Case Study

Building a Revenue Integrity Department from Scratch: One Hospital’s Story

About UMC Health System

Location: Lubbock, Texas

Operating Units:

- University Medical Center, a 413-bed facility that serves as teaching hospital for Texas Tech University Health Sciences Center, with trauma center, burn center, cancer center, and children’s hospital.
- UMC Foundation, the fundraising arm and home of Children’s Miracle Network
- Physician’s Network Service, with 40 different clinics, labs, and other facilities.

The latest innovation in hospital revenue cycle management is a “revenue integrity department,” transforming what in the past was simply compliance into a revenue-generating engine for healthcare providers.

While most providers can see the benefit behind revenue integrity, how to implement that function within the revenue cycle can be a bit of a mystery. What follows is how one hospital built its own revenue integrity dynamo from scratch by repurposing available parts.

Micky’s Story

In 2008 Micky Allen was exhausted from Electronic Medical Records (EMR) implementations. He was a Manager in clinical IT for University Medical Center Health System in Lubbock, Texas, a 413-bed hospital affiliated with Texas Tech University.

He could have changed jobs, moving on to a larger provider where he would face the same problems, only bigger. But he saw an opportunity within his own organization. He went to his boss, the CIO, and told him those magic words: that he had a plan to increase revenue in one of the most troublesome departments of any hospital, the emergency center.

He didn’t know it, but he had just created UMC’s first Revenue Integrity Department.
“I came out of IT,” he says. “It doesn’t take long to read a couple of white papers and see that there was a lot of money left on the table.” And in the case of the emergency center, that money was being left on the table. UMC was not charging for all the services it provided patients, to the tune of millions of dollars each year.

“I went to the CIO and presented my business case in 2008,” Allen says. “In January 2009 we kicked off with the emergency center. Our primary focus was improving net revenue, and breaking up silos to get people communicating.”

Allen needed help, so he turned to Patient Financial Services (PFS) and drafted one of the department’s charge description management specialists to join him in what was now called “Revenue Cycle Operations Department.”

Of course, diagnosing the problem and getting the emergency center clinical staff to do something about it are two separate things. “We’re too busy. We’re saving lives,” was the typical response. Allen countered, diplomatically, by turning to the analysis of charges. “Apparently people aren’t as sick as you think they are,” he told them. “You never performed CPR.” Obviously the clinical staff had performed CPR, but Allen was able to show them that they had never charged for it.

The approach was not to embarrass the staff, but show them the areas where charges (and therefore billing) can be more accurate. And the more accurate the charges, the greater the revenue -- in some cases by over 100 percent in certain areas -- and with that organic growth in revenue the emergency center could get the new equipment it needed or make the justification for the new staff. With these facts before them, they not only altered their behavior, they became active participants in the CDM maintenance process.

It became an unspoken, but growing, mantra: “Let us charge for the great care you provide.”

The “Revenue Cycle Operations Department” proved its point and proved its worth to UMC. But to accomplish what it needed to make full, systemic changes across the provider would mean a full-fledged Revenue Integrity Department. And Allen realized he

**UMC Payer Mix Snapshot**
*(Based on Gross Revenue)*

- Medicare 36.6%
- Commercial 24.7%
- Medicaid 18.9%
- Self-Pay/Charity 16.6%
- Government 3.3%
needed someone with more knowledge and expertise about the revenue cycle and hospital operations than he did. He turned once again to Patient Financial Services and found that person in Charlotte Carlson. “It was a match made in heaven,” Allen says. “I couldn’t have done it without Charlotte’s help.”

**Charlotte’s Story**

“Let me say this -- I always was the revenue integrity department,” says Charlotte Carlson without a hint of modesty. “It was PFS. We handled the charge master, we handled everything.”

Carlson has been with UMC for 30 years, and just turned 69. “I started out as a refund clerk, helping with credit balances, and that opened up a lot of information,” she says. She was not someone who just kept her head down and did her job. “Instead of just doing it, I'd say ‘Why did the credit balance get credited?’” Her curiosity resulted in her moving to the Accounts Payable/Accounts Receivable department.

Eventually she took over A/R, and when UMC created an auditing department, Carlson was made supervisor of that. “Then I moved into charging, so I looked at all charges before bills went out,” she says. “I had to find out how all the things worked together to create a bill. I found there were millions of dollars on the books.” Most were because UMC has missed filing deadlines related to appeals and other bureaucracy. “It was a real mess,” she says. The year was 1984.

Those were scary financial days for UMC. “This was a hospital where we could not pay for medical goods without a check on the loading dock,” she says. Vendors would not deliver supplies until they had the check in hand, “and they ran the checks on the loading dock. There were times we had to decide, do we pay the bills or meet payroll?”

Progress was gradual, but UMC looks at the long term, and over the years began to put its financial house in order. Carlson eventually found herself running Patient Financial Services.

**Building Revenue Integrity**

The catalyst that brought Carlson to Revenue Integrity was the ever-growing RAC audits and documentation requests, says Allen. “Charlotte took all the audits from the client department so we could keep track of what was going on. Then RACs took off, decided to double the maximum number of requests, and we got bombarded.”

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“When I took over RAC audits I could see the client department was not equipped to manage that,” says Carlson “You have to know what’s going on in your billing and collections to manage your RAC audits.”

Equally important is knowing exactly what you are charging for. “I wanted the charges to have the attention that they deserve,” says Carlson. “I wanted the charge master to be really robust. And Micky got it tenfold where it should be.”

The UMC turned to Craneware for the technological backbone to improve chargemaster; the hard part, though, was convincing the clinical staff who was responsible for the front end of the chargemaster workflow. Allen admits they were skeptical at first. “They thought I was coming in to lean up processes and start cutting heads, but once they got it in their heads that I here to help improve their revenue so they could get their additional FTEs or get new equipment or replace old equipment, things got better.”

Improving CDM required “buy-in from the organization as a whole,” says Allen. At UMC, open communication is not only encouraged, it is expected.

“Communication between departments in this hospital is the best of the best,” says Carlson. At most hospitals, clinical staff doesn’t know administration, or PFS doesn’t know IT. That’s not the case at UMC. “We’re wrestling in the mud all the time -- our vice presidents expect that. It’s never been a situation that my VP has to go to your VP to get us around a table. Here it’s employee to employee.”

Allen took full advantage of the open communication environment at UMC in order to build Revenue Integrity, and win the cooperation of clinical departments. “Micky can throw together a pro forma before God gets the news,” says Carlson. When talking to clinical staff about charges, he comes prepared, and according to Carlson, can tell you “here’s what Medicare will pay, what Blue Cross will pay, here’s your charge -- you’re going to be a freaking hero!”

An effective charge master becomes the driver for finding missing revenue. “Revenue has increased since we started on this by leaps and bounds,” says Carlson. It has a cumulative effect as well.
Results of Previous Three Years

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“Some years back there was a big push to put the cost of medical surgical supplies without CPT codes into the cost of a procedure,” says Carlson. For example, when a patient gets oxygen, there’s no way to measure that for a charge. “I don't have any documentation of a patient taking a breath before lunch,” she says. “But I have an expense.” Today it is bundled into room costs.

Is ‘Revenue Integrity’ Just a New Buzzword?

“My feeling about RI was that it was a buzzword when it started,” says Carlson. “I thought, Oh hell, another compliance department. Somebody’s going to keep asking me the most stupid questions. But I've seen how Micky has bridged the gap between all the clinical places in the hospital, and answered their questions. Clinical staff are now coming to him, asking, ‘Am I billing this correctly?’ It's not a buzzword anymore.”

Allen says he spends one day each week roving the clinical departments. “He gowns up and goes in,” says Carlson. “That is something PFS could never do.”

“You've got to be a goal- and performance-oriented organization, and you've got to break down silos and communicate,” says Allen. “And you've got to take pride in being

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self-sufficient. You can’t outsource all this stuff and expect it to be done as well as you would do it.”

As one UMC VP put it, “This is a financial institution that happens to provide healthcare.” “Everybody is financially minded at University Medical Center,” says Carlson. “We have to be. We are the indigent hospital.”

And Revenue Integrity is the future. The next big challenge for the department is denials management, which is currently managed by PFS.

Revenue Integrity is going to continue to take on more responsibility and eventually become the financial backbone of the hospital, predicts Carlson. By then she’ll be retired. “I’m sorry I’m going to miss it,” she says.