HIM Directors Face Outsourcing Realities: Five New Relationship-building Strategies to Consider in 2016

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By Charlie Saponaro

Often viewed as the backbone of a facility's revenue cycle, health information management (HIM) outsource vendors have seen an explosion in demand as the healthcare industry has transitioned to ICD-10-CM/PCS. Many HIM service companies have seen an increase in volume and client requests for support—especially for outsourced coding services.

During 2015 in the run up to ICD-10, organizations placed an incredible amount of trust in their outsource partners. A September 2015 survey by Black Book found that 22 percent of respondents outsourced at least a portion of their clinical coding workload. HIM directors leaned heavily on HIM service providers for ICD-9 coding services during training and dual coding.[1] They also relied on vendors for code auditing, DRG validation, ICD-10 training, clinical documentation improvement (CDI) ramp-up, and getting a stronghold on discharged not final billed (DNFB) prior to ICD-10 go-live.

In response, HIM service providers poured significant time and resources into recruiting top notch HIM professionals, establishing coder training centers, and making sure their staff received thorough ICD-10 training over the preceding 12 months.

Now that ICD-10 has arrived, some HIM professionals are looking at their vendor relationships and analyzing at what levels outsourced providers are needed. This article explores new challenges ahead for HIM directors as they re-evaluate their outsourced HIM service relationships.

What to Expect in 2016

Despite a relatively successful industry-wide conversion to ICD-10, the upward trend toward outsourcing doesn't seem to be slowing down any time soon. Black Book found that 83 percent of hospitals now outsource some accounts receivable and collections, 58 percent outsource contract management, and 55 percent outsource denial management. In addition, 68 percent of physician groups with more than 10 practitioners now outsource some combination of collections and claims management.[2]

The same survey found that 93 percent of hospitals with more than 200 beds anticipate supplementing their existing revenue cycle management software with outsourcing services during the first quarter of 2016. This predicted trend toward greater outsourcing support is based on a cloudy future for healthcare revenue as the industry determines the impact of ICD-10 on cash flow and considers additional value-added reimbursement opportunities.

The following four questions are top of mind for most revenue cycle executives and HIM directors:

- When will hospitals see the true reimbursement impact of ICD-10? First quarter 2016? Second quarter 2016? Or beyond?
- How will ICD-10 affect productivity and quality in the long run?
- How will payers process unspecified codes, and will denials rise accordingly?
- How often will medical necessity denials occur and for what reasons?

In addition to revenue cycle uncertainty, HIM directors are also expected to face staffing gaps in 2016. Employee transitions, turnover, and a highly competitive recruitment and retention environment are predicted. All three of these staffing issues are already being experienced in certain geographical regions.

Demand will continue to outweigh supply when it comes to experienced HIM professionals—especially experienced, qualified ICD-10 coders. In 2016 hospitals may also be forced to hire more coders to perform the same amount of work due to

productivity slowdowns with ICD-10.

Five Relationship-Building Strategies for HIM

As the healthcare industry looks ahead to the first full year of using ICD-10, it's helpful for all providers to revisit their relationship with outsourcing vendors. Each and every partnership must deliver added value in the year ahead to ensure maximum advantages to an organization. The following are five suggestions for working with outsourced HIM partners more efficiently and effectively in 2016.

Kick your communication up a notch

ICD-10 requires constant collaboration and feedback. Vendors must provide ongoing communication. This is especially true in CDI and clinical coding where documentation insufficiencies and query opportunities will experience dramatic shifts. Keeping up with documentation gaps, coding errors, and the resultant claims denials will be key to success under ICD-10. Opening the lines of communication far beyond those established in ICD-9 can help identify new opportunities for quality and process improvement.

If not already implemented, consider the following four best practice tactics with your outsourced HIM partners:

- Frequent feedback to your outsourced companies regarding claims denials
- Daily productivity reports and dashboard sharing among HIM, revenue cycle, and outsourced partners
- Mutual real-time communication regarding educational efforts to remediate documentation and coder deficiencies among registration, medical, CDI, coding, and billing staff
- Prompt notification if an outsourced coder isn't performing up to par—what's the vendor's plan to remove the individual from the account?

Think quality over quantity for coding

Coders need to code and drop bills on time. However, what good is apt claim submission if payers subsequently deny those claims because they're inaccurate? Productivity and quality must go hand in hand. Most coding vendors have moved away from their per-piece pricing because of concerns over quality and the loss of productivity with ICD-10.

In ICD-10, coders must first focus on ensuring a correctly coded record rather than meeting a prescribed number of records per hour. The productivity and quality standards often used in ICD-9 no longer apply. Both metrics must be revisited during the first few months of ICD-10 go-live and routinely throughout 2016 as coders improve ICD-10 knowledge and skills.

Coding standards will continue to be in flux. During this time, outsource vendors and providers must engage in conversations about coder performance so that fair and equitable contracts are established in the future.

Consider longer-term contracts

Heading into ICD-10, many outsource vendors saw requests for longer-term contracts skyrocket. Organizations wanted—and needed—the reassurance of knowing they'd be covered in the event that productivity took a deep dive as of October 1, 2015. Black Book reports that more than two-thirds of hospital CFOs are seeking new outsourcing agreements extending at least 18 to 36 months.

Keep in mind that many of these longer-term contracts require 30-day, 60-day, or even 90-day cancellation clauses. This can put an organization in a bind if the outsource vendor isn't performing according to specified productivity or quality requirements. When possible, advocate for a shorter cancellation period in the event that quality and/or productivity continues to suffer.

Explore shared-risk options

Just as payers and providers share risk, organizations can share compliance and financial risk with their business associates and outsourced vendors to achieve greater efficiencies and shared savings. Several of the financial and revenue cycle management outsource companies listed in the 2015 Black Book Top Rankings offer shared-services programs. Others refer to the benefits of financial risk management or shared-savings through joining an accountable care organization.

HIM is a prime target for shifting from traditional outsourcing contracts to this new shared-risk model. Here are several reasons why:

- Working with an outsource vendor can help ensure productivity, accuracy, and data integrity during one of healthcare's most significant reimbursement transitions—the transition to ICD-10.
- Best practice standards are beginning to emerge, forcing executives to ask the question: "Can we alter this process or reporting structure to be more efficient and effective overall?"
- Information processing and analysis are increasingly performed via an electronic medium and therefore untethered to the physical brick-and-mortar department.
- HIM has shifted toward an enterprise-wide approach, focusing less on HIM functions and more on the "bigger picture" of clinical information—that is, the use of data analytics to improve efficiencies and reduce costs.

Grow your relationship

Those happy with their current HIM outsource vendor's performance that need additional help could also evaluate whether to add services when auditing their vendor relationship. For example, providers could investigate if their outsource vendor could also provide validation, auditing, or denial management. One could investigate if their information vendor could assist with payer audits, appeals, and health plan requests. A streamlined approach enhances consistency and efficiencies. Validation, in particular, will continue to play an important role as the definition of accurate coding continues to evolve over the next few years.

Finally, in an ICD-10 environment hospitals must learn to capitalize on data specificity. Doing so enhances data analytics, ensures accurate reimbursement, and captures proper outcomes. According to Black Book, 54 percent of CFOs believe outsourcing revenue cycle management processes will allow them to become more efficient and positively impact their organization's financial health. Vendors can be used to supplement in-house data analytics staff and help maximize ICD-10's data specificity.

Learn and Evolve Together

This will be a year of growth and knowledge gain for everyone involved in healthcare. Hospitals and outsourcing vendors must learn and evolve together to ensure financial stability, build new workflows, and adjust quickly to volume or staffing fluctuations. New cost and quality validations for outsourcing expenditures are expected. Now is the time to have critical conversations with HIM outsourcing partners to re-establish productivity, quality, and return on investment metrics as well as ensure they are not providing too much or too little support.

Form a healthy relationship now with your core HIM vendors and include them as part of your in-house team. Given the rising demands in the market, professional courtesy and respect on both sides of the outsourcing equation ensure vendors will go the extra mile when needed—and be committed to keeping your organization within their core customer fold.

Notes

1. Black Book Market Research. "$9.7B Outsourced Revenue Cycle Management Market Grows at CAGR of 26.5%, Black Book Tracks Trend Through 2018." September 28, 2015.
2. Ibid.

Reference

Black Book Market Research. "Finance & Revenue Cycle Management Systems & Services." 2015.

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