

## CASE STUDY

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### PHNS: Healthcare outsourcer offers customized, business-healthy solutions to locally owned hospital in Tuolumne County.

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 already approximately 400 hospital and healthcare customers across the United States, PHNS recently employed its depth of expertise in revenue cycle management at rural California's Tuolumne General Hospital (TGH), where PHNS improved the ailing finances of one of the oldest ongoing healthcare systems in the United States.

#### THE CHALLENGE

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**The Customer.** Located in Tuolumne County of Sonora, California, TGH is a 79-bed, rural primary and specialty care facility with a long and distinguished



#### SUMMARY

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- **Customer Profile:** Tuolumne General Hospital, a 79-bed primary and specialty care county hospital in Sonora, California
- **Goals:** Improved revenue cycle management, quicker and more accurate billing and collections, and cohesion and communication between departments with roles in revenue collection
- **Solution:** PHNS' experts re-engineer financial and infrastructure resources
- **Deployment:** Management and staffing reform, productivity standards, comprehensive training, focus on accountability of each part of the healthcare system, implementation of improved transcription platform, and remote coding
- **Benefits:** Marked increase in cash collection, which preserved two prominent clinical units from closure

past. First established in 1849 for the county's sick and poor, the locally owned and governed TGH has pioneered numerous medical firsts. In 1856, it was the first in the State of California to offer physicians a managed care contract. TGH remains the only hospital in Tuolumne to partner with major medical centers in order to offer physicians the innovation of telemedicine conferencing. Today, TGH is one of the primary employers of Tuolumne County. Residents of Tuolumne and the neighboring rural counties of the Mother Lode benefit from the hospital's general medical and surgical services, ranging from cardiology, neurology, orthopedics and pediatrics, to an array of specialized inpatient and outpatient services. The hospital has strived to maintain its original mission as a compassionate, comprehensive care-provider that meets the needs of the whole community by exercising social and financial responsibility. But years of financial struggles at TGH, combined with low state and federal medical insurance reimbursements, caused the county's general fund budget losses to exceed \$23 million over the past eight years. Such ailing finances caused the hospital's earnings and business operations to deteriorate quickly. With the imminent closure of the hospital's acute care services, TGH needed an intervention of sound business practices amidst its uncertain future.

#### **The Impediments to Cash Flow.**

A large cause of the hospital's escalating debt and years of financial loss rested in its inability to quickly and correctly bill and collect money for the medical services it provided. In addition, the hospital was billing patients, but then failing to collect the money immediately because the hospital staff simply did not have the

information about the patient's particular insurance plan that was required to assess the patient's share of co-pay for the visit or procedure. A sluggish billing procedure was another factor that thwarted the hospital from healthy cash collection. Unreliable technology, poor training of employees, inefficient processes, delinquent medical records, lackluster coding, non-compliance and a lack of knowledgeable leadership were all significant challenges that exacerbated the already weak fiscal condition of TGH.

**The Demand for PHNS.** After a thorough public request for proposals process, TGH selected Dallas-based hospital consulting services company PHNS to help resolve TGH's problems. TGH recognized its primary deficiency to be in revenue cycle management, which is one of PHNS' strengths, and TGH was drawn by PHNS' knowledge-base and reputation. TGH was very cautious, however, since it had utilized the efforts of consultants in the past with little sign of improvement in billing and collections or amelioration of overwhelming financial losses, PHNS was engaged to guide TGH through its vulnerable state by aiding the hospital in recuperating losses, improving day-to-day operations, and ensuring regulatory compliance.

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### **THE PHNS SOLUTION**

**Shedding Light on the Problem.** TGH looked to PHNS for a full overhaul of all aspects of the hospital's revenue cycle, including managing and overseeing billing and collections, admissions, patient medical records and HIM, and selected IT. Upon assessment of the hospital's existing financial and operational health, PHNS' experts observed critical problem indicators in each of the four functional areas to be addressed:

- Slow billing; inadequate communication and departmental accountability for the achievement of financial results; employees held positions for which they were not best suited
- Delinquent medical records; high accumulation of dollars held in the unbilled accounts; inadequate claims processing; transcription backlogs; outdated dictation equipment; non-compliance; lack of management oversight and direction
- Insufficient patient information collection at time of admission or registration; inconsistent and inadequately defined co-payment policy; lack of enforcement in upfront charges; outdated charge master information
- Poorly-designed processes and information systems that could not yield accurate financial data; malfunctioning of the master file

**A Focused Approach.** PHNS' step-by-step deployment strategy addressed large issues first, and then worked down to more accessory challenges. Following PHNS' key proposals in the core problem areas, each part of the healthcare system at TGH was conditioned, overseen and improved:

1. **Streamlining Billing and Collections.** PHNS viewed TGH's slow method of billing patients as the hospital's primary impediment to cash flow, as well as its main cause of high debt accumulation and continual losses. PHNS instilled a system-wide focus on cash collection by improving communication and unifying departments with a role in revenue collection, stressing the accountability of each department in the larger healthcare system. PHNS began this by imparting

knowledgeable, new management and optimal productivity standards. In addition, PHNS made staffing changes that maximized on the capacity and strength of each employee, and comprehensively trained each staff member afterward. "We put staff in their appropriate positions, in roles where they were best suited and could be most effective," said Judi Ashline, COO of Accounts Receivable at PHNS. Such business office changes and cohesion expanded the fiscal performance capabilities of TGH, putting the hospital in a position to send and collect bills more quickly, accurately and consistently.

2. **Transforming HIM Resources.** PHNS outsourced the HIM department at TGH in July, 2006. To eliminate the hospital's transcription backlog, PHNS implemented the Dragon/MT dictation/transcription platform. The removal of the backlog resulted in improved patient care, since dictated reports were now available to the caregivers when the patients returned for care, particularly in clinic areas. Improved coding turnaround also improved processed claims by 45%. Unbilled accounts decreased due to the availability of documentation. PHNS also implemented a process for remote coding, which enabled a reduction in contract coding costs and a marked improvement in coding quality. Better coding quality allowed for better reimbursement for the facility. Delinquent records were reduced and brought into compliance with increased focus and cooperation, with hospital management being led by Brenda Ikerd, PHNS' HIM Director. Brenda Ikerd, who took on the role in structural change of TGH's HIM department, said "PHNS brought structure, true oversight,

and sophisticated resources to the community hospital. Our efforts and direction brought the department into compliance with regulatory requirements.”

3. **Controlling the Admissions Process.** To resolve the hospital’s inconsistent admissions and registration process, PHNS employed an aggressive approach to tightening up policy and procedural controls. PHNS imposed more consistent co-payment requirements at the hospital’s clinics and emergency rooms, and proposed required up-front payments in the surgery, x-ray and laboratory units. Such policy enforcement at the time of admission would cut back-end costs and ensure that there would be no later lapses in bill collection. To bring the hospital’s charge master up-to-date, PHNS conducted a quarterly review of the charge master to monitor the list of fees charged for each medical service provided and update the content in compliance with procedural changes.
4. **Repairing IT.** PHNS’ IT experts rebuilt the hospital’s master file, improving the effectiveness of the system. The upgrade allowed TGH’s billing staff to research quickly the individual patient insurance information they needed to estimate required co-payment charges at the time of a patient’s visit, where previously they lacked the means to access such information. In addition, PHNS guided the hospital’s existing IT staff in appropriate function and usage of the newly implemented system.

**Cash Gains.** As a result of PHNS’ efforts and expertise in managing the revenue-cycle at TGH, the hospital’s cash collection significantly increased, consistently exceeding the \$2 million mark in January through May of 2007. These collections have come from the elimination of the previous accounts receivable backlog. The hospital saw a peak in cash collections in February, 2007, when it reached \$3.25 million, or 148% of PHNS’ cash goal for the month. The revenue helped restore valuable funds contributed by the county’s taxpayers. Moreover, with the elimination of the hospital’s acute care services, the increased cash flow ensured that the hospital’s clinical services did not come to a halt. It also has allowed two of the hospital’s prominent care units - long-term and behavioral health - to remain open and functioning when they were to be closed. PHNS will continue to commit its best efforts in serving these care units of the esteemed hospital as long as they remain. PHNS’ guidance to TGH at a crucial stage allowed the hospital to smoothly maneuver through a large grid of challenges and changes.