

# Performance Strategies



Get Ready for the Future of Healthcare

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## Improving Financial Performance in Today's Economic Environment



### Challenge

With the current state of the economy and continued downward pressure on reimbursement, what tactics and strategies can organizations use to improve their financial position? Here's what healthcare leaders voiced at the McKesson Executive Leadership Summit for CEOs.

### CEO Summit Discussion

#### Financial Challenges Require Ongoing Management

Today's financial challenges span hospitals across the country, regardless of size or balance sheet. The issues are the same — the differences are more a matter of degree and how each deals with them based on hospital priorities. There are common components that each healthcare organization must manage and improve on an ongoing basis.

#### **The Revenue Cycle Rules**

In managing the business of healthcare, CEOs say they can't afford to lose sight of the revenue cycle. The revenue cycle requires relentless monitoring — renegotiating managed care contracts, checking patient eligibility before service, or other tactics that ensure your revenue cycle is humming. The revenue cycle needs a check-up at least every six months.

In a tough economy with health reform looming, leaders are focused on “back-to-basics” operational challenges. These challenges include cost reduction, making improvements in care coordination and managing patient volume, eligibility and collections. Many are making organizational changes so that one person is accountable for front- and back-end processes.

Some organizations are looking externally for revenue streams by successfully pursuing grants and local community fund-raising. While philanthropy is down overall, the effort pays off for those willing to invest the time and effort — some have even gone out-of-state to appeal to their transient population.

In roundtable discussions, CEOs agreed unanimously that managing physician relationships is an ongoing strategic challenge. It permeates every aspect of their businesses, from the types of patient referrals they receive to direct service-line competition with specialty practices. And as more physicians find the prospect of hospital employment appealing, CEOs and their financial administrators are assuming additional cost-management burdens.

#### **Cost Reduction Affects Everyone and Everything**

The economic climate has taken its toll on patient volume — and resulting profit margins. Hospitals are treating uninsured patients in the emergency department rather than providing elective surgery, which is where they've typically been able to make their margins.

To reduce costs, leadership teams are looking at everyone and everything, including:

- Restructuring labor and employee benefit programs
- Moving to performance-based merit increases
- Transitioning from defined benefits to 401(k) programs
- Postponing large capital projects

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## Improving Financial Performance in Today's Economic Environment (Cont.)

Many organizations are employing practical approaches to better manage insured patients. These efforts are paying off — literally.

- Hospitals are negotiating discounts with self-pay consumers who are willing to pay up-front
- Eligibility checks are becoming a continuous cycle, with more emphasis on precertification and periodic review of eligibility during the patient's hospital stay
- To manage collections on the back end, hospitals are taking into account a person's ability to pay and whether it's worth the time and residual cost to pursue collections

### ***Patient Care Quality and Satisfaction Drive Financial Performance***

When it comes to patient care quality, many leaders agree that improving coordination among care team members has a substantial impact on the bottom line. Sometimes it's as simple as communication among the team so hospitals know which physicians are rounding at a given time.

In other cases, executive management teams are focused on improving patient flow throughout the hospital. Their goal is to get patients and information to the right caregivers to improve care and reduce length of stay and readmissions.

### ***IT is Important***

Information technology will play a role in helping CEOs and their leadership teams manage through this time of crisis. One CEO summed it up best: "The ultimate question is how best to use the right technology in the right environment to get the right outcomes."

### **SUMMARY: Improving Your Financial Position**

- The revenue cycle is key to financial stability
- Physician relations and operations are the top two financial challenges
- Across-the-board cost cutting is unavoidable
- Case mix must include profitable cases
- Optimizing collections is critical — up front, on the back end and with continuous checks
- Patient care quality and satisfaction drive financial performance

### How IT Can Help

#### Employing an Advanced Enterprise Revenue Management System to Conquer Revenue Cycle Challenges

To assist organizations in moving beyond using bolt-on applications to achieve revenue cycle results, McKesson has developed an [integrated, advanced enterprise revenue management system](#) that enables you to reinvent the process of managing and collecting revenue.

An enterprise revenue management system can improve the economics of care by reinventing financial processes using rules-based software and by connecting key healthcare stakeholders – hospitals, payors, financial institutions, physicians and consumers – electronically. The enterprise revenue management solution goes beyond simply speeding up current [revenue cycle management](#) processes by giving you the power to:

- Better predict financial responsibility for all constituents before and during care
- Streamline patient access to services
- Manage business relationships proactively
- Understand the financial impact of all care decisions
- Forecast cash flow and net revenue in real time

Other solutions can help improve an organization's financial health:

- Use [financial clearance solutions](#) to arrange for payment prior to care delivery, including identifying those eligible for Medicare and charity care
- Provide [clinical solutions that support communications and coordination](#) among clinical team members
- Employ [performance analytics](#) to create a dashboard for monitoring and improving the revenue cycle
- Use [at-a-glance enterprise visibility](#) to improve patient care and workflow that speeds throughput and maximizes patient capacity
- Take advantage of ARRA and grant funding opportunities from the federal and local governments and institutions. McKesson offers its customers a complimentary grant identification service ([GIFtooffice@mckesson.com](mailto:GIFtooffice@mckesson.com))

#### Financial Success Stories

[St. Elizabeth Optimizes Pre-Service Financial Clearance](#): St. Elizabeth identified valid insurance coverage for 3% of its self-pay accounts previously written off as bad debt — an immediate \$375,000 boost to its bottom line. It also reduced by 50% insurance denials due to incorrect information collected during pre-service and decreased AVR from about 50 to just 45 days.

[Providence Holy Cross Medical Center Matches Capacity Management to Disaster Response](#): Providence Holy Cross uses its enterprise visibility solution to always know how full it is, how many patients are waiting for beds, and what each individual employee can do about it. Within the first three months alone, year-over-year comparisons showed the following: 10.6% decrease in average length of stay, 35.8% decrease in the percent of patients that left without being seen and an 85.0% decrease in admission turnaround time, among other improvements.

## Learn More

[Reinventing How Health Systems Manage Revenue and Can Improve the Economics of Care](#)

[HIMSS: Revenue Cycle Management: A Life Cycle Approach](#)

[HFMA: Optimizing Margins through Non-Labor Cost Reduction](#)