

The Guide Wire:

A Newsletter for Cardiac, Vascular & Imaging Providers

Volume II, Issue I

2009

Special points of interest:

- The call for Principle-based Leadership has never been greater
- Preliminary Coronary Procedure data comparing 1996 and 2006 data shows relatively stable trends over the decade in Diagnostic Cardiac Cath and PCI volumes while, not surprisingly, CABG volumes decreased nearly 26%
- Effective Revenue Cycle Management to include Supply Chain & Accounts Payable management can improve cash flow, financial viability and survival

Inside this issue:

Proactive, Principle-based Leadership in Uncertain Times	1
Enhancing Financial Viability: Revenue Cycle Management	1
1996 & 2006 Coronary Procedure Comparative Data	2
Revenue Cycle Management	3
Revenue Cycle Management Chart	4

Proactive, Principle-based Leadership in Uncertain Times

The current economic uncertainty facing the nation and health care requires proactive, principle-based leadership. Health care in particular is facing tremendous pressures to balance the increasing health-care demands and needs of patients with the need of sustainable financial viability. Today's challenges require that hospital, service line and physician leaders provide proactive leadership that is founded on the following principles:

Honesty: Leaders must be honest in the assessment of crucial customer, market, operational and financial performance indicators. Leaders must not deny reality and face the facts regarding changes in market demands, staff capabilities and skills, and financial and operational performance. Looking beyond the mark in what the indicators show will result in the organization becoming waylaid

or sidetracked into activity versus action. All the hoping, wishing, and worrying in the world won't change the facts of where the indicators show the organization to be. Leaders must be brutally honest in the assessment of where the organization is if they want to be able to safely chart a strategic and viable course for the future.

Strategic Focus: Uncertain times demand that leaders sound a clarion call that refocuses everyone on achieving the organization's vision. Keeping strategic focus is similar to a pilot who can't see the flight's final destination for over 95% of the flight; however, she knows that if she hits all the appropriate beacons along the intended flight path, she will arrive at the desired destination. Likewise leaders must point out and keep the organization focused on the strategic landmarks along the journey to accomplishing the

vision. Leaders must continually keep the organization strategically focused on the vision and monitor the horizon for changing conditions that may temporarily obscure the accomplishment of the vision in an effort to steer the organization to the desired destination.

Communication: In troubled times, successful leaders will over-communicate with their employees to allay fears and to instill confidence, commitment, purpose and principles. Weekly meetings with department personnel to keep information flowing is vital to maintaining commitment and morale high. Communication must be clear, honest, transparent and instill confidence. Any attempts to hide the truth will lessen employee trust, harm morale and lessen commitment. In bad times, fear increases and morale sinks creating confusion, dis-

(Continued on page 2)

Enhancing Financial Viability: Revenue Cycle Management

Procedures and services which generate revenues are the life blood of any healthcare organization. In these troubled times, enhancing access to the services and maximizing the collection of revenues for the services is a challenge that demands extra executive attention to keep the organization financially viable.

Healthcare providers traditionally spend a much higher percentage of revenues on collect-

ing for the services provided than occurs in any other industry. Part of this high cost is attributable to the coding, documentation and legislative requirements and statutes that must be met to submit a clean claim for payment.

Given the tight credit markets, the continuous downward pressure on reimbursement, and the higher cost of collecting for their services, providers must

be extremely vigilant in managing the revenue cycle if they are to maximize the payment for services provided.

The Revenue Cycle as defined by RB&A is shown on the lower half of Page 4. To increase financial cash flow and enhance financial viability of the organization, each phase of the revenue cycle must be effectively managed, monitored and improved.

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Coronary Procedure Comparison: 1996 & 2006

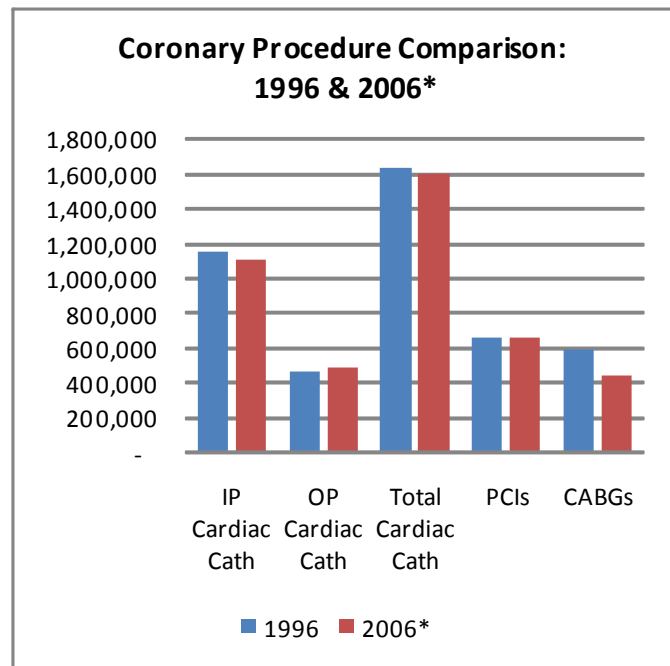
"The challenge of leadership is to be strong, but not rude; be kind, but not weak; be bold, but not bully; be thoughtful, but not lazy; be humble, but not timid; be proud, but not arrogant; have humor, but without folly."

Jim Rohn, Author

"In a time of crisis we all have the potential to morph up to a new level and do things we never thought possible."

Stuart Wilde, Author

Earlier this year, the CDC released the 2006 Survey of Ambulatory Surgery (SAS) for the first time in over a decade. Shown in the chart at right is a comparison of the 1996 and preliminary 2006 coronary procedure volumes for IP and OP diagnostic cardiac cath, PCIs, and CABG surgery. Using the 2006 preliminary volumes, which are currently under review and subject to change by the CDC, it appears that all coronary procedure volumes peaked in the decade between 1996 and 2006. The only procedure which exhibited higher volume in 2006 than in 1996 is OP diagnostic cardiac cath. However, the increase in OP diagnostic cardiac cath was offset by a decrease in IP diagnostic cardiac cath resulting in a net decrease in Total Cardiac Cath volume. PCI procedures dropped by less than 1% over



the decade while CABG decreased by nearly 26%. ♥♥

SOURCE: CDC's NHDS & SAS for 1996 & 2006 * Subject to change

Proactive, Principle-based Leadership in Uncertain Times—Continued

trust, and even disengagement of employees. Successful leaders will use a sense of urgency in their communications that clarifies, engages, focuses and reassures the employees on the desired destination of the organization.

Accountability: Successful leaders create a culture of accountability within their organizations. Holding managers and staff accountable for their own and, collectively, for the department or service line's performance is crucial to achieving sustainable viability and growth. In times of crises, performance accountability timeframes may need to be shortened to avert any non-vision related actions. In difficult times, focusing and monitoring performance on a daily or weekly basis versus on a monthly or quarterly basis, becomes the norm. In such times, feedback and course

corrections must occur more frequently to avert any wasted energy or scarce resources being used in pursuit of the "trivial many" versus on the "vital few" priorities that safely lead the organization to success.

Discerning Discipline: In chaotic times, successful leaders are disciplined and focused on what matters most. They see the big picture and don't act hastily without discernment. When they act, they act decisively but without knee-jerk responses. Leaders act strategically and don't take the easy way out. For example, the easy way to cut costs may be to implement an "across the board 5% cut" in all departments. The discerning and disciplined leader knows that cutting costs in all departments will jeopardize the entire organization's viability. Nowhere is this more evident than in health care. Healthcare leaders must cut costs strategi-

cally; recognizing that, even in difficult times, certain services may actually need more financing to secure the long-term viability of, and even grow, the organization.

RB&A believes that there has never been, in recent history, a more challenging time requiring strong, proactive, principle-based leadership in so many sectors of the economy than there is today. Successful healthcare organizations must be led by leaders who are honest; have a strategic focus & commitment to vision; communicate clearly, concisely and confidently; who hold themselves and their staffs accountable; and who are discerning, disciplined and decisive.

To assist leaders develop, cultivate and instill these traits and principles in organizations, RB&A provides Principle-based coaching in these areas. ♥♥

Enhancing Financial Viability: Revenue Cycle Management—Continued

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Scheduling & Registration:

The start of the revenue cycle occurs when a patient or physician office staff member calls to schedule an appointment for services. At this phase in the revenue cycle, it's critical that all required patient demographic data be collected and accurately recorded. Insurance coverage verification must occur with any changes in insurance plan coverage, carrier or benefits being updated. Obtaining accurate patient registration data is critical to downstream revenue cycle activities. Once all patient information is accurately collected, insurance verification and pre-certification efforts should take place. Ideally, the scheduling and initial registration processes have enough lag time before the patient encounter occurs that insurance verification and pre-certification for services can occur.

Co-payments and deductibles are collected at this phase of the revenue cycle. Any outstanding balances should be collected prior to new services or procedures being performed. Financial counseling, in this phase, can also improve the revenue cycle performance.

Service Provision/ Case Management:

As stated previously, the provision of the services or procedures is the life-blood of the revenue cycle. Without the provision of services, no revenue is generated. Providers need to make sure that the services they provide are cost effective. Traditionally, providers have little, if any, idea of the true cost of providing the services or procedures. RB&A recommends that providers perform a Procedure Cost Analysis for each procedure and service to understand the true costs associated with the provision of the services.

Although common, using RCCs (Ratio of cost to charges) to determine service cost is not a wise decision in today's economic environment. Providers must know the true costs of providing services to become financially viable and long-term solvent.

Case management that utilizes "best practices and evidence-based clinical treatment protocols" should be utilized to effectively manage supply and operational costs.

Supply Chain Management:

Effectively managing the supply chain can produce substantial savings and thus increase bottom-line revenues. RB&A recommends that all vendor contracts be reviewed periodically and that any new supply contract be sent to multiple vendors for bidding. Even though many hospitals are part of GPOs, the actual supplies delivered by the vendor should be regularly monitored to ensure that the quality and cost of the supplies are appropriate and in agreement with the GPO contract terms. Implementation of just-in-time inventory arrangements reduces inventory carrying costs and affects cash flow.

Clinical Charge Capture/

Medical Records: Charge capture provides the basis for the billing and claim submission process and determines the payment amount for the services provided. Documentation of the services provided occurs through the medical records. The adage: "If its not documented, it wasn't performed" is true with charge capture. Educating providers on the accurate and complete documentation of the services they provide goes a long way in improving revenue generation through clinical charge capture.

Coding Compliance/ Editing:

Submitting a clean claim for payment is crucial for timely payment for services provided. Accurate coding compliance with the Cor-

rect Coding Initiatives is a must. Claims editing software can streamline this process and improve the accuracy of the claim submitted. Coders should annually attend a coding class for the specific area they work to ensure that they are current in their coding skills. This will be extremely important as the new ICD-10 codes are implemented.

Contract Management:

Providers must be aware of each payer's contract terms for each of the services provided. RB&A recommends that a Payer Payment Analysis sheet that lists all appropriate CPT, HCPCS, APC and DRG codes and the amount reimbursed by each payer be developed and monitored regularly. Understanding the procedure and service costs and the payment amount by payer can help providers more effectively manage the revenue cycle and maximize revenues. EOB Analysis should occur regularly to ensure that payment terms to include amount and timeliness factors are being met by payers.

Billing/ Collections: The actual billing and claim submission should occur ASAP following the provision of the services. An EOB Analysis can help identify problems in this area. In addition, RB&A recommends that patients be sent billing statements every month, even with third-party payment pending. By doing so, providers keep the patients aware of the total bill for services provided and what they are obligated to pay should the third-party insurance payer not pay the claim.

Claims & Denial Management:

If the preceding phases have been carried out with accuracy, the amount of work required for processing claim denials is greatly reduced. Any resources and staff allocated to the front-end of the revenue cycle process, i.e., registration, pays big dividends in this phase. Hav-

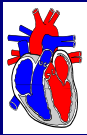
ing enough staff to work through each of the claim denials within a specified period is crucial. RB&A knows of situations where the practice policy is to start each month working claim denials for accounts whose patient names begin with "A" and working through the alphabet. The unintended result is an exorbitant amount of denied claims for persons with names starting with "Rs" and beyond going un-worked. The net result is higher accounts receivable balances with longer days outstanding and missed opportunities to collect. One practice we worked with that had this policy ended up with a write-off of nearly \$1 million due to the age of the AR accounts due to poor claim denial management policies.

Payment Posting: The posting of payments to the patient accounts should be done as quickly as possible with the funds deposited into the organization's bank account the same day they are posted. Time is money and the quicker the payments are posted and deposited, the better the cash flow to the organization. Cash flow is king!

Accounts Payable Management:

Although not traditionally included in Revenue Cycle management, effective management of the AP can improve cash flow. Negotiating favorable payment terms with vendors for supplies and equipment can greatly improve cash flow by extending the time that accounts must be paid.

Effective Revenue Cycle management is the key to improved cash flow and the long-term financial viability of the entity. RB&A recommends that providers review their revenue cycle processes at least annually to assess the effectiveness and identify areas for improvement. ♥♥



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