/netting of accounts receivable</td>
</tr>
<tr>
<td>o Financial counseling</td>
<td>• HIM</td>
<td>• Underpayments</td>
</tr>
<tr>
<td>• Registration (scheduled or non-scheduled)</td>
<td>o Transcription services</td>
<td>• Contract requirements / negotiation</td>
</tr>
<tr>
<td>• Admissions / Bed Management</td>
<td>o Documentation analysis</td>
<td><strong>Transaction Processing</strong></td>
</tr>
<tr>
<td><strong>Health Information Management</strong></td>
<td>o Documentation management / Scanning</td>
<td>• Payment Adjustments</td>
</tr>
<tr>
<td>• HIM</td>
<td>o Regulatory audit management</td>
<td>• Denial</td>
</tr>
<tr>
<td>• Charge Description Master (CDM) Maintenance</td>
<td>o Release of information</td>
<td>• HIPAA 835</td>
</tr>
<tr>
<td>• Strategic Pricing</td>
<td>o Physician documentation monitoring and suspension</td>
<td>• Unposted payments</td>
</tr>
<tr>
<td><strong>Billing</strong></td>
<td>• Coding (manual and electronic)/coding quality</td>
<td><strong>Follow-up</strong></td>
</tr>
<tr>
<td>• Claims scrubbing</td>
<td>• Clinical documentation improvement</td>
<td>• Workflow automation</td>
</tr>
<tr>
<td>• Billing errors</td>
<td>• Adjustments and write-offs</td>
<td>• Adjustments and write-offs</td>
</tr>
<tr>
<td>• Rejection processing</td>
<td>• Credit balance processing / escheat</td>
<td>• Medicare 838 reporting</td>
</tr>
<tr>
<td>• Special billing arrangements</td>
<td>• HIPAA 837 transactions</td>
<td>• HIPAA 276 / 277</td>
</tr>
<tr>
<td>• HIPAA 837 transactions</td>
<td><strong>Denials and Appeals</strong></td>
<td>• Statement processing and patient collections</td>
</tr>
<tr>
<td><strong>Technology (integrated vs bolt on)</strong></td>
<td>• Hard versus soft denials</td>
<td><strong>Customer Service</strong></td>
</tr>
<tr>
<td><strong>Data Analytics – clinical and financial</strong></td>
<td>• Initial versus final</td>
<td><strong>Vendor Management</strong></td>
</tr>
</tbody>
</table>

What the New Health Economy Means for your Revenue Cycle •
PwC

May 28, 2015
# Revenue Cycle Process

## Outcome

<table>
<thead>
<tr>
<th>Outcome contributors</th>
<th>Phase and Functions</th>
<th>Attributes</th>
</tr>
</thead>
</table>
|                      | Access Management   | • Continuous Rework  
|                      |                    | • Customer Service  
|                      |                    | • Departmental Hand-offs |
|                      | Charge Capture and HIM | • Coordination with the back-end  
|                      |                    | • ICD-9/10 Coding  
|                      |                    | • Physician and clinical team input |
|                      | A/R Management      | • Accessible Reporting  
|                      |                    | • Bolt on Workflow Tools  
|                      |                    | • Transactional Processing |

### Access Management Objectives:

- Referral management
- Pre-registration & registration
- Financial counseling & clearance
- Insurance & benefits verification
- Authorization & precertification
- Point of service collections

### Charge Capture and HIM Objectives:

- Manual & automated charge capture
- Charge reconciliation
- Inpatient and outpatient coding
- DNFB & DNFC management
- Documentation management
- Documentation improvement

### A/R Management Objectives:

- Edit & error resolution
- A/R management
- Denial management
- Transaction processing
- Bad debt management
- Customer service center

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**Lack of process and technology alignment across clinical and revenue cycle functions coupled with constant regulatory changes increases pressure on back-end to manage revenue cycle outcomes and cost.**
# Today’s Revenue Cycle Model is Characterized by Key Pain Points

<table>
<thead>
<tr>
<th>Pain Point Root Causes</th>
<th>Compromised Patient Experience</th>
<th>Poor Infrastructure to Manage Reimbursement</th>
<th>Fragmented Technology</th>
<th>Underutilized Analytics and Informatics</th>
<th>Low Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Processes</td>
<td>• Lack of integration between Revenue Cycle and Clinical processes</td>
<td>• Reduced reimbursement and increased denial rates due to poorly integrated front-end and clinical processes</td>
<td>• Disconnect of several disparate systems that don’t allow all components in the workflow to operate at an optimal level</td>
<td>• Predictive analytics have not been fully optimized to allow for improvement in the continuum of care</td>
<td>• Redundant and inefficient processes fail to clearly link clinical care and revenue cycle activities and tasks</td>
</tr>
<tr>
<td>People Capabilities</td>
<td>• Lack of customer service provided during front-end processes is impacting the quality and consistency of patient experience</td>
<td>• Clinical service line leadership fails to execute operational change management when implementing change initiatives</td>
<td>• Fraught with errors as people are required to use multiple systems to perform their job</td>
<td>• Access to data across the operational cycle is not accessible/integrated to do their job</td>
<td>• Revenue cycle staff not properly trained to handle basic requirements and key regulatory changes, leading to errors</td>
</tr>
<tr>
<td>Technology</td>
<td>• Patient’s seek self-service options when legacy technology does not provide access to these options</td>
<td>• Lack of integration of clinical and financial systems to provide visibility into the entire encounter</td>
<td>• Fragmented systems in EMR, Billing, Reporting, aren’t interoperable, dependence on multiple systems creates a need for continuous improvements/enhancements/bolt ons</td>
<td>• Business decisions are not being driven by data analytics and reporting</td>
<td>• Lack of integrated capability to support revenue cycle operations</td>
</tr>
</tbody>
</table>

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Access Management  Charge Capture and HIM  A/R Management

Lack of process and technology alignment across clinical and revenue cycle functions coupled with constant regulatory changes increases pressure on back-end to manage revenue cycle.

What the New Health Economy Means for your Revenue Cycle  PwC  May 28, 2015
Healthcare reform is changing the health delivery system

The delivery system is being turned upside down with the power shifting from insurers and facilities to patients and primary care physicians.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Current Delivery System</th>
<th>Future Delivery System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Provider and Insurer</td>
<td>Patient</td>
</tr>
<tr>
<td>Aim</td>
<td>Price Reductions</td>
<td>Population Cost Reduction</td>
</tr>
<tr>
<td>Financial Intent</td>
<td>Grow Volume</td>
<td>Find Savings and Efficiencies</td>
</tr>
<tr>
<td>Quality</td>
<td>Quality Assurance</td>
<td>Quality Dependent Payment</td>
</tr>
<tr>
<td>Contracts</td>
<td>Fragmented Agreements</td>
<td>Single Integrated Contract</td>
</tr>
<tr>
<td>Physician Focus</td>
<td>Specialists</td>
<td>Primary Care Physicians</td>
</tr>
</tbody>
</table>
A new health economy is emerging

Health financing reform creates new incentives.

Value continues to be the driver of success, rather than volume.

Demographic and socioeconomic changes are creating a new role for empowered consumers.

Financiers are changing, and may have different needs as customers than consumers.

- Shifting payments
- New care delivery models
- Disruption by new players
- Realignment of existing players
Federal healthcare spending on the rise

Mandatory healthcare spending (Medicare, Medicaid, CHIP, ACA subsidies), as a share of the federal budget, excluding interest.

Major shift in who owns risk

Insurer → Risk → Provider

Employer → Risk → Individual
Four major drivers are changing the health economy landscape which will directly impact traditional revenue cycle operations.

To thrive in the New Health Economy, providers must rethink the revenue cycle.
New Entrants
Disruptions by new entrants in the healthcare economy
A number of top companies are exploring the healthcare market in both traditional and non-traditional ways.

**Fortune 50 companies expand involvement in health industry**

- It is estimated that **76% of Fortune 50 companies are in the health industry or have a health division.**

- Of these Fortune 50 companies, **an estimated 52% are entering the healthcare market in non-traditional ways.**

- **Convenience and speed are what consumers want** - whether they’re purchasing clothing or choosing a doctor.
Both traditional and non-traditional companies are disrupting conventional models of care

Creating disruptions in the business models of...

- Healthcare delivery
- Disease management
- Mobile health
Care anywhere networks drive coordination (engaged patients, improved outcomes) to eliminate 30%+ waste
Our Patients
How Our Patients are Adapting to the New Health Economy™ and Driving the Future of the Revenue Cycle
Deductibles are rising

Percentage of covered workers enrolled in a plan with a deductible of $1,000 or more for single coverage.

Source: Kaiser Family Foundation—2014 Employer Health Benefits Survey
Many US adults incur less than $1,000 in out-of-pocket costs in a year

Many of these consumers are ripe for poaching by healthcare companies seeking to sidestep claims.

Percentage of consumers with commercial insurance with out-of-pocket costs of less than $1,000 a year

- All consumers with commercial plans: 82%
- Consumers with a Preferred Provider Organization plan: 81%
- Consumers with a High-Deductible Health Plan: 76%

Source: HRI analysis, 2012 Truven Health MarketScan® Databases
Many consumers are dissatisfied with billing and payment

HRI surveyed 1,000 US consumers about their billing and payment experiences in hospitals, pharmacies and insurance companies. Three groups of consumers registered more dissatisfaction than the general population, or were more willing to challenge their bills—patients, millennials and affluent consumers. Below, we highlight these consumers’ most acute “pain points.”

**Millennials**

Millennials are most likely to challenge their bills.

<table>
<thead>
<tr>
<th>Have you ever?</th>
<th>US general population</th>
<th>18-24 years old</th>
<th>24-34 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asked discount?</td>
<td>8%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Asked cheaper Rx?</td>
<td>14%</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>Asked for cheaper treatment?</td>
<td>22%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Asked for cheaper specialist?</td>
<td>19%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Asked for price check?</td>
<td>17%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Sought payment assistance?</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Appealed insurance decision?</td>
<td>18%</td>
<td>14%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Patients**

Consumers in poor or fair health report more dissatisfaction with hospital billing and payment.

<table>
<thead>
<tr>
<th>Pain point</th>
<th>US general population</th>
<th>Fair and poor health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not understand cost before hand</td>
<td>36%</td>
<td>47%</td>
</tr>
<tr>
<td>Found medical bills unaffordable</td>
<td>27%</td>
<td>42%</td>
</tr>
<tr>
<td>Not confident bills were accurate</td>
<td>22%</td>
<td>28%</td>
</tr>
<tr>
<td>Did not find bills simple to pay</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Billing damaged view of hospital</td>
<td>16%</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Affluent**

The affluent are most unhappy with their insurer’s billing and payment.

<table>
<thead>
<tr>
<th>Pain point</th>
<th>US general population</th>
<th>Report Income over $100,000 a year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not easy to find details of benefits</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>Not easy to find portion of bill owed</td>
<td>18%</td>
<td>25%</td>
</tr>
<tr>
<td>Not affordable</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Poor at communication</td>
<td>18%</td>
<td>24%</td>
</tr>
<tr>
<td>Not confident in accuracy of bills</td>
<td>16%</td>
<td>25%</td>
</tr>
<tr>
<td>Not simple to pay bills</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Payment damaged view of insurer</td>
<td>11%</td>
<td>20%</td>
</tr>
</tbody>
</table>
Consumer revolution in health coverage

Convenience

40% of consumers would buy insurance at a private insurance company retail store.

Costco offers store members a choice of individual health plans through Aetna.

Transparency

72% of consumers want cost comparison tool to select insurance.

64% value products that match their needs and preferences.

Customer insights

BCBS of NC is investing in data analytics to personalize care management through targeted messaging.

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Lessons from the hotel industry — don’t wait until after the visit to correct a bad experience

CEO’s three principles of customer service:
1. Start with a warm welcome using your guest's name
2. Anticipate the unexpressed wishes of your customers
3. Give a fond farewell

The numbers:
99% percentile on patient satisfaction surveys

Source: HRI Report - Customer experience in healthcare: The moment of truth
Other industries have undergone similar changes to those anticipated in health

Consumer centricity requires companies to understand customers and their behaviors differently than they have in the past. This changes the dynamics of the relationship and often empowers consumers to take greater ownership of their decisions.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Past (industry centric)</th>
<th>Present (consumer centric)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banking</strong></td>
<td>Bank Teller • bankers’ hours • branch only</td>
<td>ATMs, Mobile Banking • available 24/7 • location agnostic</td>
</tr>
<tr>
<td></td>
<td>Travel Agency • limited hours • limited locations • annual updates</td>
<td>Online Booking • on demand booking • location agnostic • real time pricing</td>
</tr>
<tr>
<td></td>
<td>Standardized marketing and inventory • national campaigns • Sunday circulars</td>
<td>Customized • website, location-specific • data-driven targeted promotions</td>
</tr>
<tr>
<td></td>
<td>Physician Office, Hospitals, Pharmacy • set hours &amp; locations • standardized treatment plans • queue for care</td>
<td>Personalization • telemedicine • individualized services, treatments and drug protocols</td>
</tr>
</tbody>
</table>

1980s – 2010s

Future Shift
Patient Engagement Through Mobile Apps

Consumers are turning to technology to communicate with providers

HRI Consumer Survey, PwC, 2013
Revenue Cycle Transformation

The Six Ingredients Required to Transform Your Revenue Cycle to Value Based Delivery
The Journey to Value-Based Delivery

Value-based delivery drives margin...

**Is your Revenue Cycle on track?**

**Tomorrow’s Revenue Cycle**
is fully integrated, customer-centric and business capability driven, aligning activities to process, organization, people, information and technology.

Revenue Cycle

Patient / Customer

Care Delivery

Integrated Management

**Capabilities**

1. Customer Engagement
2. Margin Management
3. Clinical Integration
4. Workforce Transition
5. Predictive Analytics
6. Integrated Technology

Do we have all of them?
Are they fully mature?
Are they aligned?
Are they truly integrated?
A core set of capabilities form the backbone for transitioning to a value based care delivery model

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Customer Engagement</strong></td>
<td>Easy access, standardized look and feel</td>
<td>Happy customers start with happy employees</td>
</tr>
<tr>
<td><strong>2. Margin Management</strong></td>
<td>Bundles and strategic pricing</td>
<td>Patient access service centers with prospective clearing</td>
</tr>
<tr>
<td><strong>3. Clinical Integration</strong></td>
<td>Clinical ownership of the revenue cycle</td>
<td>Risk modeling based on care protocols</td>
</tr>
<tr>
<td><strong>4. Workforce Transition</strong></td>
<td>Virtualized and standardized operations</td>
<td>Resourcing new segments of labor to improve critical thinking skills</td>
</tr>
<tr>
<td><strong>5. Predictive Analytics</strong></td>
<td>Population health and DW/Analytics consolidation</td>
<td>Error avoidance integrated into workflow for simpler care</td>
</tr>
<tr>
<td><strong>6. Integrated Technology</strong></td>
<td>Standardized technology platforms</td>
<td>Enterprise information management</td>
</tr>
</tbody>
</table>

Illustrative – Non Exhaustive
Tomorrow’s Organization will Need Six Broad Capabilities

- **Value Based Revenue Cycle**
  - **Customer Engagement**: Personalized, transparent, convenient, friendly, on-demand and cost effective.
  - **Margin Management**: Standard and efficient operations, shared service models, contract management, convergent practices, supports quality and risk based reimbursement models, strategic pricing, cost to collect improvement, cost reporting and other reimbursement strategies.
  - **Clinical Integration**: Connection and integration of clinical and revenue cycle operations, aligning with strategic intent, going beyond population management and aligning the network. Streamlined operations to reduce touch points and re-work.
  - **Workforce Transition**: Organizational alignment, integration of clinical and revenue cycle resources, improved critical thinking skills, adaptability skills and leadership skills. New staffing and flexible work arrangement models.
  - **Predictive Analytics**: Adaptable real-time models, machine learning, new and informed data sources, using data to predict and guide financial and clinical outcomes, agile responses to quality and risk pressure.
  - **Integrated Technology**: Appropriate use of workflow driven technologies that minimize human intervention to drive results, easy access to data for all stakeholders.

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Revenue Cycle Capability: Customer Engagement

Value and Desired Outcomes

- Providers have an increasing responsibility not only to understand their patient population, but to seek ways to use this knowledge to customize their care delivery and overall customer experience.

- By engaging employees and technology in different ways to personalize the customer experience and making each interaction convenient, friendly, simple, and available on demand, providers will drive brand loyalty.
Margin management focuses on improved days cash on hand, cost to collect, adequate debt capacity, reimbursement modeling, standard and efficient operations, shared service models, contract management, & vendor management

It also includes factors of: strategic pricing, volume and service line management, convergence with payers, real-time adjudication, risk and quality based models, and the ability to meet regulations and compliance requirements.
Under the new health economy, it will be critical for the healthcare provider community to migrate from incentives built on capturing charges, admissions, patient days, and codes to an environment that focuses on the consistent delivery of cost effective evidenced based care at the right time, and in the right environment(s).

Successful providers will have revenue cycle functions that will drive information and analysis to identify outlier practices and be positioned to remedy inconsistencies.
Workforce transition focuses on uplifting the skills of the team to provide maximum impact and long lasting sustainable performance improvements.

The healthcare eco system is changing rapidly. As new technologies and processes are introduced organizations must properly train and equip their team members with the skills and tools needed.
Adaptable models, machine learning, and new and informed data sources are key components of a predictive analytics platform.

Different from analytics or data warehousing, predictive analytics uses a variety of statistical techniques to analyze current and historical facts to make predictions about future, otherwise unknown, events.

This awareness of outcome-based standard of care adherence will result in improved quality at a reduced cost.
The changing model of health will be built on a diverse network of providers and systems designed to connect communities of people with care providers along the continuum.

This integrated infrastructure will enable the health enterprise to proactively and prospectively manage the overall health of the community it serves.
All These Factors Will be Necessary to Meet Tomorrow’s Need in the Revenue Cycle in the Journey to Value Based Delivery

Integrated Technology
Appropriate use of workflow driven technologies that minimize human intervention to drive results, easy access to data for all stakeholders.

Customer Engagement
Personalized, transparent, convenient, friendly, on-demand and cost effective.

Margin Management
Standard and efficient operations, shared service models, contract management, convergent practices, supports quality and risk based reimbursement models, strategic pricing, cost to collect improvement, cost reporting and other reimbursement strategies.

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Connection and integration of clinical and revenue cycle operations, aligning with strategic intent, going beyond population management and aligning the network. Streamlined operations to reduce touch points and re-work.

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Organizational alignment, Integration of clinical and revenue cycle resources, improved critical thinking skills, adaptability skills and leadership skills. New staffing and flexible work arrangement models.

Value Based Revenue Cycle

Predictive Analytics
Adaptable real-time models, machine learning, new and informed data sources, using data to predict and guide financial and clinical outcomes, agile responses to quality and risk pressure.

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Thank You
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