



Industry White Paper - Low Hanging Fruit in Patient Referrals

Among the many opportunities to improve the delivery and cost of healthcare in America, one of the easiest and most impactful to address is the handling of patient referrals. 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 physician to see a specialist, about 1 in 2 patients actually ever follow through with the appointment. Our conversations with physicians and administrators back 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.

Some additional findings to consider with respect to referrals:

- Across several studies, in more than half of referrals sent, the referring provider had no communication with the Specialist²
- One study of referral data showed that only 35% - 45% of adult inpatient care remained within a health system³
- 80% of all serious medical errors involve miscommunications at the point of provider hand off⁴
- In one study, just one in ten patients whose referrals were screened, needed a face-to-face visit⁵
- More than 25% of malpractice claims involved a failure to refer³
- Referrals take an average of 20 minutes to complete, often over the course of 2 days

Limitations in manual referral management

Factors influencing the low rate of referral follow through are: complexity of the referral process, low patient engagement, and patient decision paralysis when provided with several providers to choose from. For most practices, determining which specialists work with a patient's insurance and considering patient preferences around location and availability is a manual and time consuming process. In addition, 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 helping manage this complexity and workload. To streamline the process, some AMCs and large health systems have set up central call centers to reduce hold times and cut costs. However, managing these call centers creates operational challenges as they are still costly, prone to error in communication, and often fail to deliver any measurable referral pattern analytics.⁶

¹ Barnett M, Sirui S, Landon B. Trends in Physician Referrals in the United States. Arch Intern Med. 2012; 172(2): 163-170. doi:10.1001/archinternmed.2011.722

² Mehrotra, Ateev, Christopher B. Forrest, and Caroline Y. Lin. "Dropping the Baton: Specialty Referrals in the United States." The Milbank Quarterly. Mar. 2011. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3160594/>

³ <http://www.mass.gov/ago/docs/healthcare/2011-hcctd.pdf>

⁴ Joint Commission 2010a

⁵ Bergus GR, Emerson M, Reed DA, Attaluri A. Email Teleconsultations: Well Formulated Clinical Referrals Reduce the Need for Clinic Consultation. Journal of Telemedicine and Telecare. 2006;12:33-38. [PubMed]

⁶ www.advisory.com/research/medical-group-strategy-council/practice-notes/2015/august/whats-behind-your-broken-call-center

The case for taking referrals online

Several studies have shown that reducing barriers for patients and providers in coordinating referrals has a significant impact on referral completion. At an urban healthcare system with more than 1.2M patient visits annually, a study of more than 50,000 referrals showed that when a web-based based referral system was deployed, 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% felt ready for online scheduling and 75% said the system made it easier to schedule patients. Considering that about 10% of patient visits to a PCP result in a referral¹ and more than 50% of new patients for specialists come directly from physician referrals each year,⁸ this increase in patient/referral follow through represents a significant opportunity for practices and health care systems to capture more revenue.

Numerous studies have documented significant shortcoming in overall appropriateness of referrals. It is estimated that 20 million clinically inappropriate referrals are sent each year and that more than 20% of referrals are misdirected.⁹ 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. Innovative practices have leveraged 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 3 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.

Leaders are focused on 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 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 2015 survey of 140 hospital CFOs, 51% said they were focusing on leakage as an opportunity to generate revenue.¹¹ Considering that the average primary care physician generates between \$.5-\$1.4M in referral revenue for specialists annually¹², it is easy to see why leaders are focused on improving network retention. One challenge leaders face in influencing leakage is that referral pattern insights often come from claims data that are 90-180 days old and thus provide no real time data on referral patterns.

Based on numerous independent findings, there is a real and 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 \$100M annual revenue opportunity.¹³ It is likely that at least \$50M in referral related revenue is sent outside the system and another \$40M falls through the cracks as referrals go uncompleted. From a cost perspective, several million dollars are spent annually directly on referral coordination FTEs, and a considerable amount of valuable physician time is spent with unnecessary referrals.

⁷ Weiner, Michael, Georges El Hoyek, Lynnette Wang, Paul R. Dexter, Ann D. Zerr, Anthony J. Perkins, Felgrace James, and Rattan Juneja. "A Web-based Generalist-Specialist System to Improve Scheduling of Outpatient Specialty Consultations in an Academic Center." *Journal of General Internal Medicine*. Springer-Verlag, June 2009

⁸ <https://www.kyruus.com/new-report-reveals-19-7-million-misdirected-physician-referrals-u-s-year>

⁹ <http://www.beckershospitalreview.com/hospital-physician-relationships/nearly-20m-misdirected-physician-referrals-occur-per-year-survey-shows.html>

¹⁰ apta.org/PTinMotion/2016/6/Feature/ReferralManagement/

¹¹ beckersasc.com/webinars/SCI_Solutions.pdf

¹² Statistics from *Annals of Internal Medicine* and The Advisory Board

¹³ Projections based on conservative assumptions around referral inefficiencies

Grabbing the Low Hanging Fruit

The good news is that innovators have developed powerful solutions to mitigate the challenges and lost opportunities associated with referral management. Here is what the best solutions have in common:

- They are web-based applications that do not require additional investments in existing or new EMR/EHR platforms
- These solutions don't require complicated or expensive integration with existing practice applications/EMRs but can easily integrate or share data to avoid duplication of efforts
- The best solutions incorporate filters or screening criteria that can be easily captured at the moment of referral and then be used by the receiving side to make intelligent and appropriate referrals with a high probability of a patient/specialist match and optimal clinical outcome
- They provide powerful analytics so that PCPs and the Specialists can easily clearly track the life cycle and outcomes of both individual referrals as well as manage population health
- They are designed in dialog with physicians to be most influential on clinical outcomes
- They can be implemented quickly, are minimally disruptive and are easy for staff to use with very little training
- The best solutions providers understand the KPIs that drive down cost and capture revenue and will be able to illustrate how their solution provides a true return on investment.



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