Hospitals are facing unprecedented financial constraints. Inpatient admissions and surgical procedures are no longer driving needed revenue growth, as they have since the inception of the modern health system, and hospitals are losing working capital from complex government mandates and reform investments, including Electronic Health Record implementations and transitions to the International Classification of Disease, Tenth Edition. What is encouraging though, against the backdrop of this specter of financial distress, is that there are proven strategies that hospitals may implement now, that will abet new revenue streams, bolster numbers quickly and help drive sustained, long-term revenue growth.

For the first time though, hospitals will need to look beyond the four walls of their health system to solve these critical business problems. They will need to develop new strategies and implement new technologies that focus on growing outpatient volumes – and strike new, stronger relationships with their community, in order to uncover additional revenue and drive it back toward their health system.

Consider Americans and their dependence upon electricity and clean water. If electricity services were unavailable for a period of time, or if a water supply were to be compromised, most people would find themselves in a situation of being ill prepared. Many people don’t think to purchase stand-by generators and alternative energy sources, nor do they store sufficient clean water in preparation for crises. The ubiquitous availability of clean water and electricity has desensitized us to the need to have an executable backup plan. Health systems face a similar plight. Patient services revenue has historically been driven by inpatient admissions and surgical volumes, while increased rates and costs were simply passed on to payers, who in turn passed them on to employers and, to a lesser extent, consumers. Right now hospitals are going down two paths – they are installing generators, metaphorically speaking, or they are fumbling in the dark. One thing is certain though, the landscape has been forever altered and there will be winners and losers; health systems savvy enough to change with the times will win.

Fumbling in the Dark – or Turning the Lights on To Address the Business Problem

During 2013, average inpatient volumes dropped by 4.9 percent while regulatory requirements forced reclassification of previous admission cases to lower cost outpatient observations, and payers refused to accept historic rate increase levels. Com-
bined, these factors introduce unprecedented downward pressure on margins and for some may raise the likelihood of bond rating downgrades. Patient volumes that have migrated from high acuity and higher margin inpatient settings to lower acuity and lower margin outpatient settings represent a permanent shift. And with this shift comes financial constraints, and for some, real financial distress, impacting the health of the health systems’ business. Consider these facts and factors when contemplating the need for an outpatient revenue strategy:

• Inpatient volumes are currently flat or down, migrating to lower cost outpatient care settings
• Downward pressure on rates across all classes of payers with heavy emphasis from Centers for Medicare and Medicaid Services on recovery audits introducing risk of claw-backs
• Significant increases in Information Technology spending for EHRs, including license fees to vendors, billable fees to consultants, annual maintenance expenses and funding new full-time employees
• Increased costs of employing hired physicians or acquiring physician practices, including costs for funding staff, leases, insurance and IT – all without sufficiently high commensurate increases in patient cases to overcome new financial burdens

Installing the Outpatient Volume Generator

In order for health systems to grow outpatient volume, stop revenue leakage and maximize profitability, they must develop sound strategies for collaborating better with their broader community of independent healthcare providers. Part of this strategy means identifying low-cost, low-risk, high return – and CIO- and IT department-friendly technology solutions. The fragmented community of EHRs is insufficient for this need; they were designed to operate within the four walls of the health system. The industry has neither the faith nor the financial tolerance to wait for big IT to deliver on their long term promise of true system-to-system interoperability. Thus, health system executives are in a new position: they are installing outpatient volume generators, built on the backbone of intuitive, easy-to-install cloud-based technologies, helping them easily connect with their full community of trading partners.

Successful health system executives recognize that they must take action now. Every day that passes without installing this outpatient volume strategy represents lost revenue opportunities. Consider Northeast Georgia Health System, a 557-bed inpatient health system, which recently grew its point-of-service collections from $258,000 to $7.2 million by electronically becoming the best and easiest destination care setting for patients of 700 independent physicians along with 100 employed physicians. Their approach implemented a cloud-based provider network manager solution, an easy-to-implement and cost-effective technology solution that helped NGHS better engage with independent doctors and drove revenue back to the health system. The idea of bolt-on technologies and bolt-on strategies that create tangible value should not have a negative connotation. Rather, they are critical in delivering much-needed tangible ROI health systems currently lack, particularly in the wake of other IT initiatives draining their bottom line.

Outpatient volume strategies represent investments towards future growth. Nearly all health system investments in recent years have been facility focused, including provider alignment strategies intended to help health systems capture revenue through the acquisition of independent facilities. This, again, represents health systems fumbling in the dark, as opposed to installing strategies for capturing new revenue, where it lives – outside of the health system. Other than admissions
based on emergency department visits, nearly all health system revenue originates in the community from referrals, orders, and transfers. Smart leaders will therefore focus their future on methods for growing these volumes.

When planning, regard the following outpatient revenue strategy considerations and best practices:

• High volumes captured through physician referrals to employed specialists and sub-specialists, including more physicians referring patients and more volume from those referring

• Physician orders for outpatient services including diagnostic, therapy and ambulatory surgery and the volume that may be captured with more physicians ordering

• Reduced network leakage, including fewer referrals from employed physicians to non-employed specialists and fewer orders from employed physicians to competitive imaging and other services

• Conversion of orders to realized revenue, including the elimination of lost or unfulfilled orders, the elimination of orders given to patients that are fulfilled by competitors, higher order-to-appointment conversion rates and reduced appointment no-show rates

• Increased cash collections for services rendered, including verification that referrals are authorized, verification that orders are eligible, medically necessary and pre-certifications have been obtained. As well, the calculation of patient responsibility, payment collection and financial counseling.

As health executives define their outpatient growth strategy by thinking beyond architectural and functional limitations of their current technologies, and embrace new ideas and technologies, they will gain true market advantages. There is much power and financial benefit to be gained by going beyond the four walls of the health system to better coordinate care with community trading partners. Today, savvy executives are considering cloud-based solutions as part of this strategy to increase outpatient revenue. By automating care transitions and patient access between health systems and independent providers, hospitals are able to balance revenue lost through forced initiatives – and more importantly, activate a long-term strategy to grow revenue through new channels and partnerships.

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