



# EVALUATE THE ROI OF OUTSOURCING

FINDING THE RIGHT FIT FOR YOUR ORGANIZATION

Outsourcing is a key business strategy for many hospitals, with vendors supplying everything from physician transcription to insurance eligibility verification.

But outsourcing isn't just for doing what you can't do, or lack the resources to do. Today, leading companies are now re-routing work to companies that have specialized skills, workflows or processes that allow them to provide better outcomes at lower costs. To take performance to a higher level as a revenue cycle team you need to know more than just whether outsourcing is the best strategy for your organization. You need an understanding of when and how to use outsource resources for your best advantage.

## WHEN TO OUTSOURCE

There's no one-size-fits-all approach to outsourcing. While some hospitals outsource a single function that solves a specific challenge - like coding or transcription - others use outsourcing to re-engineer departments or respond

## IN ADDITION TO COST SAVINGS, SUCH RELATIONSHIPS FREQUENTLY HAVE POTENTIAL TO HELP HOSPITALS:

- Catch up overloaded work queues
- Deploy new services in growth areas
- Navigate and respond to an increasingly complex regulatory environment
- Manage rapid growth for higher volumes
- Change direction quickly
- Meet changing consumer expectations
- Improve community reputation
- Create greater accountability

to long-term strategic challenges. No matter the approach, your hospital should assess your unique needs and weigh the costs, as well as consider if your internal resources can be better deployed in other areas of the hospital.

For example, one outsource firm may specialize in the management of long-term investments and financial assets, while another advisor is better suited to provide advice on the management of operating capital. Based on the size of your hospital, one or both may be viable options.



Maintaining an in-house team to provide customer service for ambulatory patients is clearly necessary, while outsourcing patient-service functions, made by telephone, by outsource organizations specializing in patient services may be more attractive due to the complexity of managing and staffing an effective hospital call center.

Historically, the driving philosophy behind the decision to outsource was based on cost. However, today, more and more hospitals are leveraging best-in-class service providers across a wide variety of job functions to not only reduce cost, but to improve outcomes, in much the same way specialization in medicine has improved clinical outcomes.

Many CEOs agree that today, hospitals need to keenly focus on patient care to improve patient satisfaction scores and outsource any function that can be performed better and at a lower total cost than it can be performed internally. Many providers are beginning to incorporate outsourcing into their strategic growth plans from the start.



## WHAT TO OUTSOURCE

Billing and collections is one functional area that has gotten attention for outsourcing. Outsource firms specializing in account resolution and collections typically have the resources to make quick and significant impact in a portfolio that is under-performing.

Today, hospitals are re-evaluating third party billing and collection relationships from a strategic perspective, now recognizing that they can have a bottom-line and top-line impact as well. In fact, as the final touch point in most patient experiences, the billing, account resolution and collection functions are now being leveraged by some healthcare organizations to help positively influence patient satisfaction scores. The decision can have a material impact on third party reimbursements and actually lower the total cost relative to competing internal or outsource providers.

The right partner can bring years of patient services experience that will protect both the patients' dignity and the provider's reputation in the community.

Even pre-registration and eligibility verification can have a net positive effect when effectively outsourced with the total patient experience in mind.

Outsourcing can also improve outcomes-related localization. Outsource firms with a strong national presence typically have familiarity with varying third party plans across many states. Centers lacking the staff to quickly and efficiently process third party claims or self pay balances quickly benefit from teams that know the unique claims requirements of out-of-market insurers.

By outsourcing receivables, healthcare providers can achieve increased and accelerated cash flow, increased production and efficiencies, enhanced patient relations, a reduction in bad debt and maximized reimbursement. Outsourcing eliminates the need to invest in additional equipment, personnel, office space and allows your resources to focus on other revenue cycle activities.

## COST VS BENEFIT

Today, CFOs are beginning to take a more holistic approach to modeling total cost. For some items like office supplies, for example, buying the same grade item for the lowest line item cost makes sense. But using line-item cost as the deciding factor when outsourcing doesn't always tell the whole story.

For example, a hospital that evaluates the fee on pre-collection portfolio management may, in fact, pay significantly more if the selected provider sends a higher number of patient accounts to collections.

Or, if collection tactics used result in reduced patient satisfaction, the cost of just one lost patient to a competing hospital may cost more in the long run.

For example, for a hospital with net revenue of \$500 million per year, just a 3 percent annual improvement nets \$75 million over five years. A hospital that outsources its revenue cycle and pays a contractor one-third of the net financial improvement would net a \$50 million gain over five years by outsourcing.





For many hospitals, the net present value of the cash, especially given today's changing reimbursement landscape, can have a significant impact on operating capital and net bottom line performance.

While improved financial performance may be the top objective for a revenue cycle outsourcing initiative, other benefits can include increasing team performance, greater job satisfaction and improving workforce morale.



You should also consider the total impact on the relationship between your hospital and the community. Improved patient satisfaction can be the result of collateral benefits, such as shorter business office waiting times, expedited claims processing and better trained patient service representatives who are skilled in dealing with patient financial matters in a compassionate way.

Accomplishing all of these objectives, rather than just one or two, should be the goal of any revenue cycle improvement effort.

Effective management of outsourcing resources is more than a matter of good business. Outsourcing decisions have the potential to affect the overall patient financial experience, service quality and efficiency, as well as the clinical satisfaction.

Outsourcing is an important decision with implications far beyond the improved financial results most organizations hope to gain.

Avadyne Health routinely performs detailed account segmentation reports for clients and hospitals looking for independent verification of portfolio performance.