



AHRMM

Association for Healthcare
Resource & Materials Management
of the American Hospital Association

Advancing the Healthcare Supply Chain



Supply Chain- Revenue Cycle Management

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American Hospital
Association

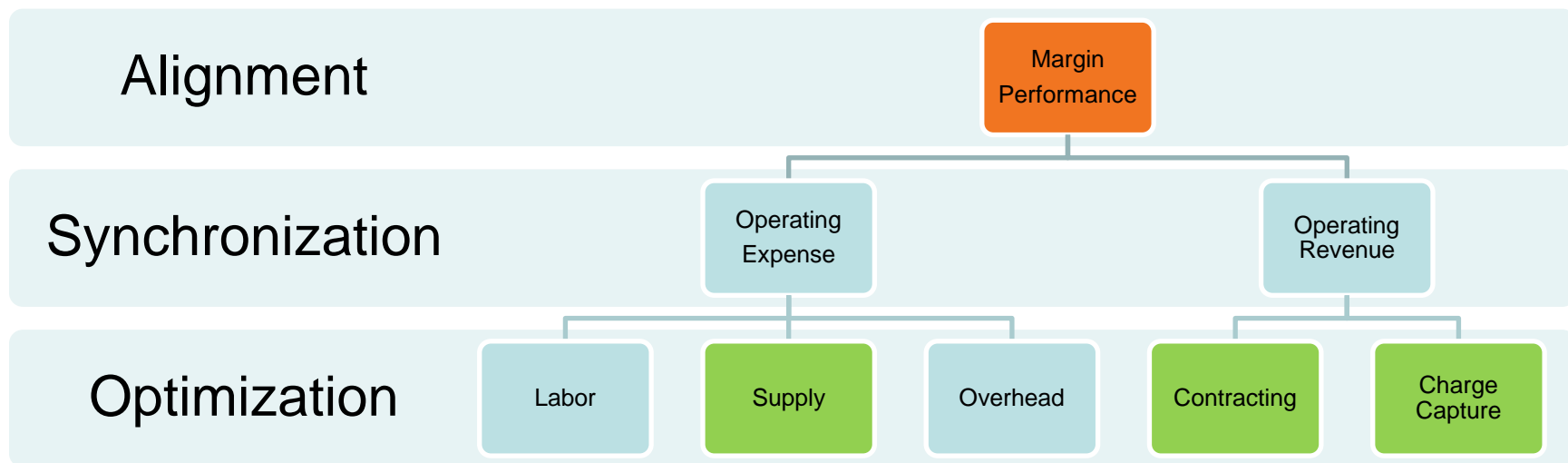
Linking Supply Chain with the Revenue Cycle

The Disciplines of Revenue Cycle Performance and Supply Chain Economics have often been seen as independent strategies of pursuit in a hospital's operating plan. This presentation will highlight the importance of not only recognizing the inherent strengths of aligning these disciplines, if embraced as an integrated operating strategy it will enhance your organization's ability to maximize revenue cycle expectations while lowering the expenses associated in procuring supplies and technologies.

Learning Lesson Deliverables

- **Identify and highlight the association between Revenue Cycle Performance and Supply Chain Economics**
 - RELATIONSHIP
 - INTERDEPENDENCIES
 - SYNCHRONIZATION
 - PROFITABILITY ADVANTAGES
- **Identify current pitfalls preventing Alignment, Synchronization and Harmonization of efforts**
 - Product Sourcing/Standardization
 - Data Transparency - Decision Support
 - Charge delivery and collections models
 - Payor association
- **Identify and highlight strategies to address and overcome common pitfalls**

Setting The Stage



Focusing Direction

Alignment

Margin Performance

Synchronization

Expense

Revenue

Optimization

Sourcing

Contract Management

Data Management/Source Control/Delivery

Logistics

Contracting Strategy

Documentation/charge capture

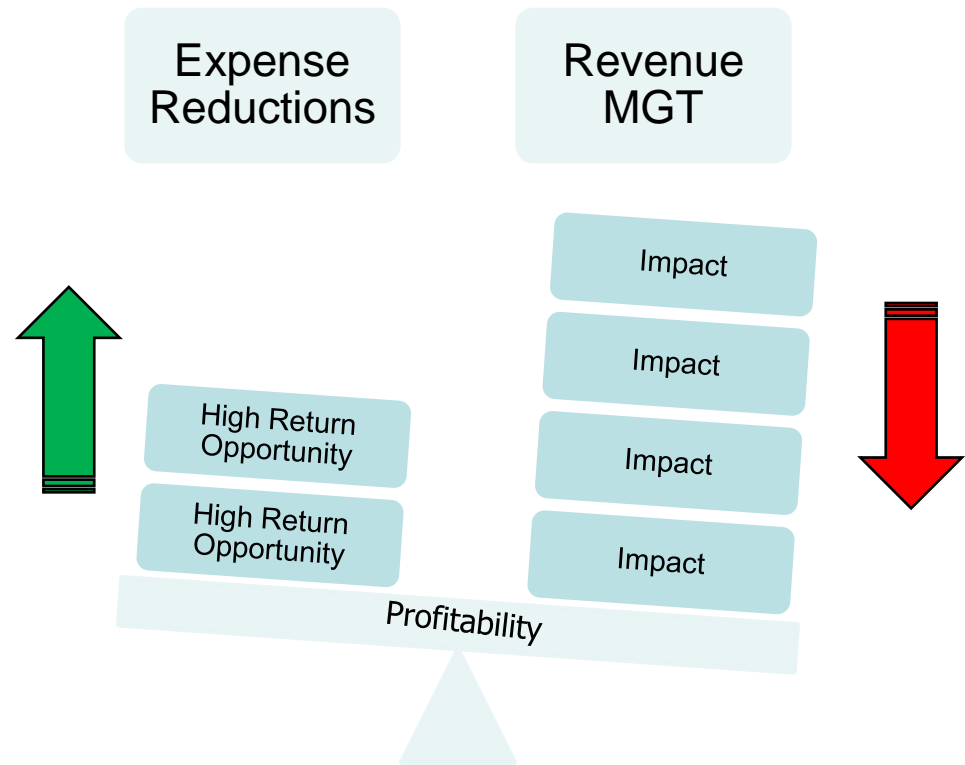
Billing/Collections

Patient Access

Associating the Need

Guarding against “single minded” silo based strategies

- Uncoordinated efforts lend itself to unknown down stream consequences.....High potential for the organization to be operating at cross purposes..
- Optimizing organizational performance in both Economic Sustainability and Service Quality is severely jeopardized
- Disadvantages the organizations ability to fully leverage the inherent strengths, capabilities and resources embedded within...



Embracing New Competencies

Supply Chain/Revenue Cycle
Transformation Curve

Strategic Alignment

Management Accountability

Focused/Integrated approach

Stakeholder Education

Operating Rhythm

Compliance/Audit Oversight

Reassessment/Review

Self Reliant Model

Optimization/Sustainability



Strategy Development

State of Readiness: "Organizational Considerations"

Supply Chain/Revenue Cycle
Transformation Curve

Compliance/Audit Oversight

Stakeholder Education

Focused/Integrated approach

Strategic Alignment

Strategy Development

State of Readiness: " Organizational Considerations"

- **Strategic Alignment**
 - Are new technologies evaluated for both clinical and financial viability?
 - Does the financial analysis of new technologies, supplies and drugs reflect current and future arrangements with commercial contracts?

Strategy Development

State of Readiness: “ Organizational Considerations”

- **Strategic Alignment**
 - Do you evaluate contracts at a service line/procedural level to ensure economic sustainability?
 - Do you have supplemental payments strategies in place for cost coverage of high risk technologies, supplies and drugs?
 - Do you have new technology provisions that will ensure adequate reimbursement for recently added new products?

Strategy Development

State of Readiness: “ Organizational Considerations”

- **Focused Approach**

- Do you have a mechanism in place and an operating rhythm to evaluate your top 25 to 50 high cost per day DRG's?
- Do you have a way to reassess current contractual obligations with commercial payors to ensure “carve outs” for high risk technologies, supplies and drugs?
- Do you have a mechanism in place to evaluate potential carve outs requirements for high cost disposable instruments?

Strategy Development

State of Readiness: “ Organizational Considerations”

- **Focused Approach**
 - **Do you evaluate the total impact (P/L) for new technologies, supplies and drugs including:**
 - LOS, Labor, Payor Mix, Clinical Ancillary trickle down, etc
 - **Do you have an established process for new clinical technologies, supplies and Drugs introduced in the organization?**
 - **Is there a dedicated resource in your supply channel program for conducting research on vendors and new technologies?**

Strategy Development

State of Readiness: “ Organizational Considerations”

- **Focused Approach**
 - **Have the Item and Charge masters been reviewed and updated within the past 12 months?**
 - **Is there centralized oversight of the Item and Charge masters?**
 - **Do you have a mechanism in place to proactively synchronize with your medical coders new technology additions?**
 - **Is there an established process for reviewing major changes in clinical practice and its associated impact to total profitability?**

Strategy Development

State of Readiness: “ Organizational Considerations”

■ Stakeholder Education

- Have you integrated physician champions into your strategy development and tactile panning process?
- Do you educate your physicians about their procedural supply costs (aligning clinical quality/economic return)?
- Do you have a mechanism in place to proactively synchronize with your medical coders new technology additions?

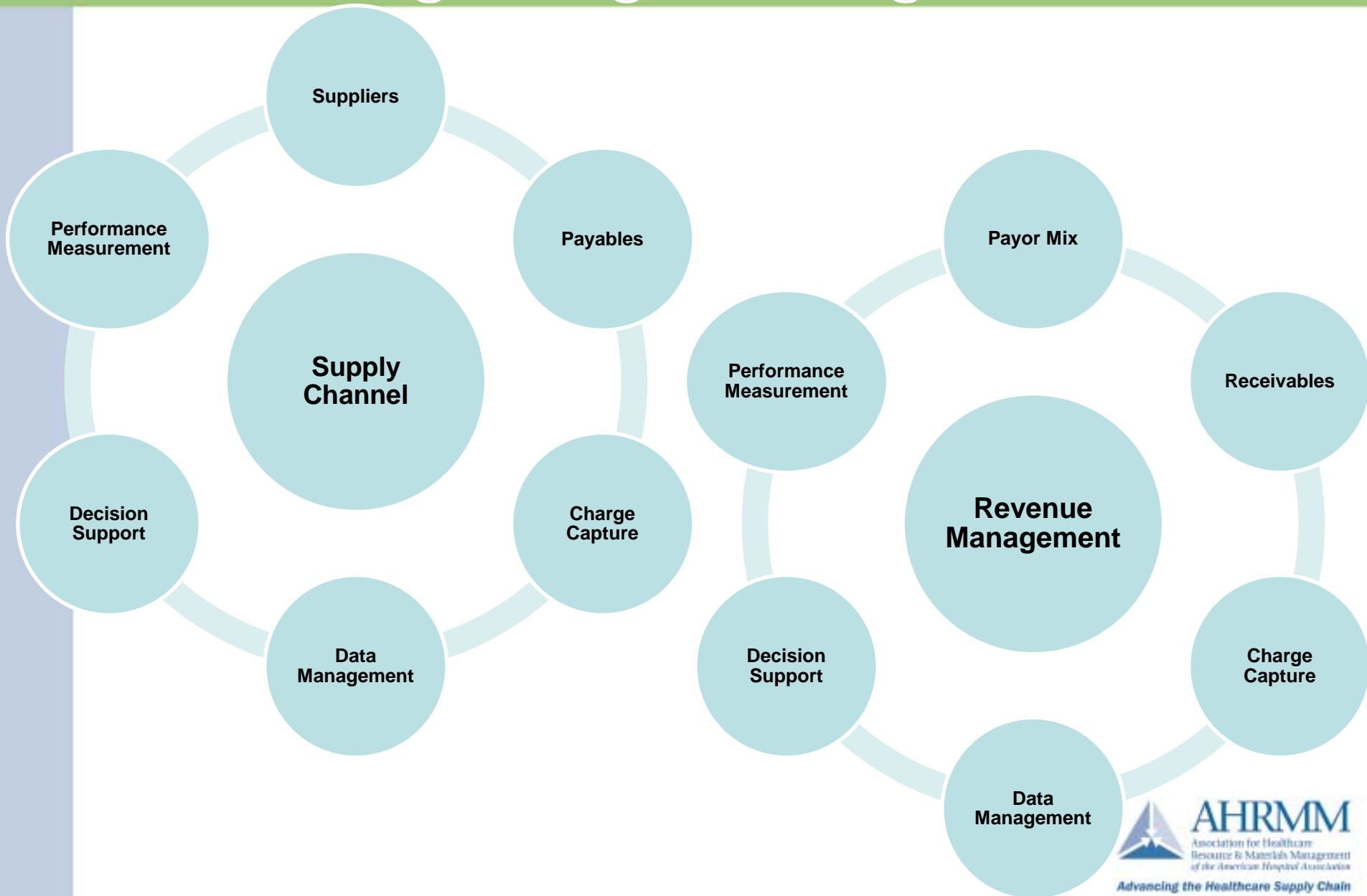
Strategy Development

State of Readiness: “ Organizational Considerations”

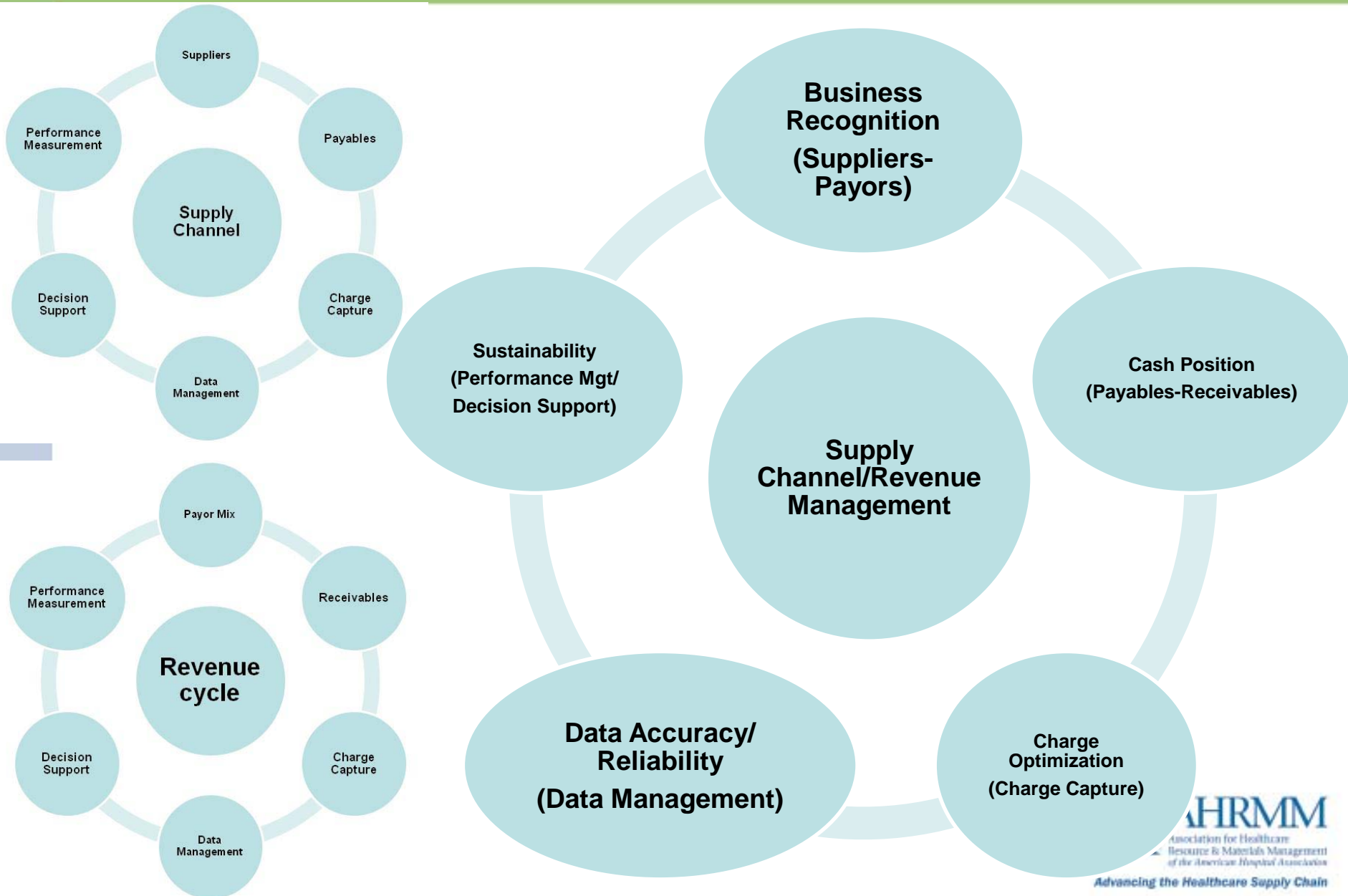
- **Compliance and Oversight**

- **Have you established an internal monitoring program to audit billed charges for high risk technologies, supplies and drugs?**
- **Are you currently performing at a 98% charge capture rate?**

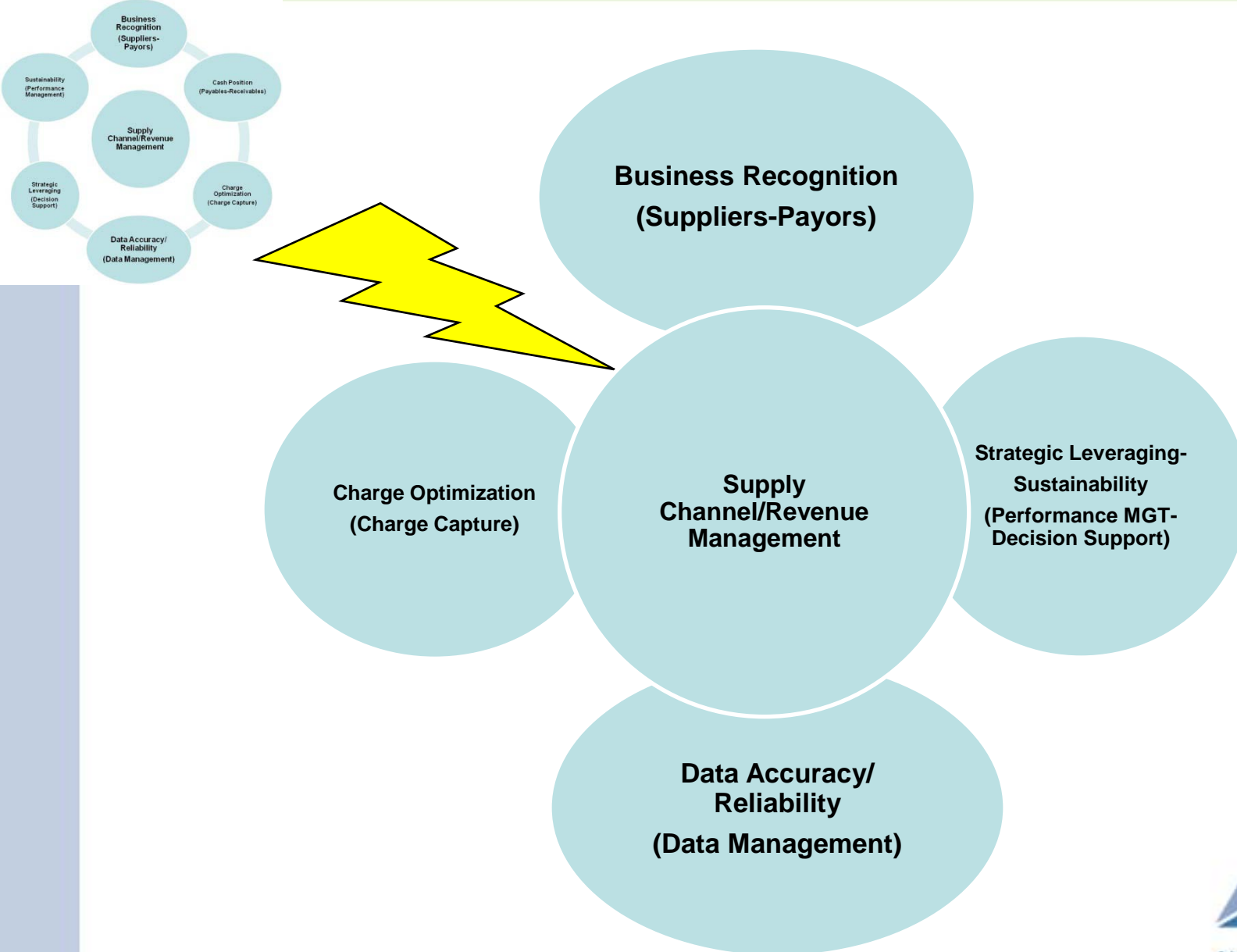
Recognizing the Alignment



Synchronizing the Drivers



Focusing Approach

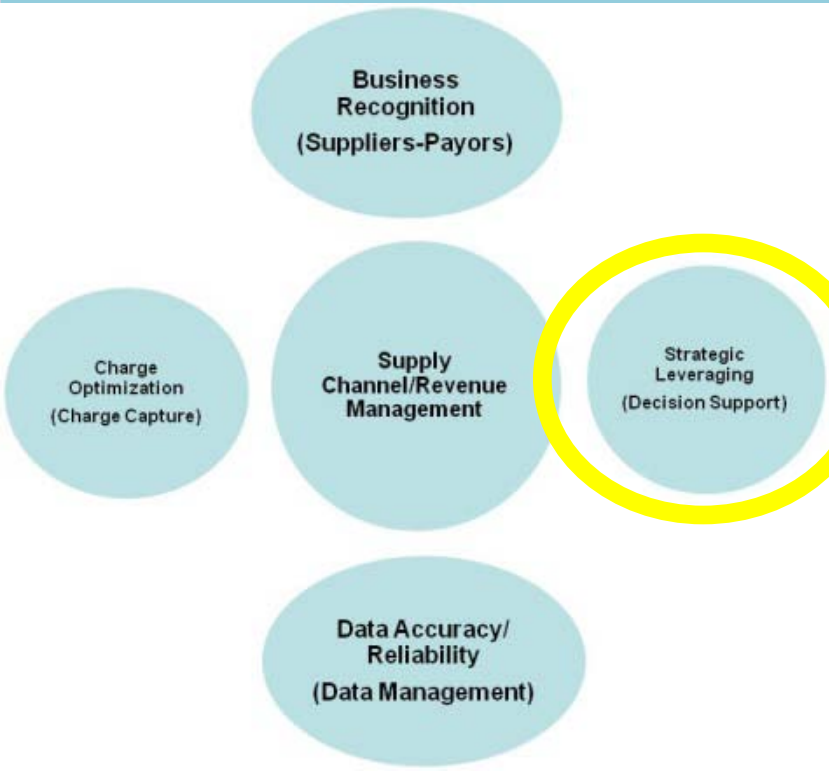


Aligning the Elements



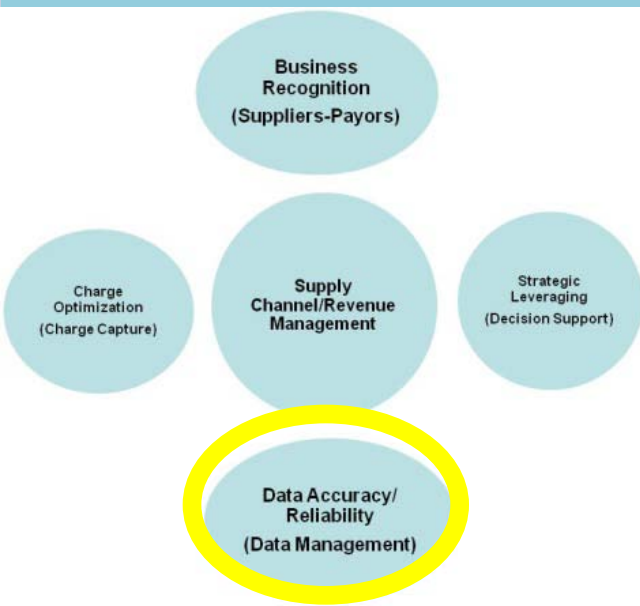
Aligning the Elements

Strategic Leveraging Decision Support	Supply Channel Service Line Identification DRG Association	Revenue MGT Service Line Identification DRG Association
	<ul style="list-style-type: none"> New Technologies High cost supplies High cost Drugs Contract 'Price Points" Organizational Position Contractual Commitments 	<ul style="list-style-type: none"> New Technologies Focused Carve outs Stop Loss Determination Per Day Exceptions High cost supplies Focused Carve outs Stop Loss Determination Per Day Exceptions High cost Drugs Focused Carve outs Stop Loss Determination Per Day Exceptions Contract 'Price Points" Focused Carve outs Stop Loss Determination Per Day Exceptions Organizational Position Payor Mix Specific Contract Renewals



Aligning the Elements

	Supply Channel	Revenue MGT
Data Accuracy Reliability	Consolidated Item Master	Consolidated Charge Master
Data Management	Service Line Identification	Service Line Identification
	DRG Association	DRG Association
	Revenue code identification	Revenue code identification
	Item Master "Annualized Review/Update"	Charge Master "Annualized review"
	DRG Association	Economic Considerations



Revenue code validation/update	Rationally based schedule
	Service Line Identification
	DRG Association
	Revenue code validation/update

Aligning the Elements

	Supply Channel	Revenue MGT
Charge Optimization	Technology Assessment	Technology Assessment
Charge Capture	Point of Service	Point of Service
	Compliance	Compliance
	Mid-Year Course corrections	Mid-Year Course corrections
	Specialized Review/Method of Collections	Specialized Review/Method of Collections
	Targeted Revenue codes	Targeted Revenue codes

Recovery/Business Continuity Process

Documentation/Charge Audits

Denials

Underpayments

Recovery/Business Continuity Process



Supply Chain Strategies

- How Do We Do That?
 - Senior Leader Buy-In
 - Service Line Leadership Buy-In
 - Physician Buy-in
 - Department Managers Buy-in
- Opportunity to become a Leader
 - Data Driven
 - Enlist others for help
 - Decision Support
 - Finance
 - Revenue
 - Payor Contracting
 - A/P
 - Service Line Leaders
 - Medical Staff Leadership
- Present a case for change

Sourcing Strategies

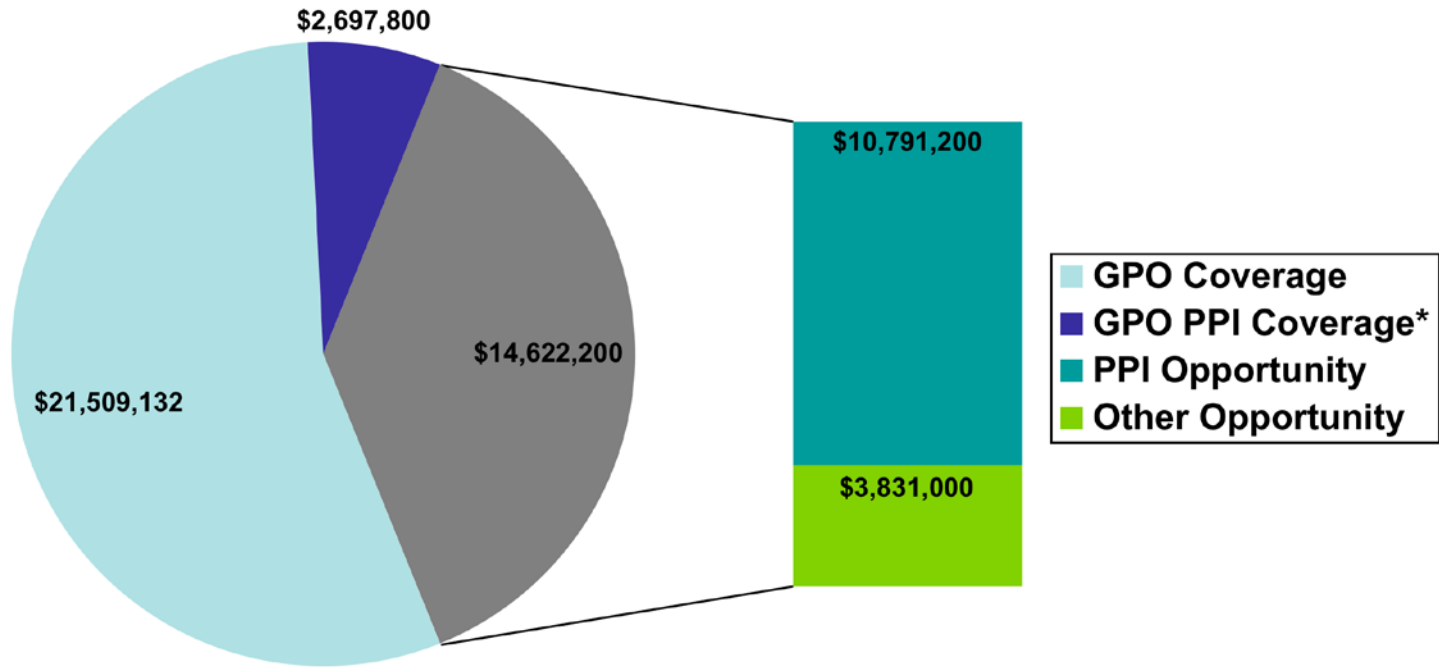
- GPO Decision
- Use One?
 - If so which one?
 - Not all are the same
 - Data Driven Decision
 - Make/Buy decision
 - Must Actively Manage and Challenge GPO to deliver
- Self Contracting
 - Internal Expertise?
 - Needed to cover “holes” in GPO
 - PPI's
 - New technologies
 - IT
 - GPO's incentives may not parallel institutions

Contracting Strategy

- Maximize GPO
- Identify items using data which are not
 - Covered by GPO
 - GPO does not maximize savings
- PPI's (Physician Preference Items)
- New Technology
- Standardization
 - Across Service Lines
 - Across entire organization
 - Achieve GPO Tier Savings
 - Maximize Manufacturer Rebates
 - Reduce Inventory Costs
 - Reduce Purchase Costs

Data Driven Opportunity Analysis

Supply Spend Analysis

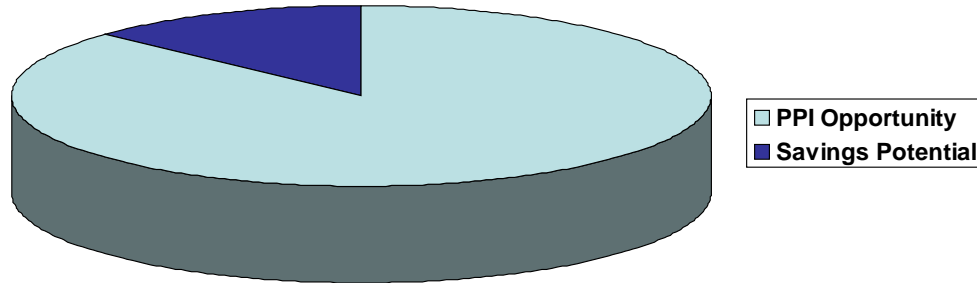


PPI Savings Potential

- PPI opportunity is generally target rich

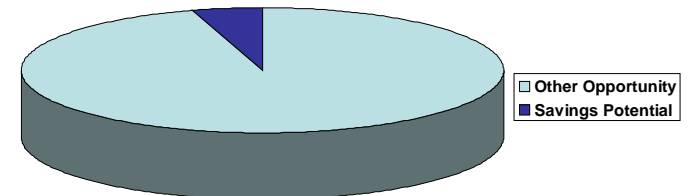
Savings Opportunity
PPI

\$1,618,000



Savings Opportunity
Other

\$191,550



Linking Value Analysis to Opportunity

- Divide and Conquer approach
 - VA Teams for specific disciplines (Service Lines)
 - Cardiac
 - IR
 - Ortho
 - General Surgery
 - RX
 - Med Surge
 - General (non clinical)
 - IT
 - Supplies and Purchased Services
 - Savings Goals are set using data
 - % of total supply spend
 - Opportunity analysis (top 25-50 High Cost DRG's)
 - Service Line profitability

Value Analysis Organizational Structure

- Senior Leadership Steering Committee
 - COO,CFO,CMO, CIO VA Team Leads, Supply Chain Leader (CRO)
 - Sets Strategic Goals
 - Assigns Monetary Savings Goals
 - Targets are set using data
 - Holds Team Accountable
 - Monitors Action of Teams
 - Supports teams with political clout
- Team Leadership and makeup
 - Teams led by Senior Manager (VP or Svc Line Leader)
 - Members include
 - Dept Directors
 - Medical Staff Leadership
 - Important Staff
 - Revenue/Finance
 - Supply Chain Staff (Clinical Resource Management Personnel)
 - Decision Support

Linking Value Analysis to Process

- Robust Value Analysis Process
 - Supplements GPO purchasing power
 - Ensuring Finance is represented on Teams
 - Payor Contracting Representatives
 - Revenue Management Specialists
 - Carve outs
 - High risk procedures
 - High cost supplies/drugs
 - Disposable instruments
 - Stop Loss
 - Per Diem
 - Using disposables versus reusable
 - Decision Support
 - Data for team
 - Service Line profitability
 - Isolates Outliers

Clinical Resource Management

New Concept-Clinical Resource Specialists

- Position Created to bridge gap between Supply Chain and Clinicians
- Reports to Supply Chain Leadership
- Identify Internal Clinicians to develop
 - OR Nurses
 - OR Techs
- Work with Value Analysis Leadership to:
 - Research for new requests
 - Medical Literature
 - Set Agendas
- Work with Clinicians to:
 - Understand needs versus wants
 - Training for new products
 - Help achieve Standardization
 - Day to Day problem solving

Inventory Management

Many Areas of Supply Usage/Storage Mismanaged

- IR/Cath Lab/OR/Radiology
 - Lack of inventory discipline
 - Usually someone's add on role (lack of focus and expensive)
 - Lack of systems
 - Materials Management not involved
 - No data to support usage/pars
 - Excess inventory
 - Large amounts of out of date product
 - Lack of tie in with Value Analysis and/or GPO
 - Lack of purchasing strategy and discipline
 - Buy a box of 10 because Dr. X wants to try one, nine go out of date due to no rigor in daily management
 - Rogue Buying which buy-passes Purchasing and Value Analysis
 - Results in higher costs

Item Master Management

- Correct and Clean Item Master/Charge Master
 - Big job to get them clean and linked
 - Takes organizational will to keep them that way
 - Usually too many hands in the pot
 - Everyone wants access
 - Many ways to create discrepancies
 - Units of issue, size, brand, price
 - Item Master feeds Charge Master (or vice-versa)
- Dedicated Staff to maintain
 - Limited access (read only) for 99%
 - Discipline around vernacular and order unit

Ensuring all Charges are Posted to Account

- **Excessive Revenue losses due to poor systems**
 - Automation
 - Supply Cabinets (not used correctly)
 - OR documentation systems
 - AP System
 - MMIS System
 - BIG Problem
 - Lack of interface capability between these systems
 - MMIS-Supply Cabinets-Patient Documentation-Charge System
 - Manual
 - Implant Room
 - Assembles all implants, cement, screws/plates, suture
 - Specific area of case cart
 - Staff verifies after each case that all items accounted for
 - Achieve a 99.9% charge capture

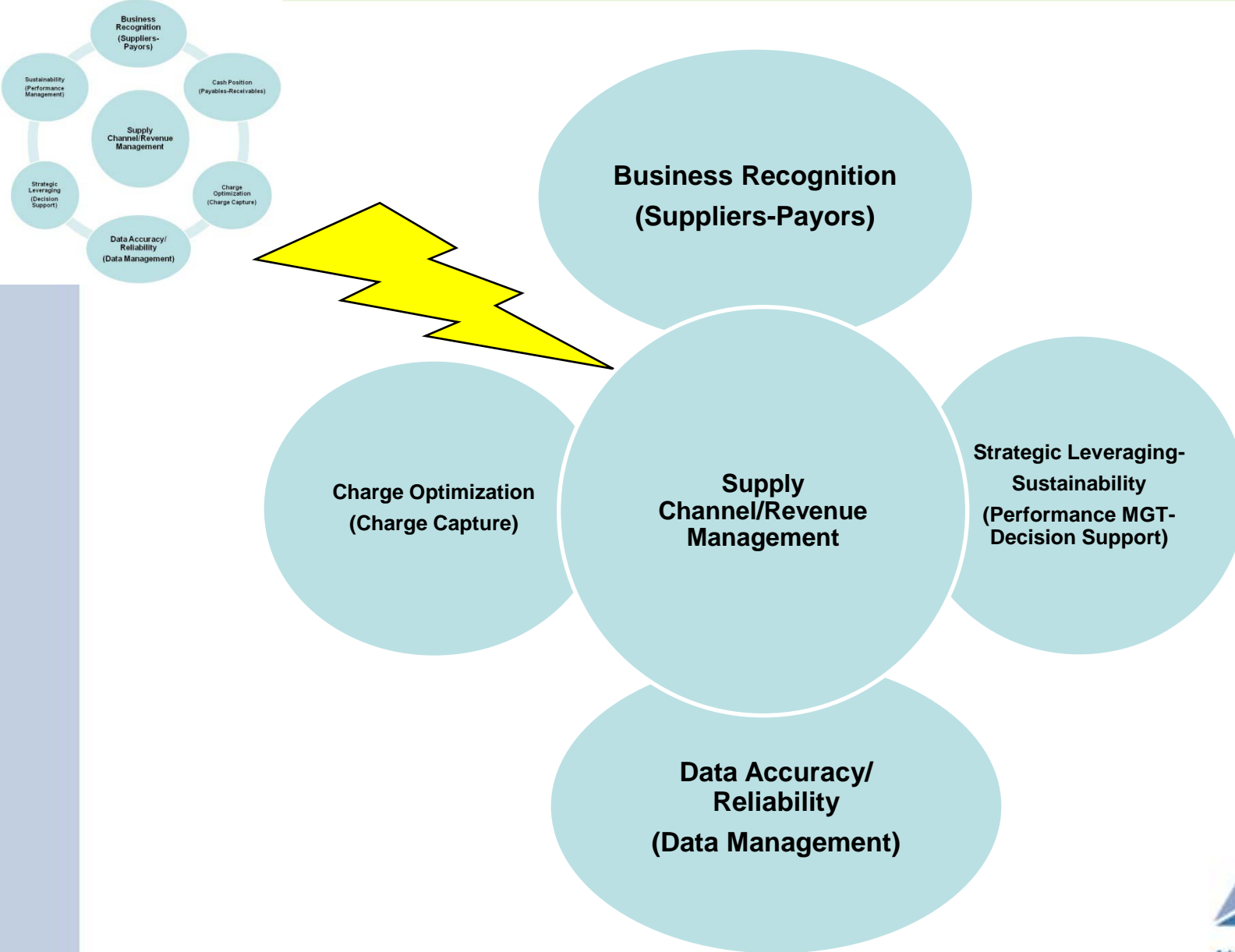
Summary

Our intent has been to create better awareness of the Relationship between Supply Chain and the Revenue Cycle. This has been a high level glimpse at this issue and may warrant deeper explorations into the specifics.

Most organizations do not understand the interactions, relationships and potential benefits from linking these areas

- A well coordinated strategic initiative can yield significant, positive bottom line results resulting from increased Revenue and reduced Supply and Purchased Services expenses
- \$1.00 in Supply Cost Savings equals \$50.00 to \$100.00 in new revenue....

Summary



Questions

Conversation