Financially Future Proofing Your Children's Hospital

By Michael Gladson, Rick Roycroft and Michael Pou

Today, many children's hospitals have adequate margins — relative to those at many adult facilities — in part due to the current Medicaid reimbursement and reasonably favorable commercial rates. However, the recent rumblings on Capitol Hill about impending changes are causing many to consider how long this will last. Potential funding cuts along with changing market dynamics including the shift of care to lower cost settings and changes in payer rates might impact these organizations.

As you lead amid this financial uncertainty, a clearly defined financial plan must be a part of your strategic vision. This requires that you focus on growing the business for the future while optimizing today's business and map your financial strategy to your strategic plan.

Combat Margin Uncertainty by Improving Your Core Business Processes

Optimize core business functions to streamline costs and resources while continuing to provide an outstanding patient experience. A strong core business should include efficient revenue cycle and supply chain processes. This will ensure that you have a solid financial foundation while providing high-value care.

- **Have upfront conversations with families about the cost of care.** When consumers know what they're going to have to pay for a service upfront they are more satisfied with their experience and better prepared to follow through on paying their bills. Therefore, it's important to develop a process where you can talk to parents and families about the cost of their child's upcoming surgery or procedure. This will help you accelerate cash flow and reduce downstream rework.
- **Create processes to stay on top of Medicaid authorizations.** Understaffed Medicaid offices make obtaining authorizations and payments challenging. To overcome this obstacle and receive timely reimbursement, you can develop internal protocols and processes that mimic those used by your state agency and implement continuous quality improvement efforts. This will increase the likelihood that clinical and financial criteria are met before a bill is sent and increase authorizations. In addition, use analytics to simulate Medicaid revenue cycle requirements without slowing down your throughput and regularly provide Medicaid with prioritization listings so they can focus on your highest value patients and accounts. These processes should be dynamic, so they can be adjusted as your state's Medicaid office changes.

- **Prepare your clinical documentation improvement program for Medicaid All Patients Refined Diagnosis Related Groups (APR DRGs) and Enhanced Ambulatory Patient Group (EAPGs).** APR DRGs are often overlooked in children's hospitals because of long standing fee for service contracts. However, the increase in Medicaid-based DRG payers and now APR DRG payers in many states makes documentation and coding accuracy increasingly critical for receiving the appropriate reimbursement for the severity of illness, risk of mortality, and the acuity and complexity of care. At the same time, as care continues to shift to the outpatient setting, accurate documentation with EAPGs for Medicaid patients is becoming increasingly important. This will not only benefit your bottom line but provide your organization with excellent, high-quality and reportable data.

- **Engage physicians in supply chain improvements.** Assess your supply chain and create a more unified approach to your operations. Start with a value analysis program that is either physician led or supported so they have ownership of the process. Physicians can be advocates for their patients' needs, ensuring that the right products are available at the right time while also managing inventory to demand. Continuous monitoring and review of supply chain operations will be necessary as you drive down costs.

- **Leverage technology investments.** As technology continues to change healthcare, the challenge of identifying, optimizing and integrating tools is a top priority. For instance, look at new technology such as robotic processing automation (RPA) to see if it can increase efficiency and accuracy of processes within your supply chain or revenue cycle. RPA leverages technology to eliminate repetitive, duplicative tasks while maintaining quality and reducing costs. In addition, software which may have been prohibitively expensive software in the past are becoming more mainstream and easier to implement and maintain.

Evaluate these areas of your core business to eliminate waste. This means that you'll be more efficient today, allowing you to invest in a strategy for your future.

Map the Financial Strategy to Your Strategic Plan

The financial strategy for the organization should be one part of your strategic plan which should stretch across the organization. Each aspect of department or unit plans should ladder back up to the enterprise-wide strategic plan. For instance, purchased services that are outsourced, like food services, which are a critical component of the patient and family experience, must have tactics and objectives that align with the broad strategic plan and align with your financial strategy. Without considering ways to align all areas of the organization with the larger strategic vision, it will be challenging to achieve your top-line strategic objectives.

Amid a dynamic industry and a precarious payment system, children's hospitals are in a position where waiting for the future to unfold may seem like the safer option, but those that choose to take a proactive approach can build an organization that operates efficiently today and executes upon a strategy for continued growth from a position of strength.

Key Takeaways

To build a solid financial foundation for your children's hospital that will set it up for future success:

Think differently.

Consider how optimizing core business functions such as supply chain, revenue cycle and clinical documentation improvement will position your organization for success amid the changing industry landscape.

Plan differently.

Create a financial strategy that aligns with your overarching strategic plan and execute on it across all areas of your hospital.

Act differently.

Continually evaluate your financial state and identify areas where new technology and processes will enable you to drive down costs.

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