



North Kansas City Hospital Case Study: Re-thinking Metrics, Paying for Performance

Paying for Performance in Healthcare is not a new concept. Create a bonus structure for associates that encourages continuous performance improvement. However, many plans determine performance based on factors outside associates control, associates then become dissatisfied, and the plan loses its efficacy. The following case study shows how North Kansas City Hospital overcame these issues to implement a World Class Pay for Performance Model.

Problem Statement:

In March of 2010, leadership at North Kansas City Hospital (NKCH) wanted to rethink their “Pay for Performance Plan.” The issue was they had no way to make fair, “apples to apples” comparisons across teams with different payer mixes, volumes, and functions within PFS and Patient Access. The old pay for performance plan was set around a daily cash collection goal, which was so heavily dependent on patient volume and payer mix that it didn’t accurately reflect the efforts of the revenue cycle teams. NKCH originally began to internally design a scorecard type system, but abandoned the project due to complexity. The ultimate goal of the NKCH pay for performance plan was to truly tie the front-end and back-end together and measure both groups on common metrics.

NKCH was formerly using daily cash goals to award bonuses, but Days in A/R and Cash as a Percent of Net were also considered for bonus metrics. However, after thinking about how those metrics were calculated, they found that each one had its drawbacks. Cash goals are highly dependent on patient volume so leadership felt that using cash wasn’t equitable for their associates as they have no control over volume. Days in A/R, while somewhat useful for overall revenue cycle performance, can be heavily impacted by accounting decisions surrounding bad debt. Finally, cash as a percent of net will always be an accounting metric, as an estimated bad debt amount is subtracted from the equation, it doesn’t adequately encourage associates to actively reduce the number of accounts that go into bad debt.

NKCH wanted not only metrics that were more stringent and precise than traditional metrics to focus on true revenue cycle performance and not accounting decisions, but also a way to continuously improve their operation.

Solution:

NKCH partnered with the Healthcare Excellence Institute (HEI) to implement HEI’s scorecard application, ScoreLogix™. ScoreLogix uses 12 primary, proprietary metrics to measure the performance of PFS, Patient Access, and HIM departments without any accounting effects. In addition to the 12 primary metrics, ScoreLogix calculates 72 secondary metrics to help leadership focus on the correct processes.

Implementation:

NKCH and HEI used ScoreLogix to establish baseline performance and then created custom goals for the overall revenue cycle as well as individual teams within PFS and PA based on a percentage improvement over the baseline figures. Because ScoreLogix is delivered in an ASP model, set-up time is just a few days and the results are available anytime through HEI’s portal.

Results:

The pay for performance plan was set up on 2 factors- overall revenue cycle performance and individual team performance. The following snapshot report shows the first factor, overall revenue cycle performance measured by HEI’s “Net to Cash” metric. ScoreLogix uses “Stoplight Metrics” indicated by red, yellow, and green to quickly assess the monthly performance of teams and whether or not the goal was met.

NTC Metrics By Hospital - NKCH					
Hospital	Overall Index	Net to Cash Insured			
		120/120	90/90	60/60	30/30
NKCH	53	90.05 %	86.29 %	78.48 %	39.94 %

The second part of the bonus structure is tied to individual team performance and is represented by the following report.

NTC Comparative Metrics by Team - PFS Manager Commercial

PFS Team	Net to Cash			
	120/120	90/90	60/60	30/30
Commercial Team	88.39 %	85.58 %	78.40 %	36.99 %
Specialty Team	53.67 %	50.71 %	38.92 %	28.53 %
TPL Team	63.72 %	61.95 %	48.47 %	32.23 %
WC Team	72.60 %	46.62 %	38.20 %	35.33 %

“The teams are much more engaged now that there is a possibility of a nice monthly bonus for them. We’ve hit our threshold bonus 6 months in a row so we will be adjusting our goals up soon. That’s continuous improvement.” -Kelli Schroeder, Manager Patient Accounts, North Kansas City Hospital

How They Improved:

Beyond new metrics, NKCH wanted a new way to perform root cause corrective action to determine where process failures were occurring. The following is an example of a problem solved using the Account Audit feature in ScoreLogix.

Leadership at NKCH observed a common trend amongst a set of denial accounts that were leading to rollovers. These accounts were all denied by the insurance because they required more patient information. To get this patient information, NKCH would send the patient a letter explaining that their insurance needed more information in order to process the bill, but most of the time the patients ignored the letter. After leadership recognized the common problem leading to the denial, they redesigned the process so that 3 days after sending the patient the letter, they followed it up with a phone call to explain to them that the insurance needed more information.

The results were dramatic- NKCH no longer had to send multiple copies of the letter until the patients responded, they were able to obtain the patient information more quickly, thus significantly reducing rollovers for this problem.

Conclusion:

ScoreLogix aided North Kansas City Hospital in quickly and effectively setting up a Pay for Performance Plan that tied the front-end and back-end together on common metrics, while bypassing the accounting effects of traditional metrics. In addition, the application allowed the hospital to understand the root cause of some process problems including a denial and internally correct the problem with measurable results.

“We’re very happy with ScoreLogix. Not only can we see our missed opportunities, but we’re able to drill down into them and analyze them in depth.” –Kelli Schroeder, Manager Patient Accounts, North Kansas City Hospital