

# From Requisition to Revenue

## Assess supply chain and revenue cycle risks and relationships

By Caroline Znaniec

*In today's complex healthcare environment, the disconnect between supply chain management and revenue cycle processes poses significant risks to revenue integrity, operational efficiency, and patient care. Amid anticipated decreases in reimbursement levels, increases in supply costs, and heightened scrutiny around pricing transparency in 2025, hospitals must develop a cohesive interplay between these essential functions.*

Comprehensive audits not only identify workflow gaps but also enable hospitals to generate additional revenue, make better strategic decisions regarding high-cost supplies, and develop robust, defensible pricing frameworks. By closing these gaps, organizations can optimize reimbursement and mitigate compliance risk, all while adapting to a challenging financial climate.

### Auditing the disconnects

A detailed audit provides a structured approach to examine the alignment between core processes that govern both clinical and financial outcomes. Auditors scrutinize the integration of the item master (IM) with the charge description master (CDM) to ensure every chargeable supply is accurately captured in billing systems. Revenue leakage is a direct result when the IM and CDM are misaligned.

Further, mapping the complete workflow from requisition through billing uncovers costly inefficiencies and manual interventions that drive up operating expenses. Workflow mapping findings offer actionable insights to optimize integrated data systems, automate processes, and promote structured cross-functional collaboration, thereby reducing denied claims and billing errors.

While much attention is rightly given to the alignment between the IM and the CDM, an equally crucial aspect is the reconciliation of supplier or group purchasing organization (GPO) contract pricing with IM pricing. This reconciliation ensures that the prices negotiated

in contracts are accurately reflected in the IM, which serves as the basis for billing and procurement.

### Terminology

The hospital [item master](#) (IM) is a central repository of information for all the materials, supplies, and equipment used in a hospital—in essence, it is the source of truth for supply chain and finance to assist in managing inventory, ordering new supplies, tracking costs, and ensuring that the right materials are available when and where needed.

The [charge description master \(CDM\)](#), or chargemaster, is a database that contains a comprehensive listing of items that could produce a charge. It includes charge data about everything in the health system that relates to patient care, including procedures and services provided by hospital personnel and supported by hospital facilities, supplies, devices, products, and drugs.

This alignment between supplier/GPO contract pricing and IM pricing is not merely a procedural formality. When the IM reflects the correct pricing, it warrants that patients receive accurate bills and that claims submitted to insurance providers are based on reliable cost data. This accuracy is essential for maintaining trust with patients and payers alike, as discrepancies can lead to confusion, disputes and, ultimately, a loss of confidence in the organization.

## *Mapping the complete workflow from requisition through billing uncovers inefficiencies and interventions that drive up operating expenses.*

### **Enhancing stakeholder engagement**

A key benefit of the audit process is the ability to identify gaps in stakeholder engagement and collaboration. Audits assess whether the roles and responsibilities of supply chain managers, clinical providers, and revenue cycle teams are clearly defined and if communication channels are standardized.

A critical component of this assessment is the review of the Value Analysis Committee (VAC), which evaluates the clinical and financial viability of supplies. The VAC is responsible for ensuring each item is accurately identified, classified, and coded to align with payer contracts.

An audit of the VAC examines whether its recommendations result in standardized product descriptions and proper coding—measures that have been shown to reduce denied claims. Furthermore, an accurate IM maintained with VAC oversight reduces the time clinical staff spend verifying inventory data, which reduces nonclinical administrative tasks. These insights enable hospitals to realign stakeholder roles and enhance cross-functional collaboration for improved financial outcomes.

### **Leveraging technology to integrate workflows**

Effective integration of supply chain and revenue cycle processes depends significantly on robust data systems and advanced technological platforms. Hospitals must deploy enterprise resource planning (ERP) solutions that consolidate financial, supply, and electronic health record (EHR) data, ensuring that every chargeable item is identified and processed correctly.

Automation tools, such as automated charge capture and reconciliation systems, minimize manual errors and improve efficiency. Implementing automated charge capture systems linked to an accurately maintained IM can reduce billing errors. By leveraging these technologies, hospitals not

only protect revenue through accurate charge capture but also obtain valuable insights that inform strategic decision-making around high-cost supplies.

### **Maximizing benefits through audit timing**

Audits of supply chain and revenue cycle workflows are not a one-time exercise, but rather a critical, ongoing process essential to optimizing margins and reducing costs. The timing of these audits can vary based on an organization's current state and strategic objectives, yet each phase of a major system transition—such as ERP or EHR—offers unique opportunities for improvement, as shown in Exhibit 1. By scheduling audits before and after major technology implementations—or regularly as part of continuous improvement—healthcare organizations can protect revenue streams, enhance cost management, and drive lasting operational efficiencies.

### **Monitoring performance with key performance indicators**

To ensure continuous improvement, healthcare organizations need well-defined key performance indicators (KPIs) that bridge the gap between supply chain and revenue cycle operations. Audits help identify critical metrics such as charge capture accuracy, denied claims rates, and the correlation between inventory turnover and revenue recovery.

Monitoring these KPIs through integrated dashboards allows hospitals to swiftly detect discrepancies and take corrective action. These performance measures are essential for establishing a defensible pricing framework, as they provide the necessary evidence to justify pricing strategies and support regulatory compliance—particularly under the expanding transparency requirements set forth by the Centers for Medicare and Medicaid Services (CMS) and the Department of Health and Human Services (DHHS).

Exhibit 1

Timing Phase	Key Audit Benefits and Objectives
Pre-ERP or Pre-EHR Implementation	Before launching a new ERP (e.g., Workday) or overhauling an EHR platform, a comprehensive audit establishes a performance baseline. This initial assessment uncovers data inconsistencies, manual process gaps, and stakeholder collaboration issues. Early insights ensure the new system is designed with improved workflows and accurate data elements from the start.
Post-ERP or Post-EHR Implementation	After deploying a new ERP or completing significant EHR optimization, follow-up audits validate whether anticipated benefits are achieved. These reviews measure improvements in charge capture accuracy, denied claims rates, and process integration, while identifying any remaining inefficiencies or data misalignments to guide further refinements.
Continuous Monitoring	Ongoing audits serve as continuous monitoring to help organizations adapt to evolving clinical practices, market demands, and regulatory mandates. This proactive approach ensures that previously identified gaps remain closed and emerging issues are promptly addressed, keeping pace with changing payer requirements and cost pressures.
Adapting to Market and Regulatory Changes	As reimbursement models shift and transparency demands grow, audits conducted around major policy changes or regular budget cycles ensure that supply chain and revenue cycle workflows remain compliant, nimble, and prepared to meet new challenges. This supports accurate, defensible pricing and robust financial process management.

Key Takeaways

**Audits at every phase of ERP/EHR transitions** reveal workflow gaps that reduce costs, uncover revenue opportunities, and strengthen collaboration.

**Integrating data systems and automating core processes** underpins accurate charge capture, robust compliance, and a defensible pricing framework.

**Continuous KPI monitoring** and an effective value-analysis process help healthcare organizations adapt to shifting market demands and regulatory mandates.

Evolving regulatory landscape and the defensible pricing framework

Hospitals today must navigate an increasingly demanding regulatory environment that emphasizes price transparency. The CMS and the DHHS have instituted rules requiring detailed disclosure of hospital charges and negotiated rates, aiming to empower patients with cost information and promote market-driven efficiency.

For more information on price transparency requirements, the author’s Price Transparency Compliance article is available in *New Perspectives* Volume 42, Number 2 at the AHIA *New Perspectives* Archive.

**Demonstrate Compliance**



Comprehensive audits allow hospitals to align published data with underlying costs, ensuring price lists meet federal disclosure requirements.

**Justify Price Variations**



Accurate coding and classification help explain differences in prices for high-cost implants or physician preference items, mitigating regulatory risks.

**Reinforce Public Trust**



Transparent pricing, underpinned by valid financial and clinical data, fosters confidence among patients, payers, and the broader community.

### Targeted areas for auditing healthcare supply

Hospitals continue to face increasing pressure to optimize supply chain operations while maintaining compliance and ensuring financial integrity. Strategic audits can uncover

inefficiencies, reduce costs, and improve alignment between supply chain and revenue cycle processes. Exhibit 2 is a detailed framework for auditing key focus areas, offering actionable strategies and measurable impacts for each.

### Exhibit 2

Focus Area	Examples of What to Audit	Action/Improvement Strategy	Value/Impact
<b>Data System Gaps and Alignment Issues</b> Misaligned data systems can lead to inaccurate charge capture and coding errors. Audits should assess integration gaps and recommend investments in ERP platforms to synchronize IM and CDM systems, reducing administrative burdens and improving accuracy.	Integration between IM and CDM; data synchronization across ERP systems	Invest in ERP platforms or data governance initiatives to synchronize IM and CDM systems	Ensures accurate charge capture, coding, and pricing; reduces clinical and administrative tasks
<b>Manual Process Inefficiencies</b> Manual workflows often result in reconciliation errors and inefficiencies. Audits should identify areas for automation, such as charge capture and inventory management, to streamline operations and reduce costs.	High-touch workflows in billing and inventory management; reconciliation errors	Implement automated charge capture and reconciliation systems to replace manual processes	Cuts operational costs, speeds up billing cycles, and reduces human error

*Accuracy is essential for maintaining trust with patients and payers alike.*

Exhibit 2 (cont.)

Focus Area	Examples of What to Audit	Action/Improvement Strategy	Value/Impact
<b>Charge Capture and Compliance</b> Missed charges and billing errors can significantly impact revenue. Audits should focus on ensuring all chargeable items are mapped correctly to the CDM and that automated tools are deployed to minimize errors.	Accuracy of chargeable-item mapping to CDM; missed charges in billing systems	Deploy automated charge capture tools and conduct regular audits to identify discrepancies	Secures lost revenue, reduces denied claims, and ensures compliance with payer requirements
<b>Value Analysis Committee Effectiveness</b> The VAC is critical for evaluating the clinical and financial viability of supplies. Audits should assess whether VAC recommendations lead to standardized product descriptions and proper coding, reducing supply costs and denied claims.	Processes for evaluating clinical and financial viability of supplies; standardization of product descriptions and coding	Optimize VAC review processes to ensure recommendations lead to accurate coding and classification	Reduces supply costs, minimizes denied claims, and improves patient outcomes
<b>Performance Monitoring</b> Continuous monitoring of KPIs such as charge capture accuracy and denied claims rates is essential. Audits should ensure that integrated dashboards are used to track these metrics in real time, enabling swift corrective action.	KPIs such as charge capture accuracy and denied claims rates; real-time dashboard monitoring	Establish standard KPIs and deploy integrated dashboards for ongoing monitoring	Enables timely detection of discrepancies and corrective action, enhancing operational efficiency
<b>Supplier/GPO Contract Pricing Alignment</b> Discrepancies between supplier contracts and IM pricing can lead to overpayments. Audits should review contracts regularly and implement automated reconciliation tools to ensure pricing accuracy and improve negotiation leverage.	Consistency between supplier contracts and IM pricing; discrepancies in negotiated rates	Conduct regular reviews of supplier and GPO contracts and implement automated reconciliation tools	Prevents overpayments, improves negotiation leverage, and ensures pricing accuracy
<b>Defensible Pricing and Compliance</b> Regulatory mandates require transparent pricing frameworks. Audits should address deficiencies in pricing methodologies and ensure alignment with CMS and DHHS requirements, enhancing public trust and reducing payer disputes.	Transparency of pricing methodologies; alignment with CMS and DHHS mandates	Address deficiencies in pricing frameworks and ensure compliance with regulatory requirements	Enhances public trust, reduces payer disputes, and builds robust pricing transparency

## *Regulatory mandates require transparent pricing frameworks.*

### **Conclusion**

Disconnected workflows between supply chain and revenue cycle processes hinder revenue recovery, inflate operating costs, and expose organizations to compliance risks—a concern that grows more pressing under CMS and DHHS transparency mandates. In 2025, as reimbursement levels wane and supply costs climb, achieving cohesive integration is critical. Comprehensive audits enable hospitals to secure additional revenue, reduce administrative burdens, and establish a robust, defensible pricing framework that meets regulatory demands. By integrating data systems, defining clear KPIs, and engaging a value analysis committee in strategic decisions, healthcare organizations can transform

challenges into opportunities for improved financial and clinical outcomes—whether during an ERP transition, EHR optimization, or through continuous process refinement. **NP**



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