HEALTHCARE FINANCE NEWS

Published on *Healthcare Finance News* (http://www.healthcarefinancenews.com)

Weighing an RCM upgrade

Posted on Jun 16, 2014

By *Chuck Green, Contributing Writer*

As health systems and hospitals straddle the two worlds of volume and value, it's tough to know what to do about upgrading revenue cycle management systems. Upgrade? Or get by on what's already there?

Wake Forest University Baptist Medical Center's RCM system is out-of-date and is in the process of being replaced, but not before the medical center squeezes more life out of it with the assistance of programmers, who have installed upgrades that have helped to keep things up and running, said Ken Kubisty, associate vice president of corporate revenue for the Greensboro/Winston-Salem, N.C.-area facility.

His facility's decision not to wait until the purportedly next, best system comes along was based on its specific needs in response to recent government regulations. "We looked at the market and realized our customers are changing and that we'd better become experts at doing business with them. Otherwise, the economic reality's pretty grim."

However, upgrading now isn't without risks.

"Future needs are a bit of a moving target now," said Bruce Lemon, managing director of consulting firm Huron Healthcare. In order to avoid a costly, full upgrade while trying to navigate changing reimbursement models, many hospitals and health systems are stretching their RCM systems by implementing complementary workflow management and reporting software applications that help address performance weaknesses in current applications, Lemon said.

That said, the availability of federal funding to help implement systems that support meaningful use requirements has provided hospitals and health systems with the opportunity to implement new systems that position them well for the future, Lemon added.

There comes a time, however, when, like at Wake Forest, the inevitable cannot be put off any longer. Recognizing that point and then determining subsequent needs to make any new investment worthwhile and sustainable can be tricky for hospitals, said Stephen Parente, finance professor at the Carlson School of Management at the University of Minnesota.

Those issues largely can hinge on a facility's financial resources, he explained.

“(Hospitals should) keep in mind that (their system) constantly will have to be updated – probably until we have a better sense of whether the ACA model's going to work.” They shouldn't assume that if they spend a large amount of money now, they're good to go for five to 10 years, he said. About two years is more realistic.

If a hospital or health system decides to upgrade, Parente said, it should base its RCM choice on criteria such as vendor experience and how well the potential vendor insures its product and service. Questions that need to be asked include: Does it work well? How much consulting services are required? To what extent are certain levels of upgrades built into the contract upfront? Be particularly careful, he said, if a start-up company is being considered, because it may not have the capital or human resources to survive the long haul.

Applying a formula that includes the use of a contract price for software versus the outlay for additional consultants to maintain a product for operability or training purposes is a good idea, Parente suggested, because often, the additional expense associated with consulting and training is at least twice the cost of the actual software. He also said facilities need to factor in the time it will take to get staff up to speed.
