CASE STUDY

Kerry Vermillion
Andy Terry
Scott Davis
Katie Owens

innovations in performance management

In one year, Baptist Health Care significantly reduced operating expenses, improved revenue cycle processes, and increased revenue by aligning leaders' goals with financial performance and engaging staff in steps toward improvement.

AT A GLANCE

In FY09, as a result of an initiative to improve net income, reduce expenses, and enhance revenue cycle processes, in which leaders' goals were tied to the financial performance of the organization, Baptist Health Care achieved:

> A $17 million increase in net operating income
> A $9.2 million reduction in operating costs
> Patient satisfaction levels in the 97th percentile
> A coding accuracy rate of 99 percent
> A more than $1 million increase in point-of-service collections

Today's healthcare organizations face many financial challenges, from the implosion of the investment market to changes in payment methodologies to reduced levels of cash. For Baptist Health Care, based in Pensacola, Fla., the sharp decline in the economy, the unprecedented drop in equity market valuations, and a freeze in the credit markets created an imperative for the organization to improve operating cash flow in FY09.

FY09 appeared to be a stark year for Baptist. The organization needed to produce $11.7 million in additional net operating income over FY08 figures—with no projected increase in volume. To do so, Baptist embarked on an effort to significantly reduce operating expenses without jeopardizing service and quality by aligning individual leaders' goals with aggressive financial objectives and holding them accountable for Baptist's performance. The organization also sought to increase net revenue via innovations in revenue cycle management in which, without jeopardizing Baptist's culture of service, patients would be engaged to meet their financial responsibility for their care.

Strategies for Improved Performance

Baptist initiated a two-prong approach to performance management: consistent use of a balanced framework for goal setting and alignment, and a focus on commitment and accountability.

The framework started with Baptist's "pillar" goals—goals related to people, service, quality, financial performance, and growth—designed to give the organization a balanced approach to performance. For example, key service pillar goals for FY09 included inpatient satisfaction at the 96th percentile or higher and employee satisfaction at the 85th percentile or higher. Finance pillar goals included operating cost reductions of $9.2 million and net revenue improvements totaling $2.5 million.

With organizational goals established, the next step was to align system goals to specific, measureable objectives for each individual leader. Through a process called *cascading*, each leader had specific objectives that were established and "weighted," or prioritized, under Baptist's pillar goals. In this way, each leader understood exactly how his or her success would contribute to the organization's outcomes.

Each leader was charged with determining his or her own cost reduction target that would contribute to achieving the overall finance pillar goal of reducing $9.2 million in total operating expenses. Using a payoff-opportunity matrix, leaders aligned their goals to the system target in three key areas:
> Labor expense (i.e., elimination of select FTEs via attrition, and establishment of staffing and skill mix use-versus-volume targets that reflected the 25th percentile in Baptist's benchmark database)
> Discretionary spending (i.e., reduction in travel, catering, and minor equipment purchases)
> Nonlabor expense (i.e., reduction in supply chain expense, benefits adjustments, and leader incentive compensation)

Baptist implemented tools that would enable it to better manage workflow for the entire revenue cycle, identify high-dollar cash opportunities, and automate/ accelerate A/R collection.
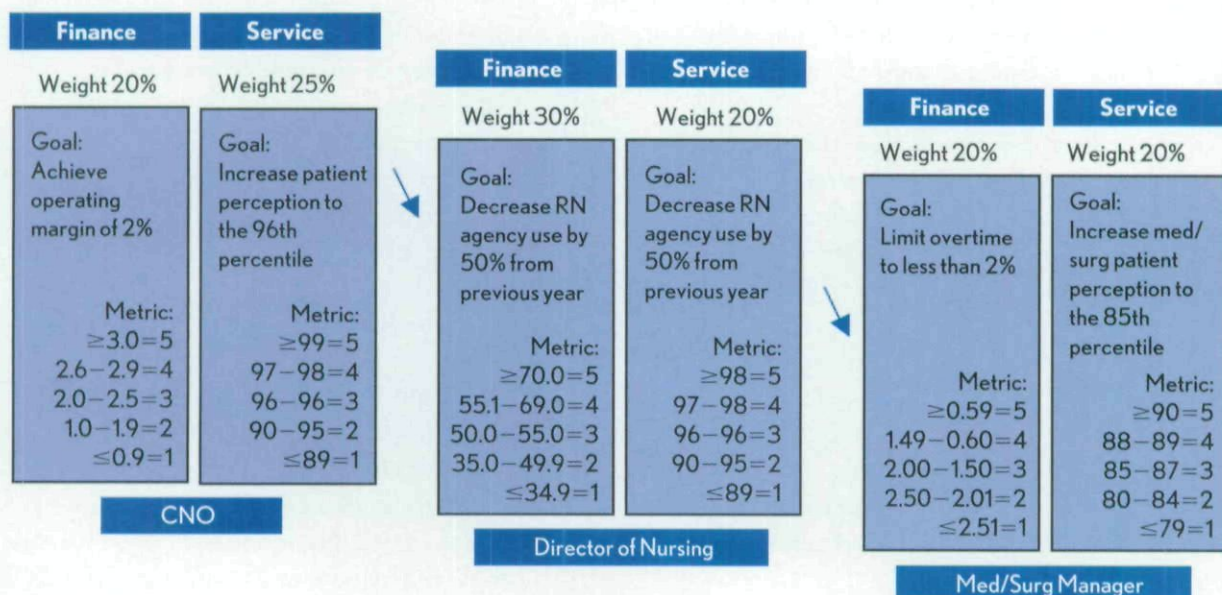
To accelerate progress, ensure results, and verify that expense reduction goals would not "crowd out" other pillar goals, such as patient and physician satisfaction, Baptist sought to gain systemwide acceptance of and commitment to the initiative through a three-prong approach of focus, forum, and accountability.

The *focus* element was tied to the individual leaders' goals, and included monthly measurement and reporting of progress to ensure clarity of purpose and outcome.

The *forum* component represented a multifaceted communication strategy that included:
> Quarterly forums with all employees

EXAMPLE OF GOAL CASCADING/ALIGNMENT, BAPTIST HEALTH CARE

Finance	Service
Weight 20%	Weight 25%
Goal: Achieve operating margin of 2%	Goal: Increase patient perception to the 96th percentile
Metric: ≥3.0=5 2.6–2.9=4 2.0–2.5=3 1.0–1.9=2 ≤0.9=1	Metric: ≥99=5 97–98=4 96–96=3 90–95=2 ≤89=1

CNO

Finance	Service
Weight 30%	Weight 20%
Goal: Decrease RN agency use by 50% from previous year	Goal: Decrease RN agency use by 50% from previous year
Metric: ≥70.0=5 55.1–69.0=4 50.0–55.0=3 35.0–49.9=2 ≤34.9=1	Metric: ≥98=5 97–98=4 96–96=3 90–95=2 ≤89=1

Director of Nursing

Finance	Service
Weight 20%	Weight 20%
Goal: Limit overtime to less than 2%	Goal: Increase med/ surg patient perception to the 85th percentile
Metric: ≥0.59=5 1.49–0.60=4 2.00–1.50=3 2.50–2.01=2 ≤2.51=1	Metric: ≥90=5 88–89=4 85–87=3 80–84=2 ≤79=1

Med/Surg Manager

> Weekly updates to leaders to verify realization of expense reduction targets
> Weekly "financial focus meetings" for facility progress updates

The combination of leader-specific goals, and multifaceted communication fed the *accountability* piece of Baptist's model, as leaders who did not meet expense reduction targets were required to develop and implement additional tactics to meet their expense reduction goals, and to present follow-up reports at the next financial focus meeting.

Creating a Culture for Success

Fostering an environment of employee engagement is a cornerstone of Baptist's culture, and a contributing factor to the organization's financial success.

To engage employees in the cost reduction initiative, Baptist reinforced the need for the initiative and updated employees on progress toward cost reduction goals through an electronic communication tool, "daily huddles" (daily communications in each department to provide updates and engage staff in key initiatives at Baptist), and unit-specific communication boards, as well as during Baptist's quarterly meetings with employees. Leaders also drove alignment with staff by soliciting their input on how their day-to-day behaviors could help reinforce financial performance on a per unit basis.

For example, in Baptist's laboratory department, the laboratory director had an FY09 finance pillar goal of reducing operating expenses by 5 percent compared with FY08 figures. The laboratory team then identified core staff behaviors that would contribute to the department's success in reducing its operating expenses:
> Staff were encouraged to work only their scheduled hours and not to clock in before their scheduled start time.
> The department worked to reduce its rate of contaminated blood cultures and its use of butterfly needles.
> Staff committed to waiting to run tests until the

appropriate diagnosis code for medical necessity had been received.

As a result of unit-focused initiatives such as these and the accountability and engagement of staff throughout the organization, Baptist achieved:
> An increase in net operating income of $17 million (more than $5 million higher than its goal of $11.7 million)
> A $9.2 million reduction in total operating expenses
> Inpatient satisfaction in the 97th percentile
> Employee satisfaction in the 89th percentile
> A top-decile ranking for quality in the VHA Southeast region

Achieving Improvements in the Revenue Cycle

With no projected increase in volume, Baptist's goal of producing $2.5 million in additional revenue in FY09 was daunting. Baptist began by thoroughly assessing its revenue cycle, including processes, systems, personnel, and culture. Next, the team of leaders who were appointed to oversee the revenue cycle improvement initiative defined the revenue cycle's desired state and prioritized initiatives based on ease of implementation, rather than expected net revenue benefit. Finally, the team defined how each initiative would be measured and results reported.

The process culminated in a multitiered strategy for improvement:
> Implement improved decision support.
> Reduce discharge not final billed (DNFB).
> Increase patient contact and systematically set patient expectations for payment of services rendered.
> Reduce nonemergent utilization of the emergency department (ED).
> Improve Medicaid eligibility rates.

Next, Baptist implemented tools that would enable it to better manage workflow for the entire revenue cycle, identify high-dollar cash opportunities, and automate/accelerate accounts receivable collection. The organization also revised its credit and collection policy and implemented several key tactics to reduce its DNFB rate.

DNFB was a problem at Baptist. In January 2008, the organization held $3.2 million that were billable but that could not be captured due to incomplete coding. Accordingly, Baptist set an aggressive goal: DNFB could not exceed $1.5 million on a monthly basis, and all charts had to be accurately coded within 48 hours after discharge. To operationalize its DNFB reduction target, Baptist implemented the following strategies.

Realign the coding team. Baptist added the key positions of coding manager, team leader, and internal auditor to its coding team, which resulted in better direction for the coding staff and increased motivation for coders. The coding department's new goal was for all charts to be coded by close of business each Friday, with the coding manager responsible for monitoring chart completion.

Improve revenue cycle communications. Coding DNFB was calculated daily based on charts not coded after the bill hold drops. To improve staff ownership and focus, the DNFB dollar amount was shared daily with coding staff via e-mail and weekly via the organization's communication boards. As a result, coders developed a sense of cohesiveness and camaraderie in which they consistently cheered for each other and held internal coding competitions for bragging rights.

Establish productivity standards. Baptist's revenue cycle team determined that maximum efficiency would mean having to surpass benchmark productivity standards for charts coded per hour. A tool was distributed to the coding staff to monitor individual productivity, and 10-minute morning meetings were held with the coding team to facilitate workload distribution and emphasize daily progress toward goals. All inpatient/outpatient coders were also cross-trained so that they would be able to accurately code any of Baptist's services (allowing skill-set flexibility to weekly volume changes).

Identify maximum impact coding opportunities. Coding staff were able to quickly identify and prioritize high-dollar charts using Baptist's electronic health record work queues. The unbilled report was monitored daily and worked by several coders to ensure that the oldest charts were researched for any additional information needed to achieve the organization's coding goals.

The initiative yielded significant results for Baptist. At the close of FY09, Baptist's efforts

CODING DISCHARGE NOT FINAL BILLED (DNFB)

Legend: Average DNFB — Target
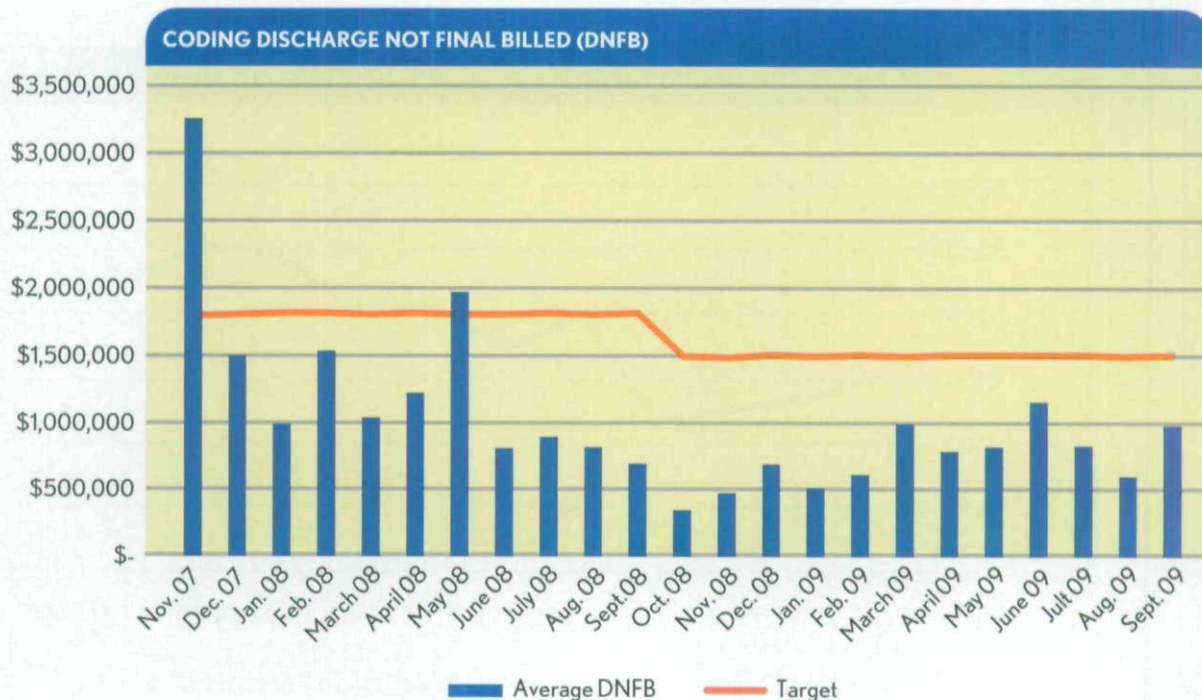
yielded $7.8 million in additional revenue—312 percent higher than its initial goal. Other results included:

> A 99 percent coding accuracy rate
> DNFB below the organization's target of $1.5 million per month, 99 percent of the time
> Productivity performance that exceeded benchmark standards 99 percent of the time
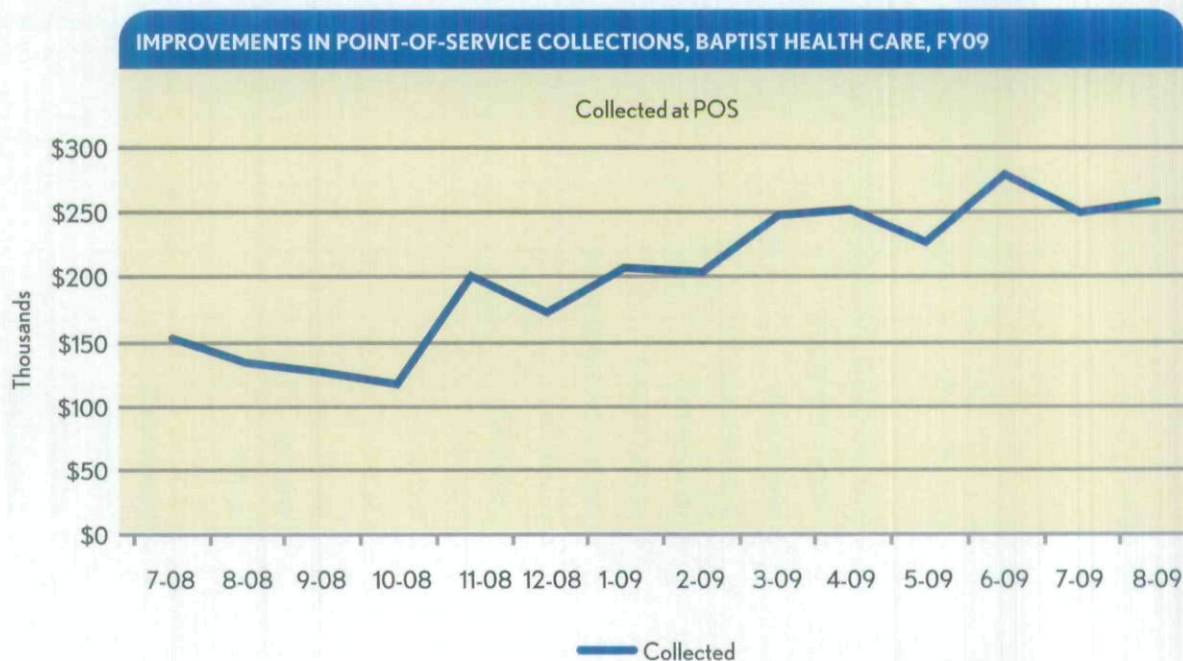
Improving Patient Communication

To address some of its most critical revenue cycle issues, Baptist mapped its revenue cycle processes, beginning with the point of first contact. Although staff were proficient in scheduling patients for care and service, they were less skilled in setting expectations for payment and in communicating patients' financial responsibility. This discovery generated a redesign of many of the organization's front-end processes, which included training for staff on ways to articulate and discuss financial expectations for care and service with every patient.

Through improvements in communication and data flow between Baptist's central scheduling, verification, and registration areas, the organization gained a greater window of time (three to five days prior to appointments) in which to contact patients and verify patient data, complete the registration process, and communicate patients' financial responsibilities for care and service. In addition, all staff were trained in a new model for patient communication, called RELATE (Reassure, Explain, Listen, Ask, Take Action, Express Appreciation).

Under the RELATE model, when patients express concern in meeting their financial responsibility, a financial screening process is initiated to find a suitable payment solution for both the patient and the organization. This screening process includes a discussion of various payment plans, Medicaid screening, and when appropriate, completion of an application for financial assistance. If, after this financial screening process, no payment options (including charity care) have been identified for the patient, the patient receives additional counseling regarding course of care (managed in partnership with the patient's physicians). If the patient chooses to self-defer a nonurgent, scheduled appointment, the organization then has the opportunity to replace the open appointment.

By improving its financial clearance process from the point of first contact, Baptist enhanced its

IMPROVEMENTS IN POINT-OF-SERVICE COLLECTIONS, BAPTIST HEALTH CARE, FY09

Collected at POS

Collected

verification process, reduced its denials for lack of authorizations, and decreased medical necessity questions and/or concerns. Establishing earlier contact with patients enabled Baptist to improve its ability to obtain authorizations or corrected orders, enhancing account accuracy. Another effect was improved patient satisfaction.

To continue improvement in patient communications, all revenue cycle vendors were required to attend a one-day meeting on this topic to ensure consistent delivery of the health system's message. Patient billing statements also were redesigned to be more patient friendly.

Results of the initiative included:
> Patient satisfaction scores above the 95th percentile in the area of patient access
> A $1.1 million increase in collections for self-pay after insurance patients
> A reduction in patient address errors by 200 per day
> A more than $1 million increase in point-of-service collections

Reducing Non-Emergent ED Visits

Baptist records more than 61,000 patient visits to its ED per year, and provides significant amounts of nonemergent care. To help reserve ED resources for true emergencies, Baptist deployed the following strategies in compliance with the Emergency Medical Treatment and Active Labor Act.

Policy and procedural changes. Baptist implemented a qualified medical personnel (QMP) process in which patients arriving at the ED are triaged and provided with a medical screening exam. Patients with medical emergencies are stabilized and treated accordingly. Patients without a medical emergency are informed of their health status and provided with the following options:
> Stay and receive care with advance copayment or deposit
> Seek care with their primary physicians
> Pursue care with a community clinic (Baptist provides a list of community clinics and their services to nonemergent ED patients)
> Pursue Medicaid eligibility and/or financial support for care and service.

Baptist's ED point-of-service collections have increased from $5,000 a month to $20,000 a month.

Establish payment expectations through patient education. Often, people do not realize that the ED is an expensive area in which to seek care. Accordingly, Baptist embarked on a patient education campaign to help people understand that they are welcome to seek primary care in the ED, but that such care represents a premium value and cost. Payment expectations for ED care are consistently set through the organization's RELATE communication process, and are also communicated via signage that is posted throughout Baptist's ED.

Physician and staff education. To drive physician and staff alignment, Baptist provided training for all physicians and ED staff to outline new processes, communicate issues, and gain additional ideas for improvement. One-on-one education also was provided to ED physicians and staff at each shift change.

The initiative resulted in an improvement in ED point-of-service collections from $5,000 a month to $20,000 a month, a reduction in repeated nonemergent visits, and decreased wait times.

Improving Medicaid Eligibility Rates

Capturing appropriate payment from self-pay patients has always been a challenge for Baptist. Although the organization recognizes its mission to serving self-pay patients, the financial burden of that care is significant. For instance, 32 percent of Baptist's ED volume is self-pay, so suboptimal collection of patient payments strains the organization's ability to serve others.

Baptist's revenue cycle assessment indicated a significant loss in collections via its approach to determining Medicaid eligibility. Accordingly, Baptist enlisted the help of a consultant specializing in Medicaid and implemented a plan to

identify all patients eligible for Medicaid and assist those patients in completing applications for assistance. If a patient is determined not to be eligible for Medicaid, other options are reviewed, including charity care assistance. If no payment options exist and the patient is eligible for charity care, additional counseling regarding the patient's plan of care is completed.

As a result of this initiative, Baptist's self-pay conversion rate has risen significantly, and net revenue increased by $4.8 million in FY09.

Lessons Learned

A combination of management execution and revenue cycle innovation enabled Baptist Health Care to successfully improve performance, revenue cycle processes, and revenue in FY09. The organization recorded the highest level of financial performance in its history while maintaining industry-leading patient, physician, and employee service scores.

Through this initiative, Baptist learned that alignment of goals with each individual leader, combined with buy-in, accountability, and organizational transparency, can drive significant, balanced results. Deployment of a consistent communication model and improvements in front-end processes can help to earn the trust of patients and the community—and improve the financial health of an organization as well as its levels of quality and service. ●

About the authors

Kerry Vermillion is senior vice president and CFO, Baptist Health Care, Pensacola, Fla., and a member of HFMA's Florida Chapter (kerry.vermillion@bhcpns.org).

Andy Terry is vice president of revenue management, Baptist Health Care, Pensacola, Fla. (andy.terry@bhcpns.org).

Scott Davis is COO, Baptist Leadership Group, Pensacola, Fla. (scottd@bhclg.com).

Katie Owens is director of performance improvement and research, Baptist Leadership Group, Pensacola, Fla. (katieo@bhclg.com).