COVER STORY

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John Harris
Craig E. Holm
Meredith C. Inniger

finance leadership imperatives in clinical redesign

Hospital and health system finance leaders require a broad range of new skills to guide their organizations' clinical redesign efforts aimed at improving care processes and reducing costs for success under value-based payment.

AT A GLANCE

- As physicians embrace their roles in managing healthcare costs and quality, finance leaders should seize the opportunity to engage physicians in clinical care redesign to ensure both high-quality performance and efficient resource use.
- Finance leaders should strike a balance between risk and reward to achieve a portfolio of clinical initiatives that is organizationally sustainable and responsive to current external drivers of payment changes.
- Because these initiatives should be driven by physicians, the new skill set of finance leaders should include an emphasis on relationship building to achieve consensus and drive change across an organization.

Most hospital and health system finance leaders have accomplished a great deal, on both the cost and the revenue sides, to prepare their organizations for the challenges posed by healthcare reform, with impressive efforts to improve the bottom line in areas such as the supply chain and revenue cycle. However, with the shift to value-based payment models and continued pressure on payment rates, finance leaders can no longer rely on sound financial management alone to ensure the success of their organizations. They now require an additional focus—rethinking clinical care delivery—to address the remaining complex issues driving hospital and health system costs, the total cost of population care, and the sustainability of employed physician networks, with the understanding that success going forward will require clinical redesign on many levels.

There is a widespread notion that restructuring care processes is "for physicians only." But this idea ignores the financial imperatives that are driving clinical redesign. Effective clinical care redesign requires well-structured financial incentives and financial risk management to achieve finance-related goals such as reduced costs and improved patient satisfaction. Financial leadership is therefore central to its success.

Finance leaders will need to broaden their roles accordingly, to include extensive involvement with physician accountability and clinical redesign initiatives. It's an opportunity to take an active role in discussions and decisions that have not traditionally been seen as finance issues.

This new responsibility will not only fundamentally change and elevate the role of finance, but also require finance leaders to develop the skills to partner effectively with physicians in creating clinical redesign initiatives that are appropriate, effective, *and* financially feasible.

A Diversified Strategy

Successful finance leaders will support clinical redesign through a diverse set of initiatives. Just as a good investor creates a balanced portfolio to diversify risk and achieve an appropriate return, healthcare finance leaders should diversify their organizations' efforts to redesign clinical care and prepare to operate under value-based contracts. Continuing to focus solely on traditional fee-for-service contracts may sound like an attractive, if conservative, policy. However, with Medicare declaring that 50 percent of payments will be tied to alternative payment models by the end of 2018, hospitals and health systems that don't move forward on redesigning clinical processes to deliver value-based care will fall behind competitors that are willing to accept the challenge.

Facing the dual challenge of gaining experience with value-based payments and managing employed physician networks, finance leaders should focus on developing a balanced portfolio of clinical redesign initiatives, with an appropriately diversified risk profile, to ensure maximum benefit to all parties and the sustainability of the organization. The primary goal for finance leaders in this process should be to contribute positively to this effort, with the understanding that not every initiative will succeed.

Given the diversity of markets and organizations, the full range of potential initiatives for redesigning clinical processes is beyond the scope of this article to explore. Therefore, to highlight the mechanisms available for driving necessary changes, the benefits of such changes, and—central to the purpose of this article—the new skills required of finance leaders, our discussion first highlights three broad areas in which clinical redesign can drive improvement for many hospitals and health systems. We then describe the finance leadership imperatives required for successful implementation.

Engage physicians as allies in operational improvements. Historically, of course, physicians and healthcare organizations have relied on separate revenue streams, resulting in a certain amount of separation between physician practice and hospital departmental operations. Now these two revenue streams increasingly intersect, with portions of clinical revenue potentially shared between health systems and physicians through co-management, bundled payment, or gainsharing arrangements. Finance leaders have an opportunity to push beyond cost-cutting, collaborating directly with physicians to achieve specific operational efficiency goals, while maintaining or improving quality, through clinical redesign initiatives.

Such alignment mechanisms offer opportunities for clinical improvements, particularly with respect to quality, operational efficiencies, and savings. For example, care could be redesigned to reduce inpatient length of stay (LOS) by introducing or changing clinical guidelines on catheter removal to reduce the incidence of catheter-associated urinary tract infections. In this example, the hospital also would benefit on the revenue side by addressing a clinical quality issue that affects Medicare payment. Clinical care costs also could be reduced through supply standardization for a specific procedure bundle, such as by using a single vendor (rather than multiple vendors) for orthopedic implant procedures.

Moreover, the redesign of clinical processes can produce operational savings in a specific care setting. In the emergency department (ED), for instance, efforts to streamline the admit, transfer, or discharge process can reduce total LOS, while streamlining the emergency call process for specialty areas such as cardiology could result in staffing savings.

Meaningful initiatives to redesign clinical care often begin with the pursuit of such operational cost-saving opportunities through a single payer

relationship. It may seem that the changes would affect only that payer's patients. The good news is the ability to drive down operating costs for a set of patients under a particular payer arrangement is likely to lead to improvements across all payers—and savings for a broader population—as clinical care teams become comfortable with the newly standardized approaches and start to see the use of multiple approaches as being cumbersome and confusing.

Use value-based payment to drive behavior change across the care continuum. Traditionally, financial success has focused on achieving high volume in each care setting. When the revenue model focused only on volume, efficiently using productive capacity was the most important goal. Care coordination and high-quality outcomes were appealing to clinicians, but not essential to financial success. As shared savings, bundled payments, and risk contracts grow, finance leaders must support change across the continuum of care to achieve financial success.

As payers shift to rewarding providers for delivering lower-cost care across the continuum of patient healthcare needs, successful providers are questioning their approaches to care delivery. Approaches that grew out of fee-for-service payment models are not well-designed for succeeding when the goals are broader: maintaining wellness, avoiding expensive services, and seeking lower-cost settings for needed care. Success in this environment requires more than just financial incentives. It requires working with physicians to rethink how care is delivered.

Clinical redesign initiatives geared toward value-based payment offer an additional benefit: They often improve the patient experience. Initiatives focused on improving the flow of clinical care often address areas that are leading causes of patient dissatisfaction, such as transitions between care settings, communication between providers, and access to physician care. As satisfaction scores are increasingly factored into payment rates, these improvements have financial benefits as well.

Better-coordinated care should also lead to better documentation of patient conditions, resulting in improved performance in value-based payment models that include risk adjustment. Thus, ensuring accurate clinical documentation is not only a clinical issue but also a financial one—requiring the attention of finance leaders.

Value-based payment initiatives also expand the finance leader's role to one of fostering innovation through beneficial contractual arrangements. This role becomes particularly important as value-based payments begin to move from an upside-only risk model to incorporate more downside risk elements. In the increasingly competitive healthcare marketplace, these arrangements can also drive financial results by shifting market share.

As finance leaders know, the incremental capital and operating costs associated with managing population health and the full continuum of care are significant. The acceptance of financial responsibility for patient populations may necessitate changes in care models and/or new investments such as the introduction of patient navigators for patients with chronic conditions. For these complex patients, finance leaders should partner with physicians to assess the feasibility of new care models.

Health systems can also share savings with physicians through incentive arrangements, and empower clinicians to redesign care components to achieve continuity and increased overall value. For example, a system may invest in home health or other post-acute capabilities to better coordinate with inpatient care teams for seamless discharge transition planning and follow-up care.

Each of these arrangements requires extensive engagement of physicians to rethink and redesign how care is provided, both within and outside hospital walls. Although hospital administrators may have many good ideas, successful implementation requires the commitment of physicians beyond what mere financial incentives may induce from them.

The potential stakeholder benefits of value-based initiatives are significantly greater than those achieved through operational cost savings alone, but they also come with increased risk across all stakeholder groups, reinforcing the role of the finance leader in balancing the organization's overall risk profile. Moreover, credit rating agencies increasingly expect to see these population health capabilities.

Value-based initiatives provide greater incentives for meaningful and lasting clinical care redesign initiatives across the continuum of care. They are broader than specific operational cost initiatives, which benefit a single area. Finance leaders therefore must engage physician and other organizational leaders to an even greater extent to drive these changes throughout the organization.

Catalyze change for a sustainable employed physician network. Whether according to their own plans or in response to physician requests, many health systems and hospitals now employ large numbers of physicians. Finance leaders often struggle to reconcile large losses in physician networks with strong, offsetting downstream benefits for the health system. Nonetheless, achieving a more sustainable model for the employed network is a top priority.

Developing a sustainable physician network requires financial leadership to go well beyond the historical tracking of physician practice benchmarks (e.g., productivity levels and operational subsidy per physician). Such an initiative now requires sophisticated systems that support practice success through more comprehensive benchmark tracking, such as achievement of optimal practice panel size and improving patient satisfaction.

The increased involvement of finance leaders in detailed practice negotiations and contracting (both individual and group physician contracts as well as with payers) gives them an expanded role requiring extensive interaction with various stakeholders both internally (e.g., operations, clinical, planning) and externally (e.g., payers). Finance leaders can champion a number of initiatives to achieve a sustainable employed physician network.

For example, they can help refine medical practice delivery models by enabling physicians to focus on treating patients with the most complex, acute conditions, while advocating for the use of advance practice clinicians, or extenders, to handle patients with more routine care needs. Finance leaders can play a role in establishing care teams (e.g., patient educators,

POTENTIAL STAKEHOLDER BENEFITS IN THREE TYPES OF CLINICAL REDESIGN INITIATIVES

Stakeholder Group	Operational Improvement Initiatives	Value-Based Initiatives	Employed Physician Network Initiatives
Physicians	• Share operating-cost savings • Increase throughput/productivity • Receive additional payment for achieving quality metrics	• Receive additional payments • Fix frustrating care-delivery problems	• Improve workflow and quality of care • Reduce waste to free funds for compensation
Health System	• Reduce operating costs (e.g., supply chain, labor, length of stay)	• Share in savings and quality improvement • Reduce leakage from network • Retain physician loyalty	• Break even or achieve more sustainable losses on network • Align physicians to support value-based initiatives through compensation design • Reduce leakage and retain downstream revenue
Other, Third Party	• Suppliers: Increase volume/ sales from health system standardization	• Payers: Reduce total care costs and improve quality metrics • Patients: Improve experience of care and lower costs	• Patients: Improve satisfaction and experience of care • Payers: Contract with more effective physician network (e.g., patient-centered medical home)

pharmacists, social workers, behavioral health professionals, physician assistants, nurse practitioners) that manage care, complementing physician services. And they should understand and be able to advocate for innovative practice models—such as e-visits, group visits, or telehealth—that allow for accessible, comprehensive care at a lower cost.

As another example, finance leaders can champion initiatives to appropriately capture revenue through clinical documentation. Such an initiative can include educating clinicians on documentation, especially following installation of a new billing system or electronic health record; streamlining billing/collections operations to maximize collection within current contracts (e.g., through same-day coding and entry); and ensuring clinical documentation is accurate so the organization will get credit for the complexity of its patients in value-based payment arrangements.

Finance leaders also should be involved in actively reviewing compensation plans for employed physicians, ensuring that metrics and standards for quality, satisfaction, and productivity help provide physicians with incentives to work as efficiently as possible. Compensation may also be linked to clinical redesign elements by incentivizing adherence to evidence-based protocols (which may also result in financial rewards in value-based payment contracts).

Another important role for finance leaders is helping to determine the appropriate enterprise size and mix. Achieving the optimal number and specialty mix of physicians to effectively manage the care of the regional population is more important than ever. Finance leaders should be able to analyze patient acuity patterns and referral trends, and advocate for investing in primary care network growth if such investments are warranted to achieve future savings in the overall cost of care.

The Finance Leader's Role in Clinical Redesign Initiatives

To implement initiatives such as those described above, a finance leader must partner closely with various stakeholders on the clinical side, including independent and hospital-employed physicians, as well as leaders from nearly all organizational departments, to creatively and sustainably design a model of care delivery that helps position the health system in a value-based payment environment. As hospitals and health systems grow larger and more integrated, matrix relationships only increase the complexity of the finance leader's role. Finance leaders will require a broad new set of skills and competencies to fulfill their new and elevated roles in driving initiatives to reshape clinical processes.

It should be noted that the specific skills required will vary somewhat with each type of initiative. In collaborations between physicians and hospitals on operational improvement initiatives, for instance, finance leaders must work closely with clinical leaders to identify potential benefits and clearly communicate them to each stakeholder group to achieve buy-in and increase the likelihood of subsequent success in each arrangement.

That said, in general, financial leaders must develop or deepen skills in the following areas if they are to fully assume their new, expanded roles in preparing their organizations for value-based care.

Relationship building. The "soft stuff" of integration and alignment does matter. More complex arrangements with physicians require more interaction with them, particularly when hospital leaders are seeking to engage physicians in operational improvement initiatives. Finance leaders will be most successful when they excel at developing physician buy-in through collaboration and desire for mutual success. Ongoing outreach to physicians is important for finance leaders to proactively build respect and trust. This strong foundation may be the determining factor in the success of future initiatives and negotiations.

Facilitation. Leaders should be willing to guide difficult conversations with clinical and administrative leaders regarding operational changes, and to navigate discussions aimed at achieving both clinical and financial goals. Finance leaders should develop skills in asking the right questions, rather than simply attempting to dictate answers. Before a meeting, they should do their homework by talking to various stakeholder physicians to understand a variety of perspectives. For example, primary care physicians may be helpful allies when trying to get cardiologists to address a clinical process issue.

Innovation. Finance leaders should be able to help create beneficial arrangements with payers and physicians that allow all stakeholders to share in savings. They should be able to move away from the strictly conservative role of finance (which may alienate stakeholders) to a thoughtful and open-minded attitude regarding financial arrangements. Finance leaders should remember to focus on opportunities to gain market share within these arrangements because market share may be critical to filling excess capacity. Although these arrangements may seem risky, doing nothing is the most risky approach of all.

Risk management. Finance leaders should strive to instill an understanding of the importance of risk management across all organizational levels. Investment in new areas (e.g., actuarial capabilities) may be required.

Use of enhanced data analytics. Investments in data systems and analytics tools will be required to support value-based contracts. Finance leaders need to know how their organizations are performing in each specific payer arrangement to engage physicians and drive needed operational improvements, reduce patient leakage, calculate incentive payments, and handle contract negotiations and reconciliations. These tools need to integrate claims data and clinical data to support clinical redesign discussions. Clinicians, typically trained as scientists, rely on evidence and data, and when both are provided, clinicians will be more willing to support change.

Change management. Finance leaders, obviously, will not have direct or "front line" responsibility for implementing changes within a clinical setting. Therefore, the finance leader's role is to be a catalyst and change agent first and foremost, understanding the financial goals of the organization and motivating clinical and administrative leaders to rally behind the changes in clinical processes that will be required for success.

Communication. Encouraging and creating a culture of change within the organization requires an understanding of all organizational perspectives. Finance leaders should be able to effectively communicate complex financial and, to a degree, clinical data to multiple levels of organizational leadership and stakeholders. To support these communications, finance leaders should have access to and be able to use tools for measuring cost and quality to accurately track results and effectively communicate the results to clinical and operations teams, which then can quickly identify performance improvement opportunities.

Finance leaders also should understand how best to engage in conversations with clinical leaders to achieve positive results. Expressions that finance leaders are accustomed to using routinely with administrative leaders and board members may cause strong negative reactions from clinicians. Finance leaders should embrace a new, "clinician-empathetic" vocabulary to reach a common understanding of goals with physicians.

LANGUAGE TIPS FOR FINANCIAL LEADERS

Problematic Phrases	New, Collaborative Phrases
Return on investment	Practice sustainability
Revenue capture	Clinical documentation
Operational efficiencies	Shared savings
Owned physicians	Employed practices
Profit/loss	Streamlined workflows
Market share	Enhanced patient access, quality, and satisfaction
Large financial losses in physician practices	Transparent and equitable compensation methodology

Translation. One step beyond being communicators, finance leaders also should be able to effectively translate data and other evidence into key points and conclusions that are relevant to each specific constituency—including by collaborating with clinical leadership to clarify concrete organizational changes that are needed—to develop buy-in at multiple levels within the organization.

It also should be emphasized that, in addition to these newer skills, some core strengths of finance leaders continue to be critical: sound financial modeling and design of contracts that build a lasting win-win relationship, for example. Finance leaders also should involve legal counsel to be sure contractual arrangements are structured to pass regulatory scrutiny in addition to reflecting sound business principles. Regulatory waivers are available in some arrangements (e.g., Bundled Payments for Care Improvement), while others depend on fair market value analyses to ensure compliance with Stark, Anti-Kickback, and other regulations.

The Key Ingredients: Leadership and Relationship Building

For finance leaders, the trends toward value-based payment and increasing hospital employment of physicians create an opportunity to simultaneously improve clinical and financial performance by engaging physicians in the meaningful redesign of clinical care. But to effectively realize that opportunity, finance leaders must know how to develop strong, collaborative relationships with physician leaders, and they therefore must understand physicians' values and allow them to take the lead in discussing and implementing clinical process changes.

Finance leaders who successfully embrace this opportunity can make a critical difference in helping their organizations deliver better value, attract patients, and generate strong margins. Their success will depend on how proficient they are in combining strong financial leadership, reinforced by the new skills and competencies described above, with the ability to be flexible and resilient through changing times. ■

About the authors

John Harris, MBA,
is a director, Veralon, Bala Cynwyd, Pa., and a member of HFMA's Metropolitan Philadelphia Chapter (jharris@dgapartners.com).

Craig E. Holm, FACHE,
is a director, Veralon, Philadelphia, and a member of HFMA's Metropolitan Philadelphia Chapter (cholm@hss-inc.com).

Meredith C. Inniger, MHA,
is a senior associate, Veralon, and a member of HFMA's Arkansas Chapter (minniger@hss-inc.com).

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