Rethink lost revenue, **realize a better patient experience**

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Financial challenges at hospitals and health systems are so prevalent that they've become the status quo for institutions and patients.

- Hospitals had one of their most challenging fiscal years due to labor shortages and inflation.[1] One-third of these hospitals wrote off at least $10 million in bad debt[2] — with less than 20 percent of them having a strategy to recover this debt.[2] This means hospitals are losing much needed revenue which can negatively impact future care.
- Similarly for American patients, 27 percent faced the hard choice of delaying treatment of serious illnesses due to the cost of care.[3]

Yet solutions exist that can prevent revenue loss for institutions while assisting with the cost of care for patients.

A matrix of hospital stakeholders and teams must actively participate to implement these solutions and their benefits.

Rethink the revenue process

The largest contributors to hospitals' bad debt are rejected and denied claims. Each year rejected and denied claims average a $5 million loss per health system — with 60 percent of discharged nonpaid patient care becoming bad debt.[4]

A lack of resources to adequately track and correct rejected and denied claims isn't the larger issue. The issue lies in fueling the volume of rejected and denied claims that put hospitals into a cycle of work and rework. And for patients, the issue lies in the delays and discontinuation of treatment due to high costs. Regardless of insurance coverage, these costs can lead to defaulting on payments and bad debt write-off. Unfortunately, most existing processes that correct rejected and denied claims are focused on *recovery,* but the better solutions focus on *prevention.*

Focus on prevention

Prevention of rejected and denied claims starts with a proactive process that will deter rejected and denied claims from the beginning. It's more than a software-only solutions; multiple teams must be active participants. Hospitals must first break down silos across the matrix of physicians, pharmacists, nurses, coding, billing and patient intake teams. It requires organization-wide communication and collaboration. If executed effectively, a proactive, best-practice approach can prevent rejected and denied claims by as much as 80 percent.[5]

A proactive best-practice strategy should include

- **Denial-avoidance screening** to prevent rejected and denied claims
- **Robust nontraditional patient advocacy** that lowers treatment costs so more patients can afford the cost of care
- **Support for biosimilar utilization, prevention of unrecoverable utilization and capabilities** to identify individual patient white-bagging requirements ahead of service rendering to reduce drug costs

Proactive practices are central to changing the status quo. Implement a proactive approach at your facility by reviewing the revenue and reimbursement process; consider areas for improvement then assess your capabilities and support needs.

If an organization lacks the necessary internal resources, an outside partner, such as Cardinal Health, can lead the effort. We can complete historic claims audits, improve workflow efficiencies across your hospital's matrixed organization and identify the maximum patient advocacy for as many of your patients as possible. Most importantly, Cardinal Health can integrate seamlessly with existing staff, facilitate proactive communication between stakeholders and ease your teams' administrative burden.

> These solutions can be realized for all hospitals, yet they largely remain lost because of communication gaps, the cycle of chasing claims issues, and untapped resources.

Keep an eye on the bottom line

Most hospitals are missing an opportunity to reduce financial losses due to the reactive approach of today's revenue cycle. From preventing rejected and denied claims that reduce bad debt to identifying available patient advocacy that supports your mission of care, a different approach can provide many benefits across your health system and to your patients. The road to rethinking your revenue process starts with accepting that not all bad debt is necessary, but with the right partner, this process can be easier.

Proactive practices in action[6]

The costs of a reactive program

- At one hospital, confusion over the site of care requirements resulted in a patient receiving three infusions at $1,500 per dose before the claim was denied; the cost of that treatment was not recovered.
- At another hospital, an initial claim was denied due to medical necessity; it was rebilled and paid; however, the patient was left with the remaining $3,000 deductible and out-of-pocket charges over $9,500; this resulted in the patient defaulting on the payment and the cost of care was written off as bad debt.

The benefits of a proactive program

- At one medium-sized health system, patient assistance support for one infusion clinic garnered $1.4 million in support for patients.
- At a 40-bed rural facility, the proactive claims process meant increased cash flow and an opportunity of nearly $1 million from preventing rejected and denied claims.

To learn more about how Cardinal Health helps hospitals and health systems implement a proactive, best-practice program for remittance and patient care, visit **cardinalhealth.com/RethinkRevenueProcess**

References: 1. Victoria B. Hospital margins improved in November but remained negative. RevCycleIntelligence. 2023. Accessed January 10, 2023. https://revcycleintelligence.com/news/hospital-margins-improved-in-november-but-remained-negative. **2.** Bad debt exceeds $10M at a third of organizations, but lack of confidence exists in how much is recoverable. Cision PR Newswire. 2018. Accessed January 10, 2023. https://www.prnewswire.com/news-releases/bad-debt-exceeds-10m-at-a-third-of-organizations-but-lack-of-confidence-exists-in-how-much-is-recoverable-300667889.html. **3.** Megan B. Record high in U.S. put off medical care due to cost in 2022. Gallup. 2023. Accessed January 10, 2023. https://news.gallup.com/poll/468053/record-high-put-off-medical-care-due-cost-2022.aspx. **4.** Change healthcare healthy hospital revenue cycle index study. Becker's Hospital Review. 2017. Accessed January 10, 2023. https://go.beckershospitalreview.com/exploring-national-denials-trends-what-the-data-is-telling-us-and-where-we-need-to-go-from-here-. **5.** Caroline E. M. The health claim game: fight back when insurers deny claims. AARP The Magazine. 2009. Accessed January 10, 2023. **6.** Cardinal Health data on file.

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