


**Transformation Strategies  
for the Era of Healthcare Reform**

**HFMA Maine Chapter 2010 Annual Meeting**  
Debra Kuchka-Craig, FHFMA  
HFMA National Chair and  
Corporate Vice President, Managed Care,  
MedStar Health, Columbia, MD  
September 16, 2010



---

---

---

---

---


---

---

---

**Presentation Overview**

- **Reform**
  - Stepping up to meet the challenges and opportunities of a new era
- **Transformation**
  - Strategies for the reform era
- **Resources**
  - How HFMA helps you step up



2

---

---

---

---

---

---

---

---

**REFORM:  
The New Era**



3

---

---

---

---

---

---


---

---

Reform

### Driven by Long-Term Issues . . .

Exponential Growth in Healthcare Expenditures	Need for Better Access to Insurance Coverage
<b>REFORM DRIVERS</b>	
Substantial Opportunities to Improve Quality of Care and Patient Outcomes	No Correlation Between Spending and Quality

 4

---

---

---

---

---

---

---

---


REFORM

### . . . That Culminated in Complex Legislation

**Public Law No. 111-148:**  
Patient Protection and Affordable Care Act:  
March 23, 2010

**Public Law No. 111-152:**  
Health Care and Education Reconciliation Act of 2010:  
March 30, 2010



 5

---

---

---

---

---

---

---


---


REFORM

### Step Up: Healthcare Finance Professionals Must Take the Lead

**“Somebody has to do something, and it’s going to be—and it has to be—you.”**

Former Senator and Senate Majority Leader  
**Bill Frist, MD**  
Speaking at HFMA’s ANI: The Healthcare Finance Conference, June 2010



 6

---

---

---

---

---

---


---

---

REFORM

### How Reform Will Change Health Care

- Coverage and insurance reform
- Payment cuts and payment shifts
  - Shift toward primary care, away from specialty care
- Delivery and payment reforms
  - ACOs
  - Bundling

 7

---

---

---

---

---

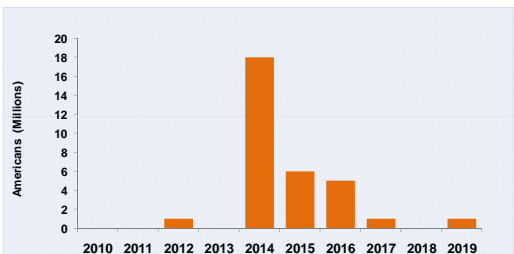
---

---

---


REFORM

### Reform Will Increase Insurance Coverage. . .



Year	Americans (Millions)
2010	0
2011	0
2012	1
2013	0
2014	18
2015	6
2016	5
2017	1
2018	0
2019	1

Source: CBO

 8

---

---

---

---

---

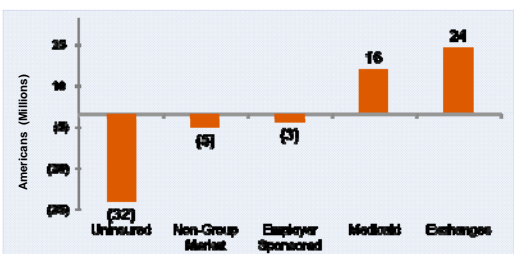
---

---

---


REFORM

### . . . and Change Payer Mix



Payer Category	Americans (Millions)
Uninsured	-32
Non-Group Market	-5
Employer Sponsored	-3
Medicaid	16
Exchange	24

Source: CBO letter to House Speaker Nancy Pelosi – March 20, 2010

 9

---

---

---

---

---

---

---

---

REFORM

### Designed to Increase Healthcare Value. . .

- **Goals**
  - Improve quality
  - Reduce costs
- **Tactics**
  - Value-based purchasing
  - Reduce preventable readmissions
  - Reduce hospital-acquired conditions
  - Bundled payments
  - Accountable care organizations
- **Prerequisite**
  - Electronic health records




---

---

---

---

---

---

---

---

---


---

---

---

REFORM


### But All Hospitals Are Not Affected Equally. . .



Moody's Investors Service, *Long-Term Challenges of Healthcare Reform Outweigh Benefits for Not-for-Profit Hospitals*, April 2010.

**“While the most efficiently operated health systems will take advantage of healthcare reform to leverage economies of scale, many not-for-profit hospitals, especially single site and small hospital systems, may struggle.**

**Industry consolidation resulting in bigger health systems with greater access to credit—already encouraged by current market forces—likely will increase further under healthcare reform. . .”**




---

---

---

---

---

---

---

---

---

---

---


---

REFORM

### . . . as Reflected in Financial Impact on Hospitals

Payment Area	Payment Reduction Over a 10 Year Period (in billions)
New payments for uncompensated care	177.3
<b>Payment reductions:</b>	
Market basket update (MBU)	-112.6
Disproportionate Share Hospital payment cuts (Medicare & Medicaid DSH)	-36.1
Reduced readmissions	-7.1
Hospital-acquired conditions	-1.5
Accountable care organizations	-2.9
<b>Net aggregate financial impact on U.S. hospitals</b>	<b>17.06</b>

Sources: Health Care Facilities Managed Care Analysis; Bank of America Merrill Lynch; March 4, 2010; p. 9  
CBO letter to Speaker Nancy Pelosi; March 20, 2010; HFMA estimate 12




---

---

---

---

---

---

---

---

---

---

---

---

REFORM

## ... And Pressures on Payment and Cost Abound

**Cost Pressures**

- Increases in labor expenses
- Investments in quality improvement
- Implementation of electronic medical records
- Investment in physician integration

**Payment Pressures**

- Effects of unsustainable cost increases on employers
- Impending changes in private insurers' business practices
- "Meaningful use" penalties
- Market basket update upcoding adjustments
- Fraud enforcement

13

---

---

---

---

---

---

---

---

---

---

# TRANSFORMATION: Strategies for the Reform Era

14

---

---

---

---

---

---

---

---

---

---

TRANSFORMATION

## Paradigms Must Shift as Economic Incentives Change

	CURRENT STATE	FUTURE STATE
Cost/ Efficiency	Reduction Viewed as Discrete Projects	System Approach to Continuous Process Improvement
Quality	Limited Links to Payment	Drives Payment
Physicians	Drive Volume	Drive Value
Collaboration	Limited Amount Required for Financial Success	All Stakeholders Must Work Together
Financial Risk	Revolves Around Cost Position	Revolves Around Utilization of Services Across Continuum

Source: Healthcare Financial Management Association 15

---

---

---

---

---

---

---

---


---

---

TRANSFORMATION

## Value Proposition is Shifting Too

	PREVIOUS & CURRENT Value Proposition	SHIFTING NEW Value Proposition
<b>FOCUS</b>	▪ General reputation	▪ Published quality and cost metrics
<b>CUSTOMERS</b>	▪ Physicians	▪ Purchasers

 16

---

---

---

---

---

---


---

---

TRANSFORMATION

## Strategies for Transformation in the Reform Era

- Transform care to increase quality and reduce cost
- Understand, manage, and mitigate risk
- Become more customer-centric

 17

---

---

---

---

---

---

---

---


TRANSFORMATION

## Transform Care by Re-engineering Processes for Greater Efficiency


- Systematically identify and eliminate inefficiencies
- Reduce cost significantly while maintaining or improving clinical quality

**EXAMPLES**

- Reducing readmissions by 3.5% saved a large, capitated, not-for-profit system \$295K in one year
- After improving its patient flow, a health system reduced its ED diversion rate and generated \$1.04M in increased net revenue annually
- A 500-bed academic medical center found that by aligning its accounts receivable department with industry benchmarks, it could save \$10.5M



Increasing Efficiency and Enhancing Value in Health Care  
This is a white paper by Deloitte Consulting LLP.

 18

---

---

---

---

---

---


---

---

TRANSFORMATION

## Administrative Process Re-engineering

- Pursue revenue cycle excellence
  - Improved cash position frees up more resources for improving patient care and community health
  - Growing pressures on cost and payment make revenue cycle improvement imperative
- Improve charity care reporting and processes
  - Necessary to meet new reform-related requirements for tax-exempt hospitals
- Develop costing and pricing capabilities
  - Under reform, ability to cost and price across the continuum of care is essential



19

---

---

---

---

---

---

---

---

TRANSFORMATION

## Where to Start

### What to Do


➔ Focus on measures or metrics that impact:

- Reputation
  - Comparisons on quality and outcomes
- Payment
  - Hospital-acquired conditions
  - Readmissions

### How to Do It

➔ Collaborate

- Private payers
- Employers
- Physician groups
- Local governments
- Community organizations



20

---

---

---

---

---

---


---

---

TRANSFORMATION

## Develop Risk Management Abilities

Assess Exposure to Reform Risks	Understand Strengths and Weaknesses	Develop Strategies to Mitigate Risk
<ul style="list-style-type: none"> <li>• Payment risk</li> </ul>	<ul style="list-style-type: none"> <li>• Cost position</li> <li>• Service offering</li> </ul>	<ul style="list-style-type: none"> <li>• Process re-engineering</li> <li>• Service divestiture/development</li> </ul>
<ul style="list-style-type: none"> <li>• Execution risk</li> </ul>	<ul style="list-style-type: none"> <li>• Physician relationships</li> <li>• Technology</li> <li>• Clinical staff</li> <li>• Management infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate with physicians and postacute care</li> <li>• Invest in clinical and administrative decision support</li> </ul>
<ul style="list-style-type: none"> <li>• Market risk</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiating position</li> <li>• Public perception/quality</li> <li>• Demographics</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with payers</li> <li>• Align with high quality providers</li> </ul>



Source: Healthcare Financial Management Association

21

---

---

---

---

---

---

---


---

TRANSFORMATION

## Become More Customer-Centric

- **Improve customer service**
  - Build on your understanding of your patients
  - Design services tailored to their needs
- **Prepare for greater transparency**
  - Employers and plans are looking to cost and quality metrics as a way to control costs
  - This could increase domestic medical tourism
- **Tailor the delivery of community benefit to meet community needs**
  - Articulate community benefit clearly
  - Look for opportunities to increase community benefit

---



22

---

---

---

---

---

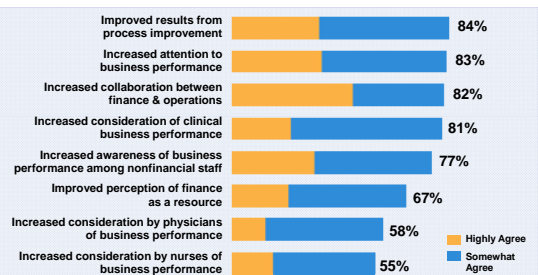
---

---

---

TRANSFORMATION


## Reason for Optimism: Responses to Recession Helped Us Prepare for Reform



Reason for Optimism	Percentage
Improved results from process improvement	84%
Increased attention to business performance	83%
Increased collaboration between finance & operations	82%
Increased consideration of clinical business performance	81%
Increased awareness of business performance among nonfinancial staff	77%
Improved perception of finance as a resource	67%
Increased consideration by physicians of business performance	58%
Increased consideration by nurses of business performance	55%

Source: Healthcare Financial Management Association

---



23

---

---

---

---

---

---

---

---

## RESOURCES: How HFMA Helps You Step Up

---



24

---

---

---

---

---

---


---

---

RESOURCES

## How HFMA Helps

- Driving value in an era of reform
- Achieving revenue cycle excellence
- Building relationships and community at the chapter level



25

---

---

---

---

---


---

---

---

RESOURCES

## Driving Value in an Era of Reform




### INTEGRATION

- Successful integration models
- Methods to align incentives
- Techniques for improving finance-clinician engagement
- Cases in lowering costs and improving quality of clinical care

WHERE to LOOK

- > [www.hfma.org/integrationstrategies](http://www.hfma.org/integrationstrategies)
- > HFMA Payment Reform White Papers
- > Leadership publication
- > *hfm* magazine
- > *Healthcare Financial Pulse*
- > Report: "The Evolution of Physician-Hospital Relationships"

Check printout



26

---

---

---

---

---

---

---

---

RESOURCES

## Driving Value in an Era of Reform



### COLLABORATION

- Achieving high operating margins while improving clinical quality
- Demystifying managed care for clinicians
- Working with payers on care coordination strategies
- "Accountable Care: The Journey Begins," *hfm* magazine

WHERE to LOOK

- > *Leadership* publication
- > *hfm* magazine
- > HFMA's online Knowledge Center



27

---

---

---

---

---


---

---

---

RESOURCES

## Driving Value in an Era of Reform



### STRATEGIC & CAPITAL DECISION-MAKING

- Improving strategic and financial planning
- Accessing and allocating capital
- “Squeezing the Funding You Need from Today’s Capital Sources,” *hfm* magazine
- Identifying and responding to risk
- Taking advantage of growth opportunities

**WHERE to LOOK**

- *Strategic Financial Planning* newsletter
- *hfm* magazine
- CFO Forum
- HFMA’s online Knowledge Center

28

---

---

---

---

---

---

---

---

---

---

---

---

RESOURCES

## Achieving Revenue Cycle Excellence: A Comprehensive Strategy


Measure performance

---

Apply evidence-based strategies for improvement

---

Perform to the highest standards across the board



y. Perform.

*Helps healthcare finance professionals ensure the health of their institutions and generate more resources to support the mission of care*

www.hfma.org/map 29

---

---

---

---

---

---

---

---

---


---

---

---

RESOURCES

## Indicators of Revenue Cycle Excellence



Measure. Apply. Perform.

**mapkeys**  
Aged A/R as a Percentage of Billed A/R

**Purpose:** Leading indicator of receivables collectability

**Value:** Indicates revenue cycle ability to optimize A/R

**Calculation:**  $\frac{(\$1,000 - \% \text{ Aged A/R})}{\text{Total A/R}}$

**Improve business intelligence**

**Strengthen revenue cycle management**

**Decide where to focus—based on industry-created metrics—for improvement**

www.hfma.org/mapkeys 30

---

---

---

---

---

---

---

---

---

---

---

---

RESOURCES

## The Tool for Revenue Cycle Excellence



Measure. Apply. Perform.



Track your organization's performance throughout the revenue cycle

Compare results against industry-wide trends and against peer groups facing similar challenges

[www.hfma.org/mapapp](http://www.hfma.org/mapapp) 31

---

---

---

---

---

---

---


---

---

---

RESOURCES

## Recognizing Revenue Cycle Excellence



Measure. Apply. Perform.

Winners are announced at ANI and recognized as distinguished industry leaders



All HFMA members can benefit as winners share their proven strategies for revenue cycle excellence at the annual MAP Event

Sponsored by:  Health Information Systems

[www.hfma.org/mapaward](http://www.hfma.org/mapaward) 32

---

---

---

---

---

---

---


---

---

---

RESOURCES

## Leading for Revenue Cycle Excellence



Measure. Apply. Perform.

- Learn from MAP Award Winners
- Instill best practices and lead for success
- Push performance on the indicators
- Motivate and reward employees
- Become a healthcare leader recognized for excellence
- Join the industry's commitment to higher standards, greater accountability, and improved performance throughout the revenue cycle.

**November 7-9, 2010**  
 Coronado Island Marriott Resort & Spa  
 San Diego, California

[www.hfma.org/mapevent](http://www.hfma.org/mapevent) 33

---

---

---

---

---

---

---


---

---


---

RESOURCES

## Building Relationships and Community at the Chapter Level



"The heart of HFMA's benefits is the opportunity to build relationships with other members. From those relationships flow the opportunities to learn, to grow in your career, and to feel part of a community."  
*David Canfield  
 2003-04 Chair, HFMA*



34

---

---

---

---

---

---

---

---

---

---

CLOSING THOUGHTS

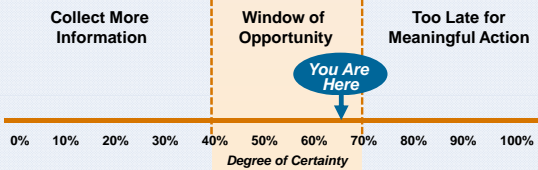
## Step Up and Make It Happen


### The 40/70 "Powell" Rule

Collect More Information


Window of Opportunity

Too Late for Meaningful Action





"Once the information is in the 40% to 70% range, go with your gut. Don't wait until you have enough facts to be 100% sure, because by then it is almost always too late."  
*Colin Powell*



35

---

---

---

---

---

---

---

---

---

---





hfma  
 Health Finance Management Association

---

---

---

---

---

---

---

---

---

---