CBO Consolidation Case Study: 8% Sustainable Decrease in Cash Leakage

Healthcare Excellence Institute

The Organization:
"Beaumont Medical Center" is a 530 bed, 3 hospital healthcare system on the coast of Texas that was operating a dedicated business office. A sister region in Houston "Houston Health" operated 587 beds in three facilities and had its own business office in the Houston area.

The Challenge:
The decision was made at the corporate level to consolidate the business offices into a large CBO in Houston to increase cash performance and drive efficiencies. The CFO insisted that if these two operations were to merge, the resulting CBO had to be implemented in such a way as to minimize any cash risk and deliver world class performance post implementation. The Houston CBO had a solid reputation and numerical analysis showed 11% insured revenue cycle cash leakage, which is good, relative to most traditional healthcare organizations benchmarked. The Beaumont CBO on the other hand showed insured cash leakage of 19% which is more typically observed. At the beginning of implementation, the volume weighted insured cash leakage for the two consolidated regions was $86,000,000, or 15.9% of consolidated net revenues of $541,000,000

The Solution:
The organization decided implemented a revenue cycle model based on Toyota Production System (TPS) principles at the time of consolidation. The majority of all consolidation and business model changes were completed within a 6 month time period.

The Implementation:
The implementation model involved changing the organizational structure to a High Performance Work Team model, utilizing Kaizen Events to rapidly engineer and implement new standardized processes, adding supplemental technology and providing a sound Performance Management System. Today all teams work to standard metrics and hold daily shift briefings providing a 'hard wired' continuous improvement model. Root cause analysis is conducted continuously to drive performance. As part of the consolidation and within the first 6 months the entire operation was moved to a new facility, designed to house an organization of this magnitude. The workspace was designed to support a revenue cycle operations model built on Toyota Production System. The new CBO workspace (pictured left) was designed without cubicles to provide an open visual workplace, a fundamental basis for organizational transparency.

The Results:
As a result of the project work, revenue cycle insured cash leakage was reduced to 7.6% from the baseline of 15.9%. While Beaumont was most improved, the already superior performing Houston system also made gains in reducing the cash leakage. This improvement yields additional cash flow of $45M per year for the two systems. Rather than simply sustain the new performance, the CBO decreases the cash leakage further each year due to the hardwired continuous improvement structure. Other revenue cycle indicators have also improved with cash realization, such as Time of Service Collections, HIM processing cycle times, and Abs hold cycle times. Much of this additional improvement has been driven via the use of ScoreLogix™, an HEI technology providing the performance management system across the entire revenue cycle using precise New Generation Revenue Cycle Metrics.