

The Hidden Cost of Doing Nothing: 3 Ways You Pay for Fixed Cost Coding



INTRODUCTION

Even before COVID-19, 250-bed hospitals lost \$4.7 to \$11 million a year from mid-revenue cycle leakage.¹

Now, pandemic-fueled volume losses and thin margins mean that hospitals can no longer afford to lose even a single dollar of earned revenue. Capturing every dollar is critical. Revenue cycle leaders need to identify exactly where leakage occurs to stop it before it starts.

According to a recent KLAS report, healthcare providers are motivated now more than ever to capture economies of scale by outsourcing certain functions.² Medical coding is a popular function for revenue cycle outsourcing, but not without ambiguity. Outsourced coding staffing models, cost equations and cost per unit are often scrutinized yet unclear, making it difficult for revenue cycle leaders to see true cost savings in outsourced coding. Adding to the confusion is the belief that fixed cost coding is a safer, less expensive option than a variable cost coding model. There are many hidden gems to variable cost coding, including cost savings, employee retention and improved coding quality.

This ebook explores three hidden ways healthcare providers pay more for fixed cost coding and uncovers an alternative revenue cycle model—variable cost coding.

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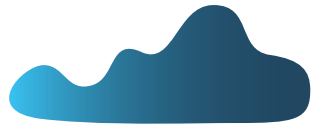
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Fixed Coding Cost Model



Fixed Cost Coding Model

All revenue cycle and coding departments are pressed to identify any departmental fixed cost that can be converted to a variable cost. According to the JAMA study.³

Administrative costs of care accounted for 8% [of healthcare spend] in the US vs. a range of 1% to 3% in the other countries,” including the United Kingdom, Canada, Germany, Australia, Japan, Sweden, France, the Netherlands, Switzerland and Denmark.

In a hospital or health system, there is a strategic focus on labor productivity and cost management. Administrative costs such as coding are largely considered fixed—salaries, benefits, training and other overhead including space, rent and utilities. To reduce these costs and improve your margins, look for savings in three areas.

3 Ways Revenue Cycle Leaders Pay More for Fixed Cost Coding

1

Coding staff wages and benefits

Expenses abound when fixed labor is considered. Managers must constantly monitor coder work hours and overtime.

There's no flexibility even when case volume plunges as it did in 2020. The potential for cost savings with coder salaries and benefits is exponential.

2

Coding staff unemployment

KIWI-TEK conducted a survey during summer 2020 to understand how COVID-19 impacted medical coding jobs. Of the 160 respondents, 57% had to seek government assistance in some form to help with living expenses. Considering unemployment is funded almost entirely by employers, these costs add up quickly.

3 Ways Revenue Cycle Leaders Pay More for Fixed Cost Coding

3

Coding staff training and education

The increase in telehealth and respective coding guideline updates is just one reason coder training and education is on the rise. Healthcare organizations struggle to keep their coding staff up to date with the most recent rules, mandates and coding procedure changes. The cost of enterprise-wide coder education and training is expensive for healthcare organizations to maintain at the pace coding guidelines change.

For instance, the average in-person coding bootcamp costs \$13,584 and the average online bootcamp costs \$12,898.

Community colleges may offer coding bootcamps for under \$3,000 and some students may be eligible for free bootcamp programs, so explore these options first.⁴ AHIMA, the leading organization in health information management, offers coder certification to coding associates for \$200-\$300 and to coding specialists for \$300-\$400. Likewise, AAPC provides certification in various coding areas of expertise including certified interventional radiology cardiovascular coding for \$400 and various coding specialties for \$245.⁵ When multiplied across an entire coding team, these fixed costs add up.

But when revenue cycle leaders shift their coding model from fixed to variable costs, there is an opportunity to offset all of these coding costs. The vendor partner takes over coding staff wages, benefits, unemployment, training and so much more. Revenue cycle leaders experience improved pricing without sacrificing quality or service levels. The shift from fixed to variable is about bending the total cost curve.





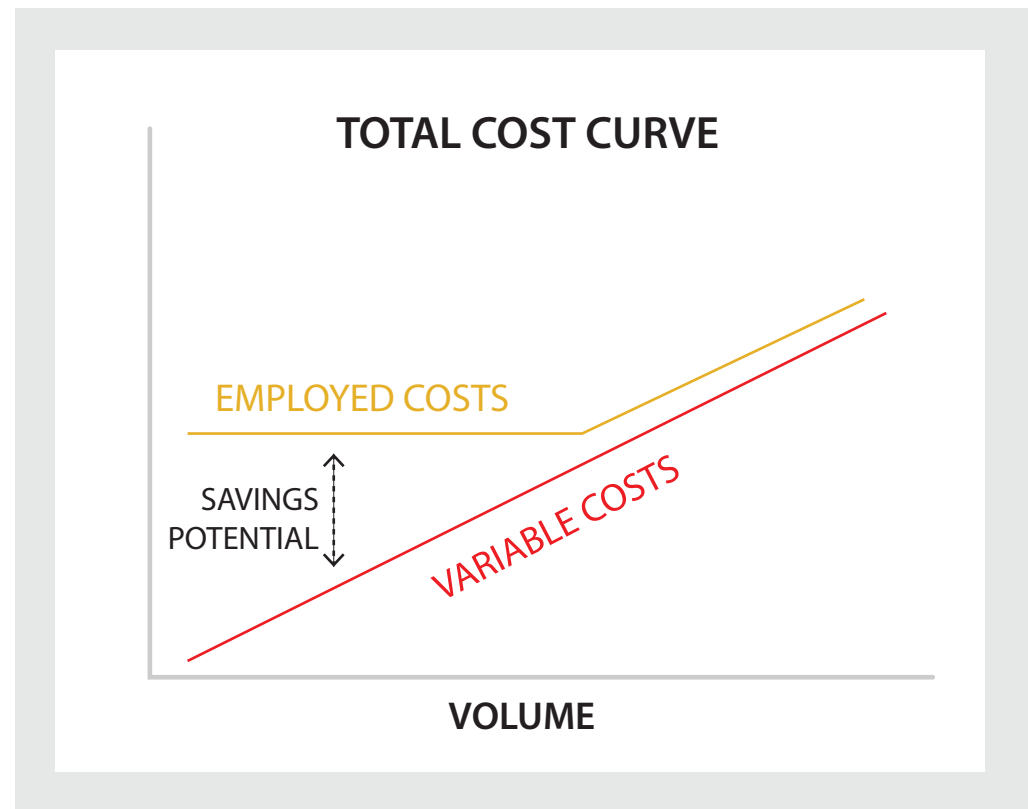
Variable cost coding model



Variable cost coding model

COVID-19 taught us that the way we give and receive healthcare is not fixed. It is fluid. Coding is no different. Revenue cycle leaders can remove the inefficiencies inherent in a fixed cost coding model by converting to a purely variable cost with an adaptive staffing model.

A variable coding cost model eliminates inefficiencies, and organizations see improved reimbursements.



Variable cost coding model

Two quick wins with variable cost coding

A variable cost coding model can only be successful and optimize revenue cycle with a coding vendor partner who is a specialist in their field and who takes ownership of key performance indicators (KPIs).

Coding Specialist

The pandemic has impaired coding talent recruitment and retention. Highly qualified, experienced in-house coders may not be a possibility or cost effective for some organizations right now. For a successful partnership, consider a vendor's knowledge of their specialty and integration with existing systems such as EHRs. It's important for a coding partner to employ specialists in their field to serve as a client's main point of contact should questions come up. By exclusively focusing on coding, your extended team of coders can deliver specialized coding based on the support and training they need to thrive. Fixed cost models simply don't allow for this.

KPI Ownership

Revenue cycle leaders often lack the time or resources to constantly monitor coding quality and turnaround times. In a variable cost model, the coding partner is responsible for tracking and reporting all KPIs. This process determines which KPIs impact revenue and what drives poor performance. A fixed cost coding model allows no room for continual improvement because it is not an intuitive, evolving process.

The variable cost coding model also provides revenue cycle leaders with the same access to coders they've always had, while also allowing those coders additional opportunities across all vendor partner clients.



Fixed to Variable: How to Transition for Success



Fixed to Variable: How to Transition for Success

The transition from a fixed cost to a variable cost coding model is a non-intrusive and non-disruptive process that requires less than one day to complete. The results are a win for the healthcare organization as a variable model provides in-depth quality coding at a lower cost. This model is also a win for coders as it provides job security, higher incomes and career advancement opportunities.



Variable cost coding implementation best practices



Variable Cost Coding: Implementation Best Practices

1	2	3	4	5
Manage staffing activities at the VP level. Create a coding compliance team to coordinate staff assessment, certification validation, background checks, and the OIG's LEIE and qualifications. This paves the way for all coders to be rebadged as your vendor partner coders.	Require a proficiency exam for all coders to determine needs for additional training to perform at a high level of coding. This ensures that coder skills meet quality standards and align with specialty type.	Remain open to sharing all coder resumes, experience, credentials and salary information. With variable cost coding, coders are reimbursed on a per chart pricing model, providing the opportunity for increased earnings.	Establish transition dates for coders. On the transition date, coders will continue to code business as usual with the same logins. All training, education, QA reviews and more are the responsibility of the coding partner—not yours.	Arrange for the coding partner's executive team, HR and coding manager team to meet with the new coding team. Present welcome packets including benefits, culture, expectations and other applicable information.



Variable Cost Coding: Client Results

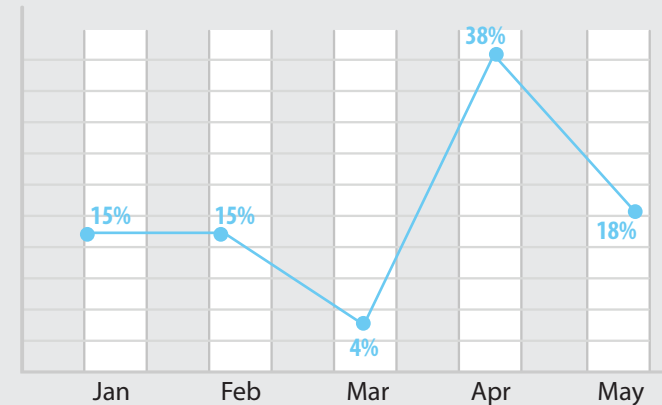
Case in Point - KIWI-TEK Client Results

With variable cost coding, a 5-hospital system client in the Southeast saw gross revenue (GR) increase in January and February by around 15% compared with prior month/prior year. In March, GR was down by 4%, in April by 38%, and in May by 18%.

“The average cost for our coding department during the first six months of our fiscal year (October-March) was \$439K per month. For April and May, we averaged \$235K per month, a decrease of 46%. Fiscal YTD, we are under budget in our coding department by 13.1% compared with 6.1% under for the entire revenue cycle division. We know this is a direct result of our coding partnership with KIWI-TEK. Our contract with KIWI-TEK enabled us to perfectly match our workload with a supply of highly qualified coders.”

HIM Director, 5-hospital system in the Southeast

Revenue Decrease Compared to Prior Month/Prior Year



46%

Decrease in monthly coding costs

13.1%

Under budget in coding department

Conclusion



Conclusion

Savings is not about looking for the lowest cost. It's about cost versus value, making sure you achieve savings, meet or exceed your service requirements, and maintain quality care delivery.

In the world of coding, whether in the facility or professional fee space, a program that offers exactly the right kind of coding expertise when needed means that you are not overpaying, and the expense is always aligned with service line volumes.

KIWI-TEK guarantees to meet any revenue cycle department's current cost of coding while outperforming normal revenue cycle benchmarks. We're here to help.

kiwi-tek.com/variable-cost-coding

Sources

¹ Health Leaders Revenue Cycle Roundtable: Zeroing in on Revenue Cycle Leakage, May 2021

² <https://revcycleintelligence.com/news/price-reputation-turn-away-revenue-cycle-outsourcing-customers>

³ <https://www.beckershospitalreview.com/finance/your-hospital-costs-aren-t-as-fixed-as-you-think-uncovering-hidden-savings.html>

⁴ "How Much is Coding Bootcamp?", NerdWallet, January 2021

⁵ "How Much Does Medical Coder Training Cost?", CostHelper Education