

## CASE STUDY

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### PHNS: Healthcare outsourcer offers broad spectrum of business-healthy solutions to Comanche's community hospital.

The Dallas, Texas-based hospital services firm PHNS Inc. (PHNS) provides a vast continuum of services to hospitals and healthcare organizations, including information technology (IT), health information management (HIM) (records management, records storage, release of information, coding, transcription and electronic medical records), revenue cycle management and advisory services. PHNS' services allow healthcare facilities to improve their operations and technology while reducing costs through the maximization of their resources and infrastructure.

With over 425 hospital and healthcare customers across the United States, PHNS recently mobilized significant resources at a rapid pace to stabilize the ailing rural-Texas community hospital in Comanche.

### THE CHALLENGE

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**The Customer.** Located southwest of Dallas, Texas, Comanche County Medical Center (CCMC) is a 38-bed, rural-Texas acute care facility that opened in July 2005, following the consolidation of the Comanche Community Hospital and De Leon Hospital. The sole community hospital recognized that it was an integral part



### SUMMARY

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- **Customer Profile:** Comanche County Medical Center, a 38-bed comprehensive care community hospital in Comanche, Texas
- **Goals:** Improved operations and revenue cycle management
- **Solution:** PHNS' experts re-engineer financial and infrastructure resources
- **Deployment:** PHNS provides interim executive management, IT infrastructure reform, off-site medical coding and revenue cycle management
- **Benefits:** Stable leadership, controlled costs, improved processes, and improved net revenue and rapid recovery of a continuous, healthy cash flow

of the community it served because its patients are citizens of the local area. CCMC's mission, therefore, acknowledged its responsibility not only to improve health, but to foster the welfare of the larger community. At CCMC, all citizens of Comanche County have access to comprehensive emergency services, among them functioning operating and emergency rooms and full ambulance care. But CCMC's poor organizational and fiscal standing did not support its far-reaching clinical mission and potential for success.

#### **The Factors that Deterred Efficiency.**

Along with the organizational disparity that resulted from the consolidation of two differing hospital cultures, by August 2006, financial insolvency threatened facility operations and accessibility after a long stretch of decreased revenues, increased operating costs, a staffing shortage and rising accounts receivable (AR). The hospital's accounts payable (AP) had accumulated to an unmanageable \$1.3 million and meeting payroll was a struggle. The challenge was only compounded by the hospital's poor technology resources – CCMC functioned on an ill-fitted and poorly configured IT infrastructure that was unreliable and easily susceptible to security risks. The severity of the situation was illuminated by a loss of leadership that left vacancies in the vital executive positions of Chief Executive Officer and Chief Financial Officer of the hospital.

**The Demand for PHNS.** PHNS initiated the CCMC project in response to a rising demand for interim and contract management. As an outsourcing provider focused on healthcare, the opportunity to meet this demand arose when PHNS was chosen by CCMC to step in with immediacy and confront its

challenging situation because of PHNS' proven track record, high breadth of services and competitive pricing.

"PHNS mobilized significant resources with expedition," said Kurt Meyer, Vice President of PHNS' Advisory Services Division. CCMC had previously utilized PHNS' diverse HIM services, so it was familiar with PHNS' culture of openness and dedication to the reform and betterment of a community hospital's business.

## THE PHNS SOLUTION

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**The Assessment.** PHNS' first order of business was to make an assessment of the operational and financial health of CCMC in order to determine the most appropriate course of action to begin recovery. CCMC's condition had deteriorated so rapidly that many feared it was not going to be a hospital anymore. PHNS' experts thoroughly assessed the standout problem areas:

- An on-site examination by Henry Stovall, President of Advisory Services at PHNS, revealed a Discharged Not Final Billed (DNFB) of \$750,000, indicative of coding backlog and slow billing

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– Kurt Meyer, Vice President of Advisory Services, PHNS

- Evidence of a continual increase of overall debt and operational losses of \$885,000 in a seven month period – a lack of sound financial structure caused by a misalignment of expenses and revenue
- Outdated IT infrastructure: a single server running multiple applications; network security and authentication problems; Internet Protocol (IP) telephony network quality issues and lack of reliable wireless access
- Large amount (\$4.5 million) of collectable AR
- Serious cash flow problem – only three days cash on hand

**A Methodical Approach Under New Leadership.** With the problem areas identified, PHNS' Kurt Meyer was put in place as Interim Chief Executive Officer of CCMC while the hospital sought to recruit new executive management. Under Meyer's guidance, a four-step approach was taken to combat each of the facility's key problem areas:

1. **Transforming HIM and Business Office Operations.** PHNS' first step under Meyer's leadership was to correct the hospital's HIM issues. CCMC lacked the resources in medical records and business office strength to generate the cash flow needed for a healthy turnaround. This prevented CCMC from achieving timely, accurate and appropriate coding. As a result, the hospital's billing services were slow and inadequate. Deborah Parsons, PHNS' Client Account Manager, aided CCMC in a variety of coding and scanning needs, including inpatient, same-day surgery, emergency room and combination charts. To streamline CCMC's HIM

resources, PHNS utilized its customized CodeRemote system to code remotely at its facility in Sherman, Texas. Medical records were sent off-site to be coded, after which the charts were returned electronically. Streamlining HIM resources in this manner allowed CCMC to send bills more quickly and ameliorate its cash flow problem. As a result, coding turnaround and accuracy for hospital billing and reimbursement services saw marked improvements, which resulted in increased revenue. The DNFB accounts were reduced by 87%, from the previously high sum of \$750,000 to \$100,000.

2. **Restructuring Losses Into Gains.** Financial security and stability were the next order of business. With insufficient revenue to meet CCMC's expenses, operational losses and overall debt were skyrocketing continuously with little end in sight. To combat these increases, PHNS established guidelines in ordering and utilizing supplies at CCMC. In addition, PHNS implemented a restructuring of the hospital's workforce to align its expenses with its revenue. Labor expense was reduced by 15% as a result. CCMC thus was able to save \$600,000 annually. Moreover, to ensure that the facility had a sound financial future, monitoring capabilities were put in place by PHNS so that positive changes and organizational best practices were consistent and continued long-term.
3. **Standardizing IT.** IT specialists at PHNS completed a thorough risk assessment of the deployment of technology at CCMC. Ken Breckenridge, Lead IT Consultant at PHNS, cited that the prime challenge in CCMC's IT

infrastructure was that all of its financial and clinical applications were running inefficiently through one server. PHNS' immediate recommendation was for isolated servers. "The segregation of applications onto separate servers allowed for a more stable environment," Breckenridge noted. PHNS also built an IT services responsibility matrix, cross-trained its staff and built user documentation. Securing the CCMC network environment and detecting illegitimate access after the turnover of personnel were also large concerns for PHNS. An intrusion detection device was temporarily installed and suspicious activity was monitored, preceding a recommendation for a formal surveillance vendor consultation, together with user training and support. PHNS also recommended an improved and consistent wireless configuration and better quality in the IP telephony system. To improve the usability of CCMC's clinical applications and software-controlled environments, PHNS recommended application customizations, technology modifications, testing, training, go-live and ongoing support. As a result, CCMC's IT staff became more confident and comfortable with the systems they utilized, so that IT began to help rather than hinder the hospital's operations.

4. **Revenue Cycle Management.** The last key problem was AR management. AR had ballooned to \$4.5 million, resulting in a restrictive cash flow. PHNS set up a remote system in PHNS' Sherman, Texas branch of PHNS' Canfield & Associates through which accounts work could be handled. Revenue-

cycle specialists at PHNS monitored weekly productivity in dollars and number of accounts. The hospital's cash flow was increased while its AR was reduced by 14% in 90 days and then maintained at a healthy level. CCMC now had 26 days of cash on hand. AP was reduced by 68% in the same remaining 90 day period to \$347,000.

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## THE RESULT

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**A Sound Future.** With the aid of dedicated experts at PHNS, CCMC has made a transformative recovery on all of its problem fronts. "I was amazed at how quickly PHNS was able to assess the situation, develop a plan and implement it to make a positive impact," said Gale Easley, Board President of CCMC. Thanks to PHNS' financial and operational assistance, CCMC is on the path to future financial success so that it can continue its mission to provide healthcare services to the Comanche community.