

Rural Hospital Performance Improvement Project 2009 Conference



Using Measures to Improve Rural Hospital Performance

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Whispering Woods Hotel & Conference Center
Olive Branch, Mississippi

STROUDWATER ASSOCIATES

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Presentation Overview

Introduction

- Introduction

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- Organizational Architecture Theory

Case Studies

- Case Studies
 - Revenue Cycle
 - Budget Process/Monthly Financial Reports
 - Quality and Patient Safety
 - Emergency Room Performance
 - Human Resources

Summary

- Summary/Discussion

Objectives/Principles

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Summary

- Guiding Principles
 - Organizations without measurable outputs will be governed through politics (*Source: Jules Zysman, MD, 1997*)
 - What gets measured gets managed (*Source: Six Sigma fundamental principle*)
 - Alternatively – what doesn't get measured, doesn't get managed???
 - Accountability and ownership are fundamental to high performing rural healthcare organizations
 - The score is only the result of the game being played on the field
 - Play the game, measure the result
 - If you are not keeping score, you are only practicing (*Source: Vince Lombardi*)
 - “Timing couldn't be better...Administration has put a premium on measuring performance and focusing on best practices” (*Source: Tom Morris, HRSA*)

Objectives/Principles

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- Objectives
 - Better understand the theory and importance of increasing use of performance measures
 - Using successful case studies, build the case for increased use of performance measures in decision-making and accountability

Organizational Architecture Theory

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Summary

- Overview
 - An effective organization, through sound leadership, will enable its employees to make decisions, taking into account relevant data, and hold employees accountable for these decisions. The key elements of this well functioning organizational structure include:
 - Decision Making/Accountability
 - The goal within an organization is to place decision making at a level that leverages local information while improving overall hospital value
 - In a competitive and consumer oriented organization, decision making should be as close to the consumer as practical
 - Compensation
 - Compensation must be set at market rates and reward effort and risk taking by managers and other employees
 - Performance Reporting
 - Provides regular and timely information to managers to use in effective decision making
 - Provides administration with organizational results

Organizational Architecture Theory

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Summary

- Performance Reporting
 - Internal reports are used for two purposes
 - Decision Management information
 - Provides managers and employees with ongoing information to assist in making accurate operating decisions
 - Decision Control information
 - Provides leadership with information documenting results of operations
 - Issues with information
 - Accounting data not necessary timely for decision management
 - Accounting system often does not provide accurate information for decision making (fully allocated costs versus incremental costs)
 - Conflict between operating reports with non-financial data and financial reports (statistics versus \$\$)
 - Goal
 - To determine a set of performance measures, both decision management and decision control, that relates closely to the success of the organization, department, and/or individual

Case Studies

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Summary

- Case Studies
 - Revenue Cycle
 - Budget Process/Monthly Financial Reports
 - Quality and Patient Safety
 - Emergency Room Performance
 - Human Resources

Case Studies

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Summary

- Revenue Cycle
 - Theory
 - Successful Rural Hospitals
 - Have developed performance measurement systems to measure key revenue cycle metrics on a monthly basis and use these metrics to drive better performance into revenue cycle operations
 - Better performing revenue cycle functions generally track many performance indicators including (source HFMA):
 - » Cash collections
 - » Gross A/R and Gross A/R days
 - » Net A/R and Net A/R days
 - » In-house and Discharged Not Final Billed Receivables
 - » Third party aging over 90 days
 - » Cash percentage of net revenue
 - » Cost to collect
 - » Bad debt and charity as a % of gross charges
 - » Denials as a fraction of gross charges
 - » Point of service collections as a fraction of goal

Case Studies

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Summary

- Revenue Cycle (continued)

KPI	Responsible	Bench mark	How Do We Rank?							Purpose of Data
			June	July	August	Sept.	October	November	December	
A/R > 90 Days	Trudy / Patti / BO	20%	37%	42%	37%	41%	33%	34%	36%	Monitor account follow-up processes and practices for extreme efficiencies
Gross Cash Collections to Total Revenue	Patti Sullivan	64%	42%	52%	49%	49%	50%	46%	49%	Total revenue being collected
Bill Hold Days	Patti Sullivan	3 days	4 days	4 days	4 days	4 days	4	4	4	Time frame that bills are held in order to collect accurate data input, medical record coding and charges
Percentage of Unbilled Receivable	Patti Sullivan	<10%	13%	10%	12%	13%	12%	12%	12%	Strictly monitor in-house, recurring and missing diagnosis accounts.
Average Daily Revenue in held Medical Records	Rheadawn Street	5 days	3.5 days	3.14 days	3 days	2 days	2 days	2 days	3	Total days in revenue that are held for coding delays.
Registration Error Rate	Stephanie / Patti	2%	5%	3%	4%	3%	3%	3%	5%	Registration error rate as a percentage of total registrations.
Percentage of Bad Debt to Gross Revenue	Ann Brown	2.5%	5%	1%	1.66%	1.8	0	1.00%	1%	Monitor uncollectible accounts to ensure they have been appropriately handled.
Charity Percentage to Gross Revenue	Ann Brown	2.5%	3%	3%	0.03%	2	3%	1.00%	1%	Monitor charity write-off and ensure financial counseling is accomplished.
Days in A/R	Crystal Bruner	60	68.75	68	64	59.23	52	58.13		Average days to collect the receivable.
Percentage Clean Claims from Bill Editor	Patti Sullivan	95%	99%	99%	99%	99%	99%	99%	99%	Number of errors on accounts due to data input, charging and coding
Return on Worker's Compensation, Third Party Liability and Auto Insurance Accounts	Patti Sullivan	85%	85%	85%	85%	85%	85%	85%		Effectiveness of difficult third party liability claims collection.
Up-front Deductible and Co-payment Collections	Stephanie Smithson	50%	Unable to track	Unable to track	unable to track	unable to track	unable to track	unable to track	No way to track yet	Improvements to cashflow, acknowledging the financial obligation with the patient at the time of service.
Average Daily Revenue in Credit Balances	Patti Sullivan	<1 day	4.54	4.82	5.24	4.49 days	4.65	4.96	5.55%	Credit Balances negatively effect the total A/R.
Claim Denial Rate	Patti Sullivan	4%	Unable to track	Unable to track	unable to track	unable to track	1%	unable to track	2%	Total denied claims as a percentage of total claims
Percentage of Scheduled Services that are Pre-Registered	Stephanie Smithson	95%	92% ancillary 78% OR 65% Angio	Overall avg 88%	88% overall	93% overall	90%	94%	94%	Improving patient information data gathering including demographics, medical necessity and insurance eligibility.
Percentage of Self-pay Patients that Receive Financial Counseling	Stephanie / Ann	95%	Unable to track	Unable to track	unable to track	unable to track	unable to track	unable to track	No way to track yet	Providing patients with payment options and/or charity consideration.
Hospital-wide Education Regarding Charity Policy and Payment Options for Patients	Ann Brown	100%				Brochure in process				Ensuring that Hospital Payment and Charity Care Policies are well understood by all hospital staff.

Case Studies

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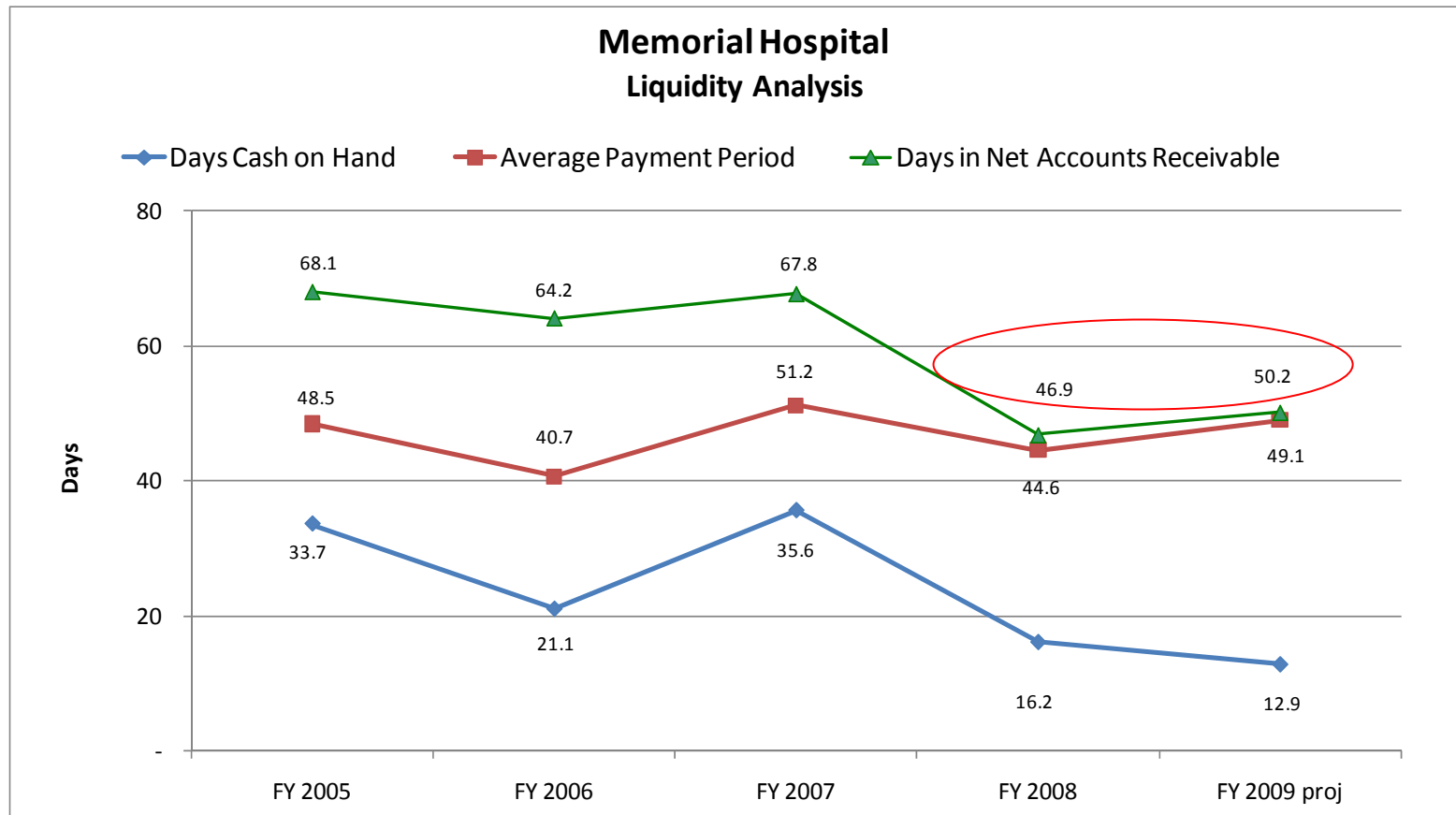
Theory

Case Studies

Summary

- Revenue Cycle (continued)

- Results:



Case Studies

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Case Studies

Summary

- Budget Process/Monthly Financial Reports
 - Theory
 - Successful Rural Hospitals
 - Department managers are involved in developing annual budgets
 - » Volume, revenue, AND expenses
 - » Reconciliation process
 - Budget to actual reports to be sent to department managers monthly
 - » Variance analysis to be performed through regularly scheduled meetings between CFO and department managers

Case Studies

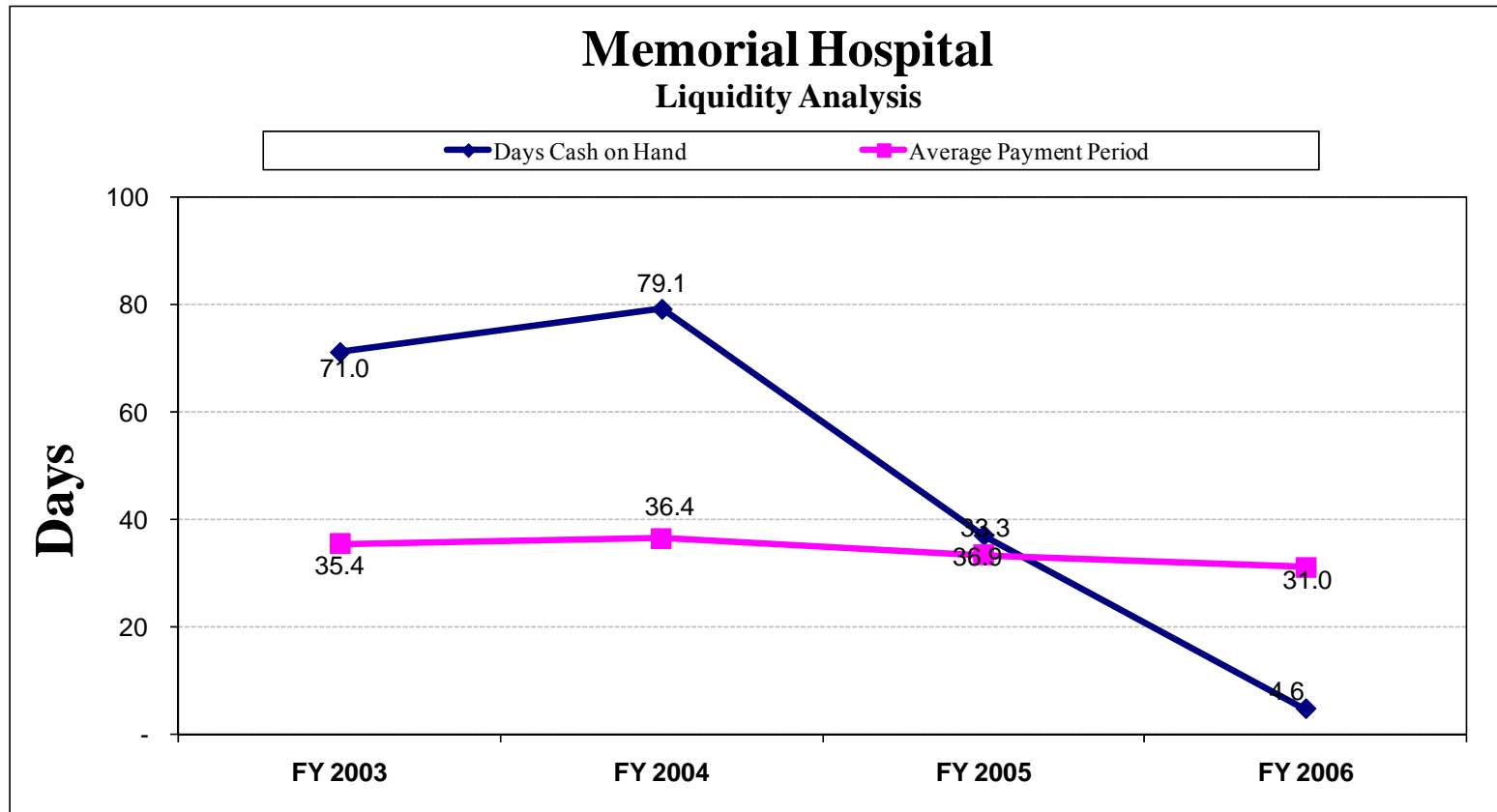
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Summary

- Budget Process/Monthly Financial Reports (continued)
 - Lack of financial accountability



Case Studies

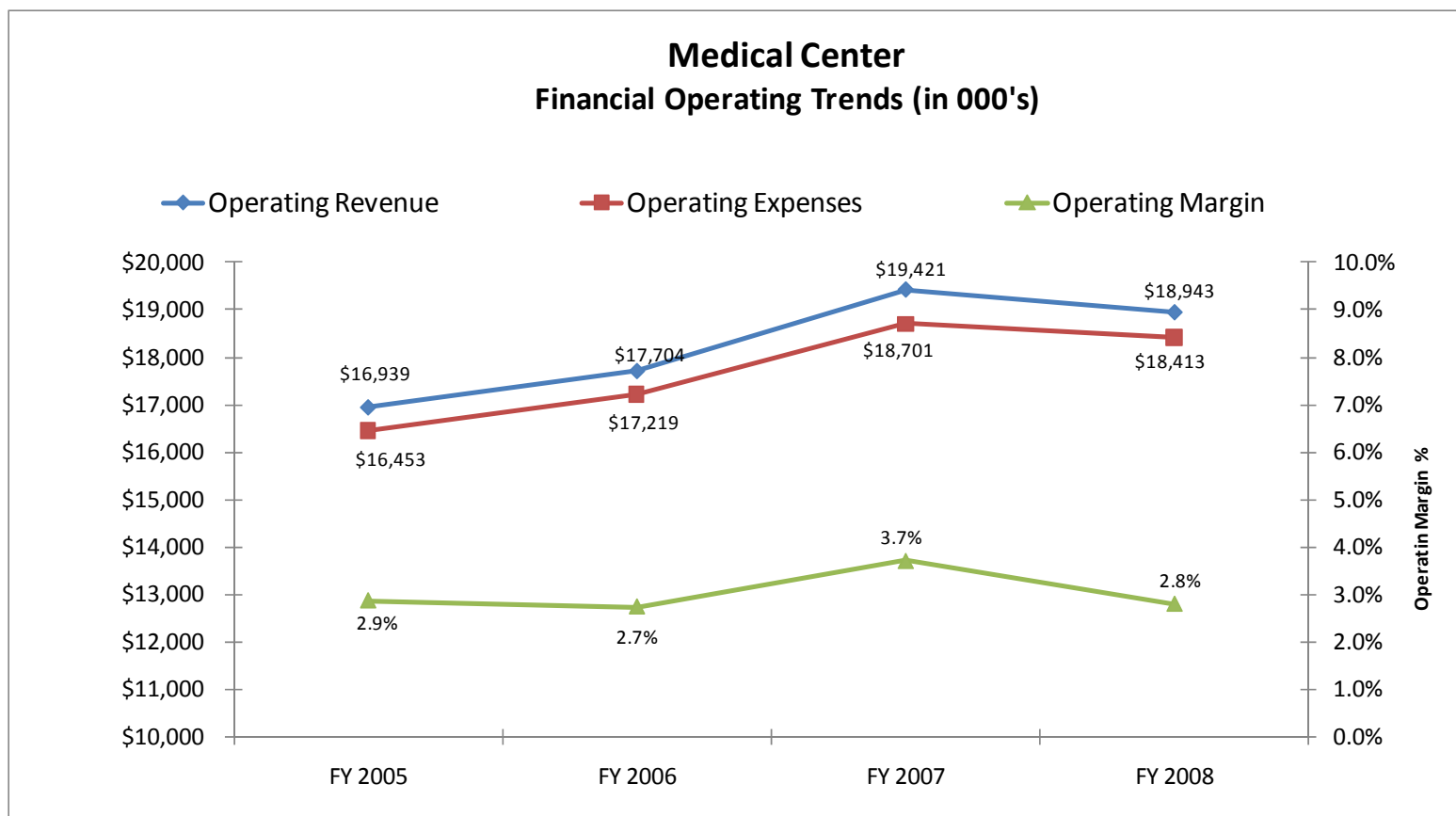
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Summary

- Budget Process/Monthly Financial Reports(continued)
 - Results:
 - CAH practicing best practices for departmental performance



Case Studies

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Summary

- Quality and Patient Safety
 - Theory
 - Successful rural hospitals
 - It is expected that all department managers measure, trend, report, and improve performance in all four quadrants
 - » clinical quality
 - » financial stability
 - » patient experience
 - » employee growth

Case Studies

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Case Studies

Summary

- Quality and Patient Safety (continued)
 - Results: CAH with excellent measurement of quality

	AMI	Pneumonia	CHF	SCIP
Q2 – 07	84.38%	88.37%	61.36%	61.54%
Q3 – 07	90.91%	86.09%	86.05%	77.42%
Q4 – 07	90.00%	95.00%	93.94%	100.00%
Q1 – 08	97.67%	96.22%	96.00%	100.00%
Q2 – 08	100.00%	97.41%	94.64%	60.00%
Q3 – 08	Pending	Pending	Pending	Pending
Goals – 09	95.00%	95.00%	95.00%	95.00%

Case Studies

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- Quality and Patient Safety (continued)
 - Results:
 - Network of 12 CAHs with focus on improving quality scores

Rural Hospital Network Hospital Summary Report

(Q3/2007 - Q2/2008)

Clinical and Business Processes	Network Aggregate Scores				Most Recent Quarter		
	2007Q3	2007Q4	2008Q1	2008Q2	Network Target	Network Median	All RPM Median
AMI Topic All-or-None (COREManage Upload)	40%	58%	80%	85%	100%	100%	100%
HF Topic All-or-None (COREManage Upload)	60%	89%	60%	87%	100%	80%	69%
PN Topic All-or-None (COREManage Upload)	53%	71%	70%	89%	100%	88%	75%
Patient Fall Rate (IP)	4.1	4.3	4.1	4.5	2.0	4.2	4.2
Medication Error Rate	1.3	1.8	1.3	0.8	3.0	0.4	0.6
Bad Debt Expense	6.7%	4.5%	4.3%	4.9%	5.0%	4.7%	6.9%
Days in Net Accounts Receivable	42.6	37.3	37.3	38.4	35.0	38.7	55.3

Case Studies

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- Emergency Department Performance
 - Theory
 - Successful rural hospitals
 - Monitor Emergency Room admission rate by provider
 - » Target between 7% - 10% - Higher if specialty services available (i.e., Surgery)
 - Measure ER physician standby time accurately
 - Manage inappropriate bad debt

Case Studies

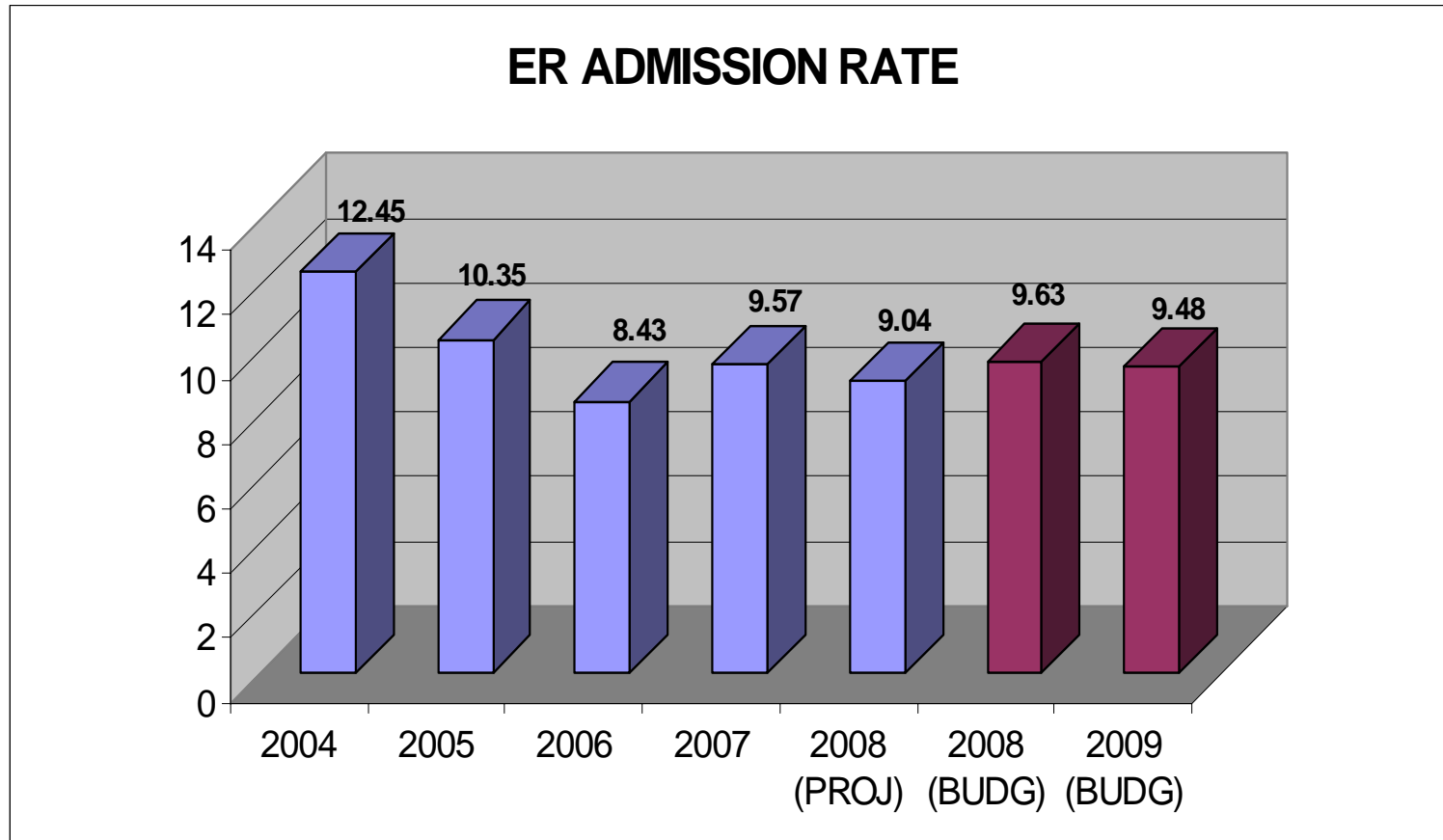
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Summary

- Emergency Department Performance (continued)
 - Results: CAH with excellent measurement of ER admissions



Case Studies

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Summary

- Emergency Department Performance (continued)
 - CAH without ER standby tracking:
 - ER with 4,700 visits per year

PROVIDER-BASED PHYSICIAN ADJUSTMENTS

WKST A	LINE NO.	COST CENTER/ PHYSICIAN IDENTIFIER		TOTAL REMUNERA- TION INCL FRINGES	PROFES- SIONAL COMPONENT	PROVIDER COMPONENT
1	2			3	4	5
1	61	EMERGENCY	ER PHYSICIANS	811395	519293	292102
2	37	OPERATING ROOM	GASTROENTEROLOGIST	88565	88565	
3	63	GERIATRIC PSYCH	PSYCHIATRIST	22500		22500
101		TOTAL		922460	607858	314602

- So what's the problem???

Case Studies

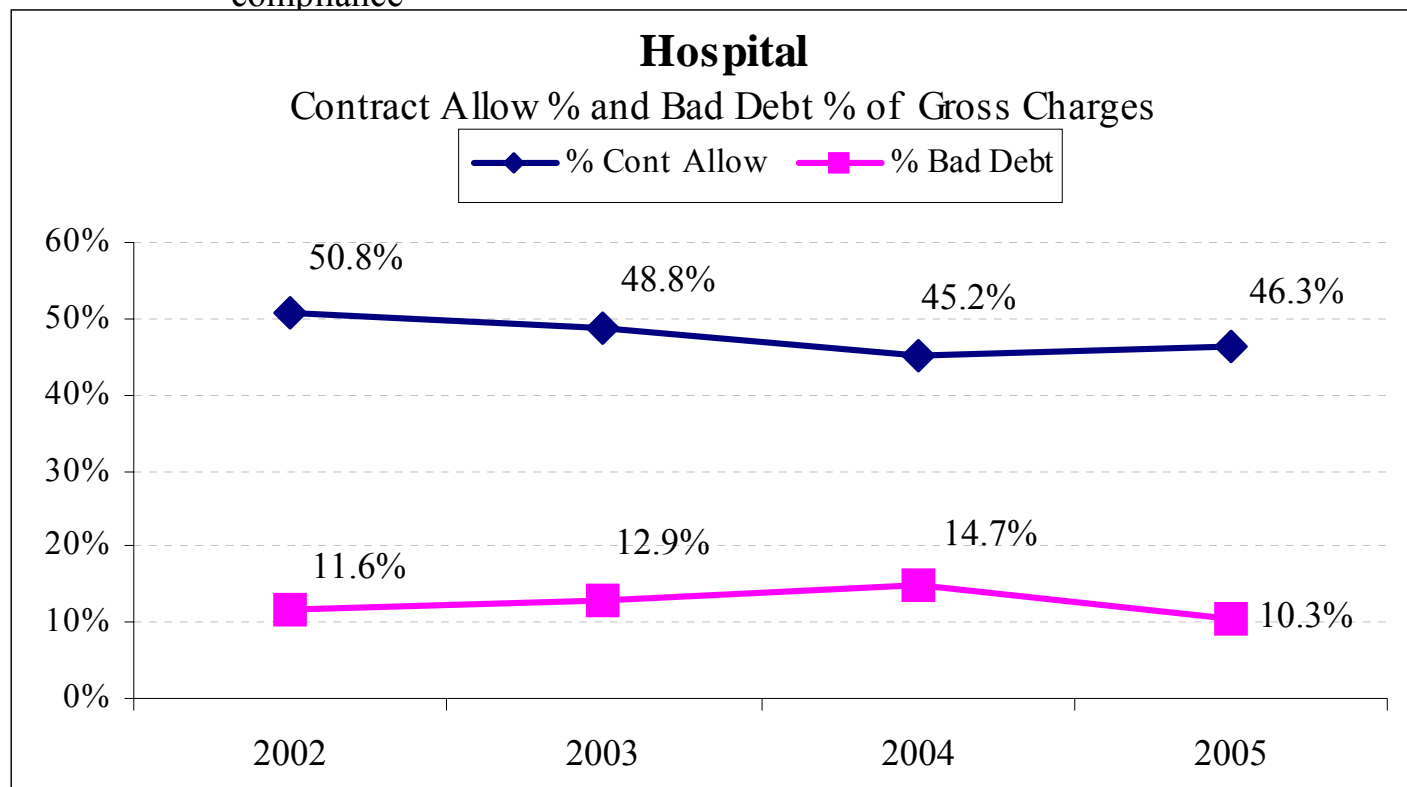
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Summary

- **Emergency Department Performance (continued)**
 - CAH with policy to collect co-payment from non-urgent patients
 - Policy in ER where after Medical Screening Examination (MSE), patients deemed not to have a Emergency Medical Condition (EMC) are required to make \$100 payment or services will be discontinued
 - Requires strict policies that are scrupulously policed to ensure EMTALA compliance



Case Studies

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Summary

- **Human Resources**
 - Theory
 - **Successful rural hospitals**
 - Design compensation plans to reward extraordinary performance
 - » Create entrepreneurial incentives for the senior management team and department managers to focus on enhancing service volumes within key ancillary service centers
 - » Have an incentive program in which all employees are provided monetary incentives at varying levels dependent upon whether hospital and/or their department achieves key performance goals

Case Studies

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Summary

- **Human Resources (continued)**
 - **Simplified Approach**
 - “The SB program is going great guns. Our ADC was 5.5 almost double our goal of 3. We did implement an incentive plan. The idea was to implement something simple to track, simple to explain, correlated to financial and brand success, achievable, and meaningful. We identified 6 goals:
 1. SB ADC \geq 3
 2. Psych ADC \geq 6
 3. 10% growth in radiology procedures over same quarter year ago.
 4. 20% growth in OR procedures over same quarter year ago.
 5. Improvement in overall Core Measures over same quarter year ago.
 6. Improvement in ER Patient Satisfaction Willingness to Recommend and Willingness to Reuse over same quarter year ago.
 - Each goal is standalone, meaning if we hit the goal we pay \$35 for employee, \$50 for manager. Hit all 6 we pay \$210/\$300. Hit none we pay \$0/\$0. We calculate by quarter so there are 4 payouts per year. We print a separate check to hand out to the employees so that the benefit does not get lost in a bi-weekly payroll. We just completed our first quarter. We paid on 3 of the 6 goals, so the employees got \$105/\$150, but also got to see that with a little more effort they could have doubled the amount.”

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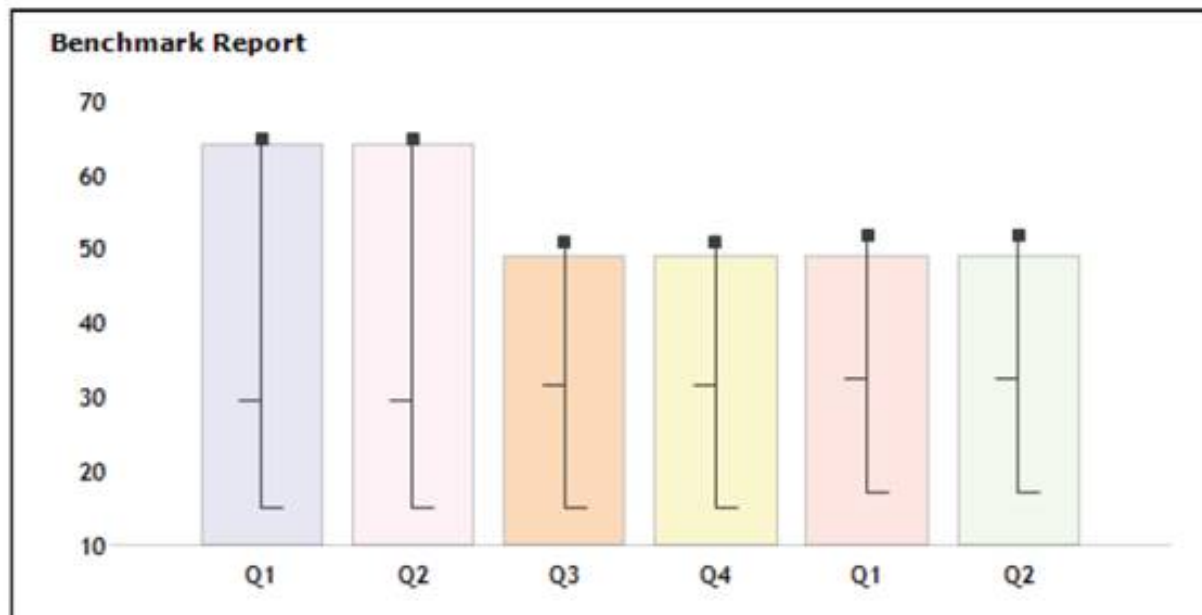
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Summary

- Human Resources (continued)
 - Best practice CAH that has engaged staff in organizational ownership

Memorial Hospital
Staff Engagement Index
January 2008 through June 2009
Description: Measures the engagement of clinical and non-clinical staff respondents
Definition: Average score from six (6) questions on Clinical and Non-clinical Staff Satisfaction Survey
Units: Percentage (1-100 Scale; Higher is better)
Data Source: Staff and Clinical Staff Satisfaction Surveys



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Summary

- Human Resources (continued)
 - Best practice CAH that has engaged staff in organizational ownership (continued)

Operating Profit Margin

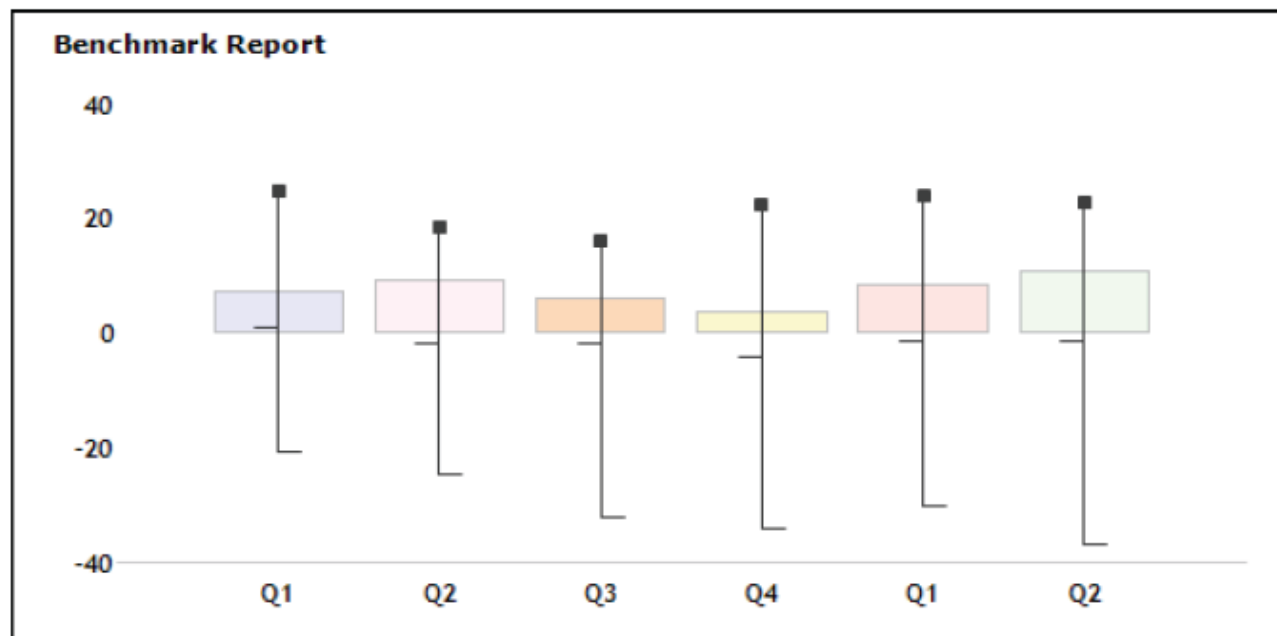
January 2008 through June 2009

Description: Measures the surplus (deficit) of revenues compared to expenses

Definition: $(\text{Net Patient Revenue} + \text{Other Operating Revenue} - \text{Total Operating Expense}) / (\text{Net Patient Revenue} + \text{Other Operating Revenue})$

Units: Percentage

Data Source: RPM Website Monthly Data Entry (Financial Statements)



Summary

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- **Conclusions**
 - Rural hospitals have opportunity to increase use of performance measures
 - Performance measures are important tool to drive performance and accountability into an organization
 - Case studies document improvement in performance through increased use of measures

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Thanks for listening!

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