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The Art of Putting It Together

STANDARDIZE PROCESSES BEFORE CONSOLIDATING REVENUE CYCLE OPERATIONS

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By Robert Parris, managing director, and **Melanie Schoenvogel**, senior director, Huron Healthcare

There has been a great deal of organizational change in the healthcare industry in recent years. Prior to expanding, acquiring, or partnering with another provider organization, board members and executive leadership teams must consider the future administrative operations of the new entity. Corporate or shared services models are often created to better manage the administrative costs of these ventures, with revenue cycle usually being one of the first functions considered for consolidation. Due to forces and pressures surrounding these decisions, our experience demonstrates that it is wise to stabilize and standardize revenue cycle operations across multiple entities *before* beginning consolidation activities.

EXTERNAL FORCES AFFECT SCALE

The increase in merger and acquisition (M&A) activity has been a trend largely brought on by the value-driven demands of the Affordable Care Act and by marketplace competition.[1] Organizations are expanding and merging to prepare for population health, revenue transition, and other strategies or initiatives that align assets into operating models for the corporate structure. This growth can also satisfy the needs of smaller hospitals to gain access to needed capital, economies of scale, or leadership capabilities to survive within a community or market by allowing them to expand geographic reach, increase market share, or gain more patients across points of care.

The marketing dynamics of these institutional consolidations significantly influence, and are influenced by, the populations and communities involved. Vying for patients in a community or region may drive alliances. Heightened M&A activity can also affect access to outpatient or other same-day services (e.g., with the closing of duplicate care centers), or can influence prices for services as market competition dwindles.

INTERNAL PRESSURES THWART PROCESSES

Many mergers succeed and provide both patient care and financial benefits to their respective communities and regions. Some fail decidedly and start to resemble a faulty airline or utility merger. Even with the best of intentions to morph into what is hoped will be a wondrous and seamless manifestation of the Institute for Healthcare Improvement's Triple Aim (improving care access and patient experience while reducing cost of care), alignment proves to be fraught with governance challenges, technical disruptions, and service delays. What appeared on paper to be a good business decision and an avenue to provide patients affordable, accessible care devolves into something unwieldy and costly. How does this happen?

The headlines are full of consolidations that faced the dynamics of acquiring diverse institutional components, physician groups, administrative staffs, health IT infrastructures, and accounting and billing systems, and tried to make it all work. Internal challenges include working in the midst of mis-aligned stakeholders, varied HIS platforms, inconsistent processes, and incompatible or shifting cultures. It is hard to be effective in that kind of environment and still confront the added stress of maintaining or increasing margins and complying with new payer models that are inexorably moving toward value-based reimbursement.

Failure can occur when the focus shifts from basic efficiencies in an attempt to drive value from scale. For example, consolidating primary and specialty clinical groups without sufficient strategic alignment brings on compensation problems, care access issues, and clinical leadership gaps that can produce disgruntled and burned out physicians, according to Studer Group.[2] Cost-cutting and removing duplication without thoughtful analysis of workflows and throughput waste confuses staff and lowers morale. Combining health IT and governance without a large-scale technology infrastructure plan is a recipe for complicating clinical documentation and the EHR, leading to innumerable patient care, billing, and reimbursement challenges.

> **"Each revenue cycle should stabilize, and then standardize its processes before implementing a holistically complete consolidation model. It is vital to maintain focus on the objective and set key checkpoints throughout the process. Above all, it requires effective communication between the corporate structure and the individual entities, strong service level agreements, and the alignment of incentives."**
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> **Robert Parris, managing director,**
> Huron Healthcare

WHY CONSIDER REVENUE CYCLE CONSOLIDATION EARLY?

Any alliance that consolidates business centers is really combining enterprises, which is why planning requires a comprehensive approach that focuses on people, processes, technology, and culture at each organizational entity. Mapping out a disciplined and effective plan can help organizations streamline the integration, while minimizing disruptions to operations, employees, and patients, and mitigating risks to financial performance.

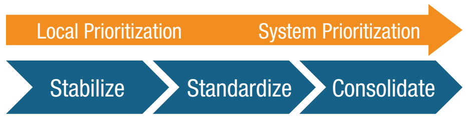
Successfully merged organizations start with an assessment of functions to determine integration priority and order. For several reasons, revenue cycle, as a defined set of processes, is often one of the first departments or functions considered for a corporate or shared model:

- Most core revenue cycle functions can be completed virtually, including pre-registration, insurance verification, coding, billing, and collections
- Most revenue cycle activities can be completed without specific expertise at the individual entity level (e.g., cash posting requires knowledge of the payers and contracts, yet can be done across multiple entities)
- Advanced information systems and EHR platforms can make it easier to share data across hospitals and providers

STABILIZE AND STANDARDIZE BEFORE CONSOLIDATING

Enterprises whose shared revenue cycles will juxtapose, complement, and eventually align must first figure out where each individual hospital's revenue cycle is compared to others in the system. Each revenue cycle should stabilize, and then standardize its processes before implementing a holistically complete consolidation model. It is vital to maintain focus on the objective, set key checkpoints, and, above all, ensure transparency throughout the process. Effective communication between the corporate structure and the individual hospitals (including the front-line staff), strong service level agreements, and the alignment of incentives are also critically important.

A Visual Framework for Revenue Cycle Consolidation



Stabilize Current Performance
Some hospital revenue cycles are better performing than others. For those that may be struggling, the stabilization step is critically important; for those that are well-performing, this step can be shorter. Leadership must make sure each hospital is performing at an agreed-upon baseline performance level; otherwise, the least stabilized organizations among them may affect the performance of the rest once the consolidation activities commence.

Here is a three-hospital example to consider:

Hospital A is thought to have leading practice revenue operations.

Hospital B performs fairly well, but requires improvements to functional breakdowns in a specific area, such as pre-service collections, verification and authorization functions, or coding delays.

Hospital C is experiencing significant gaps in process and workflow, with an inability to report accurate metrics across the entire revenue cycle.

In this example, the stabilization activities at Hospital C are critical to undertake prior to consolidation, along with targeted improvement to functions at Hospital B, otherwise the performance of the entire consolidated operation is at risk. Although the prior example used three distinct hospitals as the illustration, the outlined approach can also apply to the consolidation of individual physician practices or groups, as well as a consolidation initiative among regional hospital systems.

Leadership can take these steps to stabilize current performance:

- Conduct a focused assessment to accurately identify and quantify stabilization opportunities, which may vary between each entity based on variances in local market conditions, staff effectiveness, and current performance levels

CONSIDERATIONS FOR YOUR JOURNEY TO REVENUE CYCLE CONSOLIDATION

These are dependencies, barriers, and risks for leadership to identify on the journey to consolidation. Depending on the answer, each may pose additional questions to consider.

- Has a governance structure been established which will serve as the single decision-making body for revenue cycle?
- Is there a clear and consistent definition of revenue cycle among all of the entities, including clarity on which functions are owned by each entity, which will be owned centrally, and which may be outsourced to vendor partners?
- How consistent or inconsistent is the staff and leadership culture among the entities?
- Do common performance metrics, policies, and procedures exist across the entities?
- Does a common HIS or technology platform exist to allow for a single performance reporting suite?
- How consistent or inconsistent are wages, human resources policies, benefits, and resourcing models across the entities?
- Has consolidated space been considered and/or secured? Is there openness to a virtual centralization model?
- What risks or dependencies exist which may impact the consolidation timeline (e.g., upcoming HIS conversion, leased space terming)?

At whatever point the organization is on the path to revenue cycle consolidation, an objective partner can help honestly evaluate, quantify, and confirm opportunities for improved financial and operational revenue cycle performance across the enterprise.

- Honestly answer questions such as:
  - How broken are current systems and processes? Are there black holes?
  - Are there any outsourced populations/vendor performance issues?
  - Where are the revenue leakage points?
  - What backlogs currently exist?

Standardize across the Enterprise
The next step in the consolidation game plan is standardization across the individual facilities. Consolidation is ultimately much easier once each entity is operating with a similar book of procedures and protocols. Leadership should establish consistent policies and processes across the multiple facilities, while implementing similar performance metrics across each of the hospitals. It is not critical for each entity to convert to the same HIS as long as each hospital is speaking the same language in terms of core revenue cycle measures.

For a standardized operating model design, leadership should take into account a wide range of variables: the actual locations of each entity, each disparate information system, cultural variances, human resources considerations including job descriptions and pay grades, and existing policies and procedures. The following standardization steps should be considered:

- Design a **standardized revenue cycle leadership and governance structure** for the combined entity
- Consider **enabling technology** that helps drive consistency and efficiency, such as standard workflow management and reporting tools
- Develop **standardized work processes, policies, decision-making rules** across all revenue cycle departments and hospital/physician groups to allow for the same language and comparison metrics
- Decide on a **common team of vendor partners** for revenue cycle functions (e.g., bad debt collections, early out, legal)
- Integrate or **centralize certain parts of operations** that are a natural fit, such as customer service functions or payment posting

Consolidation of Revenue Cycle
After standardizing core processes and metrics, leadership must identify what aspects of the revenue cycle are best suited to consolidation or centralization and why; understand that movement toward revenue cycle consolidation is a process, not an endgame; and achieve improved financial services as a byproduct of these efforts. Additionally, moving the revenue cycles of all entities into the integrated system at the same time may not be feasible. Phased implementation and virtualization approaches may make sense for the organization.

Once leadership appreciates the complexities and benefits of the consolidation process, they can use the self-evaluation checklist on page 3 to identify any risks or barriers in the current environment that may make consolidation challenging without first stabilizing and standardizing. Do current revenue cycles need stabilizing, or are they already so standardized that consolidation can move more quickly? Where the organization is on the continuum determines the level of stability, leadership commitment, communications efficacy, amount of internal and external resources, and length of time needed in order to fully consolidate revenue cycle operations.

> **"The results of a consolidated revenue cycle operation are significant. Organizations are able to achieve a streamlined patient experience across individual facilities, standardized processes that allow for greater nimbleness in the wake of healthcare reform, and an overall reduction in operating costs."**
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> **Melanie Schoenvogel, senior director,**
> Huron Healthcare

VARIATIONS ON SUCCESSFUL CONSOLIDATION MODELS

Once multiple site revenue cycles are stabilized and standardized, leadership might consider the following consolidation models.

Full System-Wide Centralization	Partial Centralization with System-Wide Standardization
Offers the highest level of process standardization Can scale and flex staff to align with priorities Provides clear accountability in an organizational structure May require the most lead time and culture change to establish	Has many centralization benefits without as many possible culture change challenges Standardizes activities that create decided improvement from a non-standardized environment May be more difficult to enforce a level of standardization in non-centralized areas
Shared or "Hybrid" Operating Model: "Virtual" Centralization with Process Standardization	**Centers of Excellence**
May be the fastest model to implement with the least amount of staff movement Enables a staff presence to remain in many or all of the organization's served communities May not create the desired level of culture change and organizational improvement Could result in an unclear organizational accountability structure	Involves no physical move, but staff shifts to working a specific function (e.g., medicare billing and collections) in each work location Centralizes leadership that is accountable for overall and facility performance

KEY SUCCESS FACTORS

Successful implementation of revenue cycle consolidation is an art as well as a science and typically requires significant changes to work forces, cultures, behaviors, procedures, policies, and technology. Above all, it requires transparency and effective communication between the corporate structure and the individual entities at all levels, strong service level agreements, and the alignment of incentives.

Leadership should consider the following success factors when planning a consolidation effort:

- Not moving to consolidation too quickly without stabilization and standardization
- Having an effective planning process
- Obtaining guidance identifying leading practice processes and performance benchmarks
- Setting realistic timeframes
- Implementing the most effective revenue cycle governance structure
- Understanding the different models for a consolidated operation
- Not undervaluing the culture of each organization in the process

The successful alignment of revenue cycles can put the enterprise well on its way to the aligned consolidation of other functions and departments. A phased approach that begins with a stabilization process and standardization across hospitals within an organization creates a level of "systemness" that allows for seamless consolidation and integration of functions. The art of consolidation truly can result in making the whole holistically better than the sum of its parts.

CONTACT

To discuss efficient ways for your hospital system or physician group to consolidate the revenue cycle functions, please contact:

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ADDITIONAL INFORMATION

Strategies for Successfully Consolidating Revenue Operations, *HFM*, September 2014. Beginning a large revenue cycle consolidation project with a highly disciplined pilot project can support the goal of a predictable and efficient rollout system-wide.

ABOUT HURON HEALTHCARE

Huron Healthcare is the premier provider of performance improvement and clinical transformation strategies and solutions for hospitals and health systems. In 2015, Huron acquired Studer Group, the market leader in driving healthcare cultural transformation. The combination of Huron and Studer Group is focused on improving healthcare providers' clinical, operational, and financial outcomes. By partnering with clients, Huron delivers solutions that improve quality, increase revenue, reduce expenses, and enhance physician, patient, and employee satisfaction across the healthcare enterprise. Clients include leading national and regional integrated healthcare systems, academic medical centers, community hospitals, and physician practices. Modern Healthcare ranked Huron Healthcare fourth on its 2015 list of the largest healthcare management consulting firms. Learn more at **www.huronconsultinggroup.com/healthcare** or follow us on Twitter: **@Huron**.

REFERENCES

1. Abelson, Reed, "Health Care Companies in Merger Frenzy," *The New York Times*, October 29, 2015.

2. Studer, Quint, *Healing Physician Burnout*, Studer Group, LLC, 2015.