Partnerships between Finance and Case Management Departments are Key to Accurate Revenue Recognition

by

Rachel Lawrence, RN-BC, BSN, MBA, CRCR, CPC-A

Adam Abramowitz, MBA

Given the complexity of the regulatory and financial environment, the CFO must initiate an active relationship with case management and utilization review staff. Often, the essential relationship between the CFO and Case Management/Utilization review departments is only superficially actualized.

Case management and utilization review nurses currently play a critical role in managing the daily execution of inpatient services. Ideally, these registered nurses have a robust and vigorous relationship with the entire interdisciplinary team involved in providing direct care for a patient. In addition, to their patient care responsibilities, case management also serves a vital function in ensuring a hospital's financial well-being.

The CFO is required to balance the multiple departments and specialties that contribute to a forward-moving revenue cycle. The role of health information management and coding has become critical to compliant and timely billing of patient accounts. Hospital finance departments have grown to incorporate the vital role of these departments into strategic decision making, and they have become a vital part of the CFO's operations.

The integration of case management and utilization review departments into revenue cycle processes is as critical to achievement of financial objectives as was the case with health information management and coding departments. The urgency in building this relationship has increased with the advent of government payors mounting focus on medical necessity of services provided by hospitals.

The implementation of medical necessity guidelines has been left to clinicians and hospital administration to interpret in the attempt assure payment from government and commercial payors. Although the guidelines can be unwieldy and difficult to interpret, hospitals can optimize patient care and reimbursement with a collaboration among finance, case management and utilization review departments

Case management and utilization review's role, especially for registered nurses, is that they not only oversee the smooth progression of an inpatient case from admission to discharge, but to assure that services rendered are within medical necessity guidelines. The timely review of services is critical to decreasing compliance risk with medical necessity guidelines and subsequent non-payment.

The stark difference between the utilization review process for commercial payors and Medicare (and subsequent claim denials) demonstrates the need for increased diligence on the hospital side regarding medical necessity. For commercial insurers, the utilization review nurse is obliged to contact the payor with clinical information within a specified period of time after the patient's admission. The utilization review nurse will get timely feedback regarding the medical necessity determination from the payor. Often, the payor will request daily medical necessity reviews. If the patient's stay extends beyond the allowed allotment for a specific DRG, the hospital utilization review nurse will need to request outlier days by forwarding clinical information to defend the medical necessity of the continued inpatient stay.

In contrast, there is no feedback loop from Medicare regarding medical necessity for hospital admissions. The process for Medicare utilization review relies heavily on hospital internal controls and auditing. The utilization review staff is left to execute processes and practices to minimize compliance risk. Guidance often is in the form of posthumous corrective action or QIO audits.

One of the more vexing pieces of Medicare regulation has been the Two-Midnight Rule regarding inpatient stays. This rule has significant implications regarding the quality of care and reimbursement. As the probe-and-educate period for the Two-Midnight Rule get phased out and a new aggressive audit period is set to begin, case management and finance need to set attainable goals to ensure that the hospital has the necessary policies and procedures in place to keep denials at a minimum during this paradigm shift.

Considering CMS has now given a firmer directive regarding medical necessity of, specifically, inpatient stays, case management and utilization review oversight of all admissions becomes of paramount importance. Utilization review nurses are tasked with the responsibility of clinically reviewing a patient admission for medical necessity, most often using a commercially prepared review product. This initial and ongoing review process of an inpatient case is critical step in the process of protecting a hospital from compliance, denial and subsequent revenue difficulties. In the case of the Two-Midnight Rule, utilization review nurses overseeing the case can intervene early in an admission to prevent inappropriate inpatient admissions. The utilization review nurse also had the ability to act as a consult to the admitting physician regarding medical necessity guidelines and documentation. This not only avoids wasteful allocation of inpatient services, but helps alleviate the chances of inappropriate billing and reduces compliance risk.

Finance and case management need to create a framework where both departments align their strategic goals to ensure the best possible patient care while following regulatory guidelines. Breaking down these departmental silos will ensure that hospitals meet their clinical and financial objectives. Finance must recognize that new regulations will lead to significant changes regarding their inpatient volume. The impact of these regulations must be communicated clearly by case management to finance and future financial projections must consider these changes. In addition, case management needs to understand that a productive working relationship with finance will help set realistic expectations for financial

performance. The need for a positive relationship between case management and finance has never be more critical. The time to break down any existing administrative barriers is now.

Rachel Lawrence is a senior manager in clinical services at CBIZ KA Consulting Services, LLC. She can be reached at Rachel.Lawrence@CBIZ.com.

Adam Abramowitz is a senior manager for sales and marketing at CBIZ KA Consulting Services, LLC in East Windsor, NJ. He can be reached at aabramowitz@cbiz.com.