

# Seeking Integration: Aligning the Physician and Hospital Revenue Cycles With Hospital Finance

HFMA Oregon Chapter's Spring Conference  
May 19th, 2016

# Integration Discussion Outline

- **Introduction and Overview**
- **Benefits and Risks To Integration**
  - Reasons Organizations Are Or Are Not Integrating
  - Approaches From Industry Leading Organizations
- **Determining If Integration Right For Your Organization**
  - Key Considerations From OHSU
  - Determining Functions to Integrate
- **Implementing The Change**
  - Preparing Finance for Implementation
  - OHSU Results
  - Lessons Learned
- **Questions/Discussion**

# Introductions

- **Isaac Sieling:** Senior Director, Huron Consulting Group
- **Matt Navigato:** Director Enterprise Revenue Cycle, OHSU
- **Jon Loomis:** Director Hospital Finance, OHSU
  
- **Participant Poll**
  - Is your organization currently using or investigating using alternative payment models
  - Is your organization looking for a closer partnership between Finance and Revenue Cycle
  - Does your organization have a strategic objective to create a standard and improved patient financial experience
  - Is your organization looking for opportunities for Revenue Cycle performance improvement and potential cost savings

# Key Outcomes From Today's Presentation

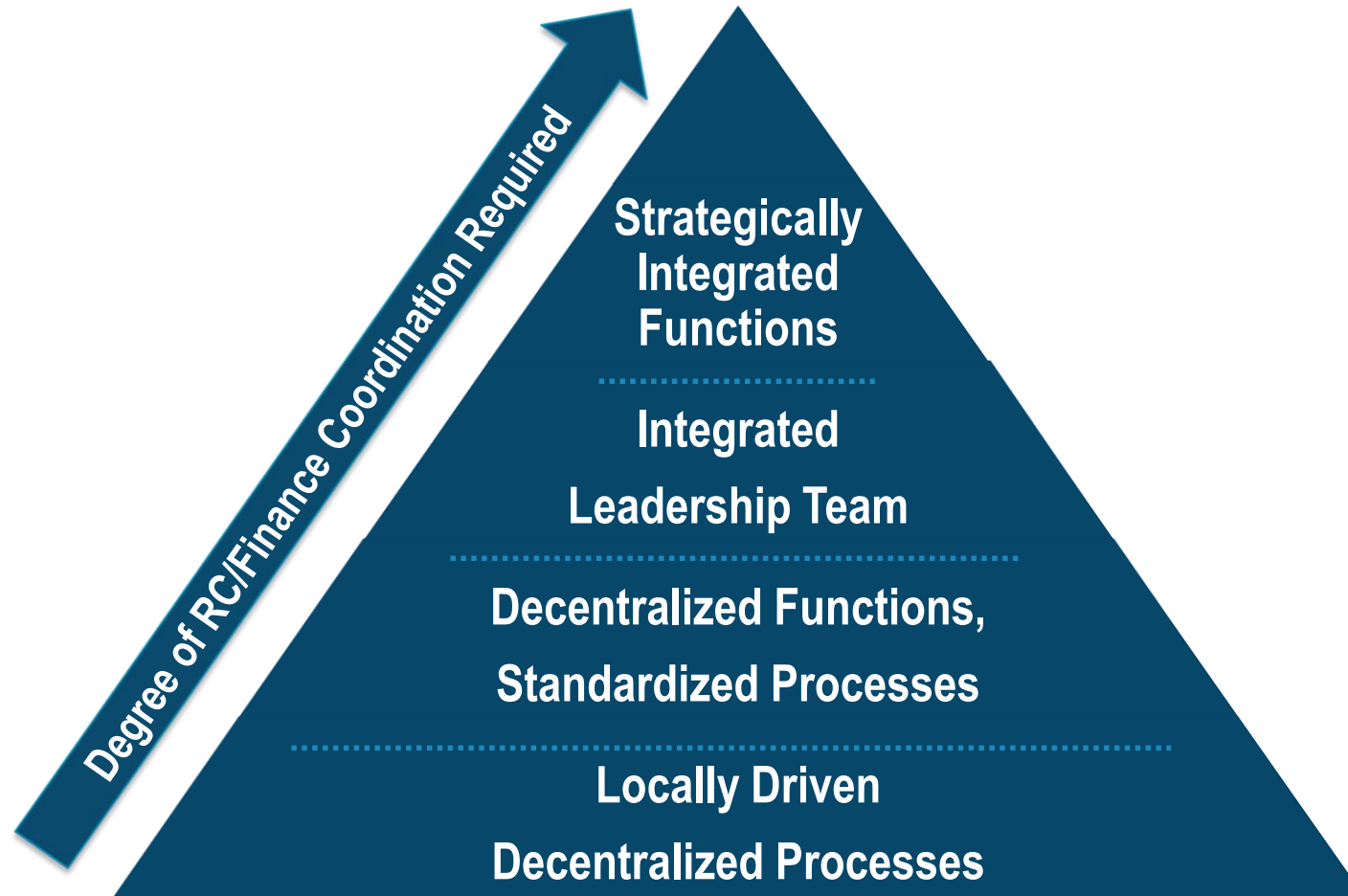
- **Define** an **Integrated Revenue Cycle** and its many **variations**
- **Learn** guiding principles for how Finance and Revenue Cycle can **best partner together**
- **Outline** **benefits and risks** to an Integrated Revenue Cycle and the reasons industry leading organizations are, or are not, pursuing it
- **Highlight** **key impacts on Finance** to evaluate when determining if integration is right for your organization
- **Hear** **real life learnings from an organization** that successfully managed the transition to an Integrated Revenue Cycle

# Revenue Cycle Integration

“The **alignment and coordination** between the Physician and Hospital Revenue Cycles to **create operational efficiencies**, a **standard system-wide approach** and a **consistent patient experience**”

# Levels Of Revenue Cycle Integration

While many health systems are seeking to increase integration, approaches and level of integration is highly variable and driven by the organization's structure and strategy



# Guiding Principles for Revenue Cycle/Finance Collaboration

- **Create** an environment that fosters **open and frequent communication**
- **Maintain** a **high level of coordination** prior to, during, and after any changes to either the Revenue Cycle or Finance
- **Share** your **knowledge and expertise** with each other
- **Focus** on the **root causes** of issues for resolution and avoid the **blame game**
- **Be strategic** in both your **planning and execution**

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## Benefits and Risks To Integration

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# Why Organizations Are Integrating

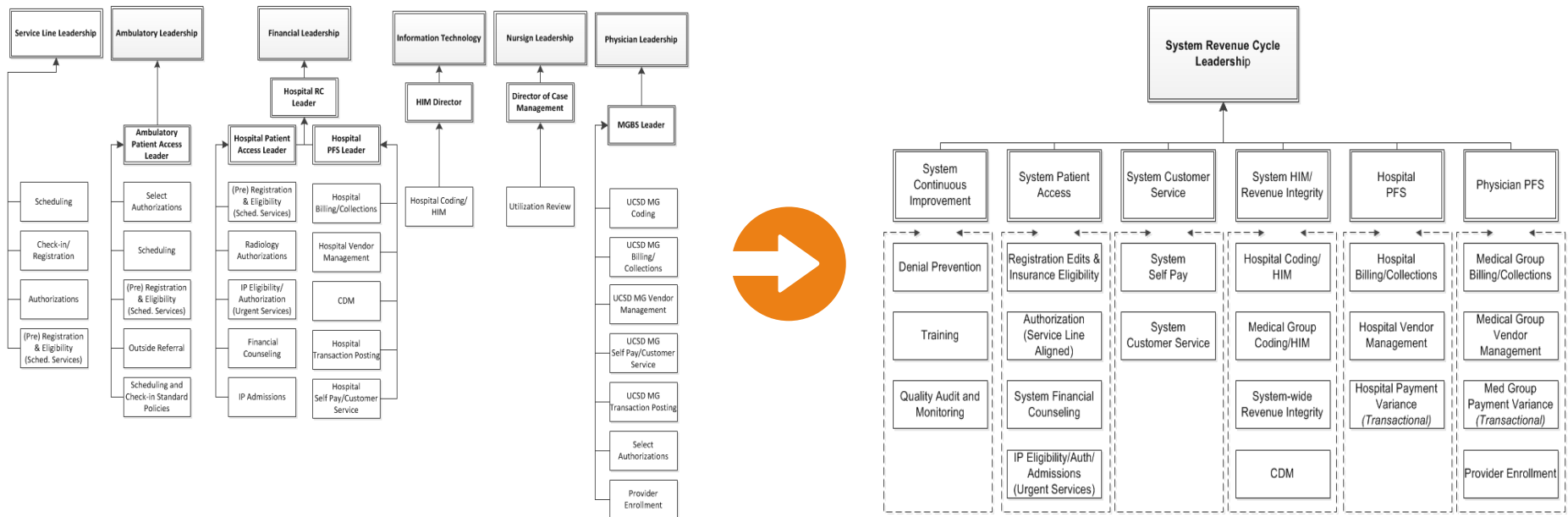
Numerous industry trends are prompting organizations to consider integration. The decision is individual to each organization's strategic direction and structure. Reasons for integrating include:

- Promotes a **single patient experience** across the health system and facilitates improved patient interactions and coordination
- Increases ability to navigate **new payment models**; especially with industry emphasis on population health and bundled payments
- Standardizes **performance levels** through a coordinated management structure with uniform expectations, metrics and goals across the entire organization
- Provides **system-wide perspective** for increased trend identification and payer accountability

# Why Organizations Are Integrating

- **Reduces cost to collect** by combing resources and leadership in some areas; eliminates potentially duplicative processes
- Provides organizational flexibility by **streamlining the accountability and decision making structures**

## Representative Impact of Integration On Organizational Alignment



# Integration Industry Trends

- Industry trends have shown a movement towards **standardization, coordination, and consolidation** within the physician and hospital revenue cycles independently
- While there is a lot of discussion around integrating the operations, high performing organizations have taken varying approaches and are in various stages of adopting integration
- The majority of organizations **remain largely segregated** among medical group and hospital operations. Only the most progressive have expanded past the Single Business Office for Self Pay

Examples of Integrations	Single Self Pay Statement and Customer Service	Single Leader Over All Hospital and Physician Business Office	Centralized Authorization Procurement Team	Single Leadership Over All Authorization
Industry Leading Organizations*	38%	22%	28%	6%

\* Organization include: Partners Healthcare, Oregon Health and Science University, North Shore-Long Island Jewish, New York-Presbyterian, BJC HealthCare, Inova Health System, Baptist Healthcare, Adventist Health (West), Houston Methodist, Baylor Scott & White Health, SSM Health Care, Greenville Health System, Intermountain Healthcare, UC San Diego, UC San Francisco, UC Irvine, UC Davis, UC Los Angeles

# Barriers to Integration

While industry trends promote a move to integration, the process has many challenges. Most organizations are still in early stages implementing a change. Key challenges include:

- **Lack** of alignment in organization's financial incentives
- **Differences** in organizational culture between Medical Group and Hospital
- **Concern** for impact on physicians and departments; specifically any impact on physician compensation
- **Disparate** technology systems
- **Absence** of a burning platform to initiate the change

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## Determining If Integration Right For Your Organization

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# Key Considerations – Financial

- **Health System's Financial Organization**
  - Are financial goals aligned between the organizations?
  - Are all collection dollars equal to the organization, or is the split between hospital and physician important?
  - Does the hospital currently support physician group operations?
- **Physician Compensation:** How are physicians compensated; is any part of compensation based on actual collections?
- **Payment Methodology:** Is the health system moving to new payment models that would require combining or coordinating physician and hospital payments?

# Key Considerations – Operational

- **Performance:** Are there significant differences in performance levels or outcomes between areas of the revenue cycle?
- **Patient Experience:** Does the organization have a goal to provide a standardized patient experience and single patient statement?
- **Technology:** Does the system allow for integrated workflow? Does comprehensive reporting in a standardized format exist?
- **System-wide Analytical View:** Is there a clear view of overall payer and vendor performance or root causes for denials?
- **Governance Structure:** Is the governance or decision making structure clearly defined and flexible enough to meet the organization's need for rapid change?

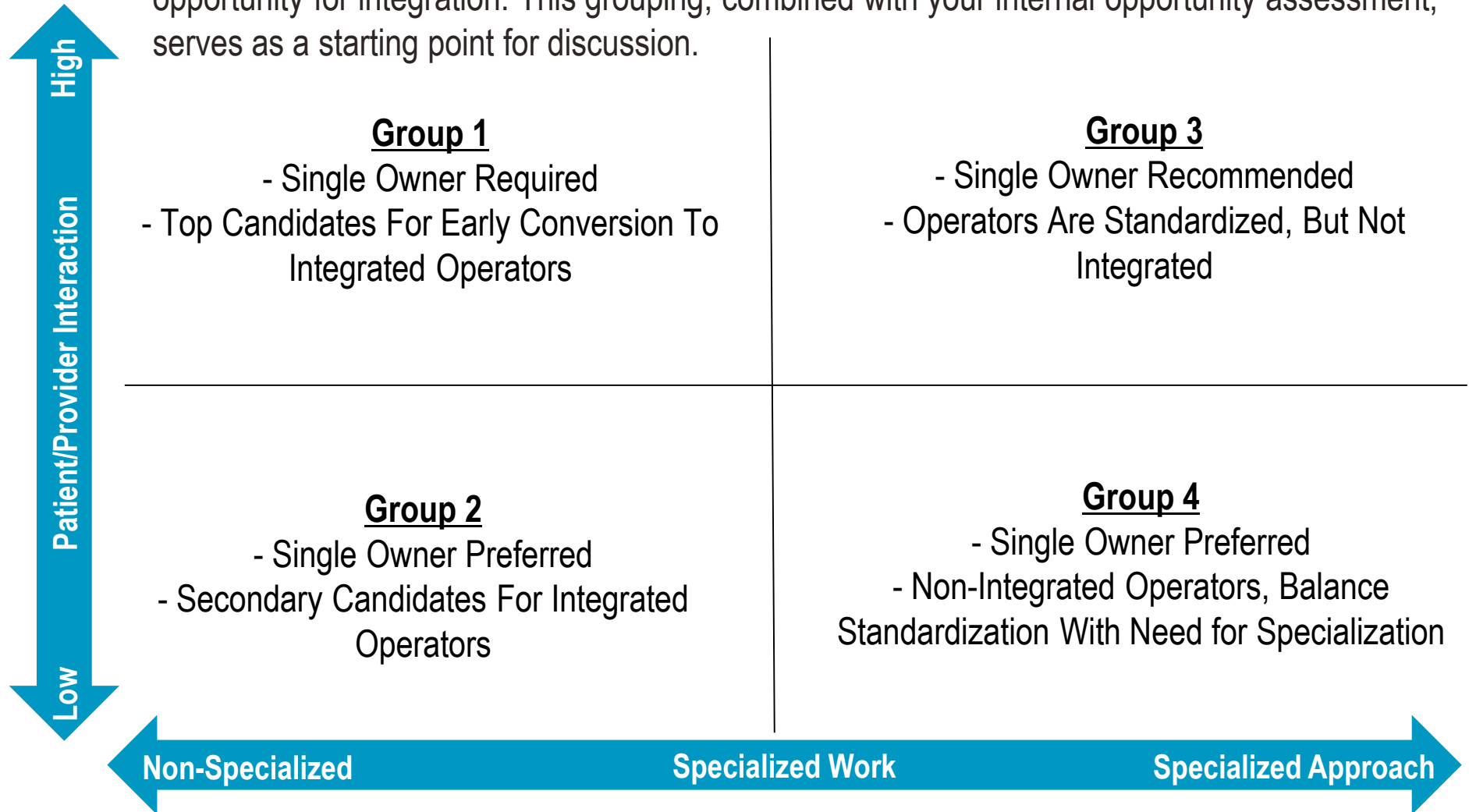
# Key Considerations – Organizational

- **Change Management:** What is the organizations openness to change? How has the organization handled changes like this in the past?
- **Human Resources Consideration:** Are job classifications and pay scales the same across the organization? Are multiple unions involved across the organization?
- **Culture:** Is there a significant difference in culture between the hospital and physician Revenue Cycle operations
- **Logistics:** How are the offices geographically located? Is there a physician space for an integrated office?

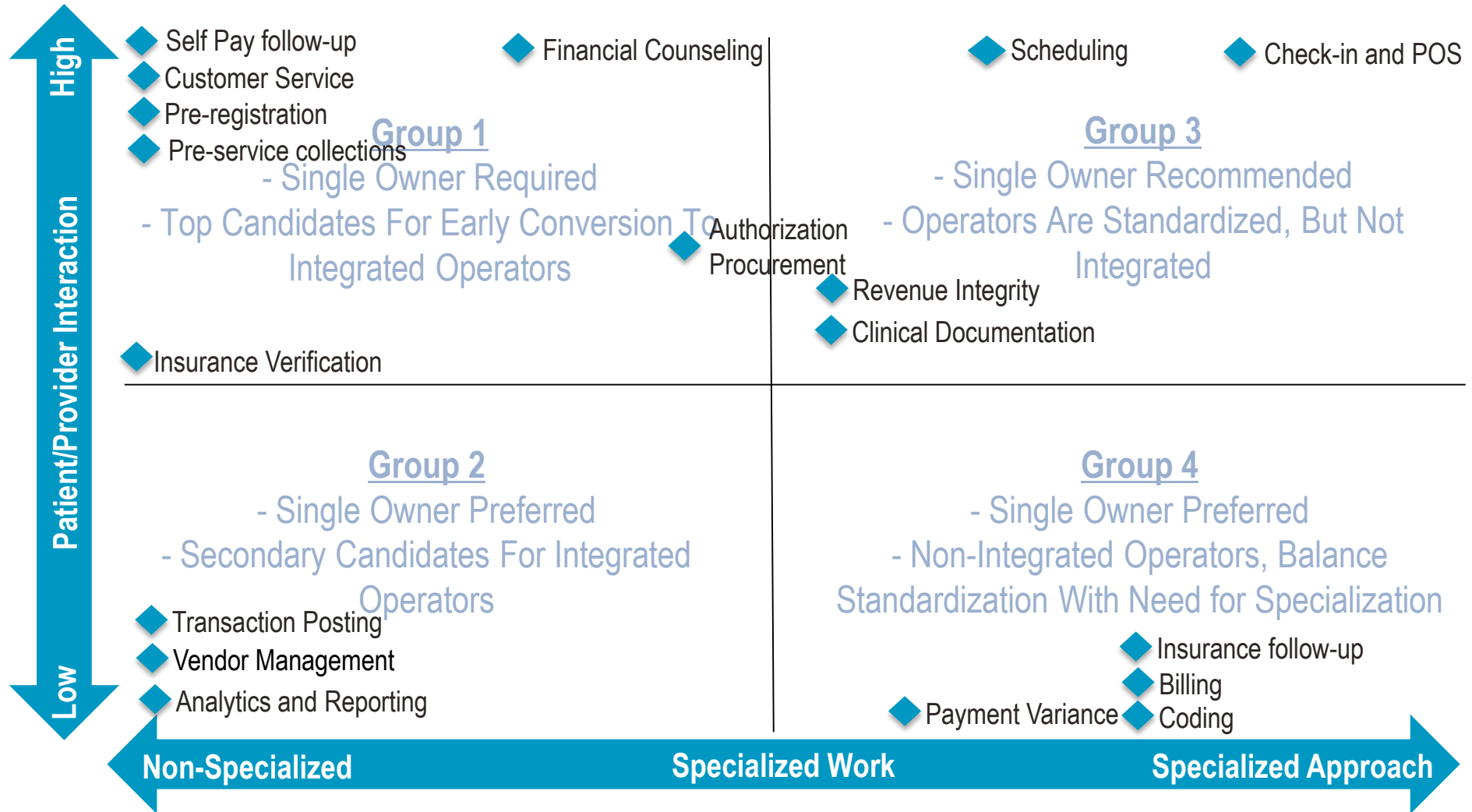


# Functions Grouped By Common Characteristics

Functions with like characteristics can be grouped. Certain groupings represent a higher opportunity for integration. This grouping, combined with your internal opportunity assessment, serves as a starting point for discussion.



# Functions Grouped By Common Characteristics



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# Preparing Finance For Integration

- **Financial Data:** Revenue Cycle integration **can/will impact the data in Finance**
  - GL Mapping
  - A/R Reserves
  - Service Line Reporting and Profitability
- **Financial Impact:** Analyze the **impact of standardization**
  - Billing model changes (POS 22/11)
  - Unified charity care policy
- **Revenue Variances:** Develop **unified explanations** for any revenue variances

# Data Impact - Example

- **Implementation of EPIC Single Billing Office**

- **Bad Debt Write-offs vs. Bad Debt Status**

- Existing reports did not track Bad Debt expense in the SBO environment
- Changed GL mapping rules to accommodate bad debt balances vs. bad debt transaction
- Manually adjusted A/R reserves to incorporate bad debt accounts in ZBA status
- Patient profitability



# Preparing Finance for Integration

- **Standardization of Billing Models:** Establish set of principles confirming **who bills what service** (professional vs. technical) when and where
  - Transitioned several departments out of HB and into PB module
  - Moved departments into POS22, which impacted budget variances, reporting, variance explanations
- **Unified Communication:** Vital to effectively communicate **changes in department-level revenue** (both collections and gross charges)
  - Working with HB, PB and Finance; OHSU developed a unified methodology for explaining revenue variances
    - Payer Mix shifts
    - Payment rate changes by payer
    - Account write-offs
    - Changes in acuity/service level
    - Volume

# OHSU: Results

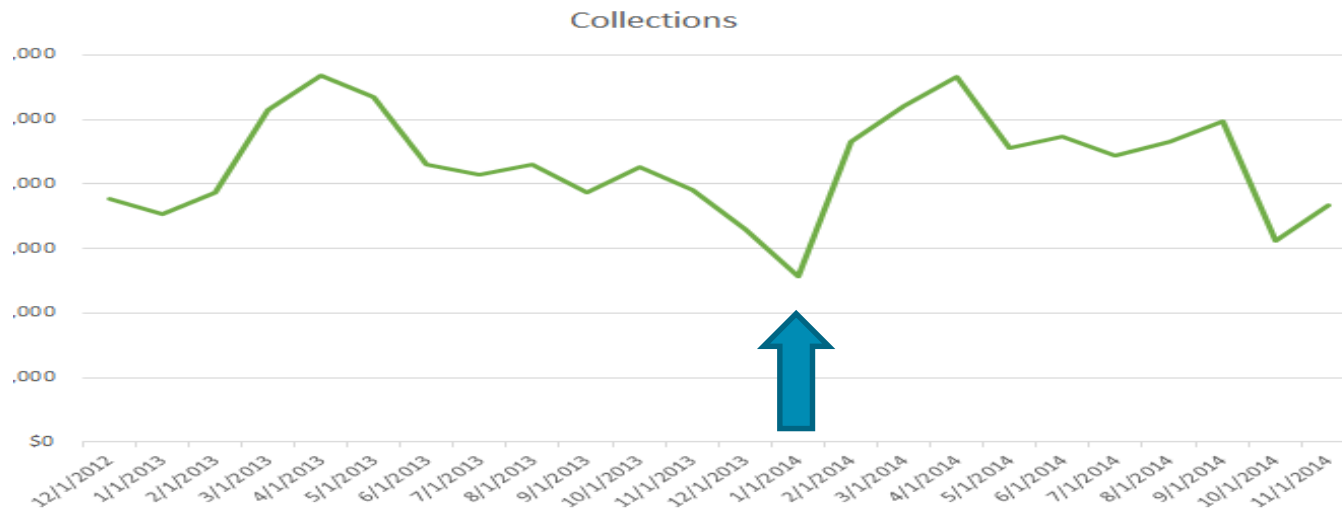
- ROI, ROI, ROI

- 7% reduction in FTE (net change -20 FTE from 280)

- 430k/year 

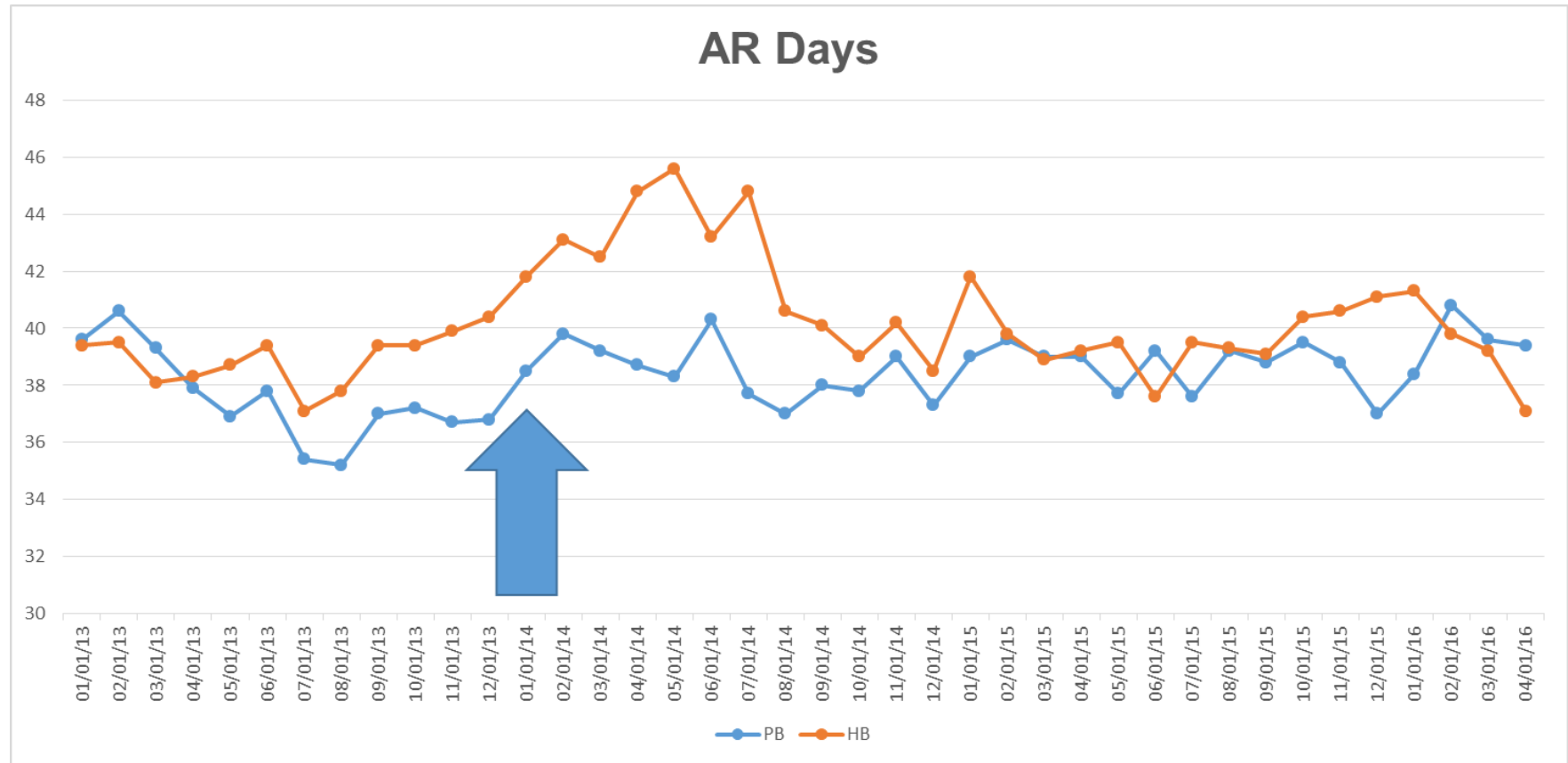
- Major and difficult change

- SBO collections changes



# OHSU: Results (cont.)

- AR Day Impact



- Improving the patient experience!! “One Patient Statement”



# Lesson's Learned

- Not involving **Finance and Human Resources** early in the process
- Underestimating the **technical requirements and upfront process preparations** needed for a changes. For example, movement to a single patient statement is not as easy as flipping a switch.
- **Not having a clear communication plan** for affected employees. Providing information without a coordinated approach can lead to significant employee concern about future job security
- Failing to **stabilize performance and standardize processes** prior to integration
- Not understanding and appropriately communicating with **physician leadership** and the multiple stakeholders across the ancillary areas

# Summary

- An integrated Hospital and Physician Revenue Cycle has many benefits both operationally and financially
- Health Systems should evaluate integrating if they are exploring new payment models, seeking increased performance results and potential for decreased costs, or want to create a single patient experience
- Close collaboration between Revenue Cycle and Finance is always important, but especially vital to ensure a successful transition and realize sustainable improvements
- Positive results can be realized, but only with strategic planning and strong leadership execution

