



# Revenue Cycle Management

Practical implementation in  
Saudi Arabia's healthcare  
sector



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**KPMG in Saudi Arabia**

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# What is changing in healthcare reimbursement?

With the introduction of mandatory health insurance underway in the public sector in the Kingdom and the wish to standardize across the public and private sector, Saudi healthcare providers will need to develop new capabilities to be able to generate revenue under the new reimbursement system.

As part of Vision 2030 and the National Transformation Program, Saudi Arabia's healthcare sector is undergoing a major transformation that will significantly change the reimbursement system of health services. The Ministry of Health (MoH) is aiming to change its role from being an all-in-one payer, provider and regulator of health services to becoming a regulator, governing corporatized payers and providers. A key aspect of this transformation is the separation of the payer and the provider functions in the public healthcare sector. To facilitate future reimbursement to Public Healthcare providers, the Ministry of Health has set up the Program for Health Assurance and Purchasing (PHAP). In addition, the Council of Cooperative Health Insurance (CCHI) has also firmed up regulations for private insurers.

Under the new reimbursement mechanism, healthcare providers will need to be able to, among other things:

-  Raise invoices to payers (e.g. insurers, self-paying patients, corporates) for each episode of treatment
-  Assure the integrity of their income
-  Generate data to negotiate with payers
-  Use data to improve their cost efficiency and service quality to compete with other providers

This is a significant change in how income has been received by most providers to date in the Kingdom, and will require providers to both undergo a significant culture shift and develop new capabilities, including, but not limited to:

-  Determining which patients are medically and financially eligible prior to registering patients under the new system
-  Repeating the check prior to each appointment/treatment episode
-  Documenting the services provided to their patients accurately and correctly
-  Coding and grouping services provided in new ways
-  Raising bills according to the contractual terms to both new and existing payers, as well as managing and following up on claims
-  Understanding the true costs of healthcare services to support more informed pricing negotiations with payers

The processes to perform these tasks, together, are referred to as Revenue Cycle Management (RCM) which is the subject of this report.



One of the key implications for healthcare providers of this introduction is the transformation of how healthcare service providers are reimbursed. Providers will primarily be paid on a per-patient basis, rather than via allocated budgets from the government.

**Emmeline Roodenburg**  
Head of Healthcare  
KPMG in Saudi Arabia

# How should healthcare providers adapt?

It will be vital under the new reimbursement system for providers to implement effective RCM functions. RCM consists of four key operational elements which are underpinned by a strategic approach to contracting and pricing.

## 1. Patient acceptance and registration

Patient acceptance and registration are the first gate keepers in ensuring successful claims reimbursement. This step ensures that the patient is both medically and financially eligible for treatment at the hospital based on their payer's rules. If a patient who is not eligible for the treatment is accepted, it is unlikely that the provider will be reimbursed by the payer, so the provider must ensure that the patient has the means to pay for the treatment themselves. A specific acceptance process is required for emergency patients.

During patient registration, the correct patient data must be recorded which will allow the provider to send a valid payment claim to the payer or collect payment from the patient directly. Once this is confirmed, then the provider can proceed to offer the patient an appointment.

## 2. Patient treatment and documentation

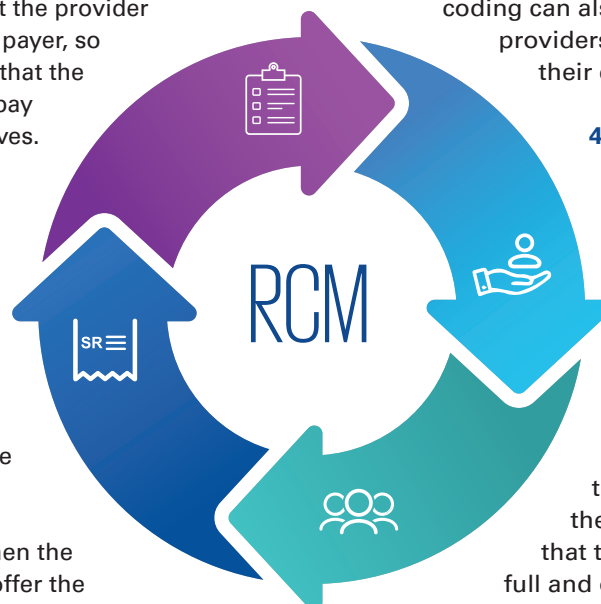
This function involves personnel whose focus is usually not on revenue and cost issues: the clinical staff. All clinical work performed on patients must be appropriately documented because the point of view of the health insurers can generally be summarized as: If it isn't documented, it didn't happen. If it didn't happen, we won't pay for it.

## 3. Coding and grouping

Coding refers to the classification of the documented diagnoses and/or activities into codes which can be submitted to payers for payment. The coding requirements are set out by the Ministry of Health (MoH) and the CCHI and providers will need to adhere to these. The coding can also be used internally by providers to more precisely monitor their costs and activities.

## 4. Billing and claims management

Invoices must be raised using the correct coding and associated information, be aligned to the rules of the specific payer, and transmitted to that payer. The correctness and completeness of the information contained in the bill that is submitted to the payer is crucial in ensuring that the payer pays the bill in full and on time. In cases where payments are rejected by the payer, the provider should have a denial follow up process and a streamlined settlement process which can work to collect payments from the payer for the services provided. Providers will also need to be able to track the status of payments owed to them and send reminders to payers (or self-paying patients who did not pay their full bill in advance).



## Contracting and pricing

- Facilitate collection of cost information
- Negotiate volumes, services, and pricing
- Manage payer contracts
- Monitor costs and profitability



# What is changing in healthcare reimbursement?

The opportunities vary depending on the level of maturity of the provider. For a provider which has historically received most or all of its income as an annual budget and has had little use for billing functions or identifying cost drivers, setting up an RCM function can allow the provider to:

- **Gain more insights into its own operations – by using the data that is generated by an RCM function, a provider can:**
  - Obtain information areas of clinical strength and weakness, such as areas where it has lower unplanned readmission rates than the competition.
  - Identify areas of cost (in)efficiency – an effective RCM function can allow a provider to match each piece of its income with a specific set of costs to identify which services and patients are profitable and where losses are being made.
  - Understand what to do more (or less) of – unlike with reimbursement via budget allocation, being paid per episode of patient care makes it potentially beneficial to provide more services and treat more patients. An effective RCM function can help with these analyses.
- **Out-compete other providers for more patients – because most payments will “follow the patient” - under the new reimbursement system a provider can earn more by attracting more patients.**
- **Improve the stability of its income – whilst a provider’s income will never be as predictable as it was when receiving an allocated budget, an effective RCM function can help to maximise the income received from the patients treated, so that income will track variation in a provider’s variable costs.**



This new system of reimbursement will raise many challenges for healthcare providers in Saudi Arabia but will also present opportunities to improve and become more efficient by understanding the true costs of delivering services.

**Mostafa Ali ElShamasherg**  
Financial Management Lead  
KPMG in Saudi Arabia

# What can go wrong?

For every opportunity that this impending change presents there are several potential pitfalls if RCM is not implemented correctly. The risks that come with having a poor RCM function can be managed and mitigated, but if they are left unchecked then the consequences could include:

**Revenue loss – this can come from a variety of sources, but common culprits include:**

- Payers rejecting invoices because required patient information is missing, such as patient details that were not correctly collected at patient registration.
- Payers rejecting invoices because of missing or incorrect medical documentation.
- Payers rejecting invoices because the patient was not eligible for the treatment received.
- Payers rejecting invoices because incorrect coding lead to attempted overcharging.
- Not following up with payers about unpaid invoices.
- Claims being rejected because they were not submitted to the payer within the required timeframe (claims going stale).

**Delayed receipt of revenue – without an effective RCM function:**

- A provider will take more time to raise invoices.
- Payers will have less pressure to pay punctually.

**Poor commercial decision making – low quality information and data provided by a poor RCM function will lead to:**

- Poor commercial and pricing strategies.
- Underperformance in negotiations.
- Poor decisions on where to concentrate efficiency improvement initiatives.

**Lack of culture shift – an important part of RCM implementation is shifting a provider's culture and mindset to include a commercial element.**

- RCM requires the participation of all departments at the provider to gather accurate information on which to raise invoices and make decisions.

- Providers who were previously used to seeing increases in patient numbers as an increase in cost burden will need to develop a new culture and mindset where they look to attract and retain more patients and offer them more services.

**Fines for inaccurate invoicing**

- If invoicing fails to meet certain accuracy thresholds, or the correct medical documentation is not available for inspection, then providers can face fines. These can either be a flat fee or, if systemic 'upcoding' (a practice of coding treatments as something that is reimbursed at a higher rate than the actual treatment performed) is suspected, a retroactive reduction of all invoices submitted by a provider could be enforced.

# What are the specific challenges in Saudi Arabia?

Implementation of a new RCM function is challenging wherever it is done. KPMG has advised King Faisal Specialist Hospital & Research Center (KFSH&RC), the largest tertiary hospital in Saudi Arabia on a major new implementation of an RCM function, granting us insights into the specific set of challenges faced by healthcare organizations in the Kingdom.

1

**Triage systems** currently exist in most public hospitals in Saudi Arabia, but are often not supported by a network of other providers to which they can refer cases which would be better treated in other settings, such as primary care. If patients are not treated in the correct setting then the treatment may not be reimbursed.



2

The **medical documentation** created by clinicians provides the main evidence that procedures have been conducted and forms the basis for the RCM function to generate invoices. This often requires a significant change in employees' mindsets as well as accountability.



3

Based on recent clinical audits at various clients, we noted there is a **lack of standardized digital documentation** support such as an Electronic Medical Record (EMR) to help make it easier for clinical staff to accurately create medical documentation.



4

As discussed above, coding is a crucial step between treatment and billing in a DRG system because it connects these two areas using **standardized codes for medical diagnoses and procedures**. A major issue in the Saudi Arabia is that at present there are not enough coders trained each year to meet the demand placed by RCM.



5

RCM functions are typically housed within finance functions. However, a large proportion of Saudi Arabia's public hospitals have **finance departments** which do not have the capabilities to support RCM functions with, for example, gathering disaggregated costing data, or running an ERP system.



6

An attractive option for many providers will be to **outsource some aspects of RCM**. Deciding which aspects to outsource is challenging, and the market for RCM service providers is quite narrow, with a handful of organizations certified by the CCHI as of the end of 2020.





# How KPMG supported an implementation

## Client's challenges

King Faisal Specialist Hospital & Research Center (KFSH&RC), the leading tertiary healthcare facility in Saudi Arabia, was identified by the MoH as one of the institutes that will move from being a pure government organization to a not-for-profit independent organization. As a result of this, KFSH&RC will move from a budget-funded organization to a one that is funded on a fee-for-service basis. In order to operate under the new model, they reached out KPMG to implement RCM to ensure it can meet current and future payer's requirements and satisfy patient expectations.

### KPMG's response

KPMG began by conducting a study on international health systems and redesigned the target operating model for the client's RCM initiative. Afterwards, KPMG performed a gap analysis to determine what changes were needed and implemented RCM across the organization considering better practices and the applicable regulation. Given size of the organization, KPMG implemented RCM in two phases.

#### First phase

- Conducting a global and local search of different international health systems with focus on their revenue cycle management models covering the United States, United Kingdom, Germany, Switzerland and Australia in addition to the other GCC countries.
- Making recommendations on the RCM approach best suited for the client to meet its current and future strategic objectives and that of Saudi Arabia.
- Creating a service catalogue describing the services offered by the client and what the patient should expect such as length of stay, main procedures and tests to be performed, price, additional services available, and service limitations.
- Providing expert advice and making recommendations on the most suitable organizational structure and operating framework required to both support the recommended RCM model and maximize its operational efficiency (elaborate a target operating model).
- Making recommendations to any process, IT system and HR capital changes needed to support the RCM processes; as well as on the pricing strategy and methodology that should be adopted to best support the future aspirations of the client.
- Elaborating a roadmap for the implementation of the recommendations made.

#### Second phase

- Having designed the target operating model, KPMG approached the second phase with intimate knowledge of the organization: key challenges, limitations and strengths in the current ways of working, systems and skill sets. In alignment with the client's requirements, KPMG implemented the changes in a uniform manner in two branches.
- KPMG's team for the project included consultants with deep expertise in healthcare and healthcare finance. The healthcare experts worked with the client to develop more than 100 RCM care packages, improve the quality of medical documentation, reorganize the medical records department and to establish the clinical documentation improvement (CDI) function.
- The healthcare finance team worked to streamline the patient eligibility and acceptance process, set up many internal controls along the patient journey to mitigate revenue leakage and to set up a payer management function to manage the future payer contracts. KPMG also helped setup an accounts receivable function and the required process to monitor, follow up and collect dues as efficiently as possible.
- KPMG also helped the client setup 'patient one stop shops' - similar to hotel receptions - to enhance the patient experience immensely.



### Benefits to client

- The results of the global and local search helped the client to understand the advantages and disadvantages of different international healthcare systems as well as the current discussion about possible changes in the local regulatory framework. This was crucial to derive a suitable approach for the client's organization in a changing environment.
- Our approach was building on existing elements, which helped the client to achieve maximized outcomes with minimized transformation efforts.
- A unified target operating model for revenue cycle management at both the branches.
- End to end streamlined processes to meet current and future payers' requirements.
- Enhanced patient experience through the implementation of patient one stop shops.

### Dr. Mashael Alrujaib, Consultant cardiothoracic radiologist and RCM advisor at KFSH&RC, identified what she believes are the three biggest challenges that providers in Saudi Arabia will face:



**A good RCM system relies on connecting different pieces of information across the IT spectrum** such as patient data from the health information system, account information from the billing system, costing and pricing information from other systems. Due to RCM being a fairly new concept in Saudi Arabia, **legacy systems understandably did not take into account some of these requirements.**



**People are the real assets of service providers, however they can also be a form of resistance.** There should be a strong focus on change management and transparency to truly embed the required new ways of working such as documentation, diagnosis, and eligibility checks while still keeping a focus on ensuring high quality care to patients. Leadership should ensure that there is clear accountability within the organization while also being the role models for the change.



There is a partial dependency on IT systems but in order to stay ahead of the RCM transformation, **relevant and accurate data needs to be available** to support decision making.

### Despite these challenges, Dr. Mashael Alrujaib sees the implementation of RCM as a huge positive at KFSH&RC:



While implementing RCM does bring challenges, such a transition should really be seen as an opportunity. First of all, **RCM will secure financial sustainability of service providers, and it will bring in efficiencies in both treatment and cost to provide.** It will ultimately allow for better care by ensuring capacity (people and money) is directed to where it is needed most. RCM may also push the mindset to prevention rather than cure.



In Saudi Arabia, the entire ecosystem is changing and may settle in the mid-term. While service providers are changing it is important to remember that payers and regulators are also transforming and its important whatever RCM system is designed, that it takes into account that the different stakeholders in the ecosystem may be at different points in their RCM journey. RCM is not only about separating payer and provider, but also the functions within a service provider. **We will see the creation of new functions relating to RCM that we may not see otherwise such as functions focused on ensuring a seamless patient experience, functions aimed at managing payer contracts and approvals offices to coordinate guarantor approvals for patient treatments.**

# Contacts:



**Emmeline Roodenburg**  
Head of Healthcare  
KPMG in Saudi Arabia  
E: [emmelineroodenburg@kpmg.com](mailto:emmelineroodenburg@kpmg.com)



**Mostafa Ali ElShamashgeri**  
Financial Management Lead  
KPMG in Saudi Arabia  
E: [melshamashgeri@kpmg.com](mailto:melshamashgeri@kpmg.com)



**Stefan Friedrich**  
Partner, Healthcare  
KPMG in Germany  
E: [sfriedrich@kpmg.com](mailto:sfriedrich@kpmg.com)



**Cassim Ebrahim**  
Director, Finance Transformation  
KPMG in Saudi Arabia  
E: [cassimebrahim@kpmg.com](mailto:cassimebrahim@kpmg.com)

# Contributors:

**Samar Nassar**  
Director, Healthcare

**Dominic Carrell**  
Senior Manager, Healthcare

**Natascha Andres**  
Manager, Healthcare

**Sajidh Marikkar**  
Assistant Manager, Finance Transformation

**Mohammed Zakir Khan**  
Assistant Manager, Finance Transformation

**Abdullah Alwakeel**  
Assistant Manager, Healthcare

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