

Supply Chain- Revenue Cycle Management

IDN Summit

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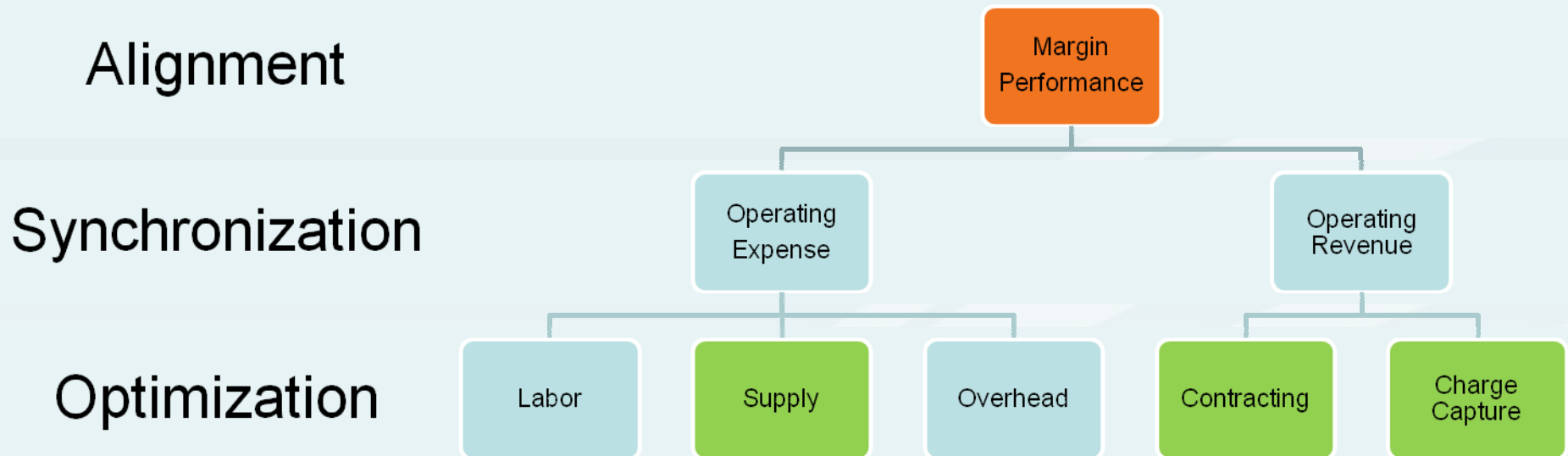
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Linking Supply Chain with the Revenue Cycle

Learning Lesson Deliverables

- Identify and highlight the association between Revenue Cycle Performance and Supply Chain Economics
 - RELATIONSHIP
 - INTERDEPENDENCIES
 - SYNCHRONIZATION
 - PROFITABILITY ADVANTAGES
- Identify current pitfalls preventing Alignment, Synchronization and Harmonization of efforts
 - Product Sourcing/Standardization
 - Data Transparency - Decision Support
 - Charge delivery and collections models
 - Payer association
- Identify and highlight strategies to address and overcome common pitfalls

Setting The Stage



Focusing Direction

Alignment

Synchronization

Optimization

Margin Performance

Expense

Revenue

Sourcing

Contract Management

Data Management/Source Control/Delivery

Logistics

Contracting Strategy

Documentation/charge capture

Billing/Collections

Patient Access

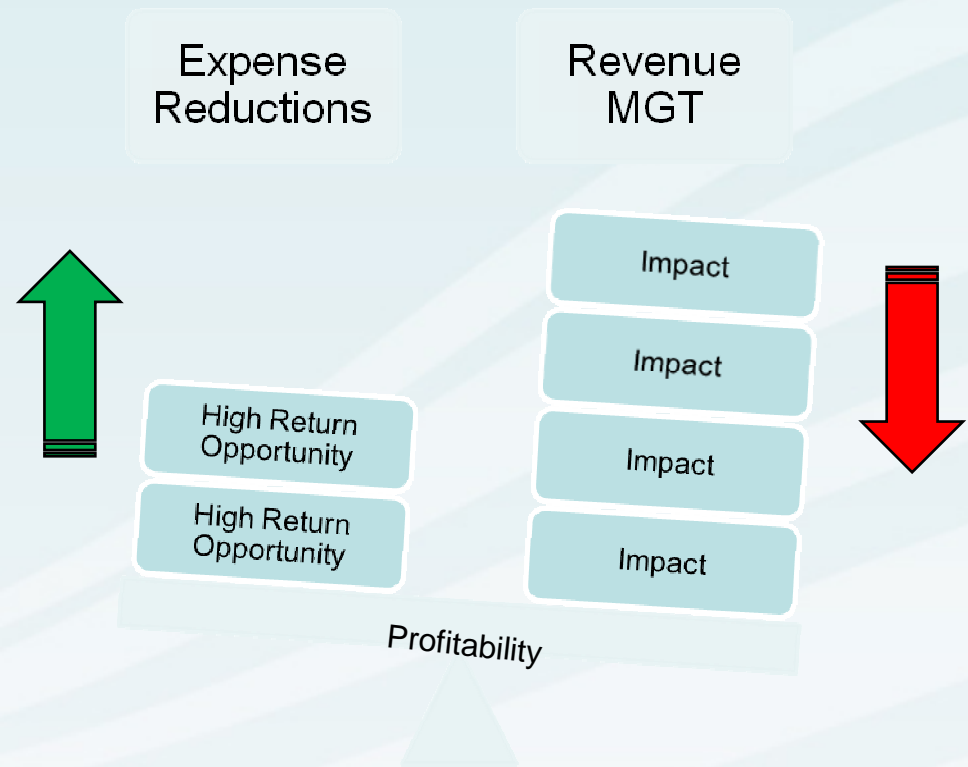
Associating the Need

Guarding against “single minded” silo based strategies

Uncoordinated efforts lend itself to unknown down stream consequences.....High potential for the organization to be operating at cross purposes..

Optimizing organizational performance in both Economic Sustainability and Service Quality is severely jeopardized

Disadvantages the organization’s ability to fully leverage the inherent strengths, capabilities and resources embedded within...



Embracing New Competencies

Supply Chain/Revenue Cycle
Transformation Curve

Optimization/Sustainability

Self Reliant Model

Reassessment/Review

Compliance/Audit Oversight

Operating Rhythm

Stakeholder Education

Focused/Integrated Approach

Management Accountability

Strategic Alignment

Identifying Risks and Weakness

Complementing Organizational Resources

Establishing Business Rigor

Harmonizing Organizational Strengths

Strategy Development

State of Readiness: “ Organizational Considerations ”

Supply Chain/Revenue Cycle
Transformation Curve

Compliance/Audit Oversight

Stakeholder Education

Focused/Integrated approach

Strategic Alignment

Identifying Risks and Weakness

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Establishing Business Rigor

Harmonizing Organizational Strengths

Strategy Development

State of Readiness: “ Organizational Considerations”

- Strategic Alignment

- Are new technologies evaluated for both clinical and financial viability?
- Does the financial analysis of new technologies, supplies and drugs reflect current and future arrangements with commercial contracts?

Strategy Development

State of Readiness: “ Organizational Considerations”

- Strategic Alignment

- Do you evaluate contracts at a service line/procedural level to ensure economic sustainability?
- Do you have supplemental payment strategies in place for cost coverage of high risk technologies, supplies and drugs?
- Do you have new technology provisions that will ensure adequate reimbursement for recently added new products?

Strategy Development

State of Readiness: “ Organizational Considerations”

- Focused Approach

- Do you have a mechanism in place and an operating rhythm to evaluate your top 25 to 50 high cost per day DRG's?
- Do you have a way to reassess current contractual obligations with commercial payers to ensure “carve outs” for high risk technologies, supplies and drugs?
- Do you have a mechanism in place to evaluate potential carve outs requirements for high cost disposable instruments?

Strategy Development

State of Readiness: “ Organizational Considerations”

•Focused Approach

- Do you evaluate the total impact (P/L) for new technologies, supplies and drugs including:
 - LOS, Labor, Payer Mix, Clinical Ancillary trickle down, etc.
- Do you have an established process for new clinical technologies, supplies and Drugs introduced in the organization?
- Is there a dedicated resource in your supply channel program for conducting research on vendors and new technologies?

Strategy Development

State of Readiness: “ Organizational Considerations”

- Focused Approach

- Have the Item and Charge masters been reviewed and updated within the past 12 months?
- Is there centralized oversight of the Item and Charge masters?
- Do you have a mechanism in place to proactively synchronize with your medical coders new technology additions?
- Is there an established process for reviewing major changes in clinical practice and its associated impact to total profitability?

Strategy Development

State of Readiness: “ Organizational Considerations”

•Stakeholder Education

- Have you integrated physician champions into your strategy development and tactile planning process?
- Do you educate your physicians about their procedural supply costs (aligning clinical quality/economic return)?
- Do you have a mechanism in place to proactively synchronize with your medical coders new technology additions?

Strategy Development

State of Readiness: “ Organizational Considerations”

- Stakeholder Education

- Do you educate your payers with concrete data to make a cogent argument as to why certain implants, drugs and procedures should be reimbursed differently?

Strategy Development

State of Readiness: “ Organizational Considerations”

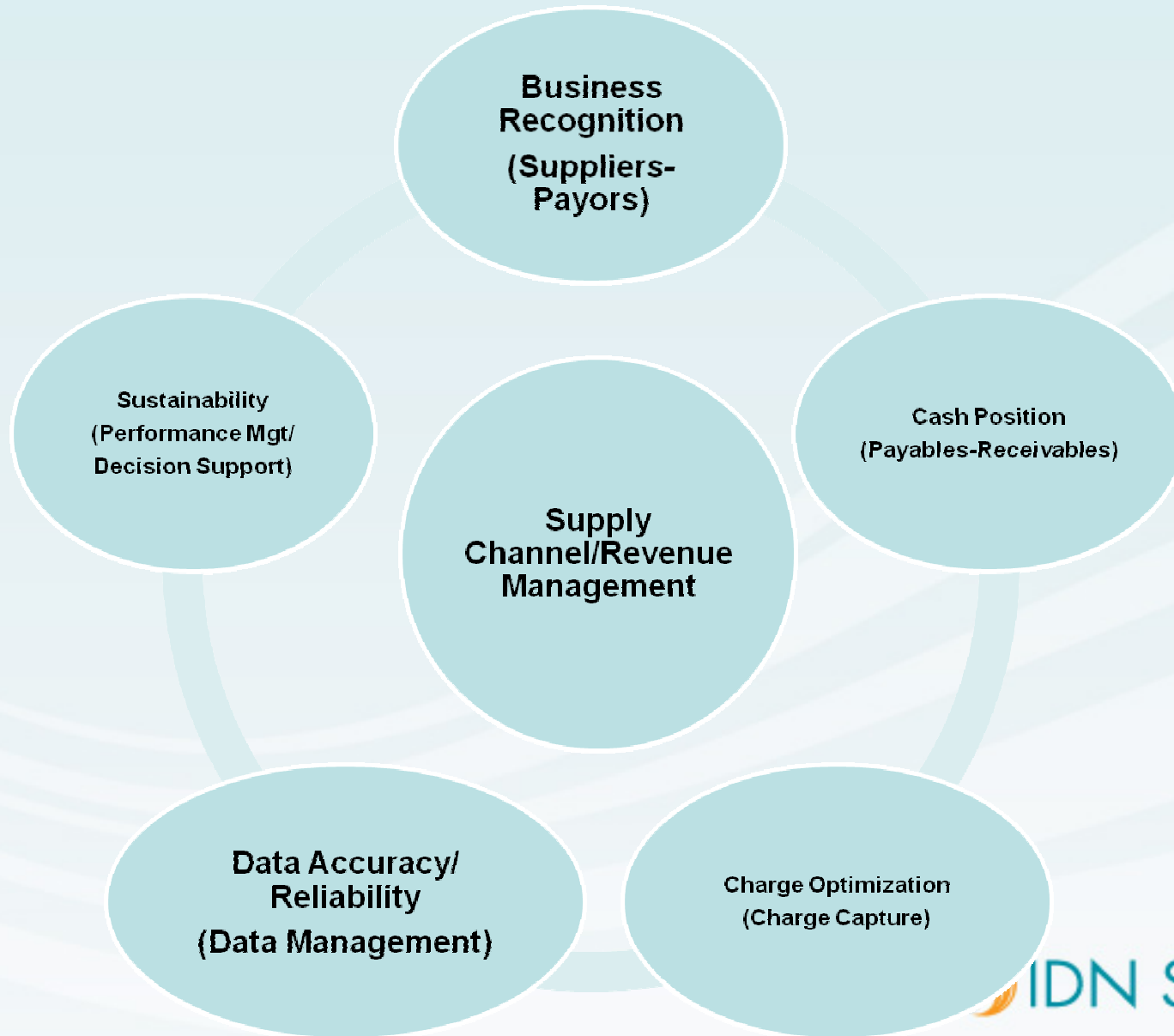
•Compliance& Oversight

- Have you established an internal monitoring program to audit billed charges for high risk technologies, supplies and drugs?
- Are you currently performing at a 98% charge capture rate?
- Do you have a monitoring program that routinely analysis charge master and pricing decisions for the feasibility of rate increases on specific services ?

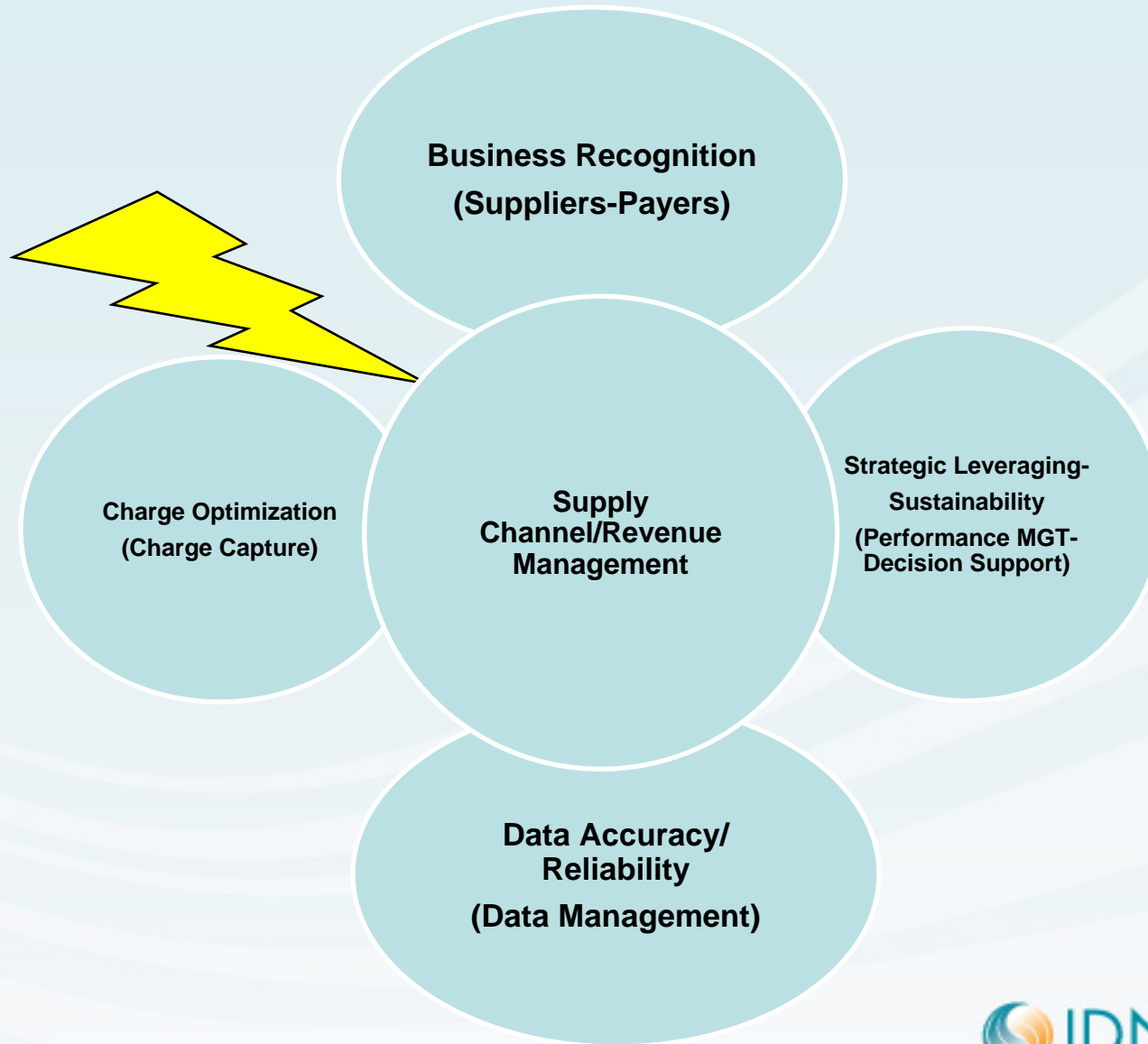
Recognizing the Alignment



Synchronizing the Drivers



Focusing Approach



Aligning the Elements

	Supply Channel	Revenue MGT
Business Recognition	Supplier Analysis (Top Spend)	Contract Analysis (Top Contributors)
Payor Mix	Service Line Identification	Payor Breakout
Suppliers	DRG Analysis	Federal/State mix
	Supply % impact	Commercial Mix
	Contract Analysis	Collections Analysis
	% Spend	Federal/State impact
	Supplier Concentrations	Commercial impact
	Value Analysis	Level of % billed charges
	Service Line	Service line Identification
	DRG Analysis	DRG Analysis
	Supply % impact	Supply Contribution factor
	Utilization Review	Collections Analysis
	RFI Analysis	Commercial Mix
	RFP/GPO determinations	Level of % billed charges
	Contract Management	Contract Management
	Negotiations	Negotiations
	Compliance	Commercial Mix
		Carve outs
		Supply
		Drugs
		Stop loss provisions
		Per day exceptions (high cost procedures)

Aligning the Elements

Strategic Leveraging Decision Support	Supply Channel	Revenue MGT
	Service Line Identification	Service Line Identification
	DRG Association	DRG Association
	New Technologies	New Technologies
	High cost supplies	Focused Carve outs
	High cost Drugs	Stop Loss Determination
	Contract 'Price Points"	Per Day Exceptions
	Organizational Position	High cost supplies
	Contractual Commitments	Focused Carve outs
		Stop Loss Determination
		Per Day Exceptions
		High cost Drugs
		Focused Carve outs
		Stop Loss Determination
		Per Day Exceptions
		Contract 'Price Points"
		Focused Carve outs
		Stop Loss Determination
		Per Day Exceptions
		Organizational Position
		Payor Mix Specific
		Contract Renewals

Aligning the Elements

	Supply Channel	Revenue MGT
Data Accuracy Reliability	Consolidated Item Master	Consolidated Charge Master
Data Management	Service Line Identification	Service Line Identification
	DRG Association	DRG Association
	Revenue code identification	Revenue code identification
	Item Master "Annualized Review/Update"	Charge Master "Annualized review"
	DRG Association	Economic Considerations
	Revenue code validation/update	Rationally based schedule
		Service Line Identification
		DRG Association
		Revenue code validation/update

Aligning the Elements

	Supply Channel	Revenue MGT
Charge Optimization	Technology Assessment	Technology Assessment
Charge Capture	Point of Service	Point of Service
	Compliance	Compliance
	Mid-Year Course corrections	Mid-Year Course corrections
	Specialized Review/Method of Collections	Specialized Review/Method of Collections
	Targeted Revenue codes	Targeted Revenue codes
	Recovery/Business Continuity Process	Documentation/Charge Audits
		Denials
		Underpayments
		Recovery/Business Continuity Process

Supply Chain Strategies

- How Do We Do That?
 - Senior Leader Buy-In
 - Service Line Leadership Buy-In
 - Physician Buy-in
 - Department Managers Buy-in
- Opportunity to become a Leader
 - Data Driven
 - Enlist others for help
 - Decision Support
 - Finance
 - Revenue
 - Payor Contracting
 - A/P
 - Service Line Leaders
 - Medical Staff Leadership
- Present a case for change

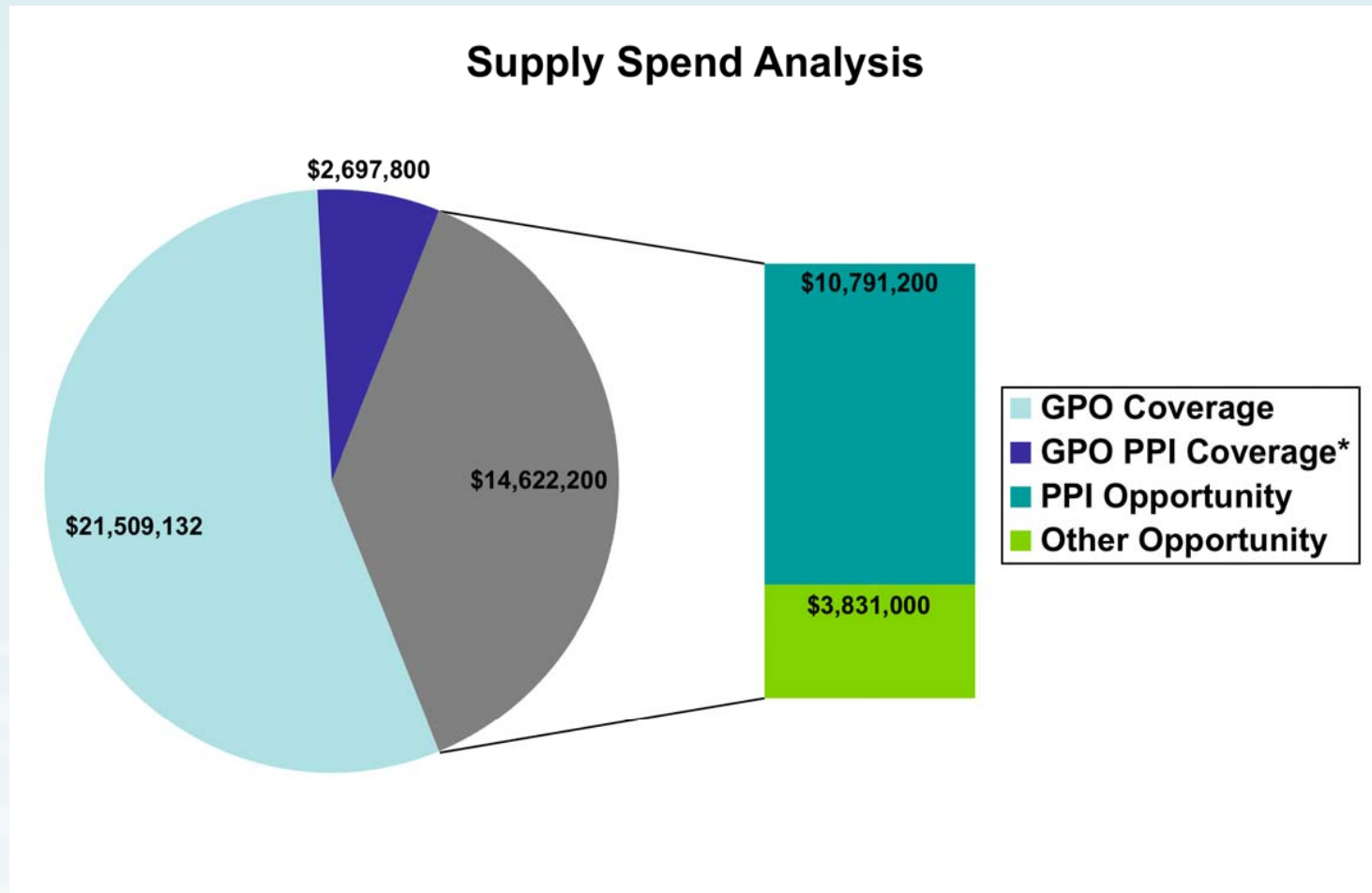
Sourcing Strategies

- GPO Decision
- Use One?
 - If so which one?
 - Not all are the same
 - Data Driven Decision
 - Make/Buy decision
 - Must Actively Manage and Challenge GPO to deliver
- Self Contracting
 - Internal Expertise?
 - Needed to cover “holes” in GPO
 - » PPI’s
 - » New technologies
 - » IT
 - GPO’s incentives may not parallel institutions

Contracting Strategy

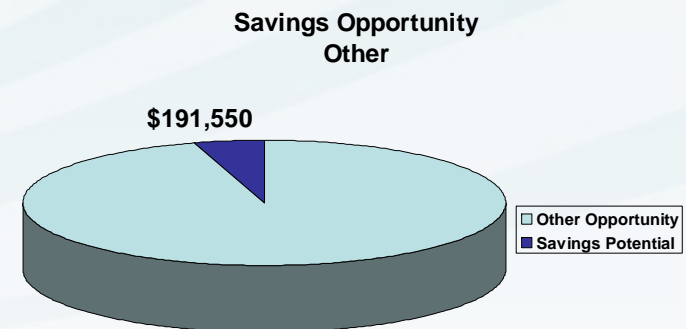
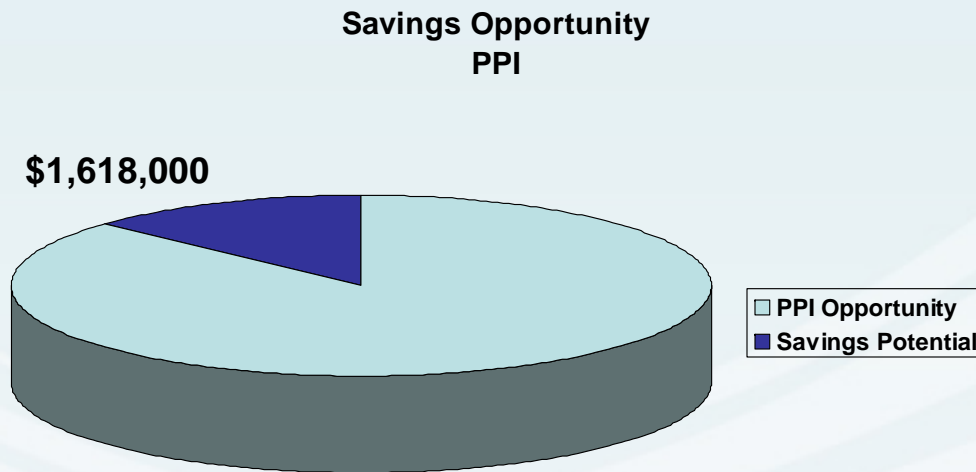
- Maximize GPO
- Identify items using data which are not
 - Covered by GPO
 - GPO does not maximize savings
- PPI's (Physician Preference Items)
- New Technology
- Standardization
 - Across Service Lines
 - Across entire organization
 - Achieve GPO Tier Savings
 - Maximize Manufacturer Rebates
 - Reduce Inventory Costs
 - Reduce Purchase Costs

Data Driven Opportunity Analysis



PPI Savings Potential

- PPI opportunity is generally target rich



Linking Value Analysis to Opportunity

- Divide and Conquer approach
 - VA Teams for specific disciplines (Service Lines)
 - Cardiac
 - IR
 - Ortho
 - General Surgery
 - RX
 - Med Surge
 - General (non clinical)
 - IT
 - Supplies and Purchased Services
 - Savings Goals are set using data
 - % of total supply spend
 - Opportunity analysis (top 25-50 High Cost DRG's)
 - Service Line profitability

Value Analysis Organizational Structure

- Senior Leadership Steering Committee
 - COO,CFO,CMO, CIO VA Team Leads, Supply Chain Leader (CRO)
 - Sets Strategic Goals
 - Assigns Monetary Savings Goals
 - » Targets are set using data
 - Holds Team Accountable
 - Monitors Action of Teams
 - Supports teams with political clout
- Team Leadership and makeup
 - Teams led by Senior Manager (VP or Svc Line Leader)
 - Members include
 - » Dept. Directors
 - » Medical Staff Leadership
 - » Important Staff
 - » Revenue/Finance
 - » Supply Chain Staff (Clinical Resource Management Personnel)
 - » Decision Support

Linking Value Analysis to Process

- Robust Value Analysis Process
 - Supplements GPO purchasing power
 - Ensuring Finance is represented on Teams
 - Payor Contracting Representatives
 - Revenue Management Specialists
 - Carve outs
 - High risk procedures
 - High cost supplies/drugs
 - Disposable instruments
 - Stop Loss
 - Per Diem
 - Using disposables versus reusable
 - Decision Support
 - Data for team
 - Service Line profitability
 - Isolates Outliers

Clinical Resource Management

New Concept-Clinical Resource Specialists

- Position Created to bridge gap between Supply Chain and Clinicians
- Reports to Supply Chain Leadership
- Identify Internal Clinicians to develop
 - » OR Nurses
 - » OR Techs
- Work with Value Analysis Leadership to:
 - » Research for new requests
 - » Medical Literature
 - » Set Agendas
- Work with Clinicians to:
 - » Understand needs versus wants
 - » Training for new products
 - » Help achieve Standardization
 - » Day to Day problem solving

Inventory Management

Many Areas of Supply Usage/Storage Mismanaged

– IR/Cath Lab/OR/Radiology

- Lack of inventory discipline
- Usually someone's add on role (lack of focus and expensive)
 - Lack of systems
 - Materials Management not involved
 - No data to support usage/pars
 - Excess inventory
 - Large amounts of out of date product
 - Lack of tie in with Value Analysis and/or GPO
 - Lack of purchasing strategy and discipline
 - » Buy a box of 10 because Dr. X wants to try one, nine go out of date due to no rigor in daily management
 - » Rogue Buying which bypasses Purchasing and Value Analysis
 - » Results in higher costs

Item Master Management

- Correct and Clean Item Master/Charge Master
 - Big job to get them clean and linked
 - Takes organizational will to keep them that way
 - Usually too many hands in the pot
 - Everyone wants access
 - » Many ways to create discrepancies
 - » Units of issue, size, brand, price
 - Item Master feeds Charge Master (or vise-versa)
- Dedicated Staff to maintain
 - Limited access (read only) for 99%
 - Discipline around vernacular and order unit

Ensuring all Charges are Posted to Account

- Excessive Revenue losses due to poor systems
 - Automation
 - Supply Cabinets (not used correctly)
 - OR documentation systems
 - AP System
 - MMIS System
 - BIG Problem
 - Lack of interface capability between these systems
 - MMIS-Supply Cabinets-Patient Documentation-Charge System
 - Manual
 - Implant Room
 - Assembles all implants, cement, screws/plates, suture
 - Specific area of case cart
 - Staff verifies after each case that all items accounted for
 - Achieve a 99.9% charge capture

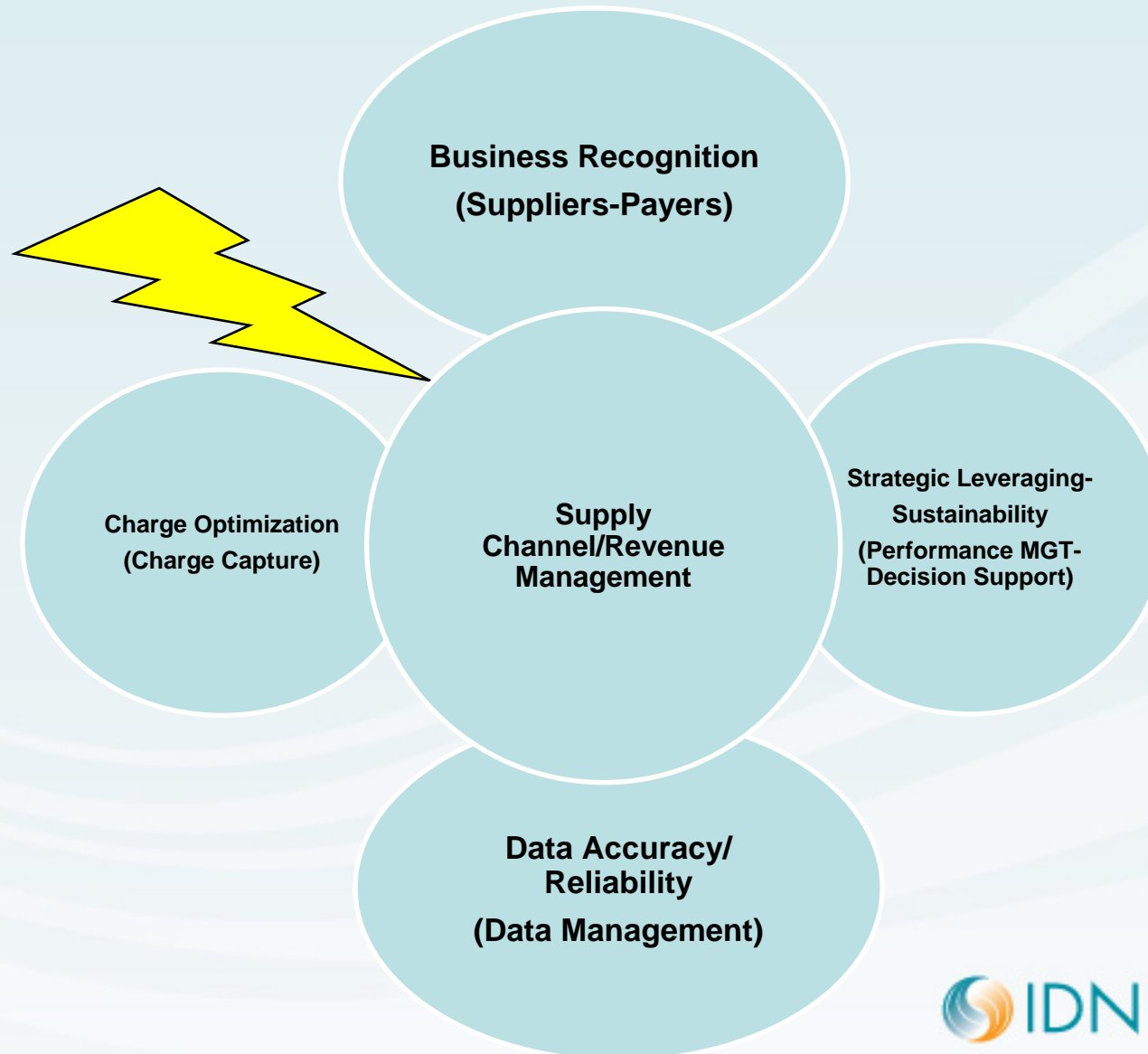
Summary

Our intent has been to create better awareness of the Relationship between Supply Chain and the Revenue Cycle. This has been a high level glimpse at this issue and may warrant deeper explorations into the specifics.

Most organizations do not understand the interactions, relationships and potential benefits from linking these areas.

- A well coordinated strategic initiative can yield significant, positive bottom line results resulting from increased Revenue and reduced Supply and Purchased Services expenses
- \$1.00 in Supply Cost Savings equals \$50.00 to \$100.00 in new revenue....

Engagement



Questions

Conversation