



Healthcare Excellence Institute

Schumpert Medical Center Case Study: 10% Sustainable Increase in Monthly Cash Realization HFMA MAP Award Winning Hospital

The Organization:

Schumpert Medical Center is a non-profit 350 bed system located in northern Louisiana. They provide services for patients from three states with annual net revenues of \$250,000,000 across two facilities.

The Challenge:

The CFO of Schumpert made the decision to allow an assessment of her revenue cycle in order to prove that it was among the best as she was convinced there was not much more that could be gained from that part of the organization. While the revenue cycle certainly had their months where cash was “down” and the leaders were consumed with daily fire fights, her experience was that this was how revenue cycles operated. She expected her revenue cycle would come back with a clean bill of health.

The Assessment:

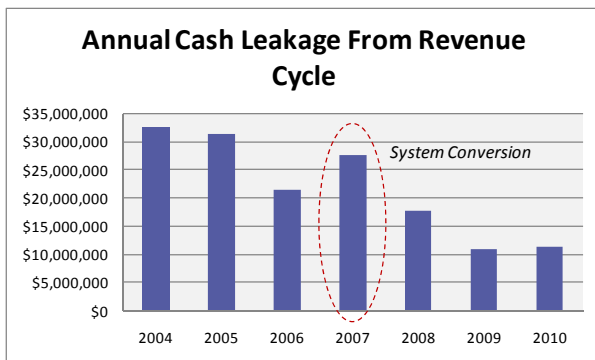
The assessment indicated that the revenue cycle was a long way from being world class. In fact, over 200 failure modes in the revenue cycle were identified that caused the cash to be lower than it should have been. The organizational structure was fractured and leaders were unable to identify clearly from the traditional metrics where to focus. As a result they tried to address the biggest problem at the encounter level at any given moment. Since the organizational structure was fractured and there were no clear metrics that allowed for systemic root cause and corrective action, solving problems to prevent the same problem from happening in the future was impossible.

The Proposal & Vision:

Transform the revenue cycle from traditional to a process centric organization with metrics that allowed for root cause and corrective action analysis to deliver continuous improvement. The organizational structure would be designed to allow for daily improvement from the associate level so that the entire revenue cycle was engaged in fixing the problems to prevent future recurrence.

The Implementation:

The organizational structure was redesigned and implemented. High performance work teams formed the core of the organization. Kaizen events were done in each area to redesign the processes to provide flow, work management methods and to remove errors. This provided the structure to get associates engaged in the process and allow for increased process discipline and standardization. In addition, each team began having daily shift briefings where they discussed problems that they had found and how to get them resolved. Leaders learned how to do root cause and corrective action analysis to support systemic improvement over time. A standard management process with revenue cycle metrics was implemented as well as a collection tool that allowed the collectors to work on the right accounts with standardized follow up activities. The implementation was completed in time for a full system conversion. This allowed the organization to have a more successful conversion since all processes were operating to standardized procedures and the culture was already more adaptable to change than before. The system experienced a smaller and shorter dip in their conversions than the sister systems going through the same conversion. The associate satisfaction soared with the success of the organization.



The Results:

The increased insured net to cash conversion of 10.5% resulted in an additional \$23,500,000 per year of additional cash due to reduced revenue cycle leakage. Rollovers (the unpaid amount on accounts at a given time) decreased. Each year the system raises its goals for cash realization and continues to increase the gains.

***In 2010 this organization was awarded HFMA’s MAP award recognizing them as one of the top 10 revenue cycles in the United States. Using traditional metrics the organization performed as shown below:
Days in A/R: 36; Cash as a Percent of Net 104.6%, Bad Debt: 1.08%; Point of Service Collections: 65.78%
In addition the associate satisfaction jumped to one of the highest in the entire corporation.***