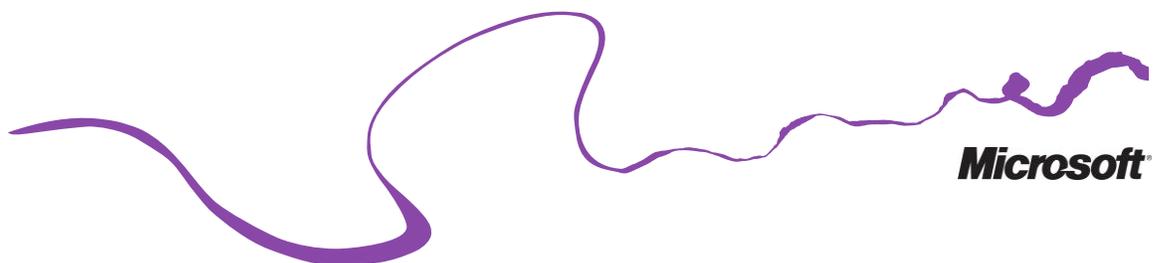


Creating Sustainability and Value in Uncertain Times

*How healthcare organizations can use their
data assets to improve organizational
performance*

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This economic downturn will run its course, just like all the ones before it. However, the “once-in-a-century” credit crisis that has unfolded recently, coupled with changing reimbursement models and patient demographics, could have a long-standing impact on healthcare providers. Healthcare finance may never be the same.

These unprecedented challenges require healthcare’s leaders to seek new perspectives and different solutions. Leaders must embrace their role as agents of change and create more agile organizations. The ability to rapidly identify performance issues and act on them is increasingly critical—because every day that a hospital continues inefficient or low-quality practices is a day that the hospital falls farther behind its more efficient and better-funded competitors.

To compete effectively in today’s adverse economic environment, a healthcare organization must be able to access and manage data effectively across the enterprise; without the ability to drive insight and action, data is nothing but overhead. The more efficient an organization is at using data assets to create a clear strategy for action, the better positioned it will be to adapt swiftly to changes and prevent potential problems from escalating.

However, discovering the value hidden in an organization’s diverse and distributed data is an ongoing challenge.¹ Few organizations today are making effective use of the data assets captured by their IT systems to drive improved outcomes, safer care, and bottom-line results. Healthcare leaders can no longer afford to maintain the status quo in their current use of data from these systems. Whether an organization has disparate systems or a more integrated approach, the reality is that the cost, time, and resources required to glean intelligence are overwhelming obstacles to effective decision making and performance improvement.

It is often said that the definition of insanity is doing the same thing repeatedly and expecting a different result. It’s time for a fundamentally different approach to information management that will help organizations respond to change and traverse today’s stormy economic climate. This paper discusses the challenges that face healthcare leaders today, and outlines a strategic approach to capitalizing on information that can help healthcare organizations understand the past, examine the present, predict the future, and confidently act on this knowledge.



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The Future Isn't What It Used to Be

In light of the trends emerging over the last few years, it's no wonder that financial challenges were ranked as a top issue for hospital CEOs. In 2008, the American College of Healthcare Executives (ACHE) reported that 77 percent of CEO respondents cited financial challenges as their top concern.²

There is great reason for this concern. Hospitals watched as their access to capital steadily decreased, with the possibility of future credit impasses on the horizon as Fitch Ratings downgraded its outlook on the U.S. not-for-profit hospital sector to "negative" for the first time in five years.³ Moody's Investor Services reports significant deterioration in rating activity due to soft or declining volumes as a result of patient-deferred healthcare needs, rising bad debt expense and charity care, and deteriorating liquidity and balance-sheet strength from investment losses and large interest rate swap collateral postings.⁴

No margin for error

A financially healthy organization is one that produces an operating margin that allows it to obtain the capital it needs to maintain and grow its business.⁵ For hospitals, capital comes primarily from operating cash flow, debt financing, and investment income.

An improvement in an organization's operating margin today yields a multiplier effect on tomorrow's available capital.⁶ However, the healthcare industry has never seen margins so low; currently more than half of U.S. hospitals report negative margins.⁷ This means that even with the government's effort to revive the stagnant credit market and fix an ailing economy with the American Recovery and Reinvestment Act of 2009 (ARRA), hospitals are finding it increasingly difficult to access the capital necessary to finance everything from facility upgrades to clinical and information technology improvements.⁸

Quality drives the bottom line

Because reimbursement is increasingly tied to quality and performance, most providers find themselves ill-equipped to bring together the clinical and financial data necessary to manage and optimize payments based on quality and other performance measures. Efficiently blending clinical and financial data is a critical success factor for hospitals to succeed in promoting quality and optimizing reimbursement. This includes allowing the exploration of that data in real time to predict which patients may fall into a core measure population while they are in the hospital, so that appropriate action can be taken. The ability to rapidly gain the insights required to improve processes is increasingly critical to ensure maximized reimbursement.



Consolidation can create leverage

Industry pundits predict an increase in mergers and acquisitions in a wave of consolidation as lower-rated institutions continue to suffer from reduced access to capital. Mergers can bring savings, gains in technology, and more leverage with suppliers and insurance companies. However, as hospitals consolidate, management generally inherits a patchwork of fragmented technologies. This can bring in additional costs and redundancies as IT departments struggle to maintain multiple systems, and executives attempt to get a holistic enterprise data view to capitalize on the potential gains of consolidation and achieve economies of scale.

The data gap

The healthcare industry continues to adopt information technology to cover administrative, financial, and clinical care processes. As a result, organizations have captured a wealth of data that can help improve productivity, efficiencies, and quality of care. Given this progress, one might assume that healthcare leaders, financial departments, and administrative management are now in a much better position to make informed decisions with insights into reimbursements, utilization, staffing, capital management, emergency care spending, and many other areas.

Yet, the unvarnished truth is that most organizations are filled with complicated tools, some of them still manual, for viewing data.⁹ Ensuring that the right people are able to view and explore data to gain insights is also challenging. As organizations begin to view their data as a strategic asset, they realize that they don't have the timely, accurate, and helpful information they need.

Although there is currently much focus on the stimulus package regarding funding for the implementation of electronic medical records, organizations that spend those dollars will still require more insight about their business operations, asking what can drive performance improvements that can lead to sustainable changes and improved financial health over the long term.



Hospital Improves Financial Operations with Amalga

Washington Hospital Center, a member of MedStar Health, has received a number of benefits with Amalga:

- Reduction of claims denials
- Improved accountability and collaboration
- Ability to pinpoint strategic trends
- Easier approach to operational and budgetary planning

At Washington Hospital Center, addressing claims denials requires, above all, the ability to gather and organize vast amounts of disparate data and present it to users in a timely and versatile fashion.

With Amalga, staffers can consolidate and present information so that in less than 30 seconds they can determine a pattern among codes, payers, and even points of time in the billing cycle. "We can easily see which kinds of claims are being denied, which payers are denying them, and when in the billing cycle this is happening," says Bradley Kappalman, Assistant Vice President of Medicine at the Washington Hospital Center.

Denials can be avoided by setting up customized views that enable reviewers to ascertain which services might be reimbursed at a lower rate, or the Medicare eligibility of a given patient. "In the past, some Medicare claims were denied or patients were billed as self-pay," Kappalman says. "Now we can easily set up a view of all patients who are 65 and older, for example, and catch potential registration errors in near real time. In other words, we are monitoring front-end processes not only to resolve denials but to help line staff and managers do what's necessary to avoid the denials in the first place."

Strategies for Challenging Economic Times

The new economic climate requires a tight focus on improving revenue, efficiencies, and performance. Hospitals that outperform their peers may gain a competitive advantage during the downturn, and hospitals that underperform relative to their peers may continue to slide, creating a large gap between the strongest and weakest.¹⁰

The rapid contraction of the credit markets and the accompanying decline in investments highlight the need for a dynamic, fluid, and agile approach to both strategic planning and day-to-day operations. As the industry becomes more complex and faces more frequent, far-reaching changes, organizations that can rapidly assess and adjust their goals and market alignment will have a significant advantage over those entities that are locked into a more traditional approach.

Create an enterprise operational performance strategy

A review of high-performing organizations reveals that what sets apart the operations of such companies is the way they tightly couple the process of doing work with the process of learning to do that work better.¹¹

At the heart of this ability is the free flow of information to all employees at the point of impact.¹² The people who are most adept at making a decision or understanding how a process works need real-time or near real-time access to all relevant enterprise information. They also need to be able to manipulate the information to question and explore without the constraints of structured queries, the difficulty of learning multiple systems and tools, or the need to go to a specialist to find the data.

Aligning IT with improvement strategies

Organizations need to be able to do more with their existing assets, making use of the amazing amounts of data that they already own and facilitating collaboration across multiple groups and care boundaries so they can:

- **Optimize resources**, reducing the need for large numbers of staff dedicated solely to querying systems or manually pooling data.
- **Extend the value of legacy systems** and increase flexibility of future IT investments.
- **Consolidate systems** as the industry trends toward mergers and acquisitions continue. Enterprises must consider how to bring together valuable data from diverse IT infrastructures without the high expense and risk of “ripping and replacing” systems.
- **Improve revenue cycle processes** through focused exploration of potential improvements across the entire cycle—from front end to clinicians to back end.
- **Achieve a holistic view** across functional departments and the enterprise, to drive decision making based on reliable data, and to better tie financial reimbursement to clinical quality.
- **Create a data strategy.** Taking a long-term, strategic approach to information management (instead of individual, one-time projects) can lead to sustainable organizational performance. It is through an ongoing program of applying learning that healthcare workers can produce real benefits and, potentially, competitive differentiation.¹³

Microsoft Amalga: A Path to Insight and Impact

To make effective use of data assets to improve operational performance and financial health, the healthcare industry needs a fundamentally different approach to information handling. Microsoft Amalga is designed to address the current and future information management requirements of the healthcare industry. Amalga is built for change, reducing the complexity, effort, and resources required to deliver an agile enterprise-wide data platform that allows use and reuse of healthcare data, and extending the value of existing technology solutions.

Empower people

The pace of change in healthcare requires an agile organization that has the ability to sense and respond to change.¹⁴ Retrospective reviews of data are no longer sufficient. Organizations will need to obtain a unified, near real-time view with the ability to add predictive modeling capabilities for key strategic areas.



For example, erroneously coding at a lower severity level can cost up to U.S.\$10 million dollars in lost revenue per year.¹⁵ Typically, documentation specialists search the paper records or electronic medical records post-discharge to find these errors. Amalga can deliver a transformational approach to using data captured across the enterprise by identifying markers for complexity that may indicate that a higher-severity coding is required and applying algorithms that alert staff in near real time. This could allow a reduction in the time and resources required to conduct chart checks, as well as adding revenue to the organization's bottom line.

The true value of Amalga centers around the creation of a new ability to look at data differently and the creation of a learning culture that allows organizations to get ahead of the curve with the data, helping them to support, explore, and understand processes that can have a substantial impact on organizational performance and financial health.

Accelerate time to value

It's increasingly important for organizations to design technology implementations that have short project phases and delivery cycles in order to accelerate time to value wherever possible, rather than waiting months or even years for the organization to see the fruits of its investments.¹⁶ For example, revenue cycle implementations currently average 18 to 24 months. An intense focus on these implementations can bring other improvement efforts to a standstill. With Amalga, an organization can rapidly pull together data from multiple sources to gain speedy use of available information for insight and improvement, and can then go on to create new uses for that data over time. Most of the organizations that have implemented Amalga gained the ability for new insight into and exploration of their data within four to six months.

Create value

Amalga is currently used in several different healthcare settings, for numerous use cases. Microsoft has identified several key business success factors for hospitals in particular, and has evaluated how Amalga can contribute to improving their competitive position. For more information about Amalga, visit www.whatsnextinhealth.com.



"With Amalga, an organization can rapidly pull together data from multiple sources to gain speedy use of available information for insight and improvement."

Creating a Foundation for Change

In the current economic climate, failure to capitalize on data assets can result in lost opportunities and continued inefficiencies. Further, organizations should look beyond the current situation and set the stage for sustainability in the years to come. In light of current changes and challenges, great opportunities exist for organizations to reconsider and refocus their use of data. The data collected by IT systems can help illuminate the best and worst of current processes and practices. This knowledge can improve care, reduce costs, and set the stage for enhanced organizational performance—which can in turn allow organizations to survive this downturn, and even thrive.

For more information about Amalga, visit www.whatsnextinhealth.com.



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