



# UNLEASHING THE POWER OF CENTRICITY BUSINESS

*Driving Value in  
Dynamic Times –  
Lessons From  
Top Performers*

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*“Reimbursement is in constant flux, perhaps more now than ever. Despite the uncertainty, our revenue cycle operation has thrived. It is not easy work, but with the right process and GE’s Centricity Business, we have been able to increase our efficiency and grow. While we cannot control many of the reforms headed our way, I am confident in our ability to navigate the change and excel.”*

*Roy Axelson, System Director, Physician RCO and IT Support, St Vincent Health*

Revenue cycle management, the lifeblood of financial performance, requires an unwavering commitment to excellence: excellence aided by superior technology and continuous process improvement. An in-depth analysis of top-performing revenue cycle organizations that deploy Centricity Business, a GE Health-care revenue cycle management solution, reveals a repeatable success framework, one driven by a commitment to efficiency, automation, data and analytics, and the deployment of a technology platform with unmatched revenue cycle capability. Despite operating in perhaps the most challenging time in health care’s history, due to heightened regulatory and reimbursement pressures, top performers in this study have driven desirable outcomes. A few outcomes of note include a ten-day improvement in accounts receivable from 39 days to 29 days, the ability to scale claims volume with only marginal increases in labor, and a three-fold increase in employee productivity. As change has seemingly become the only constant in health care, financial sustenance and the flexibility to grow are paramount. This analysis provides guidance and evidence of an approach to a sustainable financial future.

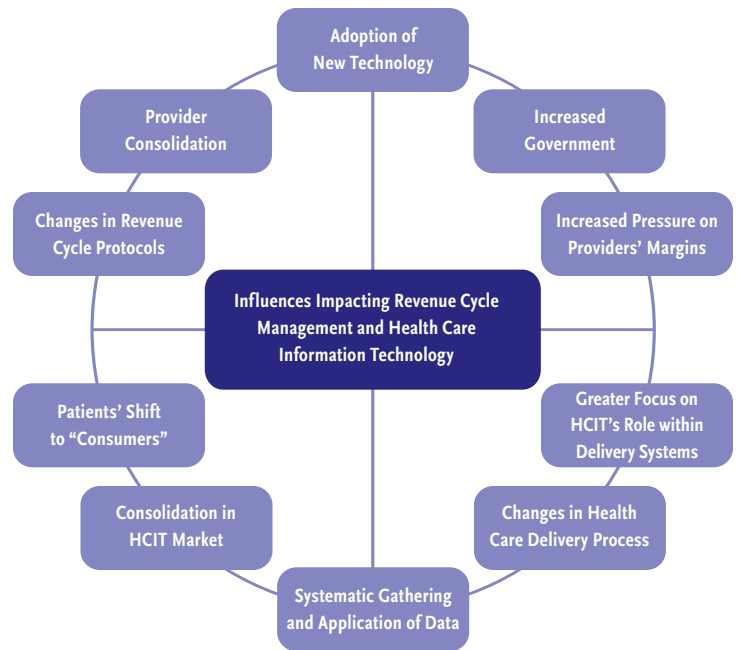
### From Whence We Came

Getting paid for providing health care services has come a long way. The mean days in accounts receivable (DAR) for multispecialty practices, for example, has decreased four-fold from 165 days to 43 days between 1965 and 2008.<sup>1</sup> While DAR certainly improved from 1965 to 1990, the last twenty year period represents the most significant improvements with DAR decreasing from an average of 118 days in 1990 to 43 days in 2008. The dramatic improvement in revenue cycle efficiency and effectiveness, albeit driven in response to regulation and third party payers, can be attributed to the continuous maturation of the industry. The widespread adoption of electronic claims, ICD-9 and CPT codes, the advent of claims clearinghouses, the introduction of ANSI standards for HIPAA transactions, and the use of the National Provider Identification (NPI) have driven the industry to a more standards-based approach. These changes, some of them sweeping in nature, have been difficult to implement for providers and payers, yet they have contributed to the evolution of a manual, labor-intensive industry to one that is increasingly industrialized, digitized, and automated. Despite these improvements over the last twenty years, organizations now face new reimbursement pressures, in large part due to the outsize growth of the US health care economy. In 2010, the US spent \$2.5 trillion on all health care goods and services. If the US health care economy were its own sovereign country, as measured by GDP, US health care would rank as

the fifth largest world economy, tied with France and ahead of the entire GDP of the United Kingdom or Brazil. The pressure to control spending and costs will continue to intensify, placing additional pressures on provider revenue and margins. Revenue cycle strategies will require more attention, not only to maintain standing but also to achieve the next mile of improvement.

### Margin Pressure

As the lynchpin of the US health care delivery system, physicians influence upward of 90% of health care spending, and they are facing pressure from the financial, administrative, and clinical spheres to stem the tide of aggregate health care spending.<sup>2</sup> The pressure to rein in spending will challenge an already delicate financial equation for providers, one where revenues have been squeezed and operating expenses occupy a growing percentage of the cost equation. Practices spend an average of \$83,000 per full-time equivalent (FTE) physician annually to interact with health plans, 10% of operating revenue,<sup>3</sup> and hospitals spend approximately 25% of their budget on billing and administrative expenses.<sup>4</sup> All told, providers and payers spend upward of \$150



Source: Coker Capital Advisers<sup>8</sup>

1. <http://www.mgma.com/billing/>
2. "A 21ST CENTURY ROADMAP FOR ADVANCING AMERICA'S HEALTH: THE PATH FROM PERIL TO PROGRESS" Strengthening America's Future Initiative at the non-profit, non-partisan Center for the Study of the Presidency and Congress Washington, D.C. May 2010
3. What Does It Cost Physician Practices To Interact With Health Insurance Plans? HEALTH A F F A I R S Web Exclusive DOI 10.1377/hlthaff.28.4.w533 ©2009 Project HOPE—The People-to-People Health Foundation, Inc.

billion on revenue cycle transactions with at least \$21 billion in waste and inefficiency. With an estimated \$700 billion to \$1.2 trillion in annual waste in the overall US health system, stakeholders are eyeing clinical and administrative reforms.<sup>5</sup> While some of the “reforms” have yet to come to fruition, a patchwork of existing regulatory and legislative efforts are already amplifying margin pressure at the ambulatory level. In this environment, physicians and hospitals alike are increasingly seeking safety in numbers, economies of scale, and leverage with payers. From 1997 to 2007 for example, the number of physicians in group practices with 6-10 physicians increased 46%.<sup>6</sup> From the second quarter of 2010 to the second quarter of 2011, physician mergers and acquisitions increased 200%, and hospital mergers and acquisitions increased 78%.<sup>7</sup> With the competitive and regulatory market in such dynamic flux, organizations need to address the dynamic reimbursement market and its impact on operations and strategy. The mission critical themes affecting revenue and margins that require analysis and action include the following:

### *Volume to Value*

Business-as-usual reimbursement, grounded in fee-for-service (FFS), is under attack. Payers, both public and private, are slowly marching away from volume-based FFS models to value-based reimbursement. In the case of public payers such as Medicare, payment reform and the value shift is often guised in the form of incentives and penalties. Take the Medicare mandate for electronic prescribing as an example. Penalties for failing to e-prescribe trigger a 1% penalty in 2012 on the Medicare fee schedule and 2% in 2014 and beyond. The Physicians Quality Reporting System (PQRS), another Center for Medicare and Medicaid (CMS) initiative, provides incentives and penalties for participation or lack thereof. In these two programs alone, non-compliant physicians will face a 3.5% reduction in their Medicare fee schedule by 2015. When factoring in penalties for failure to comply with Meaningful Use, a CMS incentive program for adopting electronic health records, organizations could face Medicare penalties of 4.5% in 2015. Additional initiatives, such as the Medicare Shared Savings Program<sup>9</sup> shift risk from payers to providers while allowing for cost-savings sharing, paint a clear picture that business as usual in the old FFS world is changing rapidly—and so too are the “usual” revenues and margins. This list of reforms is by no means comprehensive, citing only government payers, but private payers too are lining up with a host of strategies to incent value over volume. With revenues shrinking, provider organizations must maintain a keen focus to ensure airtight collection practices.

### *Administrative Complexity*

Health care transactions are time consuming and expensive, and recent regulation will add to administrative and financial complexity. The conversion from HIPAA 4010 to HIPAA 5010 will trigger in January 2012. A June 2011 survey by Medical Group Management Association (MGMA) reported that while 75% of respondents claimed that they were either substantially or fully aware of the HIPAA conversion, 85% had not analyzed the operational impact of the changes, despite the fact that 40% of respondents believe that the conversion will lead to a loss of productivity after implementation. The financial impact of upgrading hardware, software, and training staff is estimated to cost \$16,000 per FTE physician. The migration from ICD-9 to ICD-10, potentially more challenging from a work and cash-flow perspective, is seemingly less on practices’ radar screens. Though ICD-10 offers great promise for improving the ability to parse quality data, the roughly seven-fold increase in diagnostic and procedure codes (from 20,000 to 150,000) will exponentially increase complexity. Technology upgrades, training and education, and increased denials will negatively affect cash flow and stretch staff resources.

### *Washington*

A number of landmark reforms, some already enacted, pose additional margin risk. The Recovery Audit Program, designed to target under and overpayment in Medicare FFS, has recovered over half a billion dollars through the first three quarters of 2011. While this program primarily targets hospitals currently, the program is indicative of efforts to aggressively ensure the necessity of medical treatments, and its success may forebode an impact on the ambulatory environment.<sup>10</sup> The Medicare Sustainable Growth Rate is an effort to control spending on physician services by cutting fees. Politically, reductions to physicians are unpopular, but the recent groundswell to blunt growing deficits and decrease health expenditures leaves most options for reform “on the table.” Elected officials are discussing strategies to reduce deficits by \$1-\$2 trillion via the deficit reduction “Super Committee,” yet the unspoken challenge is over \$24 trillion of unfunded Medicare liabilities.<sup>11</sup> While the ultimate verdict of the

4. Woolhandler S, Campbell T, Himmelstein DU. Costs of Healthcare Administration in the United States and Canada. *New England Journal of Medicine*, August 21, 2003, Number 8, Volume 349: 768-775.

5. “The Price of Excess: Identifying Waste in Healthcare Spending”, PricewaterhouseCoopers’ Health Research Institute.

6. <http://www.cdc.gov/nchs/data/nhsr/nhsro27.pdf>

7. Irving Levine Associates, Inc-Publisher

Patient Protection and Affordable Care Act, including the individual mandate, may be decided in the Supreme Court, substantial insurance enrollment may come in the form of 18 million newly insured through Medicaid. Providers may gain access to millions of new enrollees, but providers will need to balance new volume and shrinking government reimbursement.

## ***The Power of Centricity Business and Process Innovation:***

### ***Lessons from Top Performing Organizations***

Rapidly changing market dynamics point to an environment in which incremental revenue cycle improvements are no longer a viable path to sustainability or growth. Although health care practices may not control many of these reforms and market shifts, providers and administrators do have power to leverage advanced technology and process improvement to navigate the changes and to excel. To understand how organizations have deployed Centricity Business while tackling immense market pressure, GE Healthcare commissioned Sage Growth Partners to conduct an in-depth analysis of the operational, technological, cultural and financial sophistication of peak performing organizations: St. Vincent Health and Orlando Health. One of the fundamental lessons from these top-performing organizations is an acculturation that drives break-through performance. At the core of the breakthrough is the embrace of user-friendly, advanced information technology. However, technology alone is not the driver, but rather an enabler of excellence. The confluence of the Centricity Business solution and a culture of organizational excellence has revealed a repeatable path to create market-leading revenue cycle performance. Based on the analysis of these market leaders, several key success factors emerged:

#### DRIVING INDUSTRIAL EFFICIENCY APPROACH

With an unrelenting desire to increase efficiency, limit variability, utilize specialists, employ root cause analysis to remediate errors, and embrace historic and real-time data, top performers view revenue cycle through an industrial lens. As such, top performers

focus on continuous quality improvement, investing in both their people and their systems. The top performers embrace a disciplined process improvement approach to enhance automation by deploying Centricity Business's advanced work flow tasking tools.

Relative to process automation, the studied organizations extolled the virtues of Centricity Business's Enterprise Task Manager (ETM). ETM is a real time, web-based management tool that creates and displays online tasks to analyze and prioritize issues and deliver solutions within the existing workflow. ETM seamlessly integrates across multiple Centricity Business applications, including the Transaction Editing System, pre-adjudicated payer edits, post-adjudicated payer edits, and eligibility, providing seamless interaction to drive efficient resolution. With a focus on ensuring accuracy, ETM's many capabilities include streamlining the pre-arrival process by creating tasks to manage missing patient data prior to services, creating ticklers and reminders, allowing users to work multiple items, generating strategically queued work lists (i.e. working files by largest revenue, oldest claim, etc.), virtualizing support by reassigning the file to other colleagues for resolution, and creating a full audit of the user's history (often used for training). According to St. Vincent's Axelson, ETM has catapulted efficiency as it has helped end users work by task and exception, resulting in high productivity as users create "muscle memory," consistently working issues with familiarity and the highest level of importance. Additionally, because ETM is fully integrated with other product suites, such as Electronic Document Management (EDM), important documents and links are built directly into the workflow, reducing the need to back out of the system to complete tasks. Once St. Vincent fully deployed Enterprise Task Manager, they reduced their DAR by about 10 days, approximately 25%, reducing it from the high 30s (already impressive) to around 29 days. *(See chart 1)*

#### AUTOMATION

During the site visits, Centricity Business was often referenced as a "smart system." With the right level of human engagement, the system automates many manual operations. A few of the many examples of the automation and efficiency gains follow.

#### *Denials*

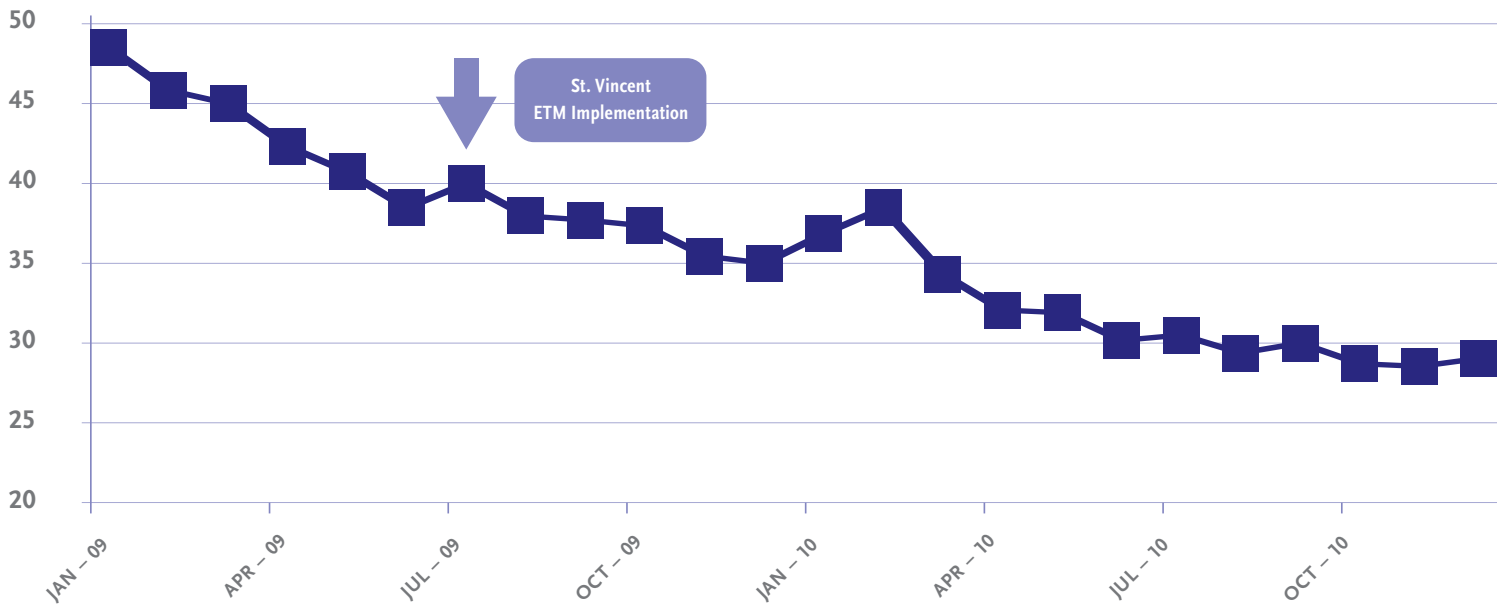
Denial management is critical. While over 90% of denials are preventable, only 67% are recoverable.<sup>12</sup> Denials are an area of focus that is very much within an organization's control, if the workflow and technology are properly aligned. With the average denial costing \$15 to rework and the cost of lost revenue from unrecoverable denials averaging \$100 each, the financial implica-

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**Of the top 10 billing offices, 8 utilize Centricity Business, and 13 out of the 17 Best Hospitals, as ranked by US News and World Report, deploy Centricity Business.**

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Chart 1: Gross Days in AR



tions of denials can be substantial. Centricity Business provides a plethora of functionalities to minimize denials. For instance, users can prioritize the rules for denial management so the system routes the issue to the designated employee for evaluation. The system applies logic in areas such as eligibility, prior authorization, and demographics to ensure that the proper staff members work the denied claim. Top performers have structured their staff so that they have specialists addressing not only specific areas of denials, i.e. eligibility, but they also structure the workflow so that staff manage eligibility issues by specific payer – this specialization helps to drive the highest level of expertise and efficiency.

#### *Timely Filing*

In this world of consolidation, management of timely filing of claims is paramount. When new providers join, they must be credentialed. During this process, the submission of bills is suspended. Imagine an organization adding multiple new providers throughout the year, and it is easy to envision growth leading to lost revenue and reduced cash flow. Centricity Business allows the claims to be entered and held in queue until credentialing is completed. Upon the completion of the credentialing process, Centricity Business automatically updates all relevant fields and files the claim. One site, managing \$25 million a month in revenue stated that timely filing used to be a “huge” issue, but with the Centricity Business capability only a few thousand dollars a month, at most, is at risk due to lack of timely filing.

#### PRAGMATIC CUSTOMIZATION

A fine line exists between standardization and customization. Too much customization can decrease economies of scale, but a “cookie cutter approach” does not account for differences among the many markets and payers. A number of organizations are acquiring practices and providing centralized business services. The Centricity Business users we interviewed found that after integrating hundreds of practices, the application affords more than enough flexibility to allow individual practices to manage the front end view and workflow while maintaining fidelity to organizational policies and goals. In addition, Centricity Business’s Transaction Editing System (TES), with its many standard capabilities to support producing a clean claim, affords users the opportunity to customize rules for each contracted payer. One organization has loaded custom edits in TES to ensure that unreimbursed claims never make their way through the system.

**“The data has fundamentally helped alter how we communicate, shifting our culture from one where people were protecting their turf to one of collaboration. We truly became a data-driven organization.”**  
**Jose Rivera, Orlando Health**

Urinalysis, for instance, which some payers do not approve the same day, is deleted from the system, thus avoiding working denied claims. The focus on the Transaction Editing System, with its custom and standard components, has helped top organizations recreate the workflow process, driving work to the front end preventing the A/R department from attempting to process denials that could have been prevented. This focus on the front end has created a fundamental shift in resources to the front office, significantly reducing the need for back end support in A/R.

#### DATA DRIVEN, INFORMATION RICH

Access to real-time, ubiquitous data, visible across the entire organization, positively alters performance. Centricity Business's analytics tools provide a powerful platform to manage and synthesize the reams of data for end-users, staff, management, and decision makers. Top performers have recognized the critical benefit analytics play across three time dimensions: retrospective, real-time, and prospective. Retrospectively, employing analytics identifies and corrects mistakes and informs process improvement efforts and staff education. In real-time, integrating multiple data sources into useable views informs business decisions and reduces errors. As we interviewed staff, they overwhelmingly appreciated the instant feedback they receive on errors and daily productivity reports. Many stated that prior to real-time feedback they were unaware of the errors until weeks if not months after the issue occurred. On a typical day at St. Vincent, less than 8% of the transactions are returned with edits or rework. Prospectively, these organizations have utilized predictive modeling and scenario analysis to improve insurance contract negotiations, modify operating plans, and project staffing and training needs.

Orlando Health has deployed Centricity Business Informatics with great success. Orlando Health built an executive information system utilizing Centricity Business Informatics to create dashboards that evaluate daily progress against key business indicators. These dashboards, refreshed daily, offer a valuable snapshot of revenue cycle performance. Jose Rivera, Corporate Director,

**“We were impressed with GE’s product roadmap and their deep commitment to revenue cycle excellence.”**

**Chuck Podesta, Fletcher Allen Health Care**

Physician Professional Service at Orlando Health noted that “we have a strong emphasis on ensuring employees know what they are responsible for and measure against it. We have management and physicians now proactively requesting their scorecards. In fact, we had a planned upgrade where informatics was unavailable for six hours, and it felt like days because people have become so accustomed to having their data on demand. The data has fundamentally helped alter how we communicate, shifting our culture from one where people were protecting their turf to one of collaboration. We truly became a data-driven organization.” Rivera began including senior Orlando Health leaders in the distribution, including many that do not have responsibility for the ambulatory business or ambulatory revenue cycle operations. To his pleasant surprise, these individuals started paying close attention to the transparency that the information created.

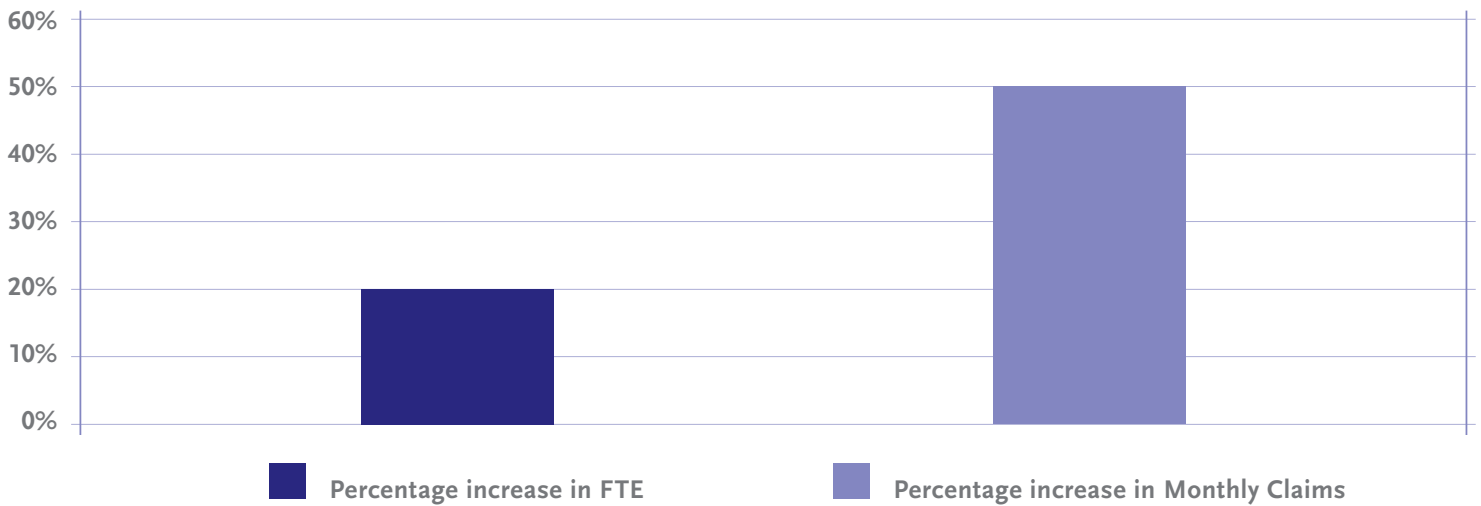
#### SCALABILITY

A hallmark of peak performance and economies of scale is the ability to grow, either the numbers of providers and/or revenue, without a commensurate growth in operating expenses (in particular labor costs). While the opportunity for delivery systems to grow their market share is ripe, growth for growth's sake, especially without effective technology platforms, can be counterproductive. Ineffective workflows, third-party workarounds, and mass customization can lead to chaos. At Orlando Health, however, they have employed a balanced approach which has resulted in impressive results. From FY 2009 to FY 2011, Orlando Health grew its monthly claims volume 50% (42,000 to 63,000) while only adding 20% to their staff at the CBO. (*See chart 2*)

Thus, Orlando Health's percentage increase in monthly claim volume grew two-and a half times faster than the percentage increase in their FTEs. This kind of leverage is the foundation of a scalable growth engine. In the case of Orlando Health, Jose Rivera notes that “Centricity Business has provided an automation platform to drive significant efficiency gains. The leverage we have gained from Centricity Business has allowed us to scale our business in a way that rationalizes labor costs while allowing us to deploy the best people, in the right role, to optimize performance.”

Much like Orlando Health, St. Vincent Health experienced similar scalability benefits. St. Vincent, which implemented Centricity Business in 2003, has tripled its original monthly claims per FTE from 400 to 1,200 in the 8 years since implementation. They accomplished this during a period of rapid expansion when they advanced from predominantly primary care billing to a much

Chart 2: Orlando Health's Scalability: FY'09 – FY '11



more complicated provider mix including multiple specialists. This type of scalability enjoyed by GE's market leaders demonstrates that scale can not only be managed, but mastered.

#### COMMITMENT TO THE RIGHT TECHNOLOGY

The business of US health care in many respects is about managing around consolidation and convergence. The consolidation of ambulatory and acute providers, the aggregation of data, the migration of hospital revenue from inpatient to outpatient sources, and payment reform will place additional pressures on the teams managing business systems' infrastructures. As the convergence of financial, administrative, and clinical data become paramount to performance, the top performers emphasized that peak revenue cycle operations are mission-critical to organizational viability. Revenue cycle requires a focused set of capabilities and solutions, chief among them, information technology that powers the business process. As the leading performers indicated, their business office requirements mandated the deployment of an information system specific to their revenue cycle needs. While this sometimes manifests in a best-of-breed strategy requiring integration with other systems, the revenue cycle functionality, which drives efficiencies, scale, and ultimately margin, has more than proven its worth.

In this climate, in particular, with the overlapping pressures of delivery system and payment reform, financial management, specifically revenue cycle management, requires a level of sophistication rarely contemplated heretofore. This level of focused horsepower is not typically available in one-size-fits-all enterprise

applications. One-size-fits-all technologies, while understandably appealing to an organization's desire for an integrated technology, will not always power peak performance. Chuck Podesta, Senior Vice President and CIO at Fletcher Allen Health Care, recounted Fletcher Allen's process of examining a best-of-breed versus a best-of-class approach. He notes that "I have always been an 'integrated guy,' but we conducted thorough due diligence on the benefits Centricity Business while interfacing with our clinical solution. While we could have gone with a fully integrated system, a few key factors guided us to Centricity Business. First, we were impressed with GE's product roadmap and their deep commitment to revenue cycle excellence. Second, as we had already achieved success with Centricity Business, we looked at this from a board level, and realized that we did not want to jeopardize our days in A/R. Finally, in light of the push to ICD-10 and other changes, I couldn't imagine a more challenging and risky situation than swapping out a revenue cycle system that has been so effective."

The market leaders we interviewed selected Centricity Business as their technology platform because of its ability to empower peak performance in this complex reimbursement landscape. While

8. Coker Capital Advisers

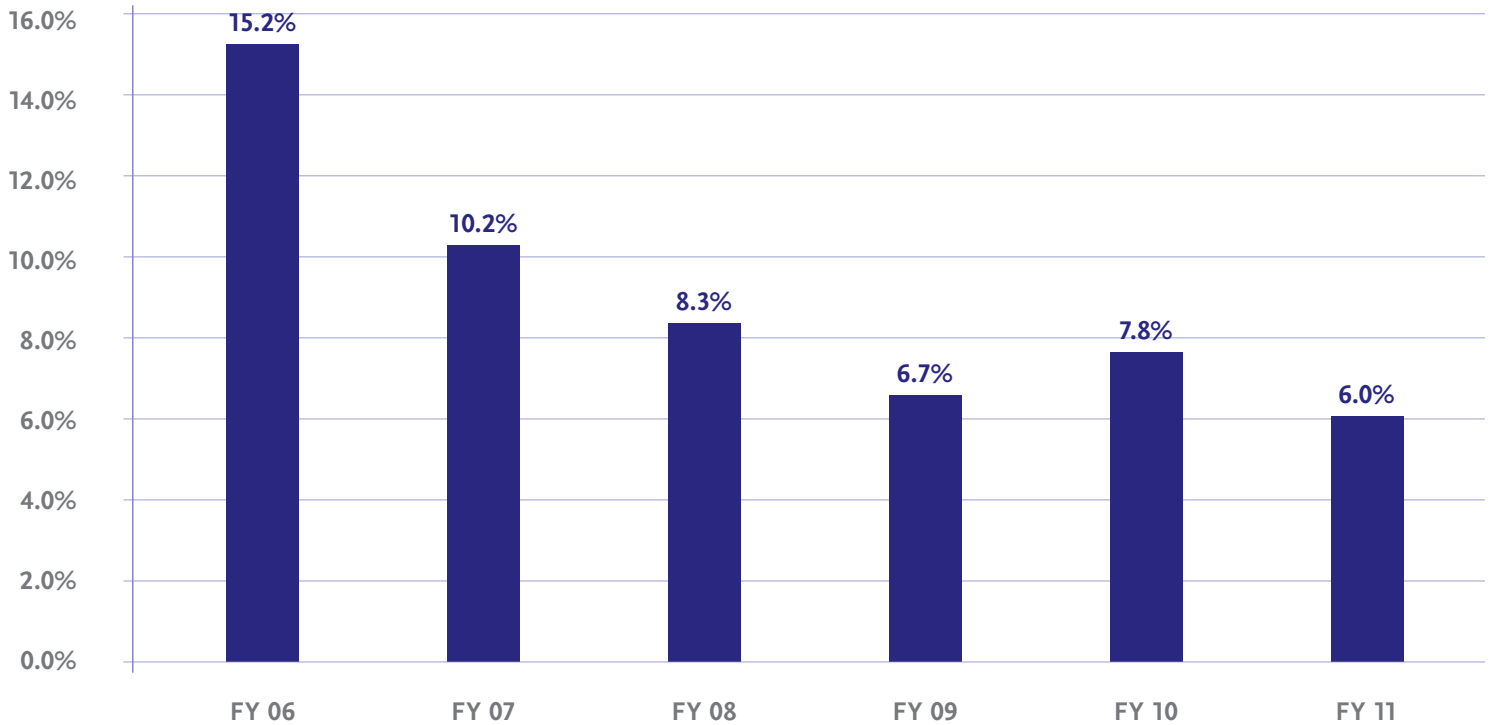
9. Medicare Accountable Care Organization Regulation

10. <http://www.cms.gov/Recovery-Audit-Program/Downloads/NatProg.pdf>

11. By the Numbers: 2011 Medicare Trustees Report: <http://waysandmeans.house.gov/News/DocumentSingle.aspx?DocumentID=247999>

12. Health Care Advisory Board cost and Operations Presentation: Capturing Lost Revenues, 2002.

Chart 3: St. Vincent Cost to Collect



the deployment of Centricity Business across GE's large and diverse user community, including hospitals, integrated delivery networks, academic medical centers and large practices helps to confer a measure of effectiveness, outcomes tell the full story. A Fiscal Year 2010 Billing Office Survey, conducted by the Faculty Practice Solutions Center of the University Health System Consortium and the Association of American Medical Colleges, ranks the top billing offices in the United States. Of the top 10 billing offices, 8 utilize Centricity Business, and 13 out of the 17 Best Hospitals, as ranked by US News and World Report, also use Centricity Business for revenue cycle management.

### Final Thought

In the final calculus, we observed organizations committed to the continuous process improvement of their people and their technology. Top performers viewed Centricity Business holistically, integrating the majority of the product modules to synchronize success. One final look at a data point from St. Vincent captures this exact story. Their cost to collect over the last five years has continued to decline, decreasing well over half. (*See chart 3*) They achieved this by implementing a full complement of Centricity Business solutions, such as the Transaction Editing System, Eligibility, Electronic Document Management, and Enterprise Task

Management. In the words of Roy Axelson, "there is no finish line in this business." While there may be no finish line, there is much that organizations can do to continuously improve their revenue cycle. Centricity Business is at the core of that equation.

### About The Authors

Don McDaniel and Dan D'Orazio are executives with Sage Growth Partners (SGP), a health care strategy and technology firm. SGP provides consulting, technology and sourcing solutions to growth-minded health care organizations, including providers, insurers, technology, device and analytics firms, and various industry and specialty groups. McDaniel and D'Orazio are also members of the Professional Faculty of Carey Business School, Johns Hopkins University.

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