

Gold Medal Success Story: Piedmont HealthCare, PA Better Performer in Profitability and Cost Management for Four Years

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According to MGMA's 2002 Cost Survey: Report Based on 2001 Data, 73.60 percent of the practices reported were physician-owned. Physicians are banded together to create greater opportunities for revenue enhancement and expenditure savings while trying to restore the balance between their personal and professional lives. When you look at the statistics for Overall Effectiveness of Organization's Physician-Administrative Team, better performers rated 31.14 percent and other respondents rated 28.24 percent under the highly effective category (See Figure III.A.15). Many of the groups spotlighted in this section credit increased physician involvement and leadership as key to their organizational success.

For the fourth consecutive year Piedmont HealthCare, located in Statesville, N.C., has earned the MGMA better performing group designation in Profitability and Cost Management. The group attributes their accomplishments directly to the establishment of a physician friendly model in a physician owned group. Piedmont HealthCare has built a system where physician practice knowledge is sought and incorporated into systems design and physician leadership is acknowledged and respected. "Physicians fear losing their individuality and Piedmont HealthCare allows the physicians to be individuals and understand their impact on the business," proudly claims Robert I. Saltzman, MD, FACS, orthopedic surgeon. Piedmont HealthCare has more than 80 FTE

physicians offering a full-range of medical services. With more than 20 specialties, including primary care services, the patients of the practice have access to comprehensive medical group care. Patients have the option of receiving ancillary tests and procedures without leaving the medical practice through the group's multitude of services including: MRI, CT, ultrasound, reference laboratory, X-ray and urgent and care clinics. These ancillary services generate group revenue that helps support the overall practice. As the group embarks on new endeavors and continues to work to improve all areas of operations, they will count on physicians and the group's excellent management team to lead the way. Mutual respect between the physicians and the management team, and everyone's commitment to excellence, is what drives Piedmont HealthCare.

Embrace Opportunities that Arise from Organizational Change

The road to excellence has not been without its "bumps" for Piedmont HealthCare. The group was born out of a merger between Statesville Medical Group (a 32 physician multispecialty group) and Iredell Medical Association (a group that had merged approximately 20 solo practices and a few small group practices) six years ago. Currently, 90 percent of the Piedmont HealthCare locations are in Statesville, serving a population of about 500,000 patients. Several challenges arose from the merger. The physicians grew very

uneasy with board and management decisions and the physicians did not understand the phenomenon surrounding low reimbursement rates in contracts in the group's formative years. The physicians also became concerned about their loss of autonomy and with the group's decision making process, hence developing a considerable lack of trust of the board and administration in many operational areas.

The board and the executive management team at Piedmont realized that this disconnect was creating many significant operational and financial issues that had to be resolved. In 1999, they decided to transform the physicians discontent into solutions and seize the opportunity to bring the physicians back into the practice operations. Even though the group had been performing at the median level compared to MGMA survey statistics, they were not satisfied and wanted to continue to pursue accurate billing, diligent collections, intelligent contract negotiation and prudent corporate budget control. Saltzman shares, "Piedmont HealthCare's

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Charles B. Powell Jr.
Chief Operating Officer

physicians expect competence, accuracy and attention to detail. They regularly challenge everyone at Piedmont HealthCare to exceed industry expectations.”

Involve Physicians in Processes and Procedure Development

Developing open and efficient lines of communication to foster trust between the physicians and the administrative team was the first step in strengthening the Piedmont culture. Administration worked collectively with physician leadership to identify vital areas for improvement. Billing functions were centralized after the merger and the physicians admitted that this generated concern and uncertainty for them. Piedmont HealthCare decided to start up a special billing taskforce to outline major issues and address them through an action plan for resolution and success.

The billing committee, comprised of several physicians, management team members and key employee representatives from clinic offices, met monthly for two and a half years. The committee reviewed the entire billing and collections process, which provided extensive information and helped identify many areas for improvement in all areas of the group. The billing committee took the approach that while they knew a lot about billing, but they did not know it all. Billing processes were dissected and rebuilt in order to obtain a clear understanding of all issues in billing. The taskforce hammered at such problems as claim denials, duplicate billing and collection rates. The committee regularly reported progress to the board, physicians and office staff members. According to Foushee, the greatest success of the team was introducing “physician to physician buy-in” for the company billing process. As the physicians learned just how intricate the whole

billing process was from front office to claims submission, they took the initiative to correct physician based problems, educate their colleagues and promote a proactive approach to billing on a whole.

Empower Satellite Offices

Piedmont HealthCare believes that it is not only important to allow physicians to participate in process development programs but to allow them flexibility and autonomy on a daily basis. Piedmont HealthCare has 34 locations and each functions as a separate cost center with profits and losses tracked per facility. Each office is unique in its composition. Some offices have multispecialty services, some only offer primary care services, while others have ancillary services housed within the facility. The locations with more than two physicians have a clinic manager that reports directly to the physicians. Sites with two physicians or fewer have a lead receptionist who reports to the nearest site clinic manager, and sites offering just ancillary services and associated physicians report directly to central administration. Because of the diversity among the various offices, Piedmont HealthCare decided against bringing the facilities under one roof and instead, operates within a decentralized basis.

The 34 locations are managed by the central administration, which is housed in one central office. All of the administrative, financial, operational and compliance policies and procedures are centralized and determined by the board and managed by the administrative team. For example, Piedmont HealthCare has guidelines regarding the content of patient medical records, however, they do not dictate how the data should be collected or organized. Staffing ratios are not mandated by central administration; the clinic manager and physicians decide what is appropriate

for their site. This structure facilitates the empowerment philosophy that Piedmont so deeply believes in. “An empowered structure brings physicians into the management and governance of the organization,” states Charles B. Powell, Jr., chief operating officer.

Ample leeway is provided to physicians with respect to company guidelines. Physicians are responsible for their site’s bottom line. The physicians drive the direction of their location’s expenditure, work with the administrators to manage cost and are ultimately responsible for high cost directly out of their compensation. By letting the sites carry out corporate policies and guidelines in their own manner the process “fosters individual ownership in each physician’s mind, and does away with the misconception of a big brother approach,” Powell explains. The challenge, of course, lies in maintaining this balance and keeping each site on track.

Educate Physicians

When asked about the contributing factors in making their decentralized, empowered model work, Piedmont staff admit that it requires physicians who are educators. Several of the physicians stressed that Piedmont serves as a teaching organization, constantly instructing the physicians about the business of medicine. It is essential that not only are all physicians aware how their actions, production and decisions impact their bottom line but they are given the proper tools to take ownership over their utilization. The physicians have unlimited access to managers and information regarding costs and profits. In addition, they rotate through a variety of management committees, starting the day they join the practice. A system of office contacts (key leaders in each clinic location) has been developed to facilitate integration of the various sites. The office contacts meet monthly to discuss issues and

Piedmont HealthCare, PA Keys to Success:

- ✓ Engage physicians in organizational process improvement activities;
- ✓ Encourage autonomy in decision making for satellite offices;
- ✓ Educate physicians through data; and
- ✓ Perform regular claims payment audits according to contracted fee schedule rates.

enhance communication on billing, marketing and managed care. When the physician/administrator teams make decisions for their individual sites they do so well equipped with where they stand financially.

The executive management team (CEO, COO and CFO) also conducts special meetings with the board in which they advise, coach and mentor physician board members regarding the financial and operational data. The board is directly involved when sites stray off their intended course—they support and mentor site physicians to help them achieve the best course of action. Lloyd Matson, CEO, directly attributes frequent benchmarking as a means to justify management’s goals for the company. Piedmont HealthCare monitors their progress; they assess areas for improvement and opportunities by benchmarking their practice against MGMA’s survey reports. The physicians have been able to track the progress of the group through these benchmarking activities and have learned to trust the initiatives for improvement driven by the executive management team.

The Power of Data in Contract Negotiation

Supporting physician activity through proper collection has been essential to Piedmont HealthCare’s revenue enhancement. Once they solidified their physicians’ security and buy-in with operational

initiatives, the next step was to tackle the external pressures affecting their profits. Medicare cuts and tight reimbursements plagued the group. Having accurate information and reports at hand before going into negotiations with insurance companies has made a big difference for this practice. Piedmont attributes their excellence in managed care contracting to having a large group of quality physicians in the market, ability to fully analyze and evaluate managed care proposals and how they will impact the group, and lastly, their ability to continuously measure reimbursement on all managed care reimbursement.

Piedmont HealthCare has developed an important tool that they call the Allowable Variance Review Process (AVRP), which provides a monthly electronic explanation of benefits (EOB) review by carrier, for every payment on every code. Amy Millsaps Guyer, managed care director, reviews every CPT code reimbursement that does not match the agreed upon fee schedule for each carrier as part of the AVRP. Through the course of their monthly audit in 2001 alone, they have recovered over 73 percent of payment inaccuracies appealed. The AVRP tool is used to appeal carrier underpayments, for contract negotiation and it encompasses desired contract language, policies and procedures, payment accuracy information, it also specifies which services will be provided and not excluded or carved out. According to Guyer, “Every medical practice should invest in aggressive auditing and not leave it to the payers.” A multidisciplinary team identifies factors that must be addressed, and negotiates all managed care contracts. The team is constantly updating and refining the process and the critical factors as it recognizes changes in the market. This process has substantially increased reimbursement for the practice due to managed care reimbursement followup.

Looking Toward the Future for Continued Success

Piedmont HealthCare is very happy with all of the rewards that they have created for themselves during the past few years. The path that they have followed has been one that resulted in many tangible and intangible successes for them as a team. As they continue to push themselves toward greatness they will be looking to grow in both the primary care and specialty markets and to open a new urgent care center. Piedmont also plans to assist the different locations on staff retention programs and evaluate, as a company, how they can redefine medical service quality programs.

FIGURE III.A.18 ALLOWABLE VARIANCE PROCESS REPORT CRITERIA (AVRP)

PATIENT INFORMATION
<ul style="list-style-type: none"> • Insurance Name • Account Number • Charge Number • Patient Name • Group/Plan Number • Employer Name
CLAIM INFORMATION
<ul style="list-style-type: none"> • Date of Service • CPT • Modifier • Place of Service • Charge Amount • Adjusted Amount • Payment Amount • Payment Date
FEE SCHEDULE INFORMATION
<ul style="list-style-type: none"> • Contract Amount • EOB Allowable
PAYMENT VARIANCE INFORMATION
<ul style="list-style-type: none"> • Variance between Payment Amount and Contract Amount • Percentage of Charge • Percentage of Allowable