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information management why it's vital to effective service line operation

Without a coherent information strategy supporting the service line, financial pitfalls will destroy even the most well-conceived plan.

The hospital service line model has emerged in recent years as a potent strategy for confronting the challenges of intensifying competition, flat or falling reimbursements, and an increasingly sophisticated, well-informed patient population.

Healthcare organizations integrated around disease states or major clinical offerings have the potential to improve a hospital's financial performance. They also can strengthen physician relations and generate greater patient satisfaction. Perhaps most important, aligning medical disciplines around common clinical and operational goals makes it easier to reduce treatment variability and thus better control costs and improve clinical outcomes.

Yet these powerful benefits will prove elusive if organizations fail to identify and properly manage the strands of information that collectively illuminate the operational components of the service line. Without a coherent information strategy supporting the service line, financial pitfalls—ranging from obsolete cost data to deficiencies in coding and clinical documentation—inevitably will undermine or destroy even the most well-conceived plan.

Thus it is essential for managers to understand, develop, and monitor those indicators critical for effective service line performance tracking. Five areas of information—market share, operational performance, physician performance, clinical documentation and coding, and patient satisfaction—together create a strong frame of reference for measuring profitability, identifying vulnerabilities, and refining long-term strategies and goals.

AT A GLANCE

It is essential for healthcare financial managers to understand and monitor five areas of information critical for effective service line performance tracking:

- > Market share
- > Operational performance
- > Physician performance
- > Clinical documentation and coding
- > Patient satisfaction

Although day-to-day responsibility for service line performance rests with the service line manager, executives ultimately must be accountable for the success or failure of the entity. Hospital leadership should therefore work closely with line managers—as well as clinicians, materials managers, IT staff, and payer contracting personnel—to make certain that the right information is collected and disseminated to the right people at the right time. Moreover, they need to ensure that the information is used appropriately and consistently.

Information Overload

Hospital decision support systems have evolved rapidly over the past decade and today offer an array of sophisticated benefits and capabilities. By collecting clinical and financial data from across the enterprise and then parsing, reassembling, manipulating, and comparing the information in a variety of ways, the systems are capable of providing managers with unprecedented operational insight and knowledge.

Yet it is precisely because these applications are so powerful that many users and technologists become infatuated with functionality for functionality's sake and lose sight of the larger business issues the software was meant to address. Managers consequently should remain tightly focused on their core business strategy and concentrate only on those data elements that serve to clarify, support, or advance the plan. Failure to do so can result in performance assessments obscured by excessive data—or worse, tactical execution paralyzed by an adherence to irrelevant metrics and analysis.

Market Share

Benchmarking an organization's position versus the competition is fundamental to understanding current performance, market size, and growth opportunities. Despite the proprietary nature of competitor information and the spotty availability of outpatient data, several tactics exist to reasonably and continually approximate market position.

Publicly available Medicare diagnosis-related group (DRG) information can serve as a reliable proxy for a competitor's total output across a specific service line. In addition, many state hospital associations compile data on inpatient procedures. Information vendors likewise can be useful sources of data. And physicians practicing at multiple facilities, along with vendor sales representatives, frequently can be good sources of anecdotal information about competitors. Their insights can add depth and context to market share assessments.

Regardless of how the information is collected, it is important that the methodology remain consistent and that the assessments be conducted at regular intervals. Even if competitor information is limited, hospitals should carefully track their own volume to set growth targets.

NEXT STEPS:

- > Establish performance metrics and a firm time frame for reaching those goals.
- > Continually assess top- and bottom-performing case types.
- > Assess reasons for underperformance: Referral patterns? Physician shortage?
- > Be prepared to divest operations if goals are not achieved.
- > Resist emotional and political pressure to sustain a service line that is losing money or failing to meet expectations.
- > Track outpatient growth and consider implementing creative pricing strategies to boost market share and/or foster more efficient utilization.

Operational Performance

Given that the overarching idea behind the service line model is to replicate as nearly as possible the structure and spirit of a stand-alone business, developing an accurate picture of profitability is probably the single most important task a service line manager faces. But it can also be the most difficult. The crux of the challenge is twofold: Managers need to ensure that both cost and revenue inputs are accurate, and they then need to combine the two in such a way as to accurately reveal margins from the patient level up to the entire service line.

Maintaining accurate cost data can be accomplished by working with purchasing managers to develop a system that will ensure the supply chain data file is automatically updated each time a supply product is changed and added. Some decision support applications also allow users to calculate and attach an overhead cost component to each cost item in the supply chain data file. Whatever method is used, it is important that both fixed and variable costs be incorporated into the cost equation. Otherwise, erroneous assumptions will infect the entire reporting system and render any financial assessments meaningless.

Without an accurate understanding of whether the organization is profitable or not, all other metrics become irrelevant.

Accuracy is just as important on the revenue side. Fortunately, today's contract modeling applications are capable of taking into account payer discounts and other allowances to generate true net revenue estimates. As a result, it is now possible to view profitability across the entire spectrum of operations: rolled up in the aggregate or through a variety of lenses, including by patient, physician, procedure, DRG code, diagnosis, or even postal code. This capability allows managers to spot trends, pinpoint underperformance, and support growth opportunities. It can also help focus marketing and long-term strategic planning efforts.

Tracking operational performance obviously entails much more than simply developing accurate profit-and-loss statements. Monitoring volume and productivity to better manage throughput and support staffing also are of critical importance. Yet without an accurate understanding of whether the organization is profitable or not, all other metrics become irrelevant.

NEXT STEPS:

- > Identify, examine, and compare the cost of the entire case as well as the embedded expense components.
- > Challenge conventional wisdom about the nature of overhead expenses. Look at all overhead items with an eye toward answering the question, "Is overhead really a fixed cost?"
- > Consider flex staffing to bring labor costs in line with demand fluctuations.
- > Track quality measures in concert with profitability to ensure that care standards are not sacrificed in pursuit of margins.

Physician Performance

The majority of costs incurred during a patient stay are a direct result of physician actions. Thus, it is necessary to develop indicators that allow for comparisons of physician performance across a number of areas. The medical staff should play a prominent role in selecting the appropriate performance markers and determining how best to present them in the context of patient care. Some key comparisons include length of stay, variable costs per case, and quality data, such as mortality, morbidity, and, if applicable, surgical complications.

With DRGs that contain multiple primary procedures, it is important to dig deeper into the ICD-9 codes to produce valid comparisons. In addition, comparisons based on length of stay need to be presented with qualifiers, such as age, patient population acuity, and co-morbidities.

Maintaining physician- and service-line-specific quality and cost data will become increasingly important as Medicare steadily shifts to a pay-for-performance reimbursement model and private payers follow suit.

More practically, developing a framework that allows for physician comparisons can go a long way toward controlling the soaring costs associated with complex medical devices. Physicians who understand the relative costs of competing technologies will become sensitized to the financial implications of their decisions. In addition, they will be more likely to embrace the development of specific criteria aimed at ensuring that

the appropriate medical device is matched to a patient's lifestyle, physical demands, age, and medical history.

This concept, known as demand matching or technology-appropriate utilization, helps prevent costly, unauthorized purchasing by physicians and limits the influence of device sales representatives. Besides lowering costs and promoting standardization, a well-conceived implant criterion can also serve as a powerful legal bulwark in the event a patient sues the hospital or physician over the type of technology used.

Because physicians are competitive by nature, they'll usually respond positively to peer-to-peer comparisons. It is therefore important to share the information with the medical staff on a regular basis. At the same time, a deft touch is required to address substandard performance in a way that does not alienate the physician, let alone the entire medical staff. Ideally, the service line model should foster a collaborative, non-threatening environment for solving problems and discussing ways to reduce cost without sacrificing quality.

NEXT STEPS:

- > Present blinded data to the group and confidential information to individual physicians, preferably in bar charts or other easy-to-understand graphical representations.
- > Assign a physician champion, such as a medical staff director or committee chair, to take the lead in presenting and discussing the information.
- > Map data to the specific physician driving utilization. It is important to distinguish between attending, admitting, and consulting physicians and make clear the role each plays in the total cost per case.
- > Implement physician performance metrics in a staged process. Begin with a small pilot group and increase measures and physicians incrementally to ensure buy-in and confidence in the process.

Clinical Documentation and Coding

If cash flow is the lifeblood of a service line, coding and documentation represent the heart of the business. A revenue cycle process that cannot ensure prompt and accurate payment for services rendered will dull even the sharpest competitive

advantage and blunt the most far-reaching strategic plan. That's why it is imperative that systems be established to monitor clinical documentation and the coding that flows from it. A number of revenue cycle management applications are equipped with tools that can accomplish these tasks, either on a stand-alone basis or as part of a third-party vendor offering.

For example, some systems will automatically flag documentation and coding errors before the claim goes out the door. This proactive approach helps ensure that the maximum reimbursement is captured based on the appropriate DRG. It also greatly reduces denials and the labor-intensive efforts required to remediate them. And because the systems identify the individual responsible for the error—be it physician or coder—a problem or pattern of problems can be addressed and resolved through education and training. Periodic coding audits similarly help solidify revenue cycle management and reporting by ensuring that coders are performing at an optimal level.

A range of reporting tools is available to track the details of revenue cycle performance. Key metrics, including denials by payer, DRG, physician, days in A/R, A/R over 120 days, net collections, and bad debt, should be continually monitored to generate a rolling snapshot of cash flow performance.

Applications that track payer reimbursements and ensure that the payments are made in accordance with contracted rates and terms are another vital tool.

As financial pressures facing providers continue to grow, the necessity of optimizing revenue cycle performance becomes critical. Gone are the days when coding and billing were the obscure and exclusive domain of administrative, clerical employees. Today, coders need to receive nearly continual education to keep pace with the increasing complexity of payer rules and regulations and to ensure clinically accurate coding. Managers have an obligation to understand and monitor the documentation and coding processes, not only to protect cash flow but also to reduce compliance risk.

NEXT STEPS:

- > Conduct a coding audit to understand compliance exposure and to ensure that the billing office is performing at an optimal level.
- > Conduct periodic physician in-service programs focused on accurate documentation.
- > Assess revenue cycle processes and needs that pertain specifically to the service line specialty. Consider changes such as process reengineering, new IT applications, and outsourcing.
- > Keep in mind the importance of timely and proper payer credentialing in sustaining predictable cash flow, particularly when new physicians are hired. Failure to properly credential at the outset of a contract or with a new hire can prove enormously expensive, often with little or no recourse for recovering the lost revenue.

Patient Satisfaction

Upward-trending patient satisfaction data should be a central objective of any service line model. By integrating care around disease states, hospitals in theory will produce a more convenient, coordinated, and positive patient experience. This, in turn, should affect market share and ultimately drive financial performance.

Patient satisfaction surveys typically are outsourced to specialized vendors on a quarterly or semi-annual basis. Assuming they are trending in a positive direction, the survey results can be used in conjunction with quality outcome information to support marketing efforts. If surveys are not trending positively, executive sponsors of the affected operating units should develop a response strategy with the appropriate team. A negative trend is a definite call to action, requiring timely interventions to understand and zero in on the root causes of dissatisfaction followed by action steps to improve the patient experience.

Although periodic formal surveys generate a wealth of information, the downside can be an inordinate amount of time between assessments. To fill in these blind spots, service lines should perform brief telephone follow-up interviews or postcard surveys directed toward a percentage of discharged patients. Questions should follow a structured list and information should be collected and reviewed weekly or monthly. These

follow-up interviews or surveys can help managers track overall performance and gain early warning about problem areas.

NEXT STEPS:

- > Whether surveys are developed in-house or through a survey provider, make sure that the collected data are clearly linked not only to a specific patient but also to case type. This will provide more useful comparisons.
- > Walk the halls and talk with patients and their families. These conversations can provide important information about what is important to patients.
- > Provide a simple mechanism for patients to provide feedback through your organization's web site.

Pulling the Pieces Together

Running any business of sufficient size and complexity can be a daunting task. In health care, the job is made more difficult by the relative independence of physicians, the complexity and breadth of services provided, and the attenuated process through which payment ultimately is made. Thus, a well-conceived information strategy supported by an effective decision support system is essential for successfully executing the service line model. If organizations are truly committed to the model, they should equip managers with the technology required to track service line performance effectively. They should also make sure that data feeding the applications are accurate and up to date. And most important, they need to monitor profitability to ensure that the organization is really a contributor and not a drain to the larger enterprise. ●

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