Implementation and Evolution of an Enterprise-Wide Service Line Performance Management Initiative

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National Debt Set to Skyrocket

In the past, wars and the Great Depression contributed to rapid but temporary increases in the national debt. Over the next few decades, runaway spending on Medicare, Medicaid, and Social Security will drive the debt to unsustainable levels.

Source: Heritage Foundation calculations based on data from the U.S. Department of the Treasury, Institute for the Measurement of Worth, Congressional Budget Office, and White House Office of Management and Budget.
More Than Half of the President’s Budget Would Be Spent on Entitlement Programs

In combination with other entitlements, such as food stamps, unemployment, and housing assistance, Medicare, Medicaid, and Social Security constitute the lion’s share of President Obama’s 2012 budget. In contrast, spending on foreign aid represents 2 percent.

PERCENTAGE OF THE PRESIDENT’S FY2012 BUDGET

Entitlement Programs: 58%

- Social Security: 20%
- Medicare and Medicaid: 20%
- Income Security and Other Entitlements: 18%
- National Defense: 19%
- Net Interest: 6%
- All Other Spending: 12%

Note: Figures have been rounded.

Number Uninsured and Uninsured Rate: 1987-2010

1 The data for 1996 through 1999 were revised using an approximation method for consistency with the revision to the 2004 and 2005 estimates.

2 Implementation of Census 2000-based population controls occurred for the 2000 ASEC, which collected data for 1999. These estimates also reflect the results of follow-up verification questions, which were asked of people who responded ‘no’ to all questions about specific types of health insurance coverage in order to verify whether they were actually uninsured. This change increased the number and percentage of people covered by health insurance, bringing the CPS more in line with estimates from other national surveys.

3 The data for 1999 through 2009 were revised to reflect the results of enhancements to the editing process.

Note: Respondents were not asked detailed health insurance questions before the 1988 CPS. The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A.

Revenue Rate Trends

Note: Rates in 2014 - 2016 include modeled impact of healthcare reform.
Medicare Cost Objective

Revenue reduction significant
Expense reduction required to break even at modeled Medicare requires significant cost cutting
Performance Management

- Efficiency
- Integration
- Growth
Service Line Performance Management (SLPM) Strategic Objective

Improve the value of our clinical services through the delivery of more efficient care while maintaining or improving quality.

Goal: Break even at Medicare Reimbursement

Value = \( \frac{Quality}{Cost} \)
Scope of Work

- Utilization Projects
- Cost Reduction
- Supply Chain - Supplies
  - Inventory Mgmt
- Revenue Cycle
- Workforce Planning
- Labor Productivity
- Discrete Projects
- Enterprise Focus

Align to Organizational Strategy

Better
Lower Cost
Value
Faster
Program Governance

SLPM Executive Team
CMOO, CFO

Leadership Team
Finance, Med Ops, CI

Advisory Team
Pharmacy
Nursing
CI
Imaging
Surgical Ops
Supply Chain
Finance
Pathology
Administration
Region

• Makes decisions on Priority and Funding
• Communicates updates to executives

• Leads Program
• Provides governance of project prioritization and resources
• Communicates Progress and Issues

• Scores projects for prioritization
• Provide resourcing outside CI, Finance
• Identify opportunities
• Identify successes
• Participate in success sharing forums.
Project Approach

Team Selection

Working Team:
Physician Lead
Administrator
Nursing
Pharmacy
Supply Chain
Finance
Project Manager
Project Approach

Analysis & Target Selection

Data Sources:
- Finance
- Supply Chain
- Pharmacy

Team selects opportunities
- Clinically sound
- Room for improvement
Project Approach

Recommendation & Plan

Team creates plan
PM translates into detailed Project Plan:

- Tasks
- Owners
- Timelines
Project Approach

Implementation

PM Support
- facilitates team mtgs
- updates from each task owner
- updates sponsor on delays and barriers

Sponsor and project owner
- drive expectations and task owners
Project Approach

Sustainment

Finance → utilization monitoring reports
• Team reviews recent patient level data
• ≥ 2 meetings/year

Physician Lead
• Presents project impact quarterly
Why Service Line Reporting?

- Patient encounter focused financial reporting
  - Service Line reporting considers all financial activity for a patient encounter, not just from a single functional area

- Service Line reporting can be used to analyze more than just financial data
  - All billed activities are available for review
  - Diagnosis, severity scoring, mortality risk, and patient demographics
What is Service Line Reporting?

Operating Statements

- Traditional view of financial performance
- Primary financial management/accountability
- Primary budget performance analysis

Service Line Reporting

- Patient encounter focused view of financial performance
- Groups patients by physician, DRG & UB Code
- Review cost per case, resource utilization, ALOS, year to year comparisons
Service Line Reporting

- Service Line Reporting vs. Operating Statements

<table>
<thead>
<tr>
<th>Institutes</th>
<th>Costs</th>
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</thead>
<tbody>
<tr>
<td>Heart</td>
<td>$ 650</td>
</tr>
<tr>
<td>Anesthesia</td>
<td>425</td>
</tr>
<tr>
<td>Endocrinology</td>
<td>175</td>
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<tr>
<td>Nursing</td>
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<tr>
<td>Surgical Svcs.</td>
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<tr>
<td>Pharmacy</td>
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<tr>
<td>Imaging</td>
<td>300</td>
</tr>
<tr>
<td>Pathology</td>
<td>275</td>
</tr>
<tr>
<td>Total Encounter</td>
<td>$3,375</td>
</tr>
</tbody>
</table>

Institute Operating Statements Focus
Cost per Unit

Service Line Reporting Focus
Cost per Encounter
How do we calculate costs

- Match revenues & volumes with expenses
- Calculate a unit cost for every charge code
- Use RVU based cost allocation approach
- Identify supply, labor and other cost types
- Define fixed/variable & direct/indirect costs
- Utilize detailed billing activity as cost units
How do we calculate costs

Activity Based Allocation

<table>
<thead>
<tr>
<th>Acquisition Cost</th>
<th>Charge Code</th>
<th>RVU</th>
<th>% of Expenses</th>
<th>Cost per Unit</th>
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</thead>
<tbody>
<tr>
<td>$5</td>
<td>Suture</td>
<td>$5</td>
<td>5%</td>
<td>$5</td>
</tr>
<tr>
<td>$30</td>
<td>Dermabond</td>
<td>$30</td>
<td>30%</td>
<td>$30</td>
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<tr>
<td>$65</td>
<td>Knee Implant</td>
<td>$65</td>
<td>65%</td>
<td>$65</td>
</tr>
</tbody>
</table>

Supply Expense - $100
What is Service Line Reporting

- Sutures

More Supplies

Chart showing Sutures and Supplies spending categories.
What is Service Line Reporting

- **Utilization:**
  - Expenses summarized to the encounter
  - Technical & Professional
  - Functional areas also reported on dept. operating statements
What is Service Line Reporting

Nursing Institute

Revenues & Expenses
1 Inpatient Encounter

Multiple, discrete charges & costs across CC can be clearly associated with an encounter...

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<tr>
<th>Institutes</th>
<th>Charges</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart</td>
<td>$3,650</td>
<td>$650</td>
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<td>Anesthesia</td>
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<td>Endocrinology</td>
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<td>Imaging</td>
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<td>300</td>
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<tr>
<td>Pathology</td>
<td>975</td>
<td>275</td>
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</tbody>
</table>

Total Encounter $12,325 $3,375

Net Revenue can also be clearly associated with the encounter...

$4,890
Service Line Reporting

Multiple patient encounters

Net Rev: $4,890
Cost: $3,375
Margin: $1,515

This information allows us to develop a P&L for the encounter.
Service Line Reporting

- Revenues, expenses & profitability “stay” with patient
  - Revenue and cost per case reporting
- Service line definitions create meaningful groupings
  - Discharging physician
  - DRG / UB Code
  - Others
Example Projects
Clinical Protocol Changes

• “Please don’t utilize a stapler if a 2-0 silk tie will do the same job”
• Immunosuppression protocols
• Lab test daily order sets
• OR Pack item reduction
• LOS: 14 to 12.3 days
  - Early physical therapy
Liver Transplant Results

Technical Direct Cost per Encounter

Full Year 2010 & Q1 2011

22% 15% 10% Cost Reduction

10% Cost Reduction
Lab Test Utilization Initiatives

- 1241 Same Day Hard Stops - 7,243 unnecessary duplicate orders avoided - $115,590 Total cost avoidance (materials & Labor) - 1,318,774 total gross revenue "avoidance"

Inpatient Expense avoidance

Outpatient Revenue loss

FY2011
Lab Test Utilization Initiatives

• Molecular Genetic Testing
  - Deemed users, Must consult medical genetics
  - Cost avoidance $248,923 (inpt & outpt)

• Next Steps
  - Extend Hard Stops: HbA1c; Positive C. difficile
But is this enough?

Expense reduction required to break even at modeled Medicare requires significant cost cutting.
OPPORTUNITIES FOR OPTIMIZATION IN STROKE CARE

- **EMS, WALK-INS**
  - REGIONAL EMERGENCY DEPARTMENT
    - IMAGING/ HYPER ACUTE MRI
      - ANGIO SUITE
        - ICU
          - STEPDOWN OR GENERAL FLOOR
            - DISCHARGE
              - PAC
              - HOME

  - CCT TRANSFERS
    - MAIN CAMPUS EMERGENCY DEPARTMENT
      - IMAGING
        - HYPER ACUTE MRI
          - ANGIO SUITE
            - ICU
              - STEPDOWN OR GENERAL FLOOR
                - DISCHARGE
                  - PAC

  - OUTSIDE HOSPITALS, EMS, WALK-INS
    - Image Improvements:
      - Implement consistent imaging protocol
      - Build capability at hubs for 24/7 MRI

  - ANGIO SUITE/ SURGERY
    - Develop Hemorrhage Carepath – In Progress

- **Transfer Efficiencies**:
  - Improve decision making for appropriate transfer of patients
  - Reduce duplication of imaging
  - Reduce duplication of testing

- **Service Line Improvements**:
  - Reduce variability in testing and consults
  - Reduce physician variability - DRGs cost reduction

- **Address quality and process gaps at X Sites**

- **Continuum of Care**:
  - Develop post discharge patient management tools
  - Enhanced engagement of case management
  - Trigger PM&R consult earlier in the patient flow – Region
  - Develop a decision making protocol for post-acute patient flow
  - Develop a protocol to send patients to IRF
  - Increase number of patients going home who get formal Home Care services
Evolving Methodology

• Process Mapping – multiple locations
  • Complete and Validate with Staff and team
  • Outpatient, Inpatient, Post Acute Flow
• Get Metrics and Data
  • Financial (cost, utilization), Quality, Outcomes
  • Process/ Care Delivery metrics
• Analyze differences, gaps to ID opportunities
• Prioritize
• Implement, Review, Sustain
Cleveland Clinic

Every life deserves world class care.