



Pittsburgh Healthcare Consulting Firm Helps North Carolina Hospital in \$9 Million Turnaround

By Vic Zediker

Watauga Medical Center in Boone, North Carolina was facing an uphill battle in late 2007. With annual operating losses approaching \$3.5 million, the community hospital had only 50 days of cash on hand and accounts receivable were languishing at 77 days. Watauga executives knew their revenue cycle was the cause of their financial difficulties but they weren't exactly sure how to correct it.

Enter Revenue Cycle Solutions, LLC (www.revenuecyclesolutions.com), a healthcare consulting firm headquartered in Pittsburgh, PA, specializing in revenue cycle assessments and managed care contract performance and renegotiation. RCS made a series of recommendations to Watauga's executives which were quickly implemented.

Today, Watauga is a healthy institution, posting a \$5.5 million operating profit in 2009. Days of cash on hand have increased three-fold to 150. Days in accounts receivable have been cut nearly in half. Watauga's operating margin has now increased from -3.5 percent in 2008 to 5.4 percent in 2009.

"Watauga would not be in as solid a financial position that it is today if it were not for the results of efforts recommended and implemented by Revenue Cycle Solutions," states Kevin May, who joined Watauga's parent company, Appalachian Regional Healthcare System, as Chief Financial Officer in midyear 2008. He said further that "Hospital CFO's need to keep an open mind because bringing in a different set of eyes can provide a fresh perspective and a powerful impact."

In February of 2008, Watauga engaged Revenue Cycle Solutions to assess all stages of the hospital's revenue cycle, ranging from preregistration and insurance verification through payment/adjustment posting and bad debt write-off. The goal was to identify opportunities for improvement and document annual financial benefits.

After discussions with staff and first hand observations, RCS determined that many of Watauga's challenges were the result of a flawed revenue cycle process. In many cases, registration information, insurance verification, charge capture and code assignment was either incomplete or inaccurate. Recommendations were made in seven key areas of the revenue cycle and a series of plans developed to implement the changes. All this just three months after the engagement began.

Among RCS's recommendations was to augment the patient access process with H-Pass (www.H-Pass.com), a service that provides a cost-effective solution for all scheduled patients with the preregistration, insurance verification and collection of patient responsibility amounts prior to arrival.

CFO May sums up the experience by saying that the benefits of working with Revenue Cycle Solutions has extended well beyond Watauga's financial statements. "Today we have a much better standing with our creditors. Just as important, we enjoy the confidence of our board and our community which is vital to the success of any community hospital." Apparently, all's well that ends well!

For more information, visit www.revenuecyclesolutions.com. †