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Features

Finance: Pinching Pennies

Written by Matt Bolch
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With even profitable hospitals operating on razor-thin margins in a tightening reimbursement environment, every penny counts. Indeed, improving cash flow remains a top priority for members of the Healthcare Financial Management Association (HFMA), said Richard Gundling, vice president of the Westchester, Ill. organization.

"Cost containment and keeping margins favorable remain key challenges for hospitals," Gundling said. Top priorities for CFOs and HFMA's other 34,000 members include examining salary expenses closely, changing defined benefit plans to reduce future liability, investing in infrastructure and staff in anticipation of higher demand, and negotiating contract pricing for big-ticket devices while getting physicians and surgeons to use those items for certain conditions and procedures.

The rising costs of charity care, bad debt, and increased consumerism have forced many hospitals to collect payments up front, and Gundling said as consumer-driven healthcare gains traction in the marketplace, hospitals must have an accurate accounting of costs to handle savvier patients with pricing questions.

Real costs

Without a robust method for tracking the real cost of supplies, Maricopa Medical Center faced losing money through incorrect charges and compliance exposure resulting from items priced well above or below set markups. These issues were brought to the forefront during an internal audit.

Siobhan Mee, director of revenue cycle management at the 449-bed Level I trauma center in Phoenix, led efforts to automate the links between hospital item files and the Charge Description Master (chargemaster) using MedAssets' CrossWalk.

After implementing CrossWalk in February 2006, the hospital increased its gross revenue by \$2.5 million in the first four months and has calculated a net increase of more than \$300,000 based on strategic markup alone.

During the process to link purchases, a significant number of non-item-file purchases were discovered, allowing hospital officials to integrate these supplies into the item file so they could be ordered through the normal purchasing process.

"CrossWalk allows us to simulate markup formulas to show net revenue impact, which eliminates the uncertainty we experienced previously," Mee said. "We can also tell auditors that we use CrossWalk to determine our markup strategy and that our charges are directly related to costs."

What if

The ability to make accurate, real-time decisions about staffing levels, capital expenditures, and what products to use were some of the reasons the Musculoskeletal Institute at Greenville Hospital System chose two software modules from River Logic: Physician Value Optimizer (PVO) and Physician Compensation Estimator.

Dr. James Silliman, program director, said his department was chosen to pilot the decisionmaking tools for the Level I trauma hospital in Greenville, SC. "We are a physician-led hospital and have broken down the hospital by departments," Silliman said. "Our objectives were to optimize cash flow, provide better service for a lower cost to the system, and promote better outcomes."

River Logic's software allows the department to examine financial information line by line, create what-if scenarios, and provide immediate feedback to physicians using the system. For common orthopedic decisions such as whether to place suture anchors or drill into bone to create anchor,



a what-if scenario can take into account cost, anesthesia time, OR time, and the technical ability of the surgeon.

"If drilling into the bone is the gold standard, does using suture anchors make sense if they perform adequately and save the surgeon 10 minutes?" Silliman said.

Using support tools to answer questions about patient care allows the department to standardize care while negotiating better rates on products that now are used by all physicians. And Silliman used PVO to justify the expansion of his department from seven orthopedic surgeons to two dozen, projecting types of surgeons needed, expected volumes, office space requirements, and ancillary services such as MRI and CT machines.

"It was scary how accurate it was," Silliman said. "We're growing volumes by more than 30% a quarter, which is what we projected."

South Carolina is a certificate-of-need state, so River Logic software can be used to make a case for new facilities. "I've been in physician management 15 years, and this is the only product I've found that does what I need it to do," Silliman said.

Staunch the flow

The challenge faced by Riverside Regional Medical Center was shrinking patient volume. Transfers were down from rural hospitals that are part of the Riverside Health System, the flagship of which is the 570-bed Riverside RMC in Newport News, Va.

"We heard it was difficult for patients to get placed in our acute care facilities," said Richelle Fleischer, administrative director of revenue cycle management and customer relations management. "It was up to the patient or the doctor to push for admission."

By moving the organization's Ask-A-Nurse staffers into a customer relations management department and adopting transfer center and physician referral systems from Central Logic Healthcare Systems, Riverside RMC was able to staunch the flow of patients who sought care elsewhere. The hospital does not have good historical data for comparison, but stabilizing the number of inpatient days was the main goal, and that's been achieved.

The 22.5 FTE CRM department handles patient transfers, the free 24/7 Ask-A-Nurse hotline, triage services for the Anthem HealthKeepers HMO network, class registrations for hospital programs, physician referrals, and CSI surveys for the ED, said Georgia Todd, CRM director.

"Physicians have taken to the transfer center because they know one call is all they have to make," said Fleischer. "We want to make it as easy as possible for them to transfer patients to our facilities."

The program has proved so successful that Todd's staff began adapting the lessons learned in acute care to Riverside's long-term care and rehabilitation center transfers. Currently, 40% of all long-term and rehab transports from Riverside facilities go outside the system. System executives want to reduce that figure because they know that every penny counts in the healthcare arena.

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