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Referral Management

Efficient referrals drive care coordination, reduce costs

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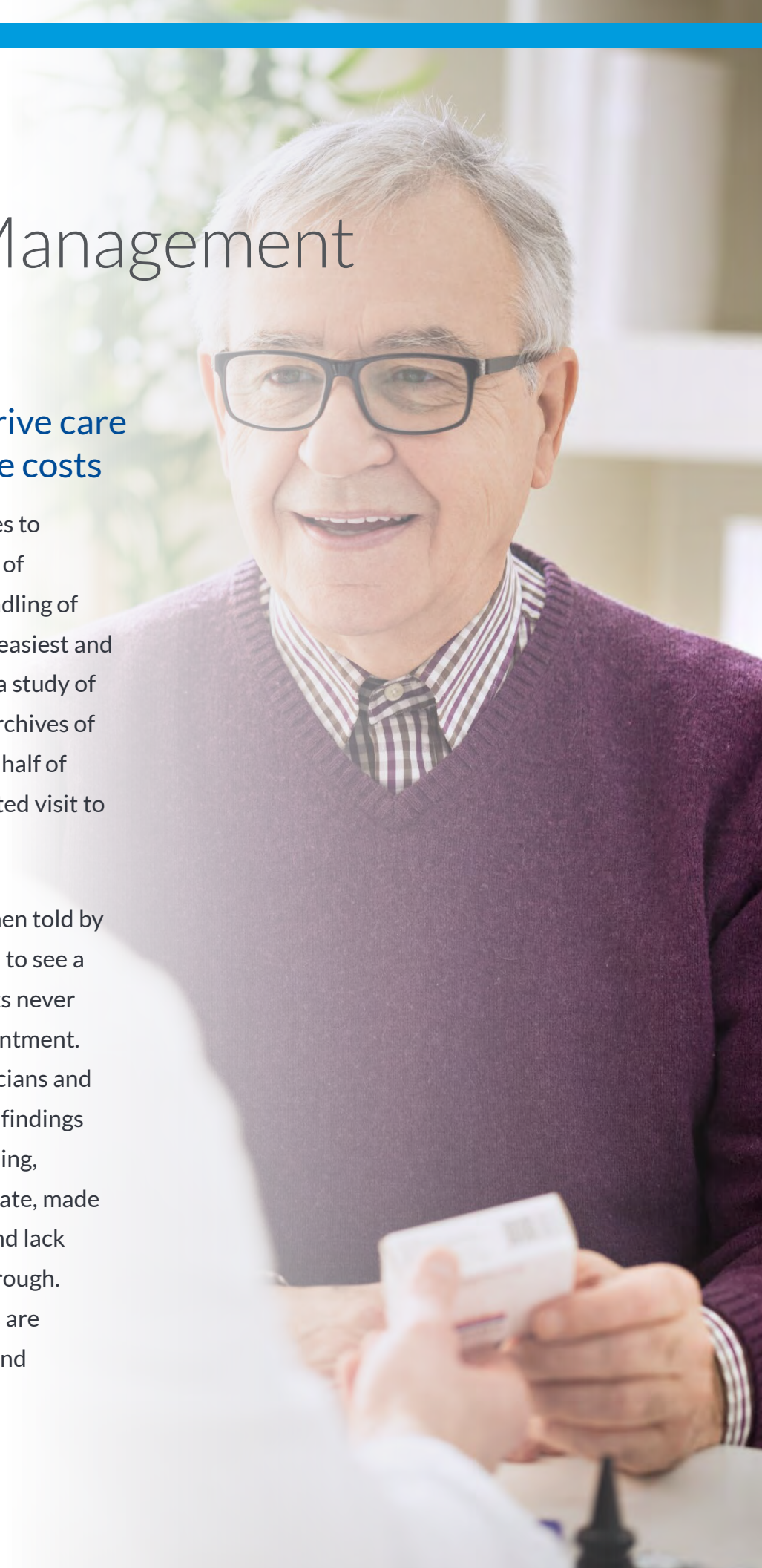
Among the many opportunities to improve the delivery and cost of healthcare, improving the handling of patient referrals is one of the easiest and most impactful. According to a study of 105 million referrals by the Archives of Internal Medicine, only about half of referrals resulted in a completed visit to the specialist.[1]

It's a surprising reality, but when told by a primary care provider (PCP) to see a specialist, about 1 in 2 patients never follow through with the appointment. Our conversations with physicians and administrators back-up these findings up. Referrals are time consuming, inconsistent, often inappropriate, made with poor decision support, and lack communication and follow through. Additionally, referral patterns are notoriously difficult to track and analyze.



Referral statistics

Across several studies, in more than half of referrals sent, the referring provider had no communication with the specialist.[2]

One study of referral data showed that only 35% - 45% of adult inpatient care remained within a health system.[3]

80% of all serious medical errors involve miscommunications at the point of provider hand-off.[4]

In one study, just 1 in 10 patients whose referrals were screened, needed a face-to-face visit.[5]

More than 25% of malpractice claims involved a failure to refer.[3]

Referrals take an average of 20 minutes to complete, often over the course of 2 days.

Manual referrals

Determining which specialists work with a patient's insurance and considering patient preferences around location and availability is a manual and time-consuming process. Numerous phone calls and faxes create a heavy administrative burden that is costly for both referring and receiving practices.

Administrators hire full-time staff dedicated solely to managing this complexity. To streamline the process, some Accountable Care Organizations and health systems have set up central call centers to reduce wait times and cut costs. However, managing these call centers creates operational challenges:

- High management costs.
- Frequent communication errors.
- Failure to deliver measurable and actionable referral analytics.[6]

Factors influencing low referral flow:

Complexity of the referral process

Low patient engagement

Patient decision paralysis when provided with a selection of providers

Online referrals

Several studies have shown that reducing barriers for patients and providers when coordinating referrals significantly improves referral completion.

A study of more than 50,000 referrals within an urban health system showed that with a web-based tool, referrals were nearly **three times as likely to lead to a scheduled visit.**[7] The study also found that the median time-to-appointment **decreased by more than 50% using the web-based referral system.**

Physicians also embraced the web-based system. Nearly 80% of the surveyed physicians felt ready for online scheduling and 75% said the system made it easier to schedule patients.

About **10% of patient visits to a PCP result in a referral** and more than **50% of new patients for specialists come from referrals** each year. As a result, any reduction in the time the patient waits to be scheduled represents a significant opportunity for practices and health care systems to capture more revenue.[1,8]

Numerous studies have documented significant shortcoming in overall appropriateness of referrals. These inappropriate and misdirected referrals degrade patient health and experience, in addition to the serious legal and reputational risks posed by delayed or failed referrals. With online referrals practices access data captured in the referral process to make decisions on the appropriateness of referrals.

One study of a physical therapy department at Cedars- Sinai Medical Center with high levels of inappropriate referrals found that in just three months after implementing "reason for referral" and "screening based on answers", the **number of inappropriate referrals decreased by 70%.**[10] Another interview of an orthopedic practice saw an increase in surgical procedures of 40% by pre-screening around diagnosis for appropriateness of each referral.

> An estimated 20 million clinically inappropriate referrals occur each year and more than 20% of referrals are misdirected.[9]

Network retention

Another known frustration in managing referrals comes from retaining patients within provider networks. Several systems have reported **retaining less than 50% of their patients within their provider network**.[3]

Networks with tighter retention policy typically report leakage rates between 25-40%. While leakage is difficult to measure for many systems, keeping patients in-network is a clear priority across leaders. In a survey of 140 hospital CFOs, 51% said they were focusing on leakage as an opportunity to generate revenue.[11]

Considering that the average PCP generates between $0.5- $1.4 million in referral revenue for specialists annually, it is easy to see why leaders are focused on improving network retention.[12] One challenge leaders face in influencing leakage is that referral pattern analytics often come from claims data that is 90-180 days old. This data provides no real-time, actionable information on referral patterns. Based on numerous independent findings, there is significant opportunity for implementing a successful referral management solution. For a 500-physician network it is likely that missed opportunities **in referral management represents a nearly $100 million annual revenue opportunity**.[13]

It is likely that at least $50 million in referral related revenue is sent outside the system and another $40 million falls through the cracks as referrals go uncompleted. From a cost perspective, several million dollars are spent annually directly on referral coordination full-time employees, and a considerable amount of valuable physician time is spent with unnecessary referrals.

Coordinating care

The good news is that powerful solutions exist to mitigate the challenges and lost opportunities associated with manual referrals. The best solutions:

- Leverage a web-based applications that do not require additional investments in a new platform or necessitate integration with an EHR.
- Integrate easily or enable data sharing to avoid duplication of efforts.
- Incorporate filters and screening criteria during the referral to facilitate an appropriate. patient-to-specialist match that leads to a better clinical outcome.
- Provide powerful analytics to coordinate care between the referrer and specialist.
- Track the lifecycle and outcome of each referral and offer better population health management.
- Launch quickly with minimal disruption and require little staff training.

The best solution providers understand the key performance indicators that drive down cost and capture revenue. These providers illustrate how the solution provides a true return on investment.

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