

# Revenue cycle success leads the way to **\$9 million turnaround**



## The Challenge:

Situated among the Appalachian Mountains in Boone, N.C., Watauga Medical Center 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; however they weren't exactly sure how to correct it.

## The Solution:

Taking charge of their destiny, Watauga's administration teamed with Revenue Cycle Solutions, LLC ([www.revenuecyclesolutions.com](http://www.revenuecyclesolutions.com)), a healthcare consulting firm headquartered in Pittsburgh, Pa., specializing in revenue cycle reviews. RCS made a series of recommendations to Watauga's executives, which were quickly implemented.

“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.**”

Kevin May

## The Results:

Today, Watauga is a healthy institution, posting a \$5.5 million operating profit in 2009. The numbers tell the story: Days of cash on hand have increased three-fold to 150. Days in accounts receivable have been cut nearly in half. As a result, Watauga's operating margin 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,” said Kevin May, who joined Watauga's parent company, Appalachian Regional Healthcare System, as chief financial officer in midyear 2008. “Hospital CFOs need to keep an open mind because bringing in a different set of eyes can provide a fresh perspective and a powerful impact.”

	Before	After
Days Cash on Hand	50	<b>150</b>
Days in AR	77	<b>40</b>
Operating Margin (Loss)	<b>(3.5 percent)</b>	<b>5.4 percent</b>
Operating Profit (Loss)	<b>(\$3.5 million)</b>	<b>\$5.5 million</b>



## About Watauga

As the largest unit in the Appalachian Regional Healthcare System ([www.apprhs.org](http://www.apprhs.org)), Watauga Medical Center is a regional referral medical complex, offering both primary and secondary acute and specialty care. In addition to the main hospital, the medical center includes a cancer center that provides radiation and chemotherapy on an outpatient basis. Other services include wellness and rehabilitation; home care services; physical therapy; sleep clinic; pain clinic; and an education center.

The medical center is located in Watauga County, home to the second-highest uninsured population in North Carolina. With approximately 45,000 residents, Watauga County also contains a significant affluent population as well as 16,000 students attending Appalachian State University.

## The Story

In February 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 firsthand observations, Revenue Cycle Solutions quickly determined that many of Watauga's challenges were the result of a flawed revenue cycle process. For example, in many cases, registration information, insurance verification, charge capture and code assignment was either incomplete or inaccurate. The fact Watauga had recently converted to a new patient accounting system only compounded matters.

As a result, Revenue Cycle Solutions issued a series of recommendations in seven key areas:

- Scheduling/registration
- Charge processing
- Coding
- Billing
- Follow up/Collections
- Payment/Adjustment Posting
- Bad Debt Management

## Implementation

Once the recommendations were made to Watauga's senior management, Revenue Cycle Solutions then developed a series of plans and worked with Watauga's staff to implement the improvements just three months after the assignment began.

“And sometimes I get **caught up in the day-to-day tasks** of running a department. It's nice to have **an outside perspective** and the **resources to implement change.**”

Rayanna Moore

Since then, Watauga has fully implemented the recommendations, generating additional efficiencies and improving cash flow even further. Among Revenue Cycle Solutions' recommendations was to augment Watauga's patient access process with H-Pass ([www.H-Pass.com](http://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.

“What I like about Revenue Cycle Solutions is they act like an extension of our staff,” said Rayanna Moore, System Director of Revenue Cycle for Appalachian Regional Healthcare System.

“They know what needs to be done, and they know how to do it. I don't have to worry about them finding their way around.”

“Staff is spread pretty thin at community hospitals,” Moore added. “And sometimes I get caught up in the day-to-day tasks of running a department. It's nice to have an outside perspective and the resources to implement change.”

## The team from Revenue Cycle Solutions

Consultants from Revenue Cycle Solutions developed the recommendations for improving Watauga's revenue cycle and helped hospital staff implement the plan. With experience at more than 150 hospitals nationwide, the Revenue Cycle Solutions team is comprised of professionals with expertise in patient access, health information management, information technology and patient finance.

“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.”

Kevin May

“Revenue Cycle Solutions is a good size,” May said. “I know I can call them at any time and speak with the people who are working on our account.”

May said the benefits of working with Revenue Cycle Solutions extend 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.”

## About Revenue Cycle Solutions

Revenue Cycle Solutions, LLC, is a full-service healthcare financial consulting company specializing in:

- Revenue cycle efficiency;
- Managed care contract negotiations;
- Managed care contract key performance indicators;
- Virtual patient account office management;
- Interim management services; and
- Custom revenue projects.

RCS offers cost-effective and creative solutions to problems related to the capture, billing and collection of much needed health care revenue.

All of RCS' people come from the healthcare world – with in-depth hospital management experience. They are keenly aware of the challenges that hospital financial executives face each and every day – and have the proven track records to assist in solving problems, carrying out responsibilities, meeting objectives, and achieving bottom line results.

RCS has tailored its company with a desired end result in mind – Clients recognize immediately that RCS brings something to the table that will substantively augment their current capabilities.



**Revenue Cycle**  
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