The revenue cycle is the financial pulse of the practice. A healthy revenue cycle is supported by processes that use every contact with the patient and/or guarantor and third-party payer to aid in collection of information, data, and (ultimately) revenue, thereby reducing the number of days a claim remains in accounts receivable. Likewise, an unhealthy revenue cycle is one in which poor communication, inaccurate information, and lack of attention to detail are the

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norm. In today’s environment, denials, write-offs, and collection time all reduce the efficiency and profitability of the practice.

**Teamwork Is Key**
Management of the revenue cycle involves multiple steps, efficient and effective processes, and—most importantly—a synergistic team working together to maintain profitability. The first step to managing and maintaining a healthy revenue cycle is being knowledgeable in each stage of the cycle and eliminating potential weaknesses in each of these stages.

Traditionally, the bulk of revenue-related work has taken place toward the end of the revenue cycle. These tasks typically include charge entry, production and relay of claims, payment processing, claim denial appeals, and collection. When the workload is adjusted to occur early in the revenue cycle, however, collection of reimbursement increases and occurs in a more consistent and timely fashion, leading to a corresponding decrease in accounts receivable days.

Training front office staff to treat every interaction with patients as an opportunity to collect and verify information affects the revenue cycle by identifying and mitigating potential risks to reimbursement. Often the real culprit to denied claims is lack of current or correct demographic and insurance information. Asking patients the right questions can determine whether or not reimbursement is received. Verifying whether a patient is new or existing, for example, and ascertaining the provider network and its referral requirements reduce rejected claims. Fewer rejected claims equal a healthier revenue cycle: the number of accounts receivable days decreases, and processing costs due to reworking or resubmitting claims are reduced.

Resubmitted claims and appeals are key areas in having a profitable or unprofitable revenue cycle. Although not all denials can be controlled by internal procedures, the number of denials can be made more manageable by reducing the number of claim production errors. In an ideal revenue cycle, claim denial rate due to internal practice errors (that is, errors related to current revenue cycle procedures) is less than 5%.

Traditionally, denials and appeals are worked as time allows—typically after all other tasks have been completed. Katz, Sapper, and Miller, a prominent accounting firm in Indianapolis with associates specializing in healthcare, has stated that each denied claim loses an additional $3.00 per day for each day that it is not worked (this amount may vary by locale and as the economy changes). Therefore, denials should be worked daily or as received.

Failure to appeal denied claims can have a devastating effect on the revenue cycle. For example, if your practice sees 80 claims per day at $80 per claim, the expected revenue would be $6,400. If, on average, 10% of those claims are denied, your revenue leak is up to $640 ($6,400 x 10% = $640). If your practice is currently only appealing 10% of those denials, you’re up to $576 per day ($640 x 90% = $576). Over a year, that can add up to $138,240 of lost revenue [52 weeks x 5 days – 20 days (vacation and holidays) = 240 working days/year x $576/day = $138,240].

**Why Change Now?**
Changing the current revenue cycle culture in your practice is not a quick or easy task. It will take time and effort from every member of the practice. But, as those of us who have worked in the medical field know, change is inevitable.

Two particular changes looming on the horizon are electronic medical records and ICD-10-CM. Both have the potential to expose and compound any deficient areas in your practice’s revenue cycle. Today—before these major changes to healthcare are implemented within your practice—is the best time to review processes within the practice that affect the revenue cycle.

Remember that communication (electronic or paper) between departments must be clear and beneficial in assisting the cultural changes needed to revamp the current revenue cycle. Finally, all staff members must understand the impact of their assigned tasks on the revenue cycle. Any processes that threaten delays or denials in reimbursement should be reworked to aid in developing a healthy and stable revenue cycle.

**Additional Resources**
- [www.iab.net/iab_products_and_industry_services/508676/508858/revenue_cycle](http://www.iab.net/iab_products_and_industry_services/508676/508858/revenue_cycle)

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