ECU Physicians

Performance Improvement Analysis

Fall 2013/Spring 2014
Introduction

- Hunter was engaged to conduct a performance improvement opportunity analysis for ECU Physicians (ECUP).
- The analysis focused on areas that, in Hunter’s opinion, are likely to yield significant financial and operational improvement opportunity. The areas analyzed included:
  - A CARTS-Based (Clinical, Administrative, Research, Teaching, Strategic) Productivity, Compensation and Funding Source Analysis for ECUP providers
  - Clinical Support (non-provider) Staff Analysis (including centrally-allocated staff)
  - Cash Yield Analysis (CPT coding and revenue cycle yield)
  - Non-Labor Operating Expense Analysis
- To construct these analyses, Hunter used billing, payer mix, room utilization, payroll, and general ledger data from the time period of April 1, 2012, through March 31, 2013. Due to a number of factors on which ECUP administration has been briefed, we were unable to include Pathology, Radiation Oncology or Oncology in the original analysis. An updated version including these departments is now being completed by Hunter.
- Benchmarks cited include both the appropriate academic and “all physician” benchmark tables as published by the Medical Group Management Association (MGMA) for 2013; CY2013 RBRVS values and conversion factors were employed in the analyses.
- Data was vetted on multiple occasions with ECUP and clinical department administration.
Opportunity Analysis

Findings Overview

- **Provider Productivity and Compensation**: Currently, ECUP physicians are approximately 25% short of the wRVUs needed for the physician enterprise to achieve required financial sustainability levels and provide market-based compensation to its clinical faculty.
  - Hunter’s recommended compensation goal: MGMA’s median “all physician” benchmarks for comp per wRVU by specialty and licensure level
  - Hunter’s recommended productivity goal: MGMA’s wRVU benchmarks for academic faculty at a minimum of the midpoint (the halfway point between median and 75%tile benchmarks)

- Even if ECUP physicians achieved the midpoint wRVU benchmarks by specialty and licensure (midpoint benchmarks are literally the midpoint between the median and 75%tile wRVU benchmarks by specialty and licensure level), ECUP will still be short of achieving desired results.

- As a result, the prescription for ECUP’s desired financial and operational health needs to include equal doses of increased provider productivity (getting all providers to at least the midpoint for their specialty and licensure), increased collections, and decreased operating and staff costs.
Opportunity Analysis

Findings Overview (continued)

- **Non-Provider Support Staffing:** Better-performing physician enterprises staff their providers based on their productivity levels, not their total FTE or “nose” count. Given ECUP’s current provider productivity levels coupled with the 828 support staff FTE that currently reside on the ECUP payroll (including approximately 234 of allocated “overhead department” support staff FTE), the current ECUP payroll appears to be funding approximately 177.6 FTE more than a reasonable benchmark would support. These FTE have an approximate yearly cost of $8.5M.
Opportunity Analysis

Findings Overview (continued)

- **Revenue Cycle**: Hunter conducted two separate analyses on ECUP’s cash yield resulting from its current revenue cycle functions. The outcome of both analyses showed a potential revenue cycle opportunity of between $3.5M and $7M.
  - Potential causes of revenue cycle variances:
    - Revenue Cycle mechanics (denials, under-payments, charge capture, etc.)
    - Contract rates (example: BCBS rates are lower than others in your market)
    - Coding
      - E&M Coding: If ECUP could get its physicians to code at or above the appropriately benchmarked curves for E&M coding (a very reasonable goal given the usual acuity of the patients of an academic medical center), a minimum of an incremental yearly amount of $1.5M - $3M could be generated.
Opportunity Analysis

Findings Overview (continued)

- **Operating Costs**: ECUP’s non-labor operating expenses as a percent of ECUP’s net patient service revenue exceed a reasonable benchmark in a number of its departments/divisions for supply and building and occupancy costs. If ECUP could manage its operating costs in the departments included in the analysis to levels consistent with MGMA’s median cost benchmarks by specialty for supplies, approximately $1.1M could be saved yearly. In addition, if ECUP could manage its operating costs in the departments included in the analysis to levels consistent with MGMA’s median cost benchmarks by specialty for building and occupancy costs, approximately $360k could be saved yearly.
Opportunity Analysis

Next Steps:

- Performance Improvement Plan being led by Hunter personnel (Ms. MarieAnn Thornburg):
  - Developing a new provider productivity-based compensation methodology
    - Begin shadowing July 1 for a January 1, 2015 implementation
    - Will more closely tie clinical compensation to current productivity levels (will move comp up and down)
  - Implementing a new support staffing management methodology
    - “right-sizing” clinical staffing funded by the clinical enterprise based on actual productivity
  - Conducting a “deeper dive” into ECUP’s revenue cycle processes
    - Trying to schedule a focused coding education program beginning in May 2014
  - Recruiting an accountable operations professional to effectively manage clinical operations to “better performer” levels