

CASE STUDY:
NORTH MEMORIAL REFERENCE
LABORATORY INCREASES REVENUE AND
REDUCES WRITE-OFFS WITH XIFIN RPM



SUMMARY

North Memorial is a health system based in Minneapolis that serves the upper Midwest, and is unique in the twin cities as the last remaining independent health system in the region. It has a thriving laboratory outreach program; North Memorial Reference Laboratory (NMRL) is a full service laboratory with state-of-the-art instrumentation and facilities, and NMRL partners with area long-term care and skilled nursing facilities, nursing homes, assisted living facilities, physician offices, clinics, and complementary and alternative medical providers, to offer them lab services for improved total population health.

When its billing was shifted to a third party outsourcer, North Memorial Reference Laboratory

soon found itself in crisis mode, with escalating customer dissatisfaction and a downturn in revenue.

NMRL turned to XIFIN, Inc. to bring its billing back in-house, and enable the lab to take control of its business.

The results have been nothing short of amazing:

- 30% year-over-year increase in revenues
- 60% reduction in contractual allowance write-offs over the same period
- 100% reconciliation each month—ensured accuracy and immediate visibility
- Increased payment per accession
- Client satisfaction at an all-time high



PROBLEM: NO CONTROL OR VISIBILITY

As part of a system-wide initiative, NMRL's laboratory billing had been outsourced to a national medical outsource billing service. The resulting loss of control, lack of visibility, and billing provider's fundamental misunderstanding of the laboratory billing business model created problems that rippled throughout North Memorial.

The laboratory soon discovered the billing service provider did not provide the transparency and level of quality that NMRL expected from a vendor partner, and when Bobbi Kochevar, Director, Diagnostic Therapy & Care Management, arrived at NMRL in January of 2013, she found an organization that was struggling to gather the kind of information NMRL needed to manage its business and make strategic corrections.

"We had outsourced billing to a third party and it became clear to me in just my first couple weeks here that was not a good relationship," explained Kochevar. "Number one, we had no control over our business. There was no transparency, no visibility." The last straw was a \$2 million write-off the outsourcer did without explanation or clarification.

"We were basically operating in the dark." explained Adam Grau, Sales and Business Development Manager at NMRL. "We didn't know what our trends were, we had to guess at our

business decisions." Tasked with marketing NMRL and building client relationships, Grau found the current state of affairs problematic. Which clients generated frequently-denied claims? Which were sending less business to NMRL than in the past, and which were sending more? Coupled with client frustrations with errors and slow response to inquiries by the billing service, Grau knew business was on the decline, even without specific data to corroborate.

From NMRL Supervisor of Business Services Pat Arthur's perspective, the inability to see what and why claims were being denied meant there was

no opportunity to try to recoup those dollars. "You have to know the itty bitty things to keep the business going," said Arthur. "How can you improve anything if you don't know what your denials are? You can't write everything off as a bulk write-off. That's just not the right way to do things."

What little information did come from the provider

was both misleading and inaccurate, making it impossible for the laboratory to understand how it was performing. "Because it was outsourced, we didn't have access to any tools, so we were dependent upon [the third party] to provide us with information and data to help us make decisions about our business," said Kochevar. "We'd ask for information, and we'd have delays getting reports, and when we did get the information, it didn't add up. It led to us not trusting the information. Data is not helpful or usable if you can't trust it."

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For instance, while NMRL could see cash was on a decline, it couldn't identify where the problem lay. The laboratory knew there were reimbursement issues with claims denials and underpayments, but with no visibility to pinpoint the problems and no direct control to do anything about it, its hands were tied. Meanwhile client satisfaction was at an all-time low, at a time when North Memorial wanted to expand its presence in a competitive market.

REQUIREMENTS

Facing a rising tide of errors, dissatisfied clients and reduced revenues, NMRL knew it had to make a change.

Topmost on NMRL's requirements list was the ability to access timely, accurate information. Explained Arthur, "I don't think you can grow unless you know what you're doing and you don't know what you're doing unless you have access to your data."

Next, NMRL wanted to ensure that once it had accurate insights into its business, it would be in a position to take action on its findings.

Also critical was finding a partner that would provide interoperability with North Memorial's other systems and services, and—equally importantly—matched NMRL's philosophy and values. "All health care systems struggle with connectivity and we needed to choose vendors

that not only would accomplish the connectivity that we needed, but we wanted to make sure they shared our values and they put the focus on the customer," said Kochevar.

Moreover, NMRL wanted to extend its relationship with clients by not only being responsive to inquiries, and working proactively to make its billing operate smoothly with a minimum number of errors, but also providing value-added capabilities to its clients.

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Finally, the solution had to work—efficiently, using automated processes that effectively handled the workload without manual workarounds. With its outsourcer, NMRL had experienced an inflexible system with no optimization that, rather than removing work from NMRL staff, actually increased their workload. For instance, the outsourcer could not handle multiple fee schedules and required NMRL to track all

its schedules outside of the billing system, and then send a flat file to the outsourcer whenever updates were needed. This, coupled with an inherent lack of referential integrity with the outsourcer's system, caused many claims to be sent out with improperly discounted pricing. NMRL had to resort to going back to clients after the fact, and try to get them to pay corrected amounts that were higher than what they'd been billed initially. This was both hard to do and highly unpopular with clients, and was a key factor in rising customer dissatisfaction.

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- ADAM GRAU
MANAGER, SALES
& BUSINESS DEVELOPMENT



SOLUTION: BRING BILLING IN-HOUSE WITH XIFIN RPM

The laboratory turned to XIFIN and its cloud-based XIFIN RPM to provide a full-fledged Revenue Performance Management solution. With XIFIN RPM, NMRL would be able to optimize its billing and collection practices, automate its billing workflow, manage medical claim filing, and reduce regulatory compliance risk. It would be able to take control of its billing, without having to take on hardware and software maintenance or data management.

While initially hesitant to bring billing in-house, NMRL realized it was the best way to ensure its business was managed properly. XIFIN's hybrid model meant that with XIFIN

maintaining infrastructure, data logic, and performing submissions, processing, and other data exchanges, NMRL could easily convert from an outsourced billing model to one of in-house management. XIFIN's assessment of NMRL's business revealed that even when the lab was outsourcing billing, it still needed to have additional billing staff in-house. It was a perfect opportunity to take direct control over billing and leverage existing staff. Explains Kochevar, "XIFIN looked at our competencies and skills and guided us not on what would make the most sense for XIFIN, but on what would make the most sense for us." NMRL would gain the control and visibility it needed to optimize the business side, and it would also have the tools at hand to improve client and patient relationships. Kochevar was pleased to find a vendor partner that understood



“NOW WE CAN SEE WHERE WE NEED TO GROW, WHERE WE’RE FALLING DOWN; WE CAN WATCH OUR CLIENTS TO SEE IF THEY’RE NOT SENDING US THE SAME AMOUNT THEY DID THE WEEK BEFORE.”

- PAT ARTHUR
SUPERVISOR OF BUSINESS SERVICES

NMRL’s needs. “You can readily tell when you’re having conversations with vendors, where their values lie, and what they’re most focused on. I can tell, whether I’m talking to XIFIN’s CEO or any other XIFIN employee, the focus is not on money—it’s on how do they empower us to be better for our customers.”

RESULTS

NMRL went live with XIFIN in March of 2014, and has been surprised and pleased with the results, with 30% year over year growth in revenue in 2014 vs. 2013, improved client satisfaction, and improved employee morale. “We have seen phenomenal changes from two years ago,” said Kochevar, explaining that while the client base has grown, the jump in revenues is also due to

improved revenue capture. “Even if business never grew, we would still be more financially soluble because of our revenue capture and what XIFIN has allowed us to do in capturing dollars that previously were written off, that weren’t sought after, or that were just overlooked.”

Grau concurs, saying “when we looked at our key performance indicators [after implementing XIFIN RPM], it blew everybody’s minds. All our key indicators had a distinct jump.” Two that caught NMRL’s immediate attention are payment per accession and write-offs.

60% Reduction in Contractual Allowance Write-Offs

Contractual allowance is the difference between

what hospitals or laboratories charge and what the insurer has agreed to pay in its contract with the provider. Contractual allowance can provide a convenient way to account for unreimbursed dollars, particularly in situations when payment received is less than the amount submitted. In NMRL's case, write-offs were in one big poorly-defined bucket that, because it was identified as contractual allowance, gave the false impression the dollars were not "gettable." Grau explained that "it was cheaper for [the outsourcer] to write off bad bills rather than working them."

Without visibility to exactly what was being written off and why, NMRL had no way to identify which were truly contractual allowance and which were bad debt dollars, which could and should be worked for collection. This practice of lumping underpayment/nonpayments into a contractual allowance bucket is common in systems that don't have the rigor to identify remittance at the accession level. It paints a falsely rosy picture of bad debt, and even more damaging, stops providers from seeking the full reimbursement to which they are entitled. With XIFIN RPM, NMRL is able to see at the accession level where reimbursement was below the contracted amount, and target those dollars for collection. The result is more dollars in revenue, as well as increased profitability.

"I can tell you right now all our key performance indicators. Right now, in real time."

Increased Payment Per Accession

NMRL is now getting paid more per accession than it did with the outsourcer, even though prices have not changed. With XIFIN RPM's ability to handle and manage to multiple fee schedules, clients are now billed the correct amount the first time. That, along with improved visibility of remittance at the accession level—which enables NMRL to circle back for higher remittance, are significant contributors to this KPI's improvement.

Taking Ownership of the Business

With XIFIN RPM, NMRL has instant access to richly detailed, highly accurate business intelligence. Developed with an in-depth understanding of the underlying data, and an eye toward maintaining full financial integrity, XIFIN Business Intelligence helps NMRL stay on top of its growing business. With the outsourcer, explains Grau, "We weren't allowed to see

what was in our billing services, we were given reports at the end of the month that were canned reports that told us what the vendor wanted us to know. If we had a question, we couldn't get to the data. Today that's a completely different story. I can tell you right now all our key performance indicators. Right now, in real time."

For Arthur, one essential area of visibility is denials and write-offs. "When somebody else is doing your billing, it's very hard to get your reports,

answer questions, see what's being written off, where your denials are—the information was not there. Now we are able to answer a question immediately. Everything is at your fingertips." Arthur is now able to see what's being denied, and take action. "If we see a denial now, we can do something about it. We can see why it's being denied, and then we have the access to go back and resubmit so we can get reimbursement for that—and we can see how many other denials are out there for the same thing and capture it all." Previously there was no visibility to what was being denied or why; it was simply written off. With XIFIN RPM, Arthur can determine what should be written off, what requires error correction and resubmission, and what should be appealed. "Now, I'm responsible for that amount that's being written off and I don't like to write anything off unless I know why." NMRL now has a true understanding of its write-offs, down to the correct adjustment code.

NMRL's newfound visibility gave it the ability to take charge of its business. "You can't run a business and not have access to what you're doing," says Arthur. "Now we can see where we need to grow, where we're falling down, we can watch our clients to see if they're not sending us the same amount they did the week before. We can watch payments. You have access to what is actually going on with your business."

NMRL has embraced the new paradigm. Explained Arthur, "It's so different now for us. Before it was not a business, we were just here doing our thing. Now it's a business, we've seen it grow, we've had great success, and now the excitement of growing the business, knowing that we are an integral part of it is huge. We didn't have that before. We didn't feel like we were really a part of it. And now we are."

"The data we get is sound, is valid. Actually, XIFIN is our source of truth."

Kochevar also sees a change in employee morale. "The staff was hungry for this change. The team now is so happy, and you can feel it. It's fun to talk to them because now they have what they need to do their job—and that's all that anyone really wants, is to be able to have the tools and do an awesome job, and end their day going, 'that was a great day.'"

Extending the Client Relationship

When billing was outsourced, NMRL fielded many complaints from clients who indicated the outsourcer was slow to respond to requests, and didn't understand NMRL's business well enough to provide adequate answers. Says Arthur, "Our clients are happier. I've had a lot of clients call me and say, 'that was the best thing you ever did to change your billing and bring it in house, because you understand your business and you know what we're talking about.'"

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- BOBBI KOICHEVAR
DIRECTOR, DIAGNOSTIC THERAPY
& CARE MANAGEMENT



With XIFIN RPM, NMRL is also able to extend services to clients and patients. NMRL has both a client and a patient portal that sit on the XIFIN platform and take advantage of XIFIN RPM to deliver functionality into patients' and clients' hands. "We needed the clients to be able to log in and review or pay their bill, or check pricing. We didn't have anything like that and it's huge when you're operating in a long-term care market," said Grau.

NMRL is especially pleased with the XIFIN RPM census capabilities. "You have Medicare coordinators trying to manage patients that swing censuses by the hour," explained Grau. "They're switching between Part A and Part B censuses, and typically it's a manual fax-based system that has to be checked and rechecked and makes a

lot of extra work for the care coordinators. But XIFIN makes their lives easier—the client portal allows the client in the field—in this case the Medicare coordinator—to log into the system, manage that bed census in real time, right in the billing solution." The portal eliminates the middlemen, creates accountability, and saves the coordinators from having to undergo a manual and time-consuming bill check at the end of the month. "Those kind of portals are invaluable when it comes to accountable care. It opens up healthcare and creates a level of transparency that has to happen for us to be successful in our transition from the old healthcare to the new healthcare. These value-added services allow us to be competitive in a tight market."

Grau finds XIFIN RPM also helps him in marketing to clients. NMRL wants to forge relationships with the independent physician groups that fit NMRL's service offerings. "We don't want to market to or make sales calls to people that don't have patients who match our services. [XIFIN RPM] allows us to focus on finding the right partners. But it also allows us to look at what kind of testing we are seeing uptrends in. What should we be purchasing in the laboratory, what additional capital equipment do we need? You have to know what's happening in your business to make those choices. If you don't know that stuff, you're placing very expensive equipment in places that you may or may not need, and you wouldn't know."

XIFIN RPM's flexibility and configurability has also played a part in the type of opportunities NMRL has been able to attract, a critical factor in a challenging market environment. "With XIFIN we are able to go after segments of business we never could before because we didn't have a way to address the complexity and level of customization required," stated Grau. "We have the ability to create services and bill for them in a way that is easy for the client to manage." For instance, for a clinic that has its own EMR, NMRL can provide a customized invoice that matches other clinic documents and invoices. "Billing is no small thing; it's a big part of people's time and efforts in healthcare," said Grau. "We can tell them, 'you tell me what you need and

we'll make it happen.' We now have the ability to provide unprecedented service. This level of service and customization are key to our business plan, and we've found that in XIFIN. It allows us to go out to a market that's really challenged, and we can minimize [our clients'] labor and staffs' need to review things."

Just as XIFIN Business Intelligence lends visibility and insight to the NMRL team, it also has potential benefits for NMRL clients. NMRL demonstrates how, with the proper technology

infrastructure in place, laboratories have access to a wealth of data that isn't easily compiled anywhere else along the healthcare food chain. This points to an emerging truth for laboratories: to survive, they must be information providers as well as test result providers. Leveraging its information assets is a key value-add and differentiator for NMRL. Says Kochevar, "For us at North Memorial, it's about providing our customers with more than just lab

results. We now have business intelligence that we didn't have before, that we can share with our partners and clients, and allow them to make better decisions about their business. We can be there to help them identify trends, help them improve test utilization...help them be better healthcare providers."

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FUTURE OUTLOOK

With its billing and revenue management issues addressed, NMRL is focused on growth. Explains Kochevar, "Our future is very bright. We have a well-oiled machine, and the word is out there that we have a sound reference laboratory, and great outreach offerings."

Going forward, NMRL is looking for ways to further leverage XIFIN RPM. "We have a sound stable foundation," says Kochevar, "and we're looking to see what might complement our suite of offerings to our clients, recognizing that XIFIN can be expanded into other areas." Kochevar names radiology and partnering with the North Memorial business office as two areas of interest.

Grau approves of using XIFIN information alongside other systems. "XIFIN is perfectly set up to provide all the right information for us to automate our cost accounting," he explains. "That will give us unprecedented ability to be nimble and address pricing concerns in the community." With access to real-time data, NMRL will have the ability to reprice quickly in response to changing volumes. "XIFIN is going to play a very big part in that."

View interview highlights at
WWW.XIFIN.COM/NMRL





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