

DEPARTMENT DOLLARS

Precise Net Revenue

By Lale White

Laboratory reimbursement is one of the most complex in healthcare due to the high-volume, low-dollar nature of the business. The lab represents only 2% of the total cost of healthcare in the U.S., yet 30% of the total claims submitted. Forty percent of lab claims are either incomplete or denied due to errors. According to CMS, of all claims that are rejected or denied, only half are ever corrected and resubmitted.

Measuring Net Revenue

The precise measurement of net revenue is a critical metric. Without it, other performance measures such as revenue growth, costs as a percentage of revenue, profitability, bad debt and days sales outstanding (DSO) are also unavailable or misleading. Most lab managers intuitively know they have bad debt, but the true percentage is masked by contract underpayments and denials. The inability to accurately report net revenue becomes a Sarbanes Oxley (SOX) compliance issue for public companies and can inhibit a private company's ability to pass due diligence in a potential acquisition.

An essential component of laboratory revenue recognition is automated revenue cycle management (RCM). However, RCM is a buzz word that can mean everything from simple claim scrubbing systems to bill generation systems to accounts receivable and financial management applications. A comprehensive state-of-the-art RCM captures and stores an unprecedented amount of detail about each transaction and transforms it into actionable reports and information that provide insight into the performance of billing operations.

For instance, many billing systems lump all third-party payors into a single group for reporting purposes, making it impossible to determine the performance of potentially hundreds of reimbursement contracts. Reporting at the individual payor level gives a precise understanding of what is bad debt and what is contractual allowance on a payor by payor basis, enabling contract negotiations to be based on actual historical data.

Timely and accurate financial data is not only required for compliant billing, it is essential to understanding the true performance of business operations. By having access to a robust suite of detailed financial

reports, you'll get the information necessary to improve decision making, enhance contracting and account management, and identify areas that could benefit from process optimization.

RCM Solutions

For laboratories evaluating best in class revenue cycle management, below are minimum requirements to consider.

- *Comprehensive Order Entry with Field-level Editing*—full billing screen that can create an entire claim while instantly identifying potential claims problems;
- *Pricing*—complete pricing flexibility, including unlimited special pricing, discounting, fee schedules and payor-specific expert pricing capability;
- *Insurance Fee Schedule Management*—enables precise calculation of net sales, as well as automated monitoring of payor adherence to contracted reimbursement rates;
- *Procedure Code Consolidation Logic*—allows payor-specific procedure code consolidation that matches payor's adjudication criteria;
- *Error Processing*—automated functionality to identify, route, correct and manage errors, front-end rejections/denials and back-end denials;
- *Contact Manager*—full record of patient, insurer and physician communications and follow-up tracking system;
- *Cash Posting*—electronic remittance processing and contracted payment reconciliation;
- *Accounting*—GAAP-compliant general ledger-ready detail of gross and net sales, adjustments, write-offs and cash payments;
- *Patient Demographic File Management*—demographic and/or medical database workflow for maintaining updated records for repeat patients;
- *Secondary Insurance*—electronic generation of secondary claims;
- *Refund*—credit balance identification and refund generation workflow;
- *Compliance*—rules-based workflows and built-in compliance checking;
- *Robust Reporting and Analysis*—complete end-of-month accounting package and hundreds of financial analysis and management reports;
- *Productivity Metrics*—streamlined reports that facilitate optimizing performance of the production billing staff.

Once equipped with detailed financial reports and key performance indicators, lab managers can make more informed business decisions for effective budgeting, contract negotiations, financial and strategic planning, tax preparation, establishing banking relationships, preparing insurance and investor disclosures and compliance management. ■

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