Tactics to Unlock Novel Provider Cost Reduction and Clinical Innovation with Clinical Process Outsourcing

Ted Merhoff, President of HCCA Health Connections and Vice President of HCCA International

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Ted Merhoff serves as President of HCCA Health Connections and Vice President of HCCA International. He has overall responsibility for delivery of services from three clinical process outsourcing centers in the Philippines, as well as for HCCA International's nurse recruitment services across the United States.
Session Objectives

• Business process outsourcing (BPO) vs. innovative clinical process outsourcing (CPO)
• Learn why the Philippines is the fastest growing destination for CPO
• Define the value of CPO to a health care organization
• Review a case study of CPO that augments an academic medical center’s coding operation
• Identify top considerations for selecting a CPO partner
• Examples of practical CPO opportunities
HCCA is a global health care company, headquartered in Nashville, with offices in Louisville and in the Philippine cities Manila and Cebu.
## Traditional BPO vs. Novel CPO

<table>
<thead>
<tr>
<th>BPO</th>
<th>CPO</th>
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</thead>
<tbody>
<tr>
<td><strong>Primary Client Goals/Interests</strong></td>
<td><strong>Unit cost reduction</strong>&lt;br&gt;<strong>Focus on core U.S. business</strong>&lt;br&gt;<strong>Ability to scale</strong>&lt;br&gt;<strong>Reduce time to market</strong></td>
</tr>
<tr>
<td><strong>Typical Client Processes</strong></td>
<td><strong>Non-core</strong>&lt;br&gt;<strong>Low/medium complexity</strong>&lt;br&gt;<strong>Transactional</strong></td>
</tr>
<tr>
<td><strong>Staff Skill and Work Characteristics</strong></td>
<td><strong>Entry level to semi-skilled</strong>&lt;br&gt;<strong>Rules based</strong>&lt;br&gt;<strong>Somewhat repetitive</strong>&lt;br&gt;<strong>Task/process focused</strong></td>
</tr>
</tbody>
</table>
Why the Philippines for CPO?
Philippines Unique Position for CPO

- Research firm Everest Group names healthcare BPO as a "hidden jewel" of the Philippines (Jan 2013)
- Estimated $430MM revenue YE 2012, 4x increase from 2010 to 2012
- “I shall return.”
  50 years of American rule ending 1946 with ongoing American cultural, media influence
- 7,000 islands and ~96MM population, English is the glue
- “So Long, Bangalore; Now Manila’s on the Line” (Bloomberg Businessweek Dec. 2010) pinpoints shift of work from India to the Philippines
- HCCA study of Philippine nurse surplus: 450+ BSN-RN schools produce ~125k+ graduates/year yielding ~40-60k locally licensed nurses
CPO Value Proposition #1 of 6

Hospital clinical staff are leaving the bedside for the “basement” (perceived easier) clinical work

CPO staff are purposeful “back office” clinical workers, permit hospital clinicians to remain close to patients
CPO Value Proposition #2 of 6

Cost pressures result in service reductions, operating losses, investment in overhead rather than in core patient care

CPO improves margins, reduces expense up to 60%, delivers productivity gains
CPO Value Proposition #3 of 6

Healthcare reform expanding scope beyond hospital walls

CPO staff enable care innovation
CPO Value Proposition #4 of 6

CPO staff execute current workflow to defend RAC audits, enable CPOE, obtain payer precertification, etc.

Insatiable payer, government demands stress operations, exacerbate lean staffing problems
CPO Value Proposition #5 of 6

Shortage of knowledgeable clinical-administrative workers yet new requirements, opportunities

CPO staff fulfill requirements for coders (ICD-10), CDI nurses, UR nurses, etc.
CPO Value Proposition #6 of 6

Big data spotlights available clinical opportunities

CPO staff bridge technology, data, and patient care
# CPO Value: More than Cost Savings

<table>
<thead>
<tr>
<th>FTE Type</th>
<th>Annual Loaded Cost - USA</th>
<th>Annual Loaded Cost - CPO</th>
<th>Annual Savings Generated</th>
<th>Percent Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>$46,500</td>
<td>$25,000</td>
<td>$21,500</td>
<td>~45%</td>
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<tr>
<td>Philippines RN</td>
<td>$110,000</td>
<td>$35,000</td>
<td>$75,000</td>
<td>~70%</td>
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<tr>
<td>U.S. RN</td>
<td>$110,000</td>
<td>$44,000</td>
<td>$65,500</td>
<td>~60%</td>
</tr>
<tr>
<td>Management</td>
<td>$130,000</td>
<td>$52,000</td>
<td>$78,000</td>
<td>~60%</td>
</tr>
<tr>
<td>SME/QA</td>
<td>$110,000</td>
<td>$46,000</td>
<td>$64,000</td>
<td>~60%</td>
</tr>
</tbody>
</table>

Note: *Annual labor expense based on 1940 hours. Analysis assumes 10 to 1 management ratio. Figures in U.S. dollars. Source: Independent market survey.
Polling Question

Please use the “chat” field to answer the following questions.

All hospital providers:
Please use the chat field to send examples of novel strategies utilized to address the current and/or anticipated coder shortage.

All participants:
Which of the issues below do you believe is the most significant as we transition to ICD-10:

(a) the availability of qualified coder staff
(b) the productivity of currently employed coders
(c) the timeliness of meeting DNFB goals and
(d) the expected new workload demanded of payers
(e) all of the above
Coding CPO Case Study

Who

• Magnet Recognized, 1,100+ beds with over 16,000 employees, over 1,000 physicians, and over 1MM patient encounters annually

• Full CPO coding Case Study to be presented at AHIMA on Oct 1

• Case Study excerpts available for pre-AHIMA presentation review
Coding CPO Case Study, *Continued*

**Why**

- Shortage of local coders led to high cost domestic contract (remote) coders
- Cost and quality of contract coders led to desire to augment with CPO coders from the Philippines
- Philippines offers TAT advantage (EST +12 hours)
- Philippines credentialed CPO coders are 100% BSN-RNs
- CPO provider carried cost of staff hiring, facility
Coding CPO Case Study, Continued

How

- Technology and business rules close the distance from USA to the Philippines
- HIPAA compliant, biometrically secure environment
- Certified coders (AHIMA, AAPC, other)
- Defined patient categories
  - Initial: rehabilitation, ED, OB, newborn, psychiatry
  - Expansion: diagnostics, ambulatory surgery, pain
- Quality assurance tapers from initial 100%, imbedded in CPO coding program
Quality Assurance Program monitors compliance, ensuring program remains current with evolving standards.
Coding CPO: DFNB Outcome
Coding CPO: Conclusion

- CPO coding technology used is same as technology for remote coders in the USA
- RNs as coders, consistent in CPO, is benefit
- Cost savings, improved DNFB delivered
- Coder staffing need met
- Improved TAT (turn around time) performance
- “Not a replacement for our coders, rather support for them”
- “Off-shore coding will never be our entire solution”
- “Still need coders onsite to work with our documentation specialists”
- “Successful example of collaborative solution”
Selecting CPO Partner

- Across the country or around the world, visit the CPO production floor
- Find CPO firm entirely committed to your business success
- Insist on opportunity to interview, test candidates
- Seek accredited CPO facilities with long history of local presence, healthy financial standing, client references
- Test HIPAA “I.Q.”
- Weigh heavily the firm’s healthcare expertise
- Evaluate the CPO line managers, advancement opportunity for staff, continuing education
Sample CPO Opportunities

- Coding ICD9, ICD10
- Home health coding
- Clinical or coding denial management
- Avoidable day avoidance review
- CDI: Clinical Documentation Improvement
- Admission review, admission justification
- Utilization management
- Case management support
- Pre and post admission patient engagement
- Tumor and trauma registry staffing
- Readmission avoidance engagement
- Clinical informatics support, CPOE customization
- Outreach to boost HCAHPS scores
- Population or chronic condition management
- Transition of care planning
Question and Answer

Clinical Innovation with CPO

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2014 Webinar Series

March 19th, 2014
**ICD-10 Updates and Discussion**
EA Health

June 18th, 2014
**Population Health Management and the Healthcare Workforce Implications**
Evolution Health

July 16, 2014
**Physician Compensation and RVUs**
Navigant Health

September 17th, 2014
**Tactics to Unlock Novel Provider Cost Reduction and Clinical Innovation with Clinical Process Outsourcing**
HCCA

October 15th, 2014
**Building the New Healthcare Workforce**
AMN Healthcare

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