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Your Guide to
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Spend Analytics and Revenue Cycle in the Era of Healthcare Reform

Introduction

Healthcare reform is unfolding and beginning to provide a glimpse into the future. Although the details of the reform bill will undoubtedly change between now and 2014, there are some logical assumptions that can be made to anticipate what might be in store for healthcare executives. There will be change, because the current course simply cannot be sustained. Challenges will include finding ways to reduce costs, manage revenues, improve efficiencies and have an engaged workforce, all while assuring a quality experience for patients and families. The key to success in this environment will be linked to an ability to function as "Spend Analytic and Revenue Cycle Experts." Managing revenue cycle, analyzing costs and allocating resources in an efficient manner using "best of class" solutions, will allow healthcare organizations to thrive in the era of healthcare reform.

Healthcare Executive Challenges

Most Americans agree philosophically that everyone should have access to health insurance. The problem is how do we pay for this? The current healthcare reform bill seeks to address key issues such as covering the uninsured, eliminating pre-existing conditions, and providing portability of insurance, all of which comes with a cost. The government is also placing an increasing emphasis on quality in an attempt to improve outcomes and decrease medical errors. This is being tied to payment strategies as well. According to the World Health Organization (WHO) the United States is #1 in the world in percentage of our gross national product spent on healthcare and only #37 in outcomes. Margins continue to decline in hospitals and approximately half do not have a positive operating margin. In addition, the recent economy has had a negative impact on the ability to compensate for operating losses with investment income. This causes hospitals to dip into reserves, which affects credit ratings that are tied to capital accessibility. In addition, philanthropic endeavors have declined in many areas as people have lost their jobs.

What gets monitored and measured can be managed. It is essential that healthcare executives establish key benchmarking tools tied to revenue cycle and spend analytics, which allow them to assess high cost issues such as labor, supply chain, equipment maintenance and technology. The following is a representative sample of the long list of key challenges that healthcare reform presents:

- How will healthcare organizations address the issue of "bundling of payments?"
- Will facilities be able to meet "meaningful use" criteria for electronic health records and take advantage of enhanced government payments?
- Are healthcare organizations "busy or inefficient" in regards to use of labor?
- How will healthcare organizations manage the supply chain as the industry moves toward a universal data base known as the Global Synchronization (GS-1) Initiative?
- Are facilities being reimbursed the appropriate amounts for work performed?
- How will healthcare organizations fund necessary technology acquisition and infrastructure expansion?

Advice from Top Performers

There are behavioral traits and operational strategies that distinguish the top performers.

- Take the time to look- Too many executives get into the "I'm too busy or I'm too important mode" and don't take the time to look at new ideas and solutions. This severely limits the effectiveness of the executive as well as the organization.
- Put your ego on hold- Executives who clearly think they know everything, or think that they have all of their problems covered with the best solutions are not effective. With some proper soul searching, the most highly effective leaders know that "the more they know, the more they don't know."
- Make use of technology- Every day brings a technological explosion that can be leveraged. Part of what technology provides is an incredible amount of information that we can be used to follow the three M's... Measure, Monitor and Manage.
- Use the "Best of Class" solutions- There are many ways to "skin a cat" but some are more efficient and cost effective than others. Taking time to search the industry for the best solutions to problems is well worth the effort. In addition, linking to people who not only have good solutions but share common work ethics and core values can be the best business scenario. This involves finding people willing to share the financial risk of the success of an initiative.
- You cannot downsize yourself to prosperity- The old adage of "it takes money to make money" is true. When evaluating costs, an effective executive looks at the total cost of a solution. That includes more than just the upfront or acquisition costs. What are the total costs of the project and what will the return on investment (ROI) be? It is important to go back and validate the actual ROI and compare it to the initial estimate. This provides data to sort out reality from sales hype.
- Think inside the box- Although innovative thinking is good and should always be encouraged, success can be tied to excelling in the basics. In football, good running backs become great ones when their offensive line excels in basic blocking.
- Be hard on things and good to people- Successful organizations thrive when their employees are involved, informed and engaged. Good leaders do this through a process of "achieve-celebrate-reward." What gets checked gets done and what gets rewarded gets repeated. Executives that excel in controlling non labor costs, can minimize issues of layoffs, hiring freezes and other labor cost controls that lead to poor moral and an underperforming organization.

Taking Action

The "20 foot rule" is a philosophy that entails solving any problem by asking the people within 20 feet of the work how to solve it. This is an effective way to inform and engage employees in problem solving and have them take ownership in the outcome. This also provides for a much more positive approach to solving the challenges of an organization by "Seeing it...Believing it...and Making it Happen." The following are some additional actions and assessments to consider.

- Total assessment of the cost structure- Measure and monitor organizational costs associated with labor, supplies, utilities, equipment maintenance, etc. "Knowing the numbers" is an important step in identifying opportunities.
- Benchmark indicator analysis for revenue cycle- How do organizations compare in key financial indicators such as "Days in Accounts Receivable" or "Percentage of Self Pay." This provides for a gap analysis that will indicate the opportunities to improve cash flow.
- Insource or outsource? – What are core services? What could others do better? In healthcare the core service is providing clinical care to patients through kind, competent staff utilizing the latest technology. Other areas may be more efficiently outsourced such as laundry, food service, waste management and transcription.
- Contract management is a key function- Despite the size of an organization, there are too many elements to keep track of on a manual basis in today's complex world. The effective use of technology to track contractual arrangements related to physician relations, compliance issues, purchasing costs and maintenance contracts is critical.
- Own or Lease? – Access to capital is critical for healthcare organizations and a conscious decision needs to be made regarding capital costs vs. operating costs. An appropriate blend of each using a cost/benefit analysis for each decision is a common trait of successful organizations.
- Assess the work environment- If employees are not satisfied and engaged, they will be less productive and will share their dissatisfaction with patients. Studies have shown that for every 1% improvement in employee satisfaction, there is a 2% increase in patient satisfaction.
- Evaluate quality- An ultimate goal in healthcare is to provide a caring, quality experience. Many insurance providers are moving to a pay for performance system tied to quality as part of healthcare reform.

Solutions

The following are some solutions to consider that successfully address key issues facing healthcare executives.

- **Supply Chain Analysis** including data cleansing for accuracy, data synchronization for consistency, just in time delivery for inventory control and contract compliance for cost containment. There are synergies in developing **Dedicated Integrated Service Centers (DISCs)** when the geography makes sense.
- **Equipment Maintenance/ Repair and Contracting** process that assures things such as correct pricing, sources the most cost effective parts, flags routine maintenance requirements and maximizes "up time" of equipment.
- **Outsourcing of Laundry, Environmental Services, Food Service and Transcription** because they are not core healthcare services and other "best of class" companies can do it better.

- **Labor Management Team** that analyzes work flow, institutes process improvement to maximize efficiency, then uses national standards to match staff to workload.
- **Revenue Cycle Management** process utilizing the latest technology with an appropriate mix of internal resources and external experts.
- **Asset Monetization** process to use other people's money to develop new buildings or to convert existing owned buildings into an operating lease with an infusion of much needed capital.
- **Electronic Health Record** process to improve efficiencies, reduce medical errors and qualify organizations for enhanced government payments or favorable cost report adjustments by meeting "meaningful use" criteria.

Results

Positive results are frequently tied to a common trait of successful leaders...**Accountability**. Healthcare leaders must delegate and should ask subordinates to evaluate solutions. If a decision is made to implement a solution, excellent leaders hold subordinates accountable to timelines measure the results and celebrate the successes. If the advice is not to proceed; ask why? Hold people accountable for their recommendations and make sure the answer not to proceed with a cost savings or revenue enhancement idea is a sound one. Effective executives ask subordinates the "reverse contingency" question, "Why wouldn't you want to implement this solution?" If the answer is "we have another solution that is better," or "the costs do not justify the process", that may make sense. If the answer is, "we don't have time", or "we already have that covered," they probe further with additional questions.

Summary

It is evident that many of the problems and pressures that healthcare executives face are universal. Consider this personal checklist for action:

- What am I doing to enhance revenue?
- What am I doing to lower costs in non-people related categories?
- Will my organization qualify for enhanced payments for use of an electronic record?
- What am I doing to assure that the workforce has efficient processes?
- What am I doing to challenge my subordinates regarding margin improvement?
- Am I fostering an environment of accountability?

Taking action, using best of class solutions and achieving results is the key formula for thriving in the era of healthcare reform.

About The Author



*Kevin Shrake is an experienced Healthcare CEO with over 35 years in the industry. He is a Fellow in the American College of Healthcare Executives as well as an accomplished author and public speaker. During his career he has completed several organizational transformations that dramatically improved employee, physician and patient satisfaction levels, financial performance as well as quality outcomes. He currently serves as the Executive Vice President and Chief Operating Officer of M*D Resources, Inc. based in Fresno, California.*

