

The Missing Link: A Guide on How to Maximize Revenue Cycle

Presented by:

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Corporate Director, Supply Chain

Wellmont Health System

Wellmont Health System

- **Not-for-profit healthcare system formed in 1996**
- **Eight hospitals serving Virginia and Tennessee**
- **3 Ambulatory Surgery Centers**
- **2 Outpatient Imaging Centers**

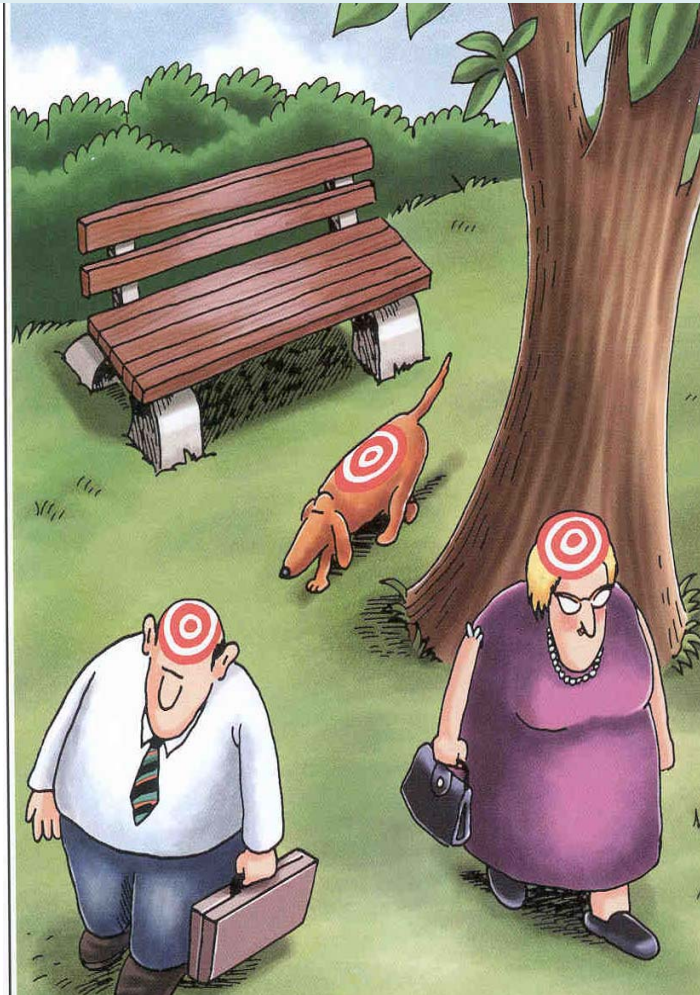
IDN Summit Brain Teaser

8549176320

What is unique about this number sequence?

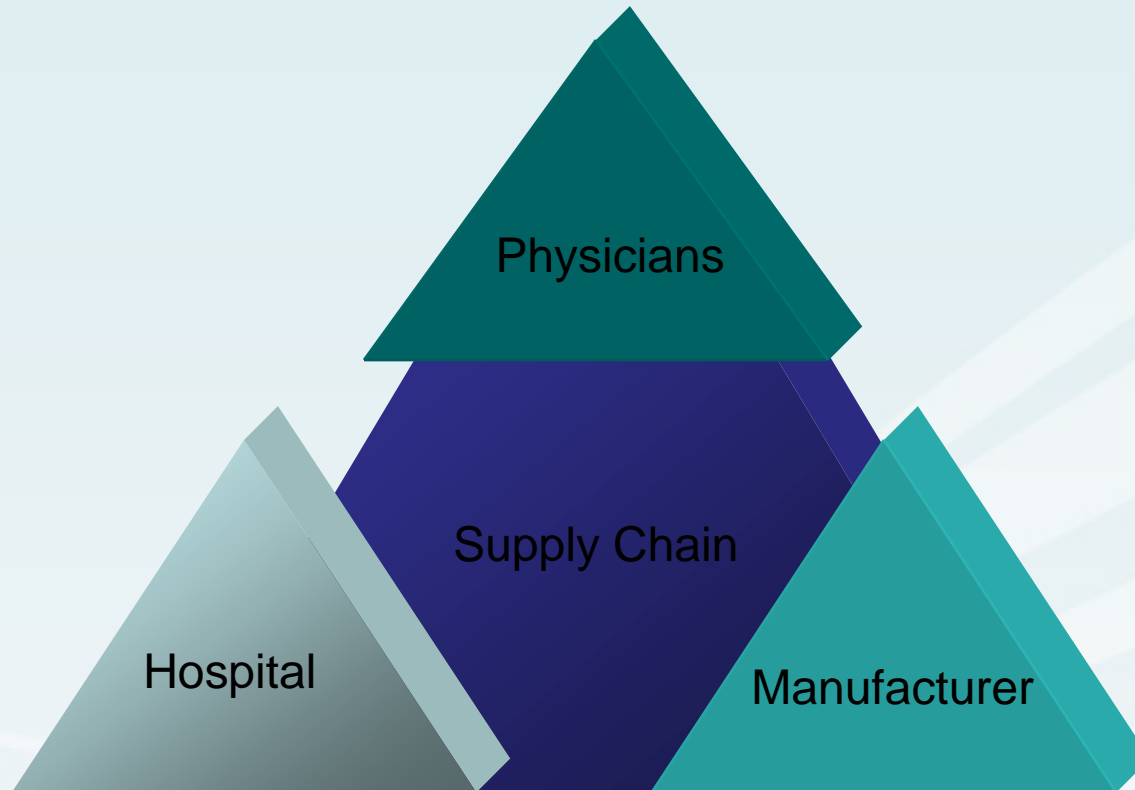
Not A Presentation!
What I do for a living!!
“I go home to those I love”

Perspective



‘How birds see the world’

Stakeholder Involvement



What to do?



One Thing Is Certain

- Hospitals will be paid significantly LESS
 - Minimum \$150B reduction in payment



Example of Local Impact

62% of BRMC's revenue State and National sources.

TennCare Proposed Budget cuts for FY2011 is \$540 Million.

BRMC's portion of the Proposed TennCare Cuts are \$2,608,648 .

What Business Does Supply Chain have with reimbursement?

Hospital CDM File

All hospital patient chargeable supply items, including their charges, are stored in this file

Between Two Disparate Databases
Always the blame

Hospital Purchasing/ Materials Management

All hospital supply items, including their costs, are stored in this system

What causes the problem? Communication between the Hospital and the Physician. Reimbursement of an item is not necessarily tied to its cost!

Problem solved!!!

CrossWalk® ?

- CrossWalk® automatically and continuously links supply chain COST with revenue cycle Charge data to:
 - Ensure that charges for patient identifiable supplies cover costs.
 - Ensure defensible markups for all patient identifiable supplies.
 - Monitor utilization and charges of supplies purchased.
 - Provide pricing benchmarks for similar facilities nationwide.
 - Provide credible real time data.
- CrossWalk® is a revolutionary internet based product used to gain financial visibility into your organization by linking supply chain with the revenue cycle.
 - Enables audits for manage care carve-out administration for costly implants.

Question = Supply Chain Involvement with reimbursement?

Hard Way? – Easy Way?



Operational Indicators

| Month of August | | | |
|-----------------|-----------|-------|------------|
| Actual | Budget | Var % | Prior Year |
| 23,657 | 23,881 | -1% | 23,793 |
| 5,214 | 5,189 | 0% | 5,238 |
| 7,662 | 7,629 | 0% | 7,395 |
| 2.6% | 2.7% | 3% | 2.6% |
| 2.1% | 2.0% | -3% | 2.0% |
| 6,095 | 6,146 | 1% | 6,255 |
| 1,343 | 1,335 | -1% | 1,377 |
| 1,293 | 1,357 | 5% | 1,349 |
| 16.9% | 17.8% | 5% | 18.2% |
| 19.5% | 20.3% | 4% | 20.1% |
| 339,105 | 367,528 | 8% | 363,840 |
| 1,942,677 | 2,348,542 | 17% | 2,431,452 |
| 5,869,384 | 6,085,692 | 4% | 6,077,781 |
| 591,322 | 713,908 | 17% | 681,497 |

Patient Revenue Indicators:

| | | | | |
|---|--------|--------|-----|--------|
| <i>Gross Revenue Per Adj Discharge</i> | 24,408 | 24,024 | 2% | 24,130 |
| <i>Gross Revenue Per Adj Patient Day</i> | 5,329 | 5,224 | 2% | 5,200 |
| <i>Net Revenue Per Adj Discharge</i> | 7,802 | 7,670 | 2% | 7,539 |
| <i>Bad Debt as % of Gross Revenue</i> | 2.7% | 2.7% | 2% | 2.6% |
| <i>Indigent/Charity as % of Gross Revenue</i> | 1.7% | 2.0% | 17% | 2.0% |

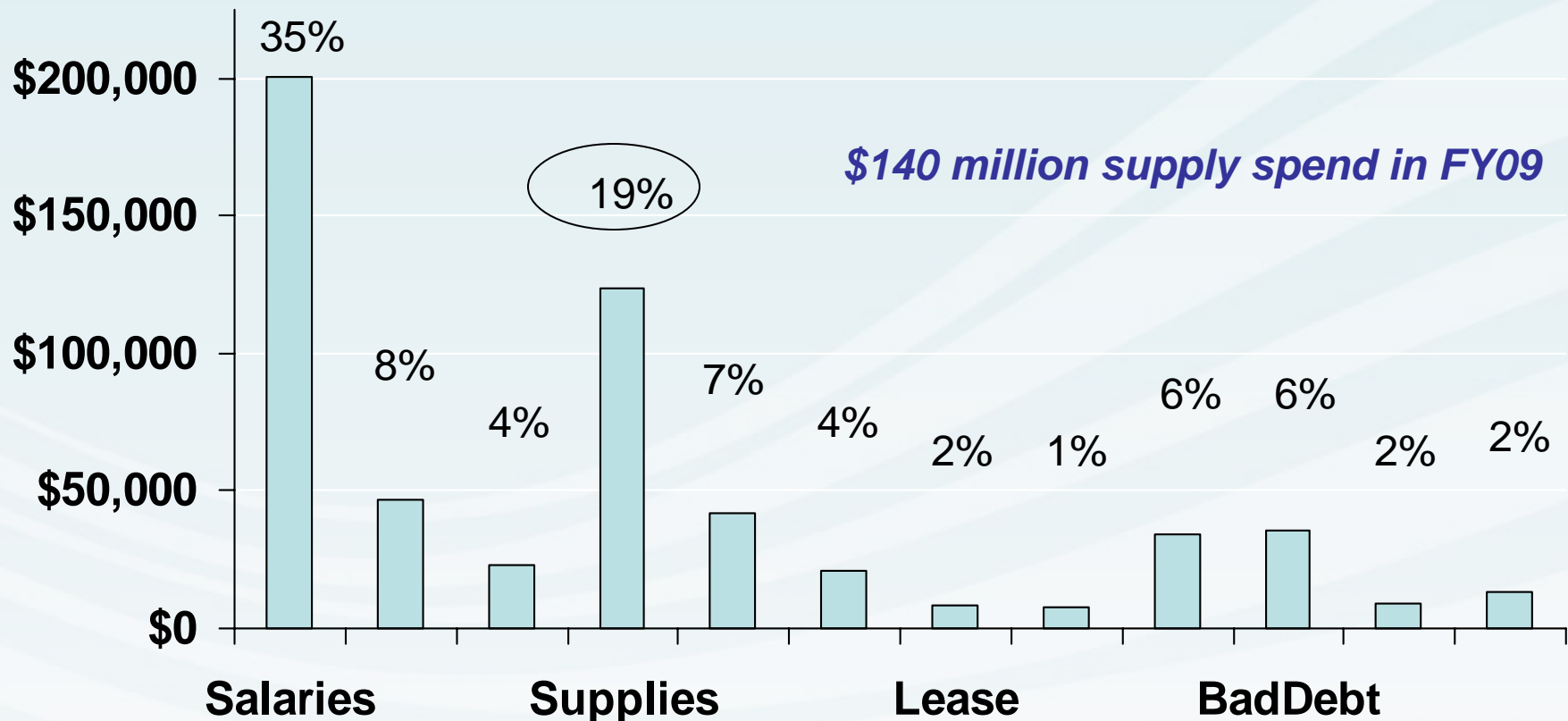
Operating Expense Indicators:

| | | | | |
|---|------------|------------|-----|------------|
| <i>Operating Exp Per Adj Disch</i> | 6,170 | 6,205 | 1% | 6,346 |
| <i>Operating Exp Per Adj Pat Day</i> | 1,347 | 1,349 | 0% | 1,367 |
| <i>Supplies Per Adj Discharge</i> | 1,373 | 1,371 | 0% | 1,374 |
| <i>Supplies as % of Net Rev</i> | 17.6% | 17.9% | 2% | 18.2% |
| <i>Supplies as % of Total Expense</i> | 20.4% | 20.3% | -1% | 20.1% |
| <i>Food Service Expense Dollars</i> | 636,431 | 719,902 | 12% | 731,066 |
| <i>Drug Supply Expense Dollars</i> | 4,155,526 | 4,699,869 | 12% | 4,799,081 |
| <i>Medical Supply Expense Dollars</i> | 12,532,147 | 12,290,453 | -2% | 12,022,036 |
| <i>All Other Supply Expense Dollars</i> | 1,171,644 | 1,422,654 | 18% | 1,486,848 |

| Year-To-Date August | | | |
|---------------------|------------|-------|------------|
| Actual | Budget | Var % | Prior Year |
| 24,408 | 24,024 | 2% | 24,130 |
| 5,329 | 5,224 | 2% | 5,200 |
| 7,802 | 7,670 | 2% | 7,539 |
| 2.7% | 2.7% | 2% | 2.6% |
| 1.7% | 2.0% | 17% | 2.0% |
| 6,170 | 6,205 | 1% | 6,346 |
| 1,347 | 1,349 | 0% | 1,367 |
| 1,373 | 1,371 | 0% | 1,374 |
| 17.6% | 17.9% | 2% | 18.2% |
| 20.4% | 20.3% | -1% | 20.1% |
| 636,431 | 719,902 | 12% | 731,066 |
| 4,155,526 | 4,699,869 | 12% | 4,799,081 |
| 12,532,147 | 12,290,453 | -2% | 12,022,036 |
| 1,171,644 | 1,422,654 | 18% | 1,486,848 |

Supply Cost 2nd only to Salaries as % of a Hospitals cost structure

ACTUAL FY09 (in \$000s)



Doctors!

How are they trained?



Doctors!

What are they?



Doctors!

What do they respond to?



Collaboration

What to do?

- **Be Data Driven!**

- Simple *Repeatable * Measurable

- **Demonstrate Value!**

- “A hospital will need to generate \$11,700,000 in new revenue to have the same impact as a \$100,000 reduction in operation costs.”
 - *The Source Book Comparative Performance in US Hospitals - Deloitte Touche*

Cost Benchmarks

Total Joint Example:

Antibiotics
Blood Thinners
Anti-Nausea Drug

LOS Driven

Dietary
Office Supplies

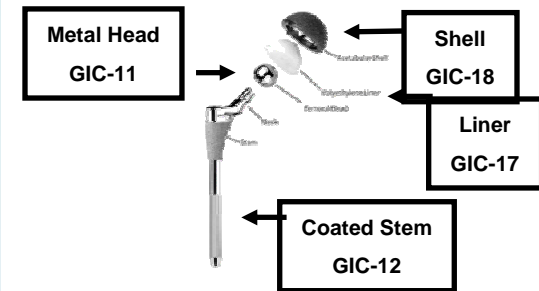
Implant = \$5,312

Rx = \$525

Med/Surg = \$1,097

LOS Driven = \$441

Total = 7,375



Sterile Gowns
Sutures

Data Driven

| Patient | Date | MD | Implant / Procedure | Manufacturer | Length Of Stay (Days) | Implant Cost | Reimburse. Received | Cost % of Reimb. | Carrier | DRG |
|-----------|------------|--------|-----------------------------------|--------------|-----------------------|--------------|---------------------|------------------|----------------------|-----|
| 916320285 | 07/02/2009 | MILLER | TOTAL SHOULDER REPLACEMENT | TORNIER INC | 3 | \$7,227.60 | \$6,337.00 | 114.05% | MEDICARE MGD CARE | 223 |
| 917120043 | 07/06/2009 | MILLER | TOTAL HIP REPLACEMENT | STRYKER | 3 | \$4,832.81 | \$5,912.00 | 81.75% | TENN CARE | 544 |
| 917120197 | 07/06/2009 | MILLER | TOTAL HIP REPLACEMENT | STRYKER | 3 | \$4,651.56 | \$11,405.00 | 40.79% | MEDICARE | 544 |
| 918420219 | 07/20/2009 | MILLER | TOTAL KNEE REPLACEMENT | STRYKER | 4 | \$4,645.65 | \$10,337.00 | 44.94% | MEDICARE | 544 |
| 919220063 | 07/20/2009 | MILLER | TOTAL KNEE REPLACEMENT | STRYKER | 2 | \$4,065.00 | \$10,335.00 | 39.33% | MEDICARE | 544 |
| 919620166 | 07/27/2009 | MILLER | TOTAL HIP REPLACEMENT | STRYKER | 4 | \$4,969.71 | \$10,335.00 | 48.09% | MEDICARE | 544 |
| 920320167 | 07/27/2009 | MILLER | TOTAL HIP REPLACEMENT (REVISION) | STRYKER | 7 | \$10,428.26 | \$25,757.00 | 40.49% | MEDICARE | 545 |
| 920020093 | 08/03/2009 | MILLER | TOTAL KNEE REPLACEMENT | STRYKER | 4 | \$5,447.22 | \$11,701.21 | 46.55% | MEDICARE MGD CARE | 544 |
| 920620032 | 08/10/2009 | MILLER | TOTAL SHOULDER | TORNIER INC | 2 | \$5,672.45 | \$10,471.21 | 54.17% | MEDICARE MGD CARE | 491 |
| 920820284 | 08/10/2009 | MILLER | TOTAL KNEE REPLACEMENT | STRYKER | 3 | \$4,645.65 | \$11,662.41 | 39.83% | MEDICARE MGD CARE | 544 |
| 921320875 | 08/17/2009 | MILLER | PARTIAL KNEE REPLACEMENT | STRYKER | 2 | \$4,065.00 | \$9,913.00 | 41.01% | MEDICARE MGD CARE | 544 |
| 921320906 | 08/17/2009 | MILLER | TOTAL HIP REPLACEMENT | STRYKER | 3 | \$4,941.36 | \$15,593.00 | 31.69% | MANAGED CARE | 544 |
| 922320158 | 08/17/2009 | MILLER | TOTAL KNEE REPLACEMENT (REVISION) | STRYKER | 3 | \$15,447.77 | \$7,472.00 | 206.74% | TENN CARE | 545 |
| 922120071 | 08/24/2009 | MILLER | TOTAL KNEE REPLACEMENT | STRYKER | 3 | \$4,645.65 | \$15,834.73 | 29.34% | MANAGED CARE | 544 |

Data Driven

Heart Valve

| Patient | Physician | Valve | Manufacturer | Length Of Stay (Days) | Valve Cost | Reimburse. Received | Cost % of Reimb. | Carrier |
|--------------|------------|-------------------------------------|--------------|-----------------------|------------|---------------------|------------------|------------------|
| H08173-20122 | MAZIARZ | SARP-28 ANNULOPLASTY RING | TEDD | 7 | \$1,680.00 | \$39,388.49 | 4.27% | MEDICARE |
| H08189-20524 | MAZIARZ | FREESTYLE AORTIC ROOT 27MM | TEDD | 9 | \$7,500.00 | \$0.00 | 0.00% | BCVA RICHMOND |
| H08185-20113 | GREENFIELD | MOSAIC AORTIC 19MM | TEDD | 5 | \$6,000.00 | \$18,919.11 | 31.71% | SECURE HORIZONS |
| H08180-20080 | GREENFIELD | B100-21A / TISSUE | Ted | 7 | \$4,500.00 | \$31,382.00 | 14.34% | MEDICARE |
| H08185-20289 | GALL | M7700EZ / MECH 29MM | TEDD | 5 | \$4,700.00 | \$35,386.48 | 13.28% | BLUE PREFERRED |
| H08191-20153 | MAZIARZ | 23N06V / FREESTYLE AORTIC ROOT 23MM | TEDD | 4 | \$7,500.00 | \$24,990.61 | 30.01% | MEDICARE |
| H08173-20200 | GALL | TWO DURAN AnCore RINGS 33MM & 35MM | TEDD | 8 | \$3,200.00 | \$41,499.21 | 7.71% | PYRAMID MEDICARE |
| H08159-20050 | MAZIARZ | B100-23A / TISSUE | Ted | 4 | \$4,500.00 | \$26,014.61 | 17.30% | MEDICARE |

Data Driven

From: Lehan, Angela D
Sent: Tuesday, June 30, 2009 1:07 PM
To: Anderson, Robbie M ; Bailey, Sandra D ; Collier, Carrie D (Admissions); Holland, Angela C :Person Name; Lehan, Angela D ; McVey, Joan C ; Petty, Brent A; Thacker, Sabrina G ; Turner, Narasha N :Person Name
Subject: Credentialing Case: WV

W.
DOB 6/22/58
DOS 7/14/09
Dr. J.M.
Revision arthroplasty right knee total
AM Admission
Depuy

A.L.
Surgery Scheduling

From: Robbie M: Person Name
Sent: Tuesday, June 30, 2009 1:09 PM
To: OR Director, Admitting, PFS, CFO
Subject: RE: Credentialing Case: WV

Based on the new pricing from Depuy probably looking at around \$11,000.00

*Robbie. A.
Operations Manager Supply Chain*

From: Collier, Carrie D :Person Name (Admissions)
Sent: Wednesday, July 01, 2009 9:55 AM
To: Price, Brad H
Cc: Bailey, Sandra D ; Boles, Rebecca D ; Holland, Angela C ; Lehan, Angela D :Person Name; McVey, Joan C ; Pearson, Martha G ; Petty, Brent A; Pope, Alice H; Thacker, Sabrina G
Subject: FW: Credentialing Case: WV

Brad,

The patient WV currently is scheduled as an inpatient (PAH) and has Va Medicaid. The Va Medicaid pays close to Medicare.

The estimated reimbursement will around: \$13915.17

Data Driven

From: Price, Brad H
Sent: Wednesday, July 01, 2009 9:58 AM
To: Petty, Brent A
Subject: FW: Credentialing Case: WV

[We've got to find a lesser cost revision alternative. Can you speak to Jon and see what options exist?](#)

From: j8m@hmgkpt.com
This case is a disaster. I do not have an altogether good alternative. We can go into it with the idea of trying to do less with less and see what happens??? What do you think?

-----"Petty, Brent A" <Brent_A_Petty@Wellmont.org> wrote: -----

To: "Dr. Minter" <j8m@hmgkpt.com>
from: "Petty, Brent A" <Brent_A_Petty@Wellmont.org>
Date: 07/01/2009 11:29AM
Subject: FW: Credentialing Case: WV

[What alternatives do we have? The reimbursement is 13900.00 and the implants alone are estimate at 11,000.00.](#)

From: j8m@hmgkpt.com [mailto:j8m@hmgkpt.com]
Sent: Tuesday, July 14, 2009 11:28 AM
To: Petty, Brent A
Subject: Re: FW: Credentialing Case: WV

We did not have to go crazy on this today so you should make out OK.

-----"Petty, Brent A" <Brent_A_Petty@Wellmont.org> wrote: -----

To: ""j8m@hmgkpt.com"" <j8m@hmgkpt.com>
From: "Petty, Brent A" <Brent_A_Petty@Wellmont.org>
Date: 07/03/2009 05:31AM
Subject: Re: FW: Credentialing Case: WV

Try to do less, but do what is best.

Physicians & Cost Containment

What not to do

- Confront
- Every hospital uses it!
- On Contract!



Collaboration

What not to do

- Do the leg work!
- Follow up!
- Don't Be lazy!



