Customer-Centric Healthcare: Best Practices for CFOs

Now more than ever, the CFO must play an integral executive role in the application of how care is delivered.
How did we get to this point, and what has changed so considerably to transform the role of the CFO? In the recent past, the CFO’s primary role was financial management and control: budgeting, cost control, revenue enhancement, major funding and lending issues and financial reporting. These functions operated outside the domain of the patient care areas. Few CFOs could be found walking the floors of the hospital; in fact, financial operations were typically housed off-campus. Therefore, many CFOs were not deeply acquainted with the main product for which they were billing – patient care. Pricing decisions were driven by costs and payor rules. Patient service levels simply weren’t part of the financial oversight process.

This is now changing, with the transformation led by the ongoing movement to make healthcare more customer-centric. As the burden of financial responsibility is increasingly in the hands of the individuals receiving care – the patient/consumer – they now make decisions based on perceived and real impressions of the quality of care they received. As such, it is up to the CFO to recognize the need to deliver more customer-centric care and help ensure the organization has the policies, procedures and quality metrics in place to deliver on this goal.

New policies, new challenges

As today’s patients take increasing control over their healthcare, organizations must be ready to adapt. The quality of care patients receive is now more important than ever; as with other consumer experiences, if they are unhappy with how they are treated, they can choose not to return. No longer is patient care just about providing treatment, but the focus is on how that treatment was delivered. Patients now ask themselves questions like:

- Did I have a good experience while under care?
- Did I see my physician regularly?
- Did I have a negative outcome, or become worse due to inappropriate, incomplete or untimely care?
- Was the staff pleasant?
- Did I have a long wait for a scheduled appointment?

How they answer these questions will determine their likelihood of returning. Along with higher deductible plans and the ability to change plans more readily, the patient is taking more control over who will provide that care and the value of the care received. But it’s not just
changing attitudes and expectations from the patient-side that impacts how CFOs do their jobs; there are a number of changes in the external terrain impacting the role of the CFO and the ultimate financial performance of their organization.

Readmissions Reduction

The ACA has instituted new measures and programs impacting the financial aspects of healthcare providers, such as the Hospital Readmissions Reduction Program. Through this program, Medicare reduced payments to acute care hospitals with excess readmissions that are paid under the Centers for Medicare and Medicaid Services (CMS) Inpatient Prospective Payment System (IPPS) as of October 1, 2012. The program initially focused on patients who were readmitted for select high-cost of high-volume conditions, namely heart attacks, heart failure or pneumonia.

Hospital Value-Based Purchasing (VBP) Program

Medicare now has information about how the quality of a hospital's care affects the payments it receives from Medicare. The implementation of the Hospital VBP program, which was established by the ACA, introduces a pay-for-performance approach to the payment system that accounts for the largest share of Medicare spending, impacting payments for inpatient stays in approximately 3,000 hospitals across the country. As of 2013, Medicare adjusts a portion of payments to hospitals through the Hospital VBP program, based on how well they perform on each measure compared to all hospitals or how much they improve their own performance on each measure compared to their performance during a prior baseline period.

Hospital-Acquired Condition (HAC) Reduction Program

The ACA has authorized Medicare to reduce payments to certain subsection (d) hospitals (those hospitals that qualify for prospective payments, meaningful use and other incentive programs under the CMS and outlined by the ACA). Subsection (d) facilities that rank in the bottom-performing quartile of all subsection (d) hospitals in terms of hospital-acquired conditions (HACs) are eligible for this program, with the goals of encouraging these hospitals to reduce the incidences of HACs.

Bundled Payment for Care Improvement Initiative

Traditionally, Medicare made separate payments to providers for each of the individual services they furnish to beneficiaries for a single illness or course of treatment. However, this approach could result in fragmented care and minimal coordination across providers and healthcare settings. As such, hospitals receive payments for the quantity of services offered rather than the quality of care provided. Research has shown that bundled payments will better align incentives for providers, whether hospitals, post-acute care providers, physicians or other practitioners, allowing them to work closely together across all specialties and settings.

Market-Driven Clinical Care Guarantees

Along with the shift to more customer-centric care, more organizations are offering their patients clinical care guarantees. Systems like Geisinger Health System in Pennsylvania are now providing a 90-day warranty on certain surgical procedures. If there are any post-operative complications, all required clinical care, including additional surgeries, will not be billed to the patient.

Accounting for change

The above external drivers are only some of the changes impacting today's CFOs and their ability to maintain financial viability. As the healthcare industry continues to evolve to meet the needs of more informed and empowered patients, healthcare providers must undergo a fundamental shift in many of their core processes. As they strive to keep up with this unprecedented change, numerous internal, organizational and financial process and system challenges abound, requiring CFOs to take a new approach to how they manage the finances of their organizations.

One of the most pressing challenges is the need for information technology and activity-based costing systems, in order to determine the individual cost and utilization components that will be reimbursed by a Bundled Payment System. As hospitals face greater pressures to optimize their costs, activity-based costing enables them to understand the true costs of delivering care according to the resources utilized. Figuring out the costs of caring for groups of patients with similar conditions, costs savings for
5 Must-do’s for healthcare CFOs

■ Understand their role: As the entire industry strives to make healthcare more customer-centric, CFOs must identify how they can positively transform one of the most confusing aspects of care – billing. Seeking ways to simplify and demystify the process, and ensure patients understand what they’re paying for and why, is crucial.

■ Look beyond the tactical: While providing greater clarity in the payment process is crucial, CFOs must also play a larger management oversight role in the application of care. Rather than determining pricing based on costs and payer rules, they’ll need to tie pricing back to the quality of care delivered and be sure they have their eye on the quality performance metrics that allow them to do so.

■ Identify the external factors: The ACA has introduced many significant changes impacting the financial aspects of healthcare, such as Readmissions Reduction, Value-Based Purchasing, Hospital-Acquired Condition Reduction, Bundled Payment for Care Initiative and more. CFOs must ensure they account for these programs and their effect on current processes and revenue streams.

■ Prepare their teams: Given the ongoing shift to ICD-10, activity-based costing and integrated health plans, CFOs must take the lead in readying their teams for these new policies. As with any large-scale change, leadership must communicate how they can adapt, who is responsible for what and the timelines for each phase of transition.

■ Step outside the office and the industry: It will be hard to facilitate the level of transition from inside the office. CFOs must walk the hospital floor to become more familiar with the patient care aspect of the operation, and connect with their CFO counterparts in other industries to better understand how they can deliver a more customer-centric approach.

key process improvements and the benefits of better utilization of capacity are key areas on which to focus. Organizations should seek to tie costs to patient outcomes, to enable them to improve the quality of outcomes, motivate efficiency, reduce costs and ensure patients that cost improvements will not reduce the quality of care delivered.

Another area of concern for the CFO is the need to migrate from the previous version of the International Classification of Diseases, ICD-9, to the newest version, ICD-10. This represents one of the largest changes in the coding methodology that drives the billing and reimbursement process and will have significant impact on the timeliness and accuracy of billing over the course of the next year. The new standard includes more than 14,400 different codes, which can be expanded to more than 16,000 with optional sub-classifications to further classify diseases and health problems for treatment and eventual reimbursement. As with any large-scale change, the move to ICD-10 could be a major interruption to billing processes and an organization’s revenue stream if not executed properly.

CFOs are also challenged by the continuing emergence of integrated health plans, an approach characterized by a high degree of collaboration and communication among healthcare professionals. It also involves the sharing of information among an interdisciplinary healthcare team with the goal of establishing comprehensive treatment plans to address the biological, psychological and social needs of the patient. Yet, the predictive modeling needed to estimate the cost of providing such care to a community and then driving the operational and logistic systems to ensure care is delivered on time and as prescribed, will create further complexity for the CFO.

Expanding CFO horizons

Given this high degree of change impacting their jobs, what can CFOs do to prepare and ensure success in this time of transition? One of the most important things they can do is venture outside their industry


and talk to CFOs in the retail and manufacturing industries. This will provide insight on how to deal with factors like activity-based costing, cost-to-sale models, costing algorithms and other considerations that haven’t traditionally come into play in the healthcare space. They can also attend seminars and events outside the healthcare industry to gain additional insight on how they can adapt to the customer-centric approach.

It is also important for the CFO to become closer to the clinical operations and staff of their facilities. CFOs typically don’t walk the hospital floor, unlike other industries such as manufacturing, where the CFO has an end-to-end perspective on process cost and quality performance. Now that the entire healthcare industry has shifted to measuring quality rather than just the services provided, it is essential that the CFO become more familiar with that aspect of the operation. Stepping outside the office, moving beyond just looking at financial management and controls and taking a closer look at the costs, quality and impact of patient care will be instrumental in guiding their organizations through the required changes effectively.

Preparing for the future

With the rapid and unprecedented level of change facing the healthcare industry, CFOs must contend with some enormous new challenges. As the pricing structure for healthcare continues to change to be more patient-friendly and reflective of the quality of care patients receive, CFOs must be ready to guide their organizations through this transformation. This entails more than just focusing on the technical side and ensuring the necessary ICD-10 codes are in the system and that costing models are updated accordingly; the change requires a more personal approach, in line with patient demands for enhanced customer service. To deliver on these goals, CFOs must step away from the office and take a closer look at the care being delivered. Understanding what is happening first-hand will provide greater clarity and insight into how quality is measured and its impact on the organization’s pricing structure and revenue streams.

Seeking external help to overcome CFO challenges

Given the tremendous change taking place across the healthcare industry – and the far-reaching impacts into the financial performance of the healthcare organization – the pressure on CFOs to adapt and guide their teams through this transformation can be overwhelming. These changes require a fundamental readjustment in how some key financial activities are performed, and CFOs must be able to adapt to keep up with the new reality.

Rather than doing it alone, CFOs can rely on the services of a trusted partner who can provide the resources and talent to help them drive the immense change required. From transitioning to ICD-10, establishing new cost models and making the financial aspects of healthcare more understandable for today’s empowered patients, the right provider will help CFOs implement the processes and technologies to prepare their organizations to deliver the next level of healthcare. As a result, they can ensure a best practice approach as they strive to deliver the customer-centric healthcare today’s patients increasingly demand.

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