

# Why is Revenue Cycle Management Important in the Healthcare Industry?

As a healthcare professional, your drive to care for and provide services to your patients is so important that it can cause you to downplay the importance of steady revenue. However, without revenue, your practice or facility can not operate properly and provide the necessary services your patients need.

Beyond the basic need for income, let's take a look at how the actual revenue cycle impacts a typical healthcare provider.

## What is the Revenue Cycle in Healthcare?

The revenue cycle in any business is how revenue is collected. For some business types, you may collect the payment for services before they are rendered; in others, it is collected at the time of service, or a product is directly exchanged for money.

In the healthcare industry, payment is collected after service is rendered. Making this process even more complex is that payment for services may be rendered from a party other than the person served, or payment may even be rendered from multiple parties. Furthermore, the type of facility and specialties offered also affect the exact revenue cycle.

However, generally speaking, the revenue cycle for most medical practices and providers comprises the following steps:

- **Claim Preparation:** In this step, patient information is collected and checked for accuracy, and their insurance eligibility is verified.
- **Claim Submission:** In this stage, charges are recorded, and a claim is created. Charges are coded, and the claim is submitted.
- **Claim Management:** During this phase, any communication with insurance entities is handled and payments received are recorded.
- **Receivables Collection:** In this step, a patient is billed for the remaining charges, if necessary. The bill is sent to collections if needed.
- **Analysis:** In this stage, data is finalized, collected, and analyzed.

## How Does the Revenue Cycle Affect a Healthcare Provider

The revenue cycle affects a healthcare provider in almost every aspect. Most importantly, it is necessary to have enough revenue to cover the outgoing costs of your practice. Beyond basic necessities of business operations, if you do not have a robust revenue cycle, all areas of your practice may face problems.

Additionally, having an orderly revenue cycle also allows your practice to have the necessary funds to pay staff, improve offerings, invest in new technologies, and grow.

## Advantages of Effective Revenue Cycle Management

When you consider the importance of revenue cycle management, these are some of the benefits that you should consider.

An effective revenue management system should report data that exposes problems such as fraud, waste, and abuse. Being able to identify and correct these types of problems will help to increase your bottom line and expedite the revenue cycle.

Having a solid system for revenue cycle management will also allow for better tracking and reporting, which makes it far easier to remain HIPAA compliant. It will also provide your practice with documentation that is accurate and usable.

When you apply a system of revenue cycle management that is highly effective, some of the results that you can expect are:

- Higher percentage of claims paid after 1st submission
- Higher percentage of current claims (0-60 Days)
- A lower denial rate
- Increased flow of revenue to the practice
- Higher average of clean claims
- Fewer outstanding accounts
- Faster payment of claims
- Smaller percentage of lost claims
- Improved quality of care because there are more man-hours available for patient care concerns
- Accurate patient information is available, which relieves stress to your staff

## How to Have Successful Revenue Cycle Management

Ultimately, for a healthcare practice to have successful revenue management, the amount of money that comes into the practice must be more than the amount of money used to pay the

expenses to run the practice. In other words, the practice must maintain profitability to consider its revenue cycle management to be successful.

The question then, is how does a practice or medical institution create success in this area? The most important revenue stream to a practice is payment for services or reimbursement of services through an insurance entity. Almost all improvements to the revenue cycle management come in the arena of communications between the practice and the paying party.

Because most payments come from an insurance company, one of the first places to focus on improving revenue management is by improving claims, their accuracy, and the speed with which they are processed. For most practices, this will mean focusing on the front-end tasks that affect a claim.

This includes things like taking accurate information from patients and verifying insurance eligibility for specific persons and procedures. Many issues that can cause problems with a claim later actually start much earlier in the process. These types of issues with claims are one of the biggest problems that will slow the revenue cycle.

Effective management of claims denials and proper procedures for handling them are another way to be more successful in managing your revenue cycle. As government agencies work to stop fraud and mismanagement, with the new ICD-10 codes as well as other factors, eliminating mistakes and better managing denied claims becomes more crucial than ever.

## How Can the Revenue Cycle Be Improved?

One of the most effective ways to improve the function of your revenue cycle is to implement revenue cycle management. Unfortunately, most service providers reach a point in growth where management of the revenue cycle is better outsourced to a third party. This is because it is expensive to train and retain dedicated staff for revenue cycle management, and if there is no dedicated staff, it puts undue stress on other staff members to do the job.

Outsourcing medical billing allows your practice to have the best of both worlds, so to speak. You will have the effective management that you need of billing, claims, and other cycle aspects while gaining much-needed extra time and resources to devote to patient care.

## How Do I Outsource Medical Billing?

CBS Medical Billing and Consulting provides outstanding medical billing services as well as revenue cycle management and practice management support. So trust the professionals and let them take care of all of your revenue management needs.

Reach out today for a consultation and see what their team of experienced professionals can do for your organization.