



# HEALTHCARE FINANCE NEWS

## BUSINESS OFFICE PROFILE: THEDACARE

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Tom Galarowicz is Director of Revenue Management at ThedaCare, a four-hospital community health system based in Appleton, Wis., employing almost 5,300 people.

The revenue cycle team at ThedaCare has used Lean management techniques for the past seven years, and Galarowicz spoke recently with editor Richard Pizzi to discuss how Lean can work in healthcare.

#### **How is the revenue cycle team organized at ThedaCare?**

Our business office is still decentralized. We have four hospitals – two larger hospitals and two critical access hospitals. We also have approximately 21 primary care clinics of various sizes, with 150 primary care providers who are ThedaCare employees. One of our groups manages revenue cycle for the four hospitals, while another handles it for the physician practice side. Revenue cycle for our home healthcare division and DME is managed by another.

#### **How is the information systems staff integrated with revenue cycle?**

We have IT analysts that report directly to each hospital's revenue cycle manager, although IT management is still separate from the billing side at the hospital level. But when we do project management work, we include the stakeholders from IT with expertise in relevant areas.

**In the past few years, the revenue cycle team at ThedaCare has adopted Lean management techniques.**

**Why did you decide to go down the Lean path?**

We were looking at ways to improve our processes. In 2003, our CEO engaged a group of consultants [Simpler Healthcare] who were familiar with Lean principles. The first place we decided to implement these tools was in the revenue cycle area. The process starts by looking at different product lines – or service lines in healthcare – and then doing a process of "value stream mapping" for each. On the revenue cycle side, the process begins when the patient accesses our services, and continues until we have a zero balance on their account. We mapped it from start to finish. We found that time was the major factor that affected value and performance, and we had to determine where in the process to save that time. The value stream mapping process ultimately leads to the development of an action plan. It's not a one-time thing – we still use that process today.

**How long did it take before you see began to see improvement?**

We started work on our processes in late 2003. At that time, our net days outstanding in accounts receivable was 55. After using Lean, a little over a year later – by the beginning of 2005 – we improved to 46 days in A/R. We started Lean management with the hospital revenue cycle teams, but we eventually moved into the clinics. On the physician service side, we saw our A/R days drop from 40 to 30.

**Where in the process was the waste?**

There was a lot of waste in the patient registration process. We weren't always collecting accurate insurance information at registration. Claims denials was a big problem which stemmed from registration. We also had problems with coding on the hospital side. It was taking us too many days to properly code an inpatient bill. Getting the required preauthorization prior to procedures was also not done correctly. These were issues that Lean helped us fix.

**In what other ways would you like to use Lean Management techniques in the revenue cycle area?**

We've been at this for 7 years, but we're still just learning how to use the tools and embed Lean in the organization. One of our goals is to look at our revenue cycle as a complete system. The cycle doesn't end with a zero balance for a particular patient. For instance, a year ago we did value stream mapping that helped us with payer contracting. And we're looking not only at contracting, but also at improving patient statements. Patients currently get multiple statements from various providers, but we want to create a way to give patients a single system-wide statement. We think Lean tools can help with that.

**Have Lean tools helped revenue cycle operations during the recession?**

Yes. We budgeted a specific level of revenue for 2009, but we saw that our revenue projections were not holding up. We tried to use Lean tools to address that. We began examining our expenses across the system, asking how we could reduce our costs. Ultimately, we were able to cut costs by \$30 million.