

## A CASE STUDY: NORTH KANSAS CITY HOSPITAL CLOSING THE GAP



### Optimizing the revenue cycle for NKCH

#### BACKGROUND

Faced with challenges that include pay for performance and more than \$25 billion in annual uncompensated care, the industry is embracing new ways of doing business. Finding the funds to improve patient care requires an unprecedented assessment of potential lost revenue and possible savings by addressing inefficiencies throughout the revenue cycle. And setting the stage for future improvements requires establishing processes that provide rapid access to the data on which decisions depend.

North Kansas City Hospital (NKCH) is a regional medical center that serves patients from North Kansas City and northwest Missouri. With approximately 550 physicians offering 45 medical specialties, the 451-licensed-bed facility was looking to expand. NKCH suspected that lost revenue was concealed within its revenue cycle. Administrators also felt that their current managed care audit vendor did not have the capabilities to identify and address systemic problems. NKCH selected Cymetrix based on the company's experience, reputation and unique proprietary assessment tools to conduct a secondary managed care audit and accounts receivable gap analysis.

#### OUTCOME

Following an in-depth Cymetrix Proclaim managed care audit and AR gap analysis, the company provided tailored recommendations and established the processes for analyzing metrics and identifying new opportunities for continuous improvement. With the help of Cymetrix, NKCH:

- Increased percent of collections to net revenue from 94% to 100%.
- Decreased AR days from 64 to 44.
- Recovered close to \$1 million in previously audited accounts and more than \$2 million from all accounts.
- Tripled overturn rates of previously denied claims.
- Solved system and process problems to reduce future auditing costs.

Today Cymetrix continues to assist NKCH its outsource partner responsible for accounts too labor-intensive for the hospital to handle productively itself.

"Cymetrix helped us identify how to eliminate real bottlenecks in our process. And also helped us integrate the whole managed care contracting process into the claims piece and really make that an integrated system."

- Jim McNey  
Vice President of Finance/CFO  
North Kansas City Hospital

"We had a company who was doing managed care auditing for us but they weren't providing any value-added feedback. We were paying them about \$1 mil/yr in contingency fees and nothing got any better. We were tired of this model. We wanted to fix the mistakes up front so we wouldn't have to wait 90 days to rebill."

- Jim McNey  
Vice President of Finance/CFO  
North Kansas City Hospital

“On managed care, you can’t afford not to do a secondary audit with Cymetrix.”

- Becky Fisk  
Revenue Cycle Management Director  
North Kansas City Hospital

“The Cymetrix team members are probably some of the most ethical people I’ve ever met, and some of the most knowledgeable people I’ve ever met about managed care contracts.”

- Jim McNey  
Vice President of Finance/CFO  
North Kansas City Hospital

“You turn it on and I don’t really hear too much about it. When things aren’t bubbling up to me as problems and I see the financial results, I know the process is working.”

- Jim McNey  
Vice President of Finance/CFO  
North Kansas City Hospital

## SITUATION

In November of 2004, North Kansas City Hospital (NKCH) was implementing new financial and billing systems. To them, this seemed like an ideal time to review new revenue cycle strategies and results as well.

- NKCH’s current managed care audit vendor didn’t provide operational recommendations, contract recommendations or rate modeling.
- The hospital wanted help dealing with balances after insurance for early outs.
- NKCH also wanted a comprehensive review to validate payment accuracy for accounts covered by managed care contracts.

## ANALYSIS

Drawing on the resources of its nationwide team, Cymetrix led with a managed care compliance audit that employed its proprietary Proclaim methodology. Noted for speed and depth of analysis, the Proclaim audit drove all the way down to the CDM in the electronic records and included a detailed review of major contracts. As part of its comprehensive approach to revenue cycle solutions, Cymetrix also conducted an AR gap analysis.

- The extensive Proclaim managed care audit collected claim data in electronic format as well as complete details on contracts.
  - UB 92 information included itemized charges, collection notes, payment and adjustment transactions, payer master and Charge Description Master.
  - Cymetrix obtained contracts information from detailed on-site review of major contracts and interviews with the Director of Managed Care.
- Gap analysis integrated AR issues into the solutions by examining the specific financial classes that were creating delays in payment. The accounts most frequently requiring the highest labor intensity to resolve included:
  - Private pay accounts
  - Commercial insurance accounts
  - Blue Cross accounts
  - HMO and PPO accounts
- Cymetrix identified the age at which accounts should have been paid, and beyond which additional efforts would be required for resolution:
  - 52.7% of NKCH account volume was aged greater than 90 days.
  - This represented only 30.7% of NKCH total revenue outstanding.

## RECOMMENDATIONS

NKCH allowed Cymetrix to become an extension of its business office, supporting the hospital’s internal team with accounts receivable management. Cymetrix also identified numerous issues affecting the efficiency of the hospital’s revenue cycle.

- Cymetrix assumed responsibility on an ongoing basis for all inventory aged beyond 60 days for:
  - Private pay accounts
  - Commercial insurance accounts
  - Blue Cross accounts
  - HMO and PPO accounts

- The accounts assigned to Cymetrix represented a disproportionately small average account balance, but a far more significant volume of inventory requiring manual effort that reduced the productivity of NKCH staff.
- Building on experience with claims denials across the country, Cymetrix involved RNs in crafting reasonable responses to these rejections, significantly increasing the probability of acceptance upon resubmission.
- Cymetrix added value by providing insights unavailable from NKCH's previous managed care auditor. In partnership with the hospital, Cymetrix discovered opportunities for NKCH to enhance its revenue cycle by addressing significant, previously unrecognized issues, including:
  - Incorrect ASC grouper
  - Incorrect application of "lesser of" provision
  - Failure to pay outpatient observation charges
  - Diagnosis-specific outpatient rates
  - Late loading of contract terms
  - Unlisted outpatient surgical procedures
  - Inconsistencies between contract requirements and billing procedures
  - Census and room/bed assignment issues
  - Failure to implement contractually defined rate escalators
  - Use of non-approved bundling/prioritization software

## METRICS

At NKCH, the comprehensive Cymetrix offerings bridged the managed care/revenue cycle gap to deliver significantly improved ROI compared to that provided by the previous managed care auditor. The rigorous reporting system established as part of this process continues to provide the hospital with valuable information to support decision-making going forward. This forges the final link in a revenue cycle holistically designed to supply the feedback for its own continued enhancement.

- Collections as a percentage of net revenue rose from 94% in FY '04 to 100% YTD in FY '06.
- Cash collections increased 14% in FY '05 while volume increased only 8%.
- AR days dropped from 64 in December 2004 to 44 in December 2005.
- Overturn rate of previously denied claims tripled from 10% to 32%.
- In summary:
  - NKCH has recovered more than \$2 mil through Cymetrix to date, and ongoing efforts are expected to generate significant additional recoveries.
  - \$992,452 of this amount was on accounts that had previously been audited by a competitor.
  - \$887,741 was on accounts that had not previously been audited.
  - Cymetrix is currently working with NKCH to resolve approximately \$3.3M of additional underpayments on accounts that were previously audited by a competitor.

"Scariest part is how they're going to take care of your customer. Will it create more work for me? With Cymetrix, not a problem! Was delighted with the fact I didn't get lots of calls."

-Becky Fisk  
Revenue Cycle Management Director  
North Kansas City Hospital

"The whole managed care auditing has paid for itself 10 times over. They really train our people. It's a value added proposition. It's doing what matters."

-Jim McNey  
Vice President of Finance/CFO  
North Kansas City Hospital

Cymetrix provides the healthcare community with innovative, customized revenue cycle solutions based on a proprietary Adaptive Revenue Cycle Model. Cymetrix solutions address interrelated systemic challenges with the flexibility to accommodate diverse specialized needs.



Adaptive Revenue Cycle Solutions

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