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Operationalizing & Optimizing a Shared Services Model

October 2014

Defining a Shared Service Model

- The consolidation of business operations that are "shared" by multiple parts of the organization(s). Typically involves moving processes out of the hospital into a centralized, shared location(s).
- Defining and implementing standardized best practices – not simply centralizing the resources and former processes
- Utilizing a common technology platform, supporting best demonstrated practices and business intelligence

Common Shared Services
Diagnostic scheduling
Pre-registration
Pre-cert/notification
Registration
Contract Modeling
Financial counseling
HIM functions
Billing and collections
Cash receipt/posting
Denials/payment compliance
Compliance
Customer Service
IT&S

Drivers of Change

People

- Labor expense
- High employee turnover
- Difficult recruitment

Process

- Lack of standardization and consistency
- Unable to achieve scale (with payors, vendors) at current volumes, purchasing power
- Increasingly complex regulatory environment

Technology

- Multiple platforms, interfaces, non-integrated systems, and non-standardized master files
- Limited automated workflows, exception based rules
- Lack data visibility across the enterprise

Benefits of a Shared Services Model

- Allows the organization to focus its limited resources on those activities that support the organization's mission and business goals
- Helps navigate the challenging economic landscape by:
    - Standardizing people, processes and technologies
    - Increasing productivity
    - Enabling economies of scale, therefore, creating substantial cost savings
    - Increasing net revenue realization
- Adds speed to value in a post-merger integration environment
- Provides greater data visibility and business intelligence

Market Trends in Healthcare Shared Services

- Shared services has been a successful management practice across most industries for over 30 years
- Healthcare is a late adopter of shared services; although that is rapidly changing
- It is estimated that over 200 hospitals announced new revenue cycle shared services relationships in 2012
- This includes a variety of different models – homegrown builds, outsourcing partners, provider-based collaboratives
- The market for revenue cycle shared services is projected to grow by approximately 15% compound annual growth rate (CAGR) by 2015

Example Adopting Organizations

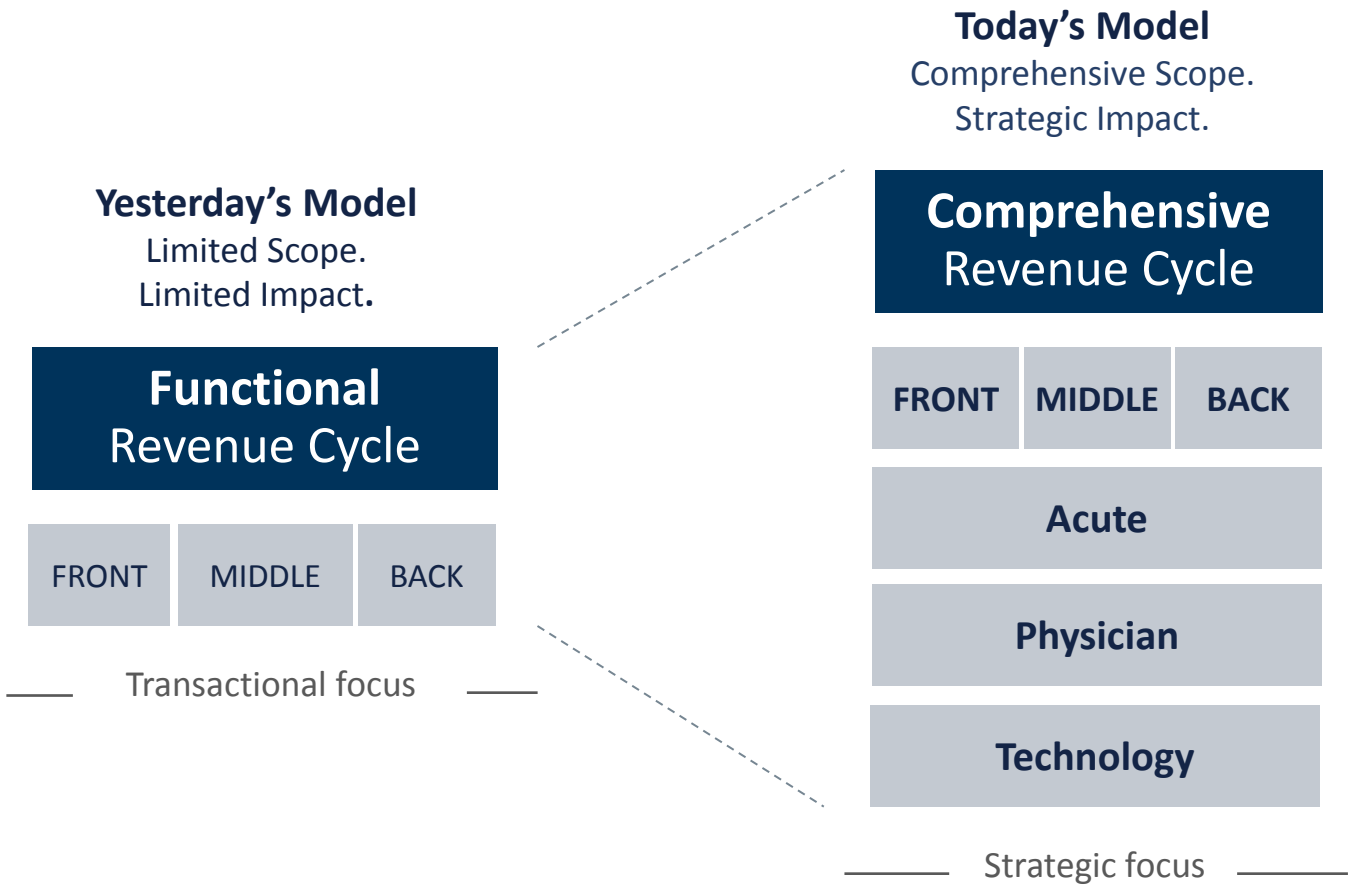
Virtually every segment of the provider industry:

- For profit
- Not for profit
- Multi-hospital systems
- Stand alone hospitals
- Physician practices

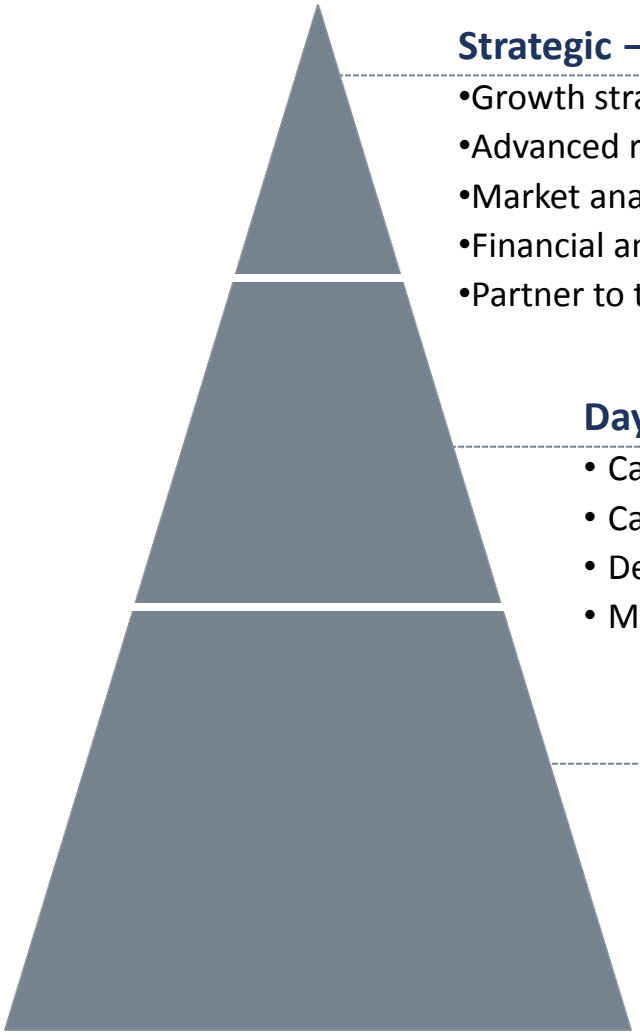
Example hospital organizations that have migrated or in process of migrating:

- HCA
- Tenet
- LifePoint Hospitals
- Catholic Health Initiatives (CHI)
- Ascension Health
- Novant Health
- BJC Healthcare, St. Louis

Market Trend: Expanding the Scope of Shared Services



How is the Role of the Hospital CFO/Revenue Executive Impacted?



Strategic — Help grow the business:

- Growth strategies
- Advanced revenue and payor strategies
- Market analysis and capital deployment
- Financial and clinical integration
- Partner to the CEO

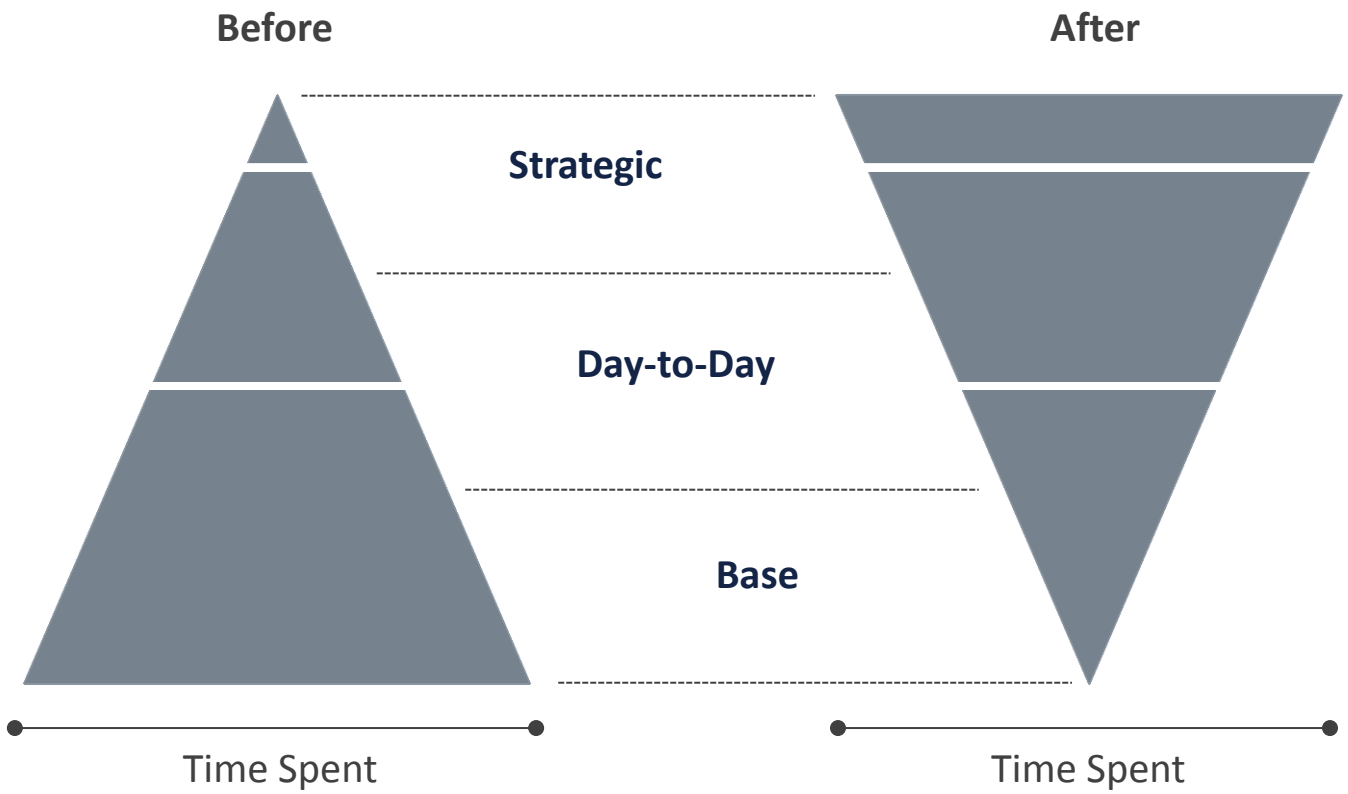
Day-to-Day:

- Calendar compression items
- Capital
- Department operational reviews
- Meetings

Core:

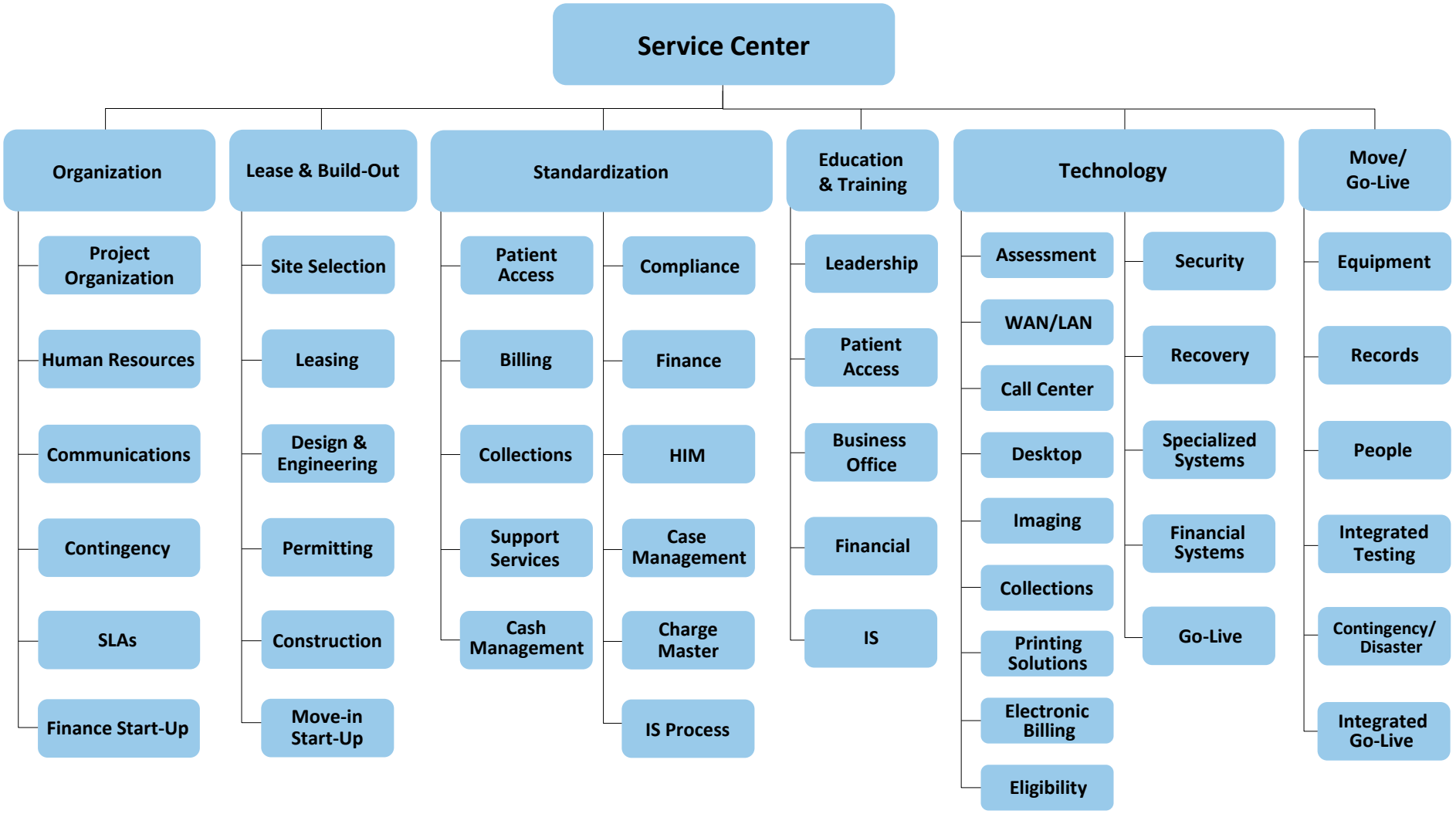
- Maintain complete and accurate balance sheet
- Transaction management (e.g. Accounting, Reconciliations)
- Tactical financial management such as business office, materials, medical records, IT
- Budgets and analytics

More Time and Energy Spent on Strategic Aspects of Managing the Hospital

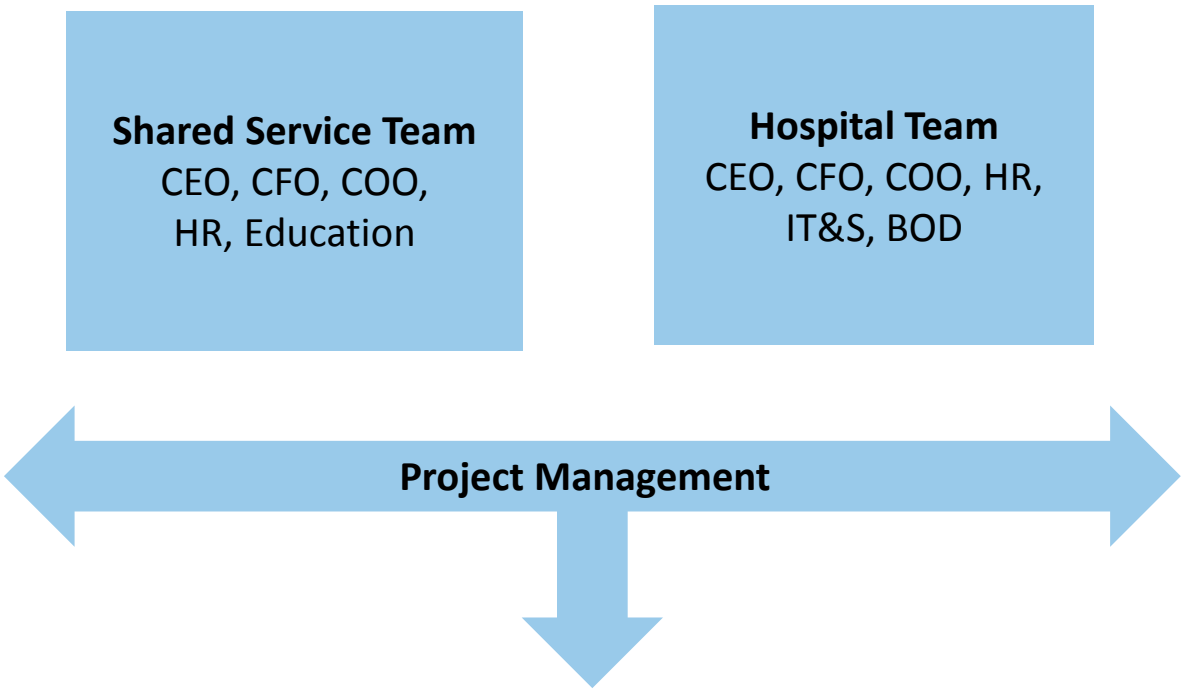


Implementation Planning

Building a Revenue Cycle Service Center Encompasses Multiple Functional Areas



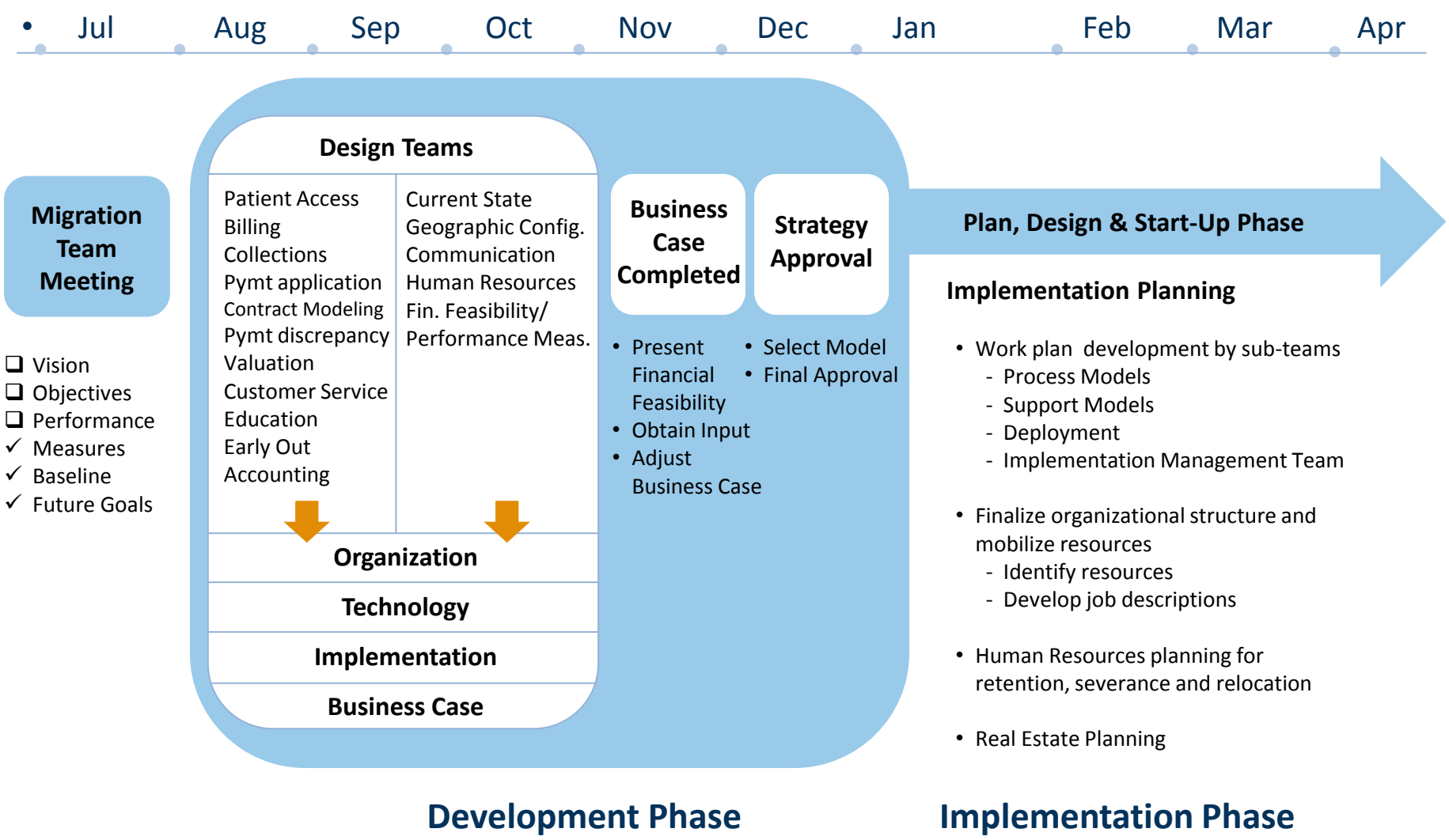
Team Based Implementation Approach



Implementation Team is responsible for:

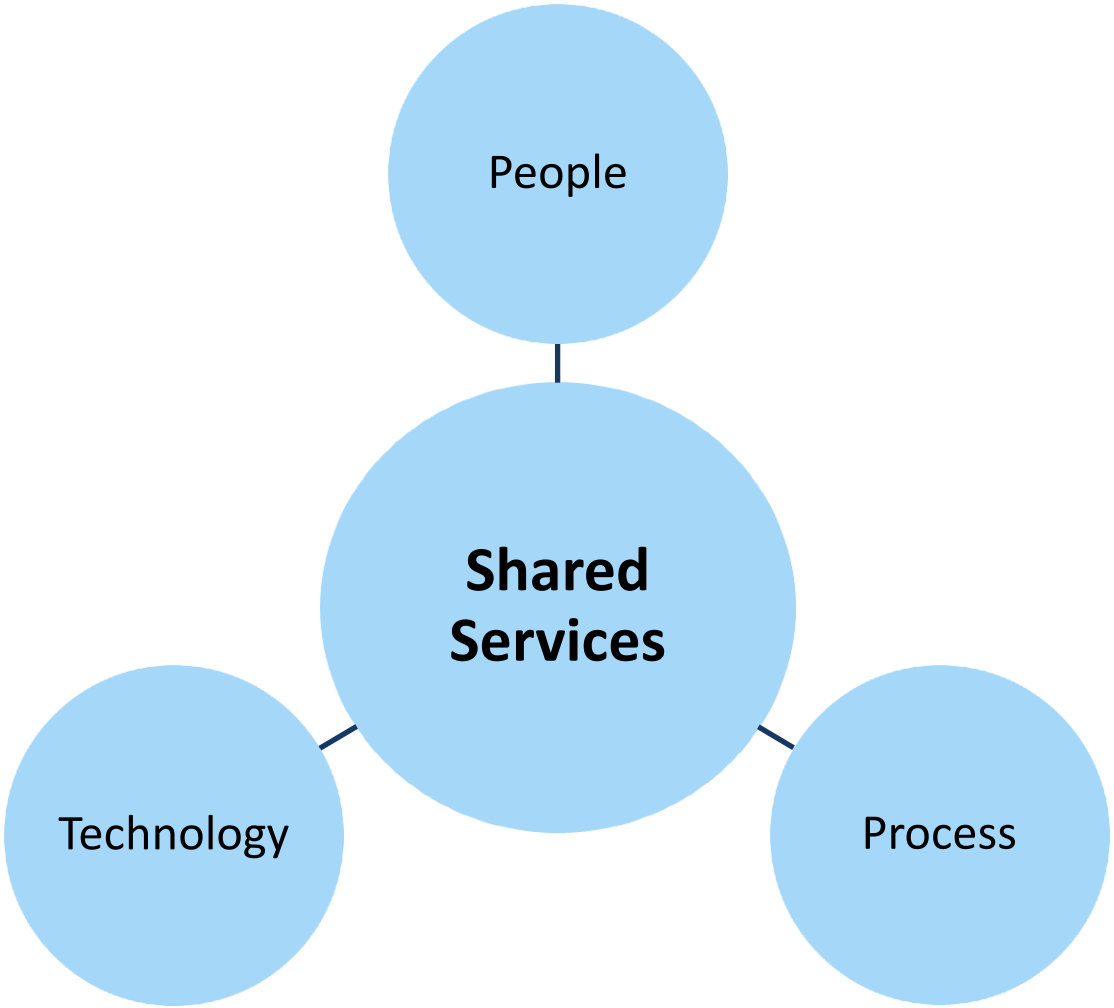
- Building and deploying work plans and budgets
- Preparing and validating deployment toolkits
- Installing standard process models, technology platforms and service level agreements
- Migrating work from facilities to a shared location and continued monitoring

Example Implementation Planning Timeline



People, Process and Technology

Operationalizing a Shared Services Model

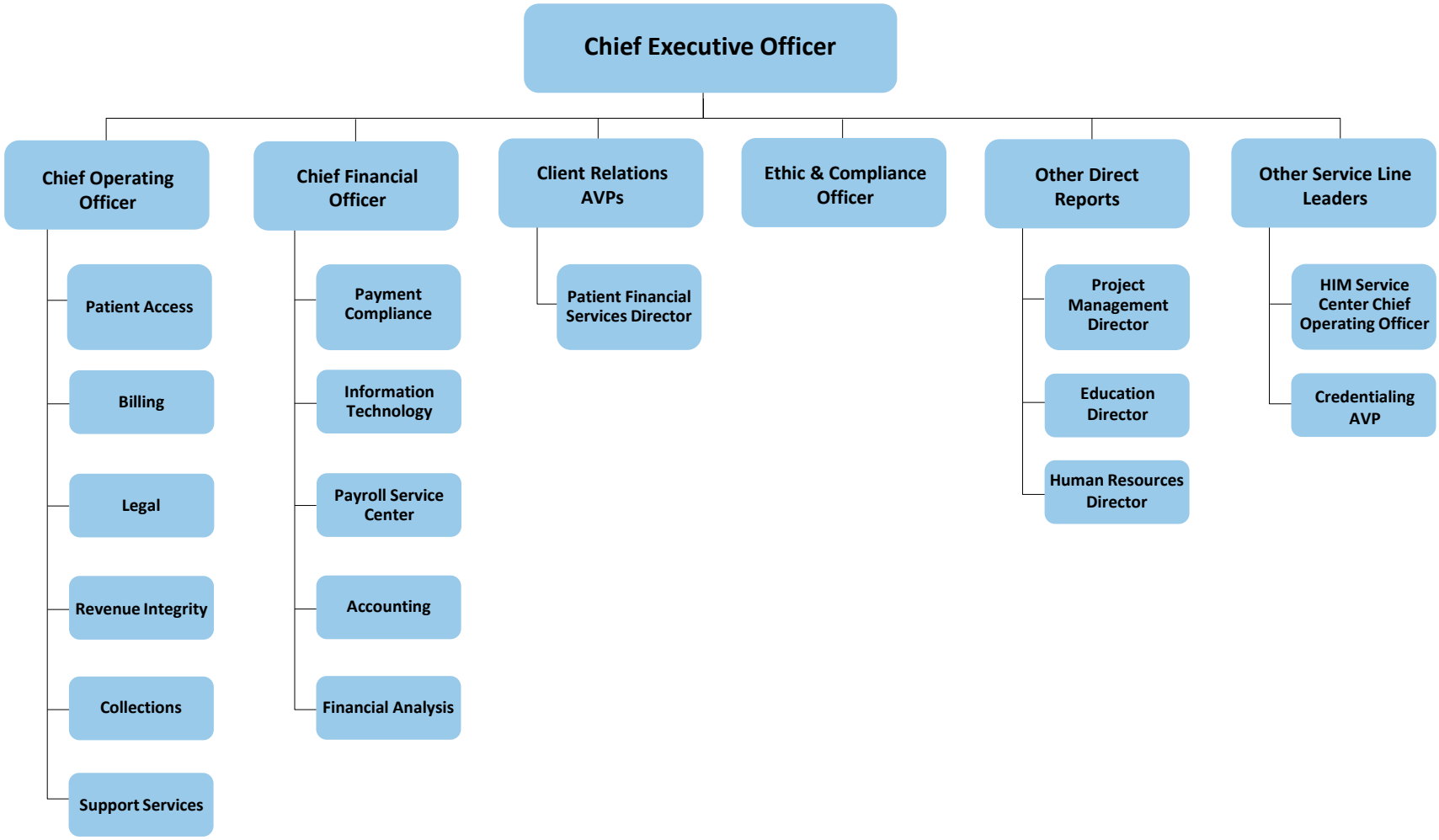


People

Creating shared services can be a powerful way to encourage employees to embrace a cultural shift to an integrated model, enabling:

- Enhanced performance/productivity management
- Employment of process experts
- Standardized, robust training and education
- Increased span-of-control
- Remote workforce
- Increased employee retention

Example Organizational Chart of Shared Services



Hospital CEO & CFO Roles During Transition

Before Transition

- Conduct meeting with key stakeholders
- Promote and support shared services initiatives
- Provide input and feedback re: issues and concerns
- Provide information and resources as requested
- Maintain business continuity

During Transition

- Actively participate in a market-based oversight committee
- Participate in service level agreement (SLA) process
- Lead local communication activities to manage change
- Resolve issues and communicate concerns
- Maintain business continuity

After Transition

- Assimilate new roles and responsibilities
- Focus on revenue generation and new business opportunities
- Continue participation in communication activities
- Provide feedback for improvement
- Operationalize service level agreements
- Maintain business continuity

People – Lessons Learned

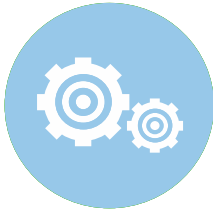
- Choose leadership wisely and early in the design process
- Carefully consider retention bonuses and relocation packages for impacted employees to maintain business continuity through migration
- Must have buy-in from the hospital CFOs to ride vs. drive
- Ensure employee profiles account for skill sets and characteristics and behavior to generate the desired outcome

Right People. Right Placement. Right Skills. Right Characteristics

People – Tips for Optimizing

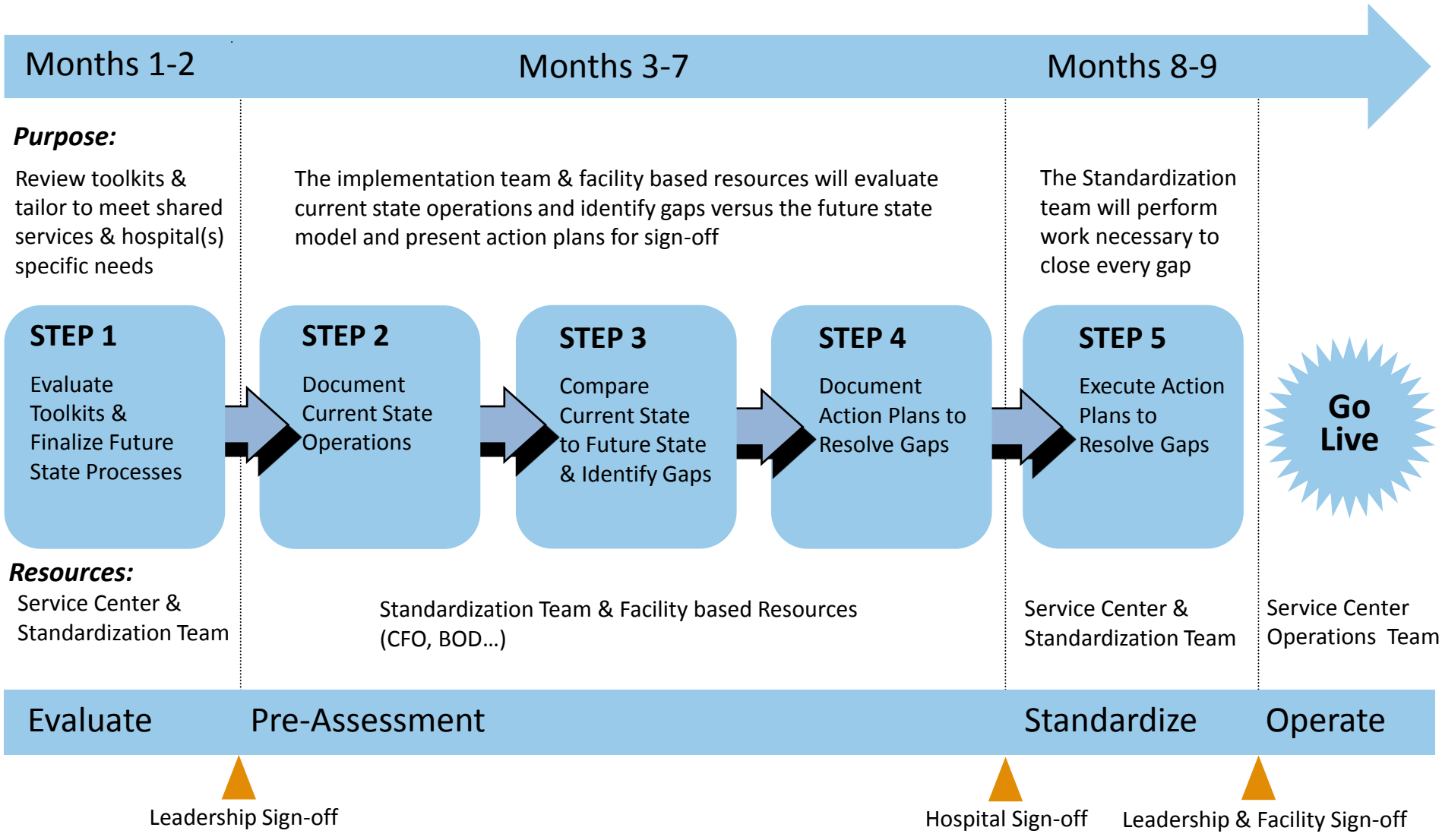
- Communicate, communicate, communicate
- Develop detailed job descriptions
- Formulate robust skills assessment
- Perform detailed person-to-job match

Process - Successful Design Facilitation

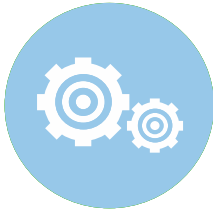


  - **End-to-end alignment is goal #1**
  - **Agreement on process** is one of the most difficult aspects of consolidating, but process design and/or redesign is necessary
  - Each team performing the same or similar function has its own processes **– select and standardize the most successful, most efficient processes**
- **Create design teams focused on key functional areas**, such as patient access, billing, collections, etc.
- Suggestions for productive process design sessions include the following:
  - **Ensure all stakeholders in the process are included** (think input, process, output)
  - Outline the current process focusing on three objectives:
    - **Identifying commonalities** in how the process is performed to help ensure "buy-in" from the stakeholders
    - **Highlighting process differences** which the group can discuss and determine if these differences are real or perceived barriers to process change
    - **Identifying and eliminating re-work or non-value added activities**
  - **Outline the new shared process and obtain agreement from all stakeholders**

Overview of the Standardization Process



Process – Service Level Agreement(s)

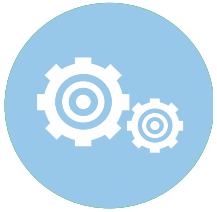


Service Level Agreements (SLAs) help manage the complex interactions between shared services and their hospital(s)

- SLAs:
  - Provide clearly defined roles and responsibilities for all parties
  - Avoid duplication of effort between facilities and shared services
  - Ensure business objections of the hospital(s) nor the shared services are compromised
  - Ensure company performance objective are obtained

Example SLA Commitments	
Shared Services to Hospital(s)	**Hospital(s) to Shared Services**
• Net days in A/R less than XX	• XX% of charges submitted within 24 hours
• Cash to net A/R not less than XX%	• XX% patient day reconciliation by 7AM
• Less than XX% aged more than XX days	• Diagnosis entered within 24 hours of discharge

Process – Tips for Optimizing



- Think beyond today. Service the business needs of tomorrow by designing processes that evolve
- You don’t know what you don’t measure
- Adapt to the changing environment. Flexibility is key
- Look to automate processes wherever possible

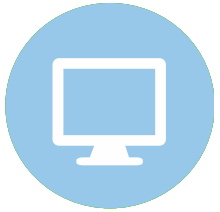
Technology – Impact of Consolidation

Technology should be viewed as supplementing not *substituting* people and process

When consolidating shared services, organizations face the same issues with people and process:

- Two or more teams coming together may have different technology solutions to perform the function being consolidated
- Decisions regarding which system to use will have to be made
- Full benefits of consolidation are only realized when the same process is performed using the same system
- Ensure technologies provide business intelligence to enable excellence
- Think mobile when it comes to business intelligence

Technology – Impact of Consolidation



The exercise of designing or redesigning processes may lead to the realization that the technology solutions available may not support the new operating model

When new technology solutions are needed, the question of "build or buy" has to be answered. The following factors should be included in the "build or buy" analysis:

- Does the technology exist in the marketplace? If so, does it fit our process or will enhancements be required? How much will customization cost?
- Are internal IT resources capable of building the technology solution? What is the opportunity cost of using internal resources?
- If internal resources are not capable, is outsourcing an option?
- With purchasing or building internally, what are the maintenance costs? Do internal IT resources have the bandwidth to perform the required maintenance?

Example Technologies Required

- **Patient Access / Billing & Collections**
- Centralized Scheduling
- Registration
- Physician Order Processing
- Online Pre-reg / Insurance Verification
- Online Eligibility
- Patient Accounting System
- Physician Billing System
- Patient Statements
- Front Office Scanning
- Correspondence Workflow
- Patient Payment Estimation
- Charity Discount Workflow
- Online Bill Pay / Cashiering
- Chargemaster Management
- Contract Modeling (what-if scenarios)
- Contract Modeling (daily operational)
- Payment Discrepancy Management
- Billing Edit Engine
- Remittance Processing

Automated Reconciliation/Matching
Credit Refund Tool
Payment Posting Automation
Denial Management
RAC Management
Medicare Bad Debt
Collections Workflow
Back Office Document Imaging & Workflow
Automated Dialers
Call Recording
Patient Concerns Workflow Tool
Interactive Voice Recognition
Data Warehouse
Management Reporting
Analytics / Dashboards

HIM

HIM Document Management
Computer Assisted Coding
Medical Records Encoding/Grouper

Technology – Lessons Learned

- Delaying the step of converting to the same system will create “silos” within the organization and efficiencies will be lost since using different systems introduces variation in the process
- Automation identifies inconsistencies
- Data integration trumps the latest and greatest technology. Spend the time truly integrating systems, normalize data.

Project Management

Role of Project Management

- Project management is a must!
- Should be involved in *every* aspect of the consolidation initiative
- Should provide a project plan for each: People, Process, Technology, and Space Planning
- Project Management resources need to do more than check boxes on a project plan and provide a status report, they need to have enough familiarity with the process to develop meaningful project plans and provide feedback

Benefits of Project Management

- Alleviates many of the administrative burdens from those full-time employees involved in the consolidation initiative (remember, these employees have their regular “day jobs” outside of the consolidation initiative)
- Provides step-by-step project plans with detailed tasks and responsible parties so nothing “falls through the cracks”
- Reports on the completion status of each phase of the consolidation
- Arranges status meetings for all stakeholders and provide status reporting
- Assist with the development of the communications toolkit

Migration Timeline

Example Migration Activity Timeline

Activity	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Post Go-Live
Lease & Build-out	Site selection	Lease signed	Architect engaged	Construction documents, permits, pricing	Construction starts		Computer room available	Training & conference room avail.	**Go-Live**	
Project Organization		Executive briefing	Implementation team announced/ kick-off mtg held	Customize & Baseline Generic Project Plan ← Workplan Management Status Reporting/Issues management Change Order Management			Knowledge Management/Deliverables Project Charter →			
Human Resources		CEO on board	CEO direct reports on board	Directors Hired		Initiate Staff Recruiting Plan	Staff Recruiting	Staff Recruiting		
Communications	←			Company wide Shared Services Communications →						On-going Communications
				← Transitional Communications →						
Contingency Plans				Start Contingency Plan			Complete contingency plan			
SLAs				Conduct facility kick-off	Gather base-line data		Baseline & target measures & sign SLA	Establish Subj matter expert network	Conduct issues database training	• Run/distribute 1st dashboard report • Conduct Op. Review • Administer facility satisfaction survey • SLA Renewal
Financial Start-up			Gather Preliminary Data (Expenses/ Resources	Initialize capital & operations budgets	Provide Financial Data		Compare Facility Data to Generic Baseline	Recommendations Regarding (Expenses/ Resources)	Obtain Approvals	Perform Post Implementation Analysis
Standardization				Start standardization process	← Retro-fit existing CBO processes: Masterfiles, P/P's, etc. to Service Center Standards →					
Education			Hire Training Director		Complete education plan	Complete Training assessment	Customize Training	Execute Training		
Technology				Order, install, and test technologies (see tech timelines for details) →						
Move/ Go-Live					Develop & Communicate move plan	Prepare For Move	Contract With Moving Company	Communicate Detailed Moving Instructions to Facilities	Process Cut Over	Go-Live Or Execute Contingency

The Build vs. Buy Equation

Build vs. Buy – Example Considerations

- Start up costs
- Implementation timeline and capabilities
- Ongoing operating costs
- Opportunity costs – leadership time, other initiatives, etc.
- Employee impact
- Access to steady, qualified labor pool
- Remote workforce capabilities
- Control and governance process
- Business continuity
- Technology platform
- Enterprise view

Partnership Value Proposition

Evaluating the business case for potential outsourcing partners includes several components:

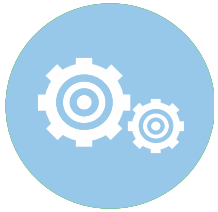
- Baseline cost analysis
- Benchmarking costs and net revenue performance
- Technology integration and business intelligence
- On-site visits/meetings
- Considering different delivery models
- Net revenue accuracy
- As well as other qualitative value drivers

Build the business case, but also evaluate value beyond cost.

Value Beyond Cost – Consider This

PEOPLE

- Management experience
- Trusted relationships—payors, vendor partners, clients
- Client support culture/infrastructure
- Robust education program
- Flexibility regarding community impact—remote workforce capabilities



PROCESS

- Formal Project Management
- Legal and Regulatory Compliance/Controls
- Continuous process improvement
- Business continuity planning
- Accountability and accuracy
- Detailed policy/process documentation

TECHNOLOGY

- Investment in best of breed technology
- Seamless integration
- Comprehensive data warehouse/reporting
- Workflow tools/developers

Guiding Principles and Critical Success Factors

Guiding Principles

- **Shared services is a hospital support function and the hospitals are customers.** Annual satisfaction surveys should be administered to hospital operators.
  - **Messaging and communication from Senior Leadership is critical.** Key message components should include:
    - The need to enhance operating performance and leverage knowledge
    - The need to reduce operating costs by leveraging size and efficiencies
    - The need to better manage compliance and reduce regulatory compliance risks
- **Service level agreements (SLA), with mutually agreed upon service level commitments, serve as the governing document between shared services and the hospitals clients:**
    - The SLA defines roles and responsibilities of both parties
    - SLA metrics exist for both the hospital and support service function to ensure both parties are meeting agreed upon commitments
    - Service level metrics are independently assessed and reported

Guiding Principles (cont')

- **Highly integrated project management is crucial to ensure changes are effectively planned, organized and controlled.** 20–30% of project time is spent assessing the environment, building the business case, and developing the detailed project plan. This ensures the organization is prepared to execute which allows for a well-managed implementation.
- **Each shared services function is unique and has its own change management process that is customized based upon organizational culture.**
- **Well defined, standard processes yield superior performance results and reduce compliance risks.** Reporting is in place to allow hospital operators to monitor key performance indicators (KPIs). Standard processes also allow for rapid implementation of legal and regulatory requirements.

Guiding Principles (cont')

- **The value proposition is about four key items:**
  1. Financial improvement
  2. Standardization
  3. Risk management
  4. Patient excellence
- **Functional segregation of responsibilities** promotes deep subject matter knowledge and allows for increased efficiencies via specialization.
- **The focus of shared services is on excellence in "blocking and tackling" versus technology.** Technology is an enabler to support people and process.
- **Push versus pull of functions.**

Critical Success Factors

- Strong management sponsorship and leadership
- Willingness to change
- Disciplined and rigorous project management
- Comprehensive communication strategy
- Effective retention and business continuity strategies
- Implementation processes in place to manage/measure benefits and costs
- Commitment of resources to detailed planning phase
- Front and back-end integration
- Contingency planning

Questions?

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