Birthing a Hospital Outreach Program

Effective Strategies from Planning to Implementation to Achieve Clean Claims, Cut DSO, and Eliminate Paper
Objectives

• About Wake Forest Baptist Health (WFBH)

• About Pathology at WFBH

• Building WFBH Diagnostic Labs

• To Do and Not to Do: Lessons Learned
About Us
WFBH and WFBH Pathology
About Wake Forest Baptist Health

• Wake Forest Baptist Medical Center (WFBMC), one of the nation’s preeminent academic medical centers, is an integrated health care system that operates 1,004 beds.

• The Medical Center has 21 subsidiary or affiliate hospitals and operates more than 120 outreach activities throughout the region.

• Although its primary service area is a 24-county region in northwestern North Carolina and southwestern Virginia, Wake Forest Baptist in the year ending June 30, 2010, served patients from 96 (of 100) North Carolina counties, all 50 states, the District of Columbia, and several foreign countries.

• On July 1, 2010, Wake Forest Baptist became a legally integrated Medical Center.
About Pathology at WFBH

- The Laboratory provides over 4 million billable Anatomic and Clinical Pathology tests a year in inpatient, outpatient, and nonpatient environments.

- WFBH Pathology is comprised of Chemistry, Hematology, Microbiology, Flow Cytometry, Blood Bank, Critical Care Labs, Blood Gas Labs, Histology, Cytology, Molecular Diagnostics, Immunohistochemistry, Electron Microscopy, Medical Genetics, HLA, and Autopsy.

- Locations include WFBMC, Lexington Memorial Hospital, Davie County Hospital, and several small facilities in the community.

- Pathologist services are provided by the faculty of Wake Forest School of Medicine.
What is Lab Outreach at Wake Forest (WFBH Diagnostic Laboratories)?

• A competitive extension of WFBH Pathology and Laboratory Medicine services to the community.

• Supports WFBH (in-reach) and Non-WFBH (market-at-large) physician practices

• Coverage area North Carolina and Southern Virginia
### Program Health

<table>
<thead>
<tr>
<th>Metric</th>
<th>Year 1 – 2 (In-reach)</th>
<th>Year 2 – 3 (Market-at-large)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encounters</td>
<td>248% increase</td>
<td>27% increase</td>
</tr>
<tr>
<td>Revenue</td>
<td>232% increase</td>
<td>43% increase</td>
</tr>
<tr>
<td>Direct Contribution to Margin</td>
<td>~19%</td>
<td>~40%</td>
</tr>
</tbody>
</table>

- Year 0 and 1, building infrastructure
- Conversion of in-reach (Affiliates) Year 1
- Year 2, true market-at-large (head to head)
Why Outreach?

- Increased Contribution to Margin
- Lower Fixed Costs per test
- Improves service to all patient types
- Creates and supports relationships with patients and/or community
- Enforces Wake Forest core values and continuum of patient care
- Extra volume allows faster access to new technology
- Leverages spare capacity of lab infrastructure
- Additional volume improves productivity
- Increased revenues
- Lower fixed cost per test
- Filling unused capacity
- Solidifying relationships with physician and patient communities
- Lower physician and patient costs
- Allows us to continue our mission, by creating margin
- Recognition that “continuum of care” is an important strategy for hospitals and health systems.
- Improved service to all patient types
Macro Level Business Planning Process

9/07 Planning/ Due Diligence
- Decision to dissolve Quest Joint Venture 9/1/2007
- Creation of five year business plan

9/07 – 11/09 Development
- Approval of Outreach Program
- Notification to Quest
- Partner Selection (Billing, PC)

11/09 – 04/11 Implementation
- Begin conversion of in-reach (Wake Forest) physician offices, while connectivity package is completed
- Clinical and Anatomic Pathology physician connectivity completed 04/2011
- Entered the market-at-large (non-Wake Forest)

Evaluate Partnerships

Today
- Where are we? Reference Lab?
- Automation, Extra Capacity?
- Knowledge Gaps?
- Do we have initial support to explore?

Legal Analysis
- Separate Tax ID
- Separate NPI
- Taxes
- Federal and State Law Review
- Notification to Lab Partner

Market Analysis
- Ease of Entry in the market
- Brand Identity
- Affiliated Physicians

Capital/ Financial Analysis
- Initial Funding
- Lease vs. Buy
- Infrastructure Needed
Processes must be efficient and customer related.
**Sales and Marketing**

**Pricing**
- Third Party
- Client Bill*
- Self Pay

**Managed Care Contracts**
- Use organizational leverage to extend current contracts to cover non-patients.

**Market Segments**
- In-reach vs. Outreach
- Who will you serve?
- Physician Market
- Reference Market

**Opportunity Identification**
- Where to start?
- Investigative Calls: Feet on the ground, surveying market

**Differentiation**
- What is your hook?
- Brand Reputation
- Service (TAT, STATs, Access)

**Proper Tools**
- Electronic Documentation of Calls
- Dashboard Pipelines
- Automated Reporting: Understand key reports

*Client billing is not legal in all states.*
Top Competitors

- LabCorp
- Quest
- Solstas
- Greensboro Pathology

Wake Forest Baptist Health
Sales Key Points

• Building your sales team
• Setting sales goals
• Measurement to sales goals
• Enabling your sales team
• How to know if the client is a good client or not, be selective, not desperate (Pro Forma)
• The sales process
# Pro Forma

## PRACTICE INFORMATION

- **Practice Name**
- **EXPENSES (MONTHLY ESTIMATED)**

### Staffing
- Phlebotomy Wage per Hour
- Number of hours Phlebotomy Needed

### Cost of Service (Test Costs for AP and CP analysis)
- Number of Courier Pick-ups

### Hardware/ Software
- EMR Interface/ PMS Bridge (maintenance @ $300/month)
- Report Printer (cost of printer is $160 total per year; $25 per cartridge)
- PC

### Other Expenses
- Rent
- Office Supplies

## REVENUE (MONTHLY ESTIMATED)

- **Number of Patients Month**
- **Number of Biopsies Month**
- **Number of Paps Per Month**
- **Client Bill Percentagge**
- **Client Bill Monthly Amount**
- **Average Net Revenue Per Req**

### NEW CLIENT PRO FORMA for Diagnostic Laboratories

**Executive War College**

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Annual</th>
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<tbody>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Phlebotomy (Wages and Benefits)</td>
<td>$3,009.30</td>
<td>$36,111.60</td>
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<tr>
<td>II. Cost of Service</td>
<td>$710.00</td>
<td>$8,520.00</td>
</tr>
<tr>
<td>III. Sales Commissions</td>
<td>$892.38</td>
<td>$10,708.60</td>
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<tr>
<td>IV. Hardware/ Software Expenses</td>
<td>$1,150.00</td>
<td>$13,800.00</td>
</tr>
<tr>
<td>V. Miscellaneous Expenses</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$5,762</td>
<td>$69,140</td>
</tr>
</tbody>
</table>

### Revenue:

- **I. Patient Revenue Data**
  - CP Revenue Estimate $14,400 $172,800
  - Cytology Revenue Estimate $475 $5,701.98
  - Biopsy Revenue Estimate $473 $5,670.00
  - **Net Revenue Per Req Per Month/ Year** $15,348 $184,172

- **II. Other Revenue Data**
  - Client Bill Revenue Estimate $2,500 $30,000.00
  - **Total Other Revenue Per Month/ Year** $2,500 $30,000

- **Total Revenue** $17,848 $214,172

- **Margin (Revenue - Expenses)** $12,086 $145,032

**Contribution To Margin** 67.72%
Lessons Learned: Sales and Marketing

• PAPER AND EXCEL TEMPLATES DON’T WORK LONG TERM. A defined electronic process for documenting sales calls is key and builds institutional memory.

• In a client bill state you will have to compete on pricing whether you want to or not.

• Your sales team is the life line of the program, make sure you have proper oversight.

• Compliance Training is key for sales team.

• Check legal requirements for your state before setting pricing, etc.

• A full compliment of services is needed to fully compete in the market-at-large. This means electronic ordering and results for both Anatomic and Clinical Pathology.
Current Org Chart

- Director of Outreach (1)
  - Operations Manager (1)
    - Phlebotomy Coordinator (1)
      - Phlebotomist (16)
  - Clinical Systems Liaison (1)
  - Sales and Marketing Manager (1)
    - Senior Account Executives (2)
    - Couriers (5)
Operations Lessons Learned

• Start small and build; hire the minimum staff needed to accomplish tasks.

• Team members will wear multiple hats to start with and they need to be okay with this.

• The physician connectivity build will take longer than you think. Plan accordingly.

• You will need industry knowledge to build your connectivity package (this may not come from the company building your solution)

• Pick a physician connectivity package that understands your business and the industry. That is willing to work with you, understanding you are building a new service
Administrative

Legal Structure
- Separate Tax Id
- Separate NPI
- Outpatient vs. Non-patient

Management Team (Structure)
- Dedicated Oversight
- Clinical vs. Non-clinical

Billing and Collections
- Outsourced vs. In-house
- Small Balance Write-off
- The right partner

Compliance
- Training is KEY
- Don’t just wing it
- The right attitude
Collection Improvements - DSO

Days Sales Outstanding (DSO)

- 58 Days
- 40 Days
- Min 31.1 Days
Billing and Collections: DSO reduction

• Focus on Third Party Billing (Platform Change)
• Use Medical Center Leverage with Managed Care Contract Negotiations
• Live Mapping (This program allows use to see insurances as they cross our interface which are not mapped)
• Client Setup (prescribed templates for each client)
• Client Services/ Billing work errors in electronic queue
• Required Fields in Physician Connectivity ensures the needed data is passed through
• Hold from 7 days to 3 days
From Paper to Electronic Examples

- Billing Errors: Excel File to Electronic Queue
- Insurance Errors: From unknown until Billing Errors to real time interface mapping
- Manual Requisitions: Electronic Ordering and Resulting for AP, CP and specialty labs
- Dissemination Data Via Emails: Secure SharePoint site
- Email about to new client: Electronic Templates for Client Setup
- Reporting in Excel: Automated through Database and auto generated reports
Administrative Lessons Learned

• Outreach is more difficult to implement when the organization is in a state of flux.
• As senior leadership changes the need to sell the program again may arise.
• Track everything, you never know what question you will need to answer
• Cash is KING, but don’t lose focus on the other processes.
• Hire your own dedicated IT staff for Outreach
• Develop systems around third party billing but don’t forget self-pay and client bill.
• You don’t know what you don’t know, the right partners are priceless.
Lesson’s Learned
To Dos and Not To Dos
Major Component Structure Summary

Sales and Marketing
- Outsourced (Collaborative)

IT
- Complete physician connective package
- LIS staff and Outreach Specific Staff

Human Resources
- Special processes and pay practices

Operations
- Phlebotomy
- Couriers (Internal and Contract)
- Client Services internal serves all patient types

Billing
- Outsourced (Pay for Performance)
Critical Success Factors

• Commit to Great Service
• Achieve Senior Leadership Support
• Achieve Efficient Lab Production
• Pathologist Involvement
• Full Physician Connectivity Offering
• Leverage Hospital Status for Managed Care
• Productive Sales and Service Representatives
• Operate Selective Patient Service Centers
• Establish a Good Financial Management System
## Financial Scorecard Metrics of Success by Area

<table>
<thead>
<tr>
<th>Volume/Performance Metrics</th>
<th>Cash Flow Metrics</th>
<th>Edits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Charges</td>
<td>• Gross Collection Rate (GCR)</td>
<td>• Un-billiable (count)</td>
</tr>
<tr>
<td>• Payments</td>
<td>• Cumulative GCR</td>
<td>• Denials ($)</td>
</tr>
<tr>
<td>• DSO</td>
<td>• Current Month Cash Variance</td>
<td></td>
</tr>
<tr>
<td>• AR$ &gt;120</td>
<td>• Calendar YTD Cash Variance</td>
<td></td>
</tr>
<tr>
<td>• AR% &gt;120</td>
<td>• Inception TD Cash Variance</td>
<td></td>
</tr>
<tr>
<td>• Credit Balance</td>
<td>• Expected AR</td>
<td></td>
</tr>
<tr>
<td>• Total AR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wake Forest Baptist Health
What questions do you have?

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