



# Avoid Missed Revenue Opportunities with an **Automated Revenue Integrity Program**

**A**s the cost of prescription drugs continues to climb, most hospitals face rising expenses and declining reimbursements. Many health-system pharmacies are not inclined to actively improve revenue integrity due to limited time and increasing service demands. However, today's economic climate coupled with the advent of new technologies make this an opportune time for hospital pharmacies to start taking a proactive approach to information and financial management. It takes a bit of a leap of faith to commit the time and resources to improve pharmacy financial performance, but doing so puts pharmacy in the position to enhance its positive impact on organizational financial metrics, safety, and success.

In the past, financial management of the pharmacy was an important, yet secondary function for pharmacists at Kingman Regional Medical Center, a 235-bed, nonprofit, teaching hospital serving a growing community with expanding health care needs in rural Kingman, Arizona. As pharmacists, we are trained to make the right choices for the best clinical outcomes, and as medications represent such a significant percentage of a hospital's overall supplies expenditure, it became imperative to find ways to better control pharmaceutical costs and ensure medications are being accurately billed and reimbursed. To achieve this, we realized it was vital to update our processes and systems.

Our goal at Kingman was to find solutions that would:

- Efficiently capture facility-administered pharmaceutical charges at the appropriate rate
- Maintain efficient administrative oversight of pharmacy procurement, dispensing, and billing
- Automate the transfer of data between various revenue systems both within and outside the pharmacy, to help identify processes that had broken down after leaving the pharmacy
- Facilitate staff communication and education

Hospitals lose millions of dollars as a result of missing, incomplete, and inaccurate pharmacy data in the billing system. Some hospitals do not realize this and others, like Kingman, try to manage the problem by manually tracking the data that moves from the pharmacy system to the financial billing system. This is a very labor-intensive process. Moreover, hospitals have found no practical way to keep data current as billing codes and regulations continually change. As a result, reimbursement and compliance suffer.

Kingman found a way to establish—and maintain—automated linkage between the pharmacy system and the hospital's billing system. This approach has resulted in pharmaceutical claims that are filed more accurately and reimbursed more promptly by both government and private insurers. It also allowed pharmacy to demonstrate and expand its role in driving hospital revenue.

As pharmacy procurement costs have historically risen by an average of 6% to 9% a year, according to the American Society of Health-System Pharmacists, many hospitals have resigned themselves to accepting slim pharmacy margins.

Without full reimbursement for all pharmacy-related expenses, it can be challenging to find the necessary capital to attain clinical objectives. By gaining full visibility of reimbursable pharmacy charges, we have been able to transform pharmacy's financial management for the better.

## Challenges with Manual Processes

When Kingman pharmacy began its quest to increase revenue integrity and create new efficiencies, the processes we had in place were similar to those in most other hospitals—pharmacists used one system to order drugs, another to dispense them, and a third to process reimbursement. As none of these systems were linked, it was a daunting task to determine if medications were being reimbursed properly. It was even more challenging to evaluate reimbursement rates against the cost of procuring medications.

In addition, like many hospitals, Kingman pharmacists were responsible for manually adjusting the pharmacy chargemaster when new drugs were introduced into the system; when existing medications were modified in units of measure,





routes of administration, payor codes, etc.; and when government or private payor codes changed. Trying to keep up with these changes manually is time consuming, inefficient, and can easily result in missed revenue.

Inconsistencies between the hospital's central Charge Description Master (CDM) and clinical subsystems can prevent a hospital from being able to generate claims that bill accurately for all charges. If errors are introduced—such as a simple keystroke error when adding a medication to the pharmacy computer systems—it can prevent the drug from being added to the patient's bill and render the medication effectively non-reimbursable.

Before automation, we monitored pharmacy chargemaster accuracy with manual reviews and month-end manual charge audits. This made it difficult to identify charges and medications missing from the chargemaster, and to ensure that costs aligned with reimbursement. Manual processes can delay recognition of coding and billing issues until weeks or even months after claims are submitted for payment. To address these challenges, we chose a software solution that relates the data from our drug spend to our billing system. With this system, we can now readily help ensure accurate claims, avoid rejected claims, limit time spent reacting to rejected claims, and actively evaluate data—even with limited time and resources.

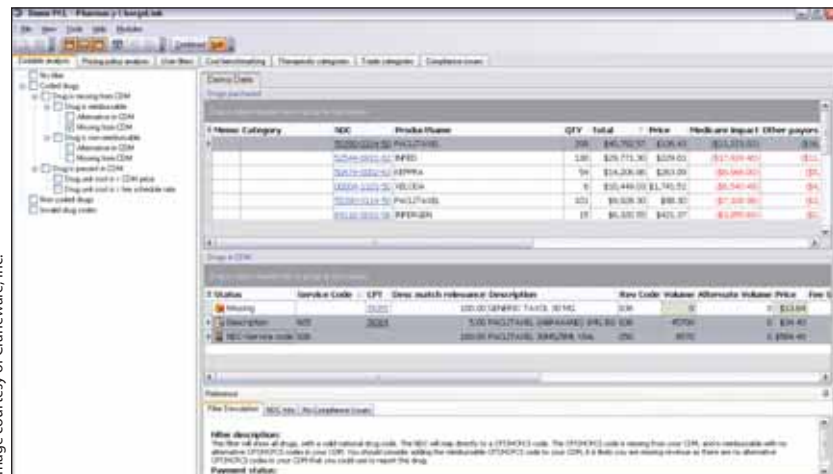


Image courtesy of Craneware, Inc.

Automated linkage between the pharmacy system and the hospital's billing system can result in pharmaceutical claims that are filed more accurately and reimbursed more promptly by both government and private insurers.

## Updating Processes and Systems

Kingman has a revenue integrity program that at its core is based on continuously evaluating and rethinking the fundamental assumptions behind the hospital's processes and systems. In the pharmacy, our plan was to break down the revenue systems to their baseline functionalities and rebuild them so that, going forward, they would easily and accurately identify and capture revenue opportunities.

Medications were previously ordered through a proprietary system supplied by Kingman's primary pharmaceuticals wholesaler. However, this has changed recently, and many items are now automatically ordered through each automated dispensing cabinet, which sends the information directly to the Cardinal Health wholesaler. Both then and today, pharmacists have tens of thousands of medication choices that change frequently based on a number of variables, including units of measure, delivery routes, group purchasing (Amerinet) contracts, choice of manufacturer, and generic alternatives. Adding to these variables are frequent formulary updates as well as coding changes issued by government-sponsored medical plans.

In the course of rebuilding the processes and systems, we determined that for many medications, there was a mismatch between how drugs were administered

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and the proper coding for reimbursement. To rectify that situation, we reviewed and updated problematic medications in the drug master file of the pharmacy computer system and set appropriate parameters for dispensing.

During this review, I tasked informatics pharmacist Julian Southerland with evaluating the total pharmacy revenue cycle. This six- to eight-week project entailed the complete reconstruction of the pharmacy chargemaster. Our overriding goal was to reduce the prevalence of post-billing adjustments. Therefore, we focused on modifying the pharmacy systems so that when a physician order was filled, the pharmacist would place that order in the appropriate billing unit. It was a tedious undertaking to get the correct billing procedures in place, but once the codes were built in and the pharmacists educated, the effort proved successful.

Even though the chargemaster had been rebuilt, the pharmacy still had to use manual processes to reconcile pharmacy spending against dispensing, billing data, and codes used on the main hospital chargemaster. To resolve this, we implemented Craneware's Pharmacy ChargeLink software in May 2007. This software allowed Kingman to link the previously disconnected systems, integrating pharmacy spend information with billing. This step helped ensure that the billing system contained all the data necessary to properly bill for reimbursable items.

Using this software has completely eliminated manual pharmacy charge audits while helping us achieve appropriate pricing, accurate billing, and optimal reimbursement. Since the systems are now linked, we can use predefined data filters to perform the analysis necessary to support decisions that ultimately enhance pharmacy financial performance. The data analysis is now available instantly, whereas, prior to automating, this type of analysis generally took four to five days to complete. By strengthening our pharmacy billing policies and procedures, while having full visibility from purchasing through reimbursement, we are now able to more effectively manage costs, monitor internal pricing policies, and recover revenues.

## Supporting Defensible Transparent Pricing

Achieving defensible, transparent pricing is a growing priority in hospital pharmacy, driven by regulatory requirements and patient expectations. For pharmacy to build the necessary, consistent pricing models, full visibility of every facility-dispensed medication—from purchase, through dispensing and reimbursement—is required. Expenses, charge capture, and reimbursement must be monitored very closely. Prior to automation, gathering the appropriate data was very challenging. Now, the data is readily available, allowing us to price with a better margin.

## Developing a Strong Relationship between Finance and Pharmacy

It is important to note that the success of any hospital endeavor relies on collaboration between departments. At Kingman, coordination of revenue activities has improved the relationship between the pharmacy and financial departments. Previously, interaction between the business office and pharmacy consisted primarily of responding to billing errors. To meet our financial goals, a proactive



## Kingman Regional Medical Center Pharmacy Department

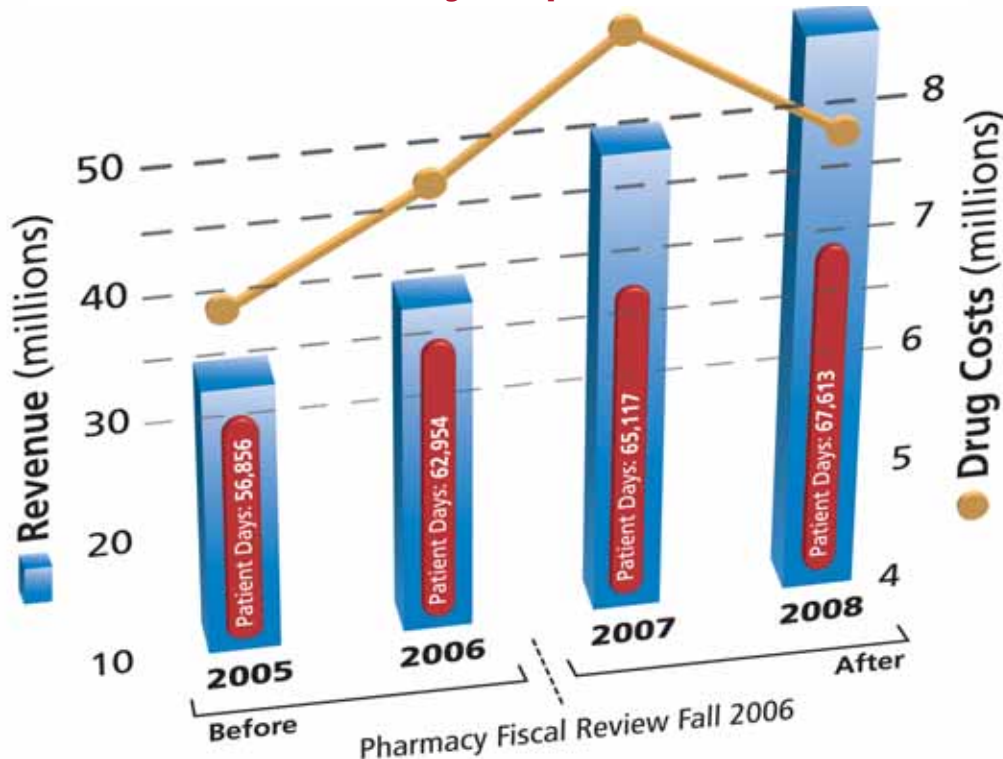


Chart courtesy of Kingman Regional Medical Center

After instituting a revenue integrity program in 2007, Kingman Regional Medical Center Pharmacy saw an increase in departmental revenue and decrease in drug costs, despite an increase in adjusted patient days, enabling pharmacy to focus resources on new operational and clinical services.

to capture these charges, resulting in an increase of \$55,000 in annual pharmacy revenue.

### Financial Improvements Further Clinical Aims

With the pharmacy now on better financial ground, we have found it much easier to establish new operational and clinical services, such as a new pain management program and a wound care center. When a new service is offered, revenue integrity staff members, including pharmacists, meet with the medical staff, as well as any ancillary department staff involved in the new offering, to educate them on best practices for capturing and generating charges. Ultimately, the revenue integrity team helps ensure that new services will be financially viable for the hospital.

Because of senior management's willingness to provide financial management resources and pharmacy's commitment to dedicating time to improving revenue integrity, pharmacy now serves an integral role in helping the hospital raise revenue and lower costs. With this increase in revenue, we are able to introduce new projects to enhance patient care and safety. These projects include expanded clinical rounding by pharmacists, a new smart pump infusion system, updated automated dispensing cabinets, and bar coded medication administration at the point-of-care.

### Worth the Effort

We have seen substantial improvements in the pharmacy department and a sizeable return on investment with the new software and procedures. Prior to automation, we often did not know what problems to look for or how to

team effort between pharmacy and finance is required to make sure that codes are properly set up in the relevant subsystems so that all reimbursable items are identified and properly charged. This is particularly true when new clinical programs are established. Our new financial reporting capabilities support a constructive dialog between pharmacy and finance, which in turn fosters a proactive relationship rather than one based on continual reaction to billing errors.

### Pharmacy Revenue Integrity

At Kingman we are continually identifying overlooked revenue opportunities and correcting the processes and systems that lead to these lost opportunities. This process requires a significant commitment as both pharmacy and the respective department managers must continually monitor the procedures even after they have been corrected. With changing financial conditions and billing requirements, even rebuilt systems are quickly out of date; however, automated tools make it significantly easier to monitor and, when necessary, revisit and adjust the modified processes.

Our automated approach has had a positive impact on pharmacy processes and revenue integrity. The business office and revenue integrity team are now actively involved whenever a new drug enters the system or an existing drug is changed. The software facilitates data analysis by pharmacy and revenue integrity personnel, who confirm appropriate drug billing information and determine whether the drug should be packaged or separately reimbursed. This interdepartmental teamwork approach has resulted in significant success. For example, while many vaccines are not reimbursable, there are associated administration charges that can be billed. The pharmacy worked with the revenue integrity team

find missing charges. In the first few months of use, Kingman found more than \$400,000 in lost Medicare payments attributed to incorrect billing of pharmaceutical charges. Common causes of error included incorrect prorated billing sequences and billing the wrong dosage units. After setting up correct billing procedures and educating staff, we were able to fix the problems and move forward to ensure optimal Medicare reimbursement.

Kingman's revenue integrity program ultimately identified and corrected \$1,097,579 in annualized lost revenue due to incorrectly prorated billing of pharmaceutical charges. In 2008, the pharmacy saw a 6.6% decrease in drug costs; a 10.6% decrease in overall department expenses, even though the hospital had a 3.8% increase in adjusted patient days; and a 12.9% increase in net pharmacy department revenue as compared to the previous year. The bottom line is that achieving a good fiscal pharmacy operation is complex, but by using automation tools and basic financial management principles we have achieved impressive initial results that we see continuing well into the future. ■



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