

# Making the Business Case for Practice Transformation

# Introduction: What you will Find in This Module

Sustainable business operations prove essential to any successful organization; however, those activities are not just restricted to finance staff. In small practices, "finance" may be viewed as the work of a single finance/practice manager, while in larger or hospital-based practices, it may be viewed as an isolated department at the parent organization. Most practice staff have not been trained in business skills and do not have access to financial information. But to thrive in value-based payment, everyone needs to be involved. Just as all staff in a transformed practice play a role in quality improvement, everyone in the practice also plays a role in its ability to thrive in the reimbursement environment in which it operates.

Several TCPi change concepts relate to ensuring a positive business case and sustainable business operations over time. Some of these concepts fall within the purview of leadership while some fall into the finance domain. Still others are important for everyone in the practice to understand so that each individual contributes in whatever way they can.

In this module, you can explore the seven change concepts that address the business case and suggestions for taking the first steps. Browse the <a href="Change Package">Change Package</a> to find additional resources and change ideas.

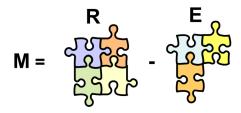
#### The Business Case

#### From the TCPi Change Package:

- **3.1.3** Maximize the benefit of participation in alternative and performance payment arrangements.
- 3.1.6 Effectively manage the revenue cycle, including billing and collection processes.
- 3.2.5 Recognize and reward innovation and contributions to organizational goals.
- 3.3.3 Share financial data transparently with staff and providers and develop their capabilities in understanding the organization's finances and in using business practices and tools.
- 3.3.4 Document the organization's business case at multiple levels and to multiple stakeholders.
- 3.4.1 Streamline workflows and increase value of all steps.
- 3.4.2 Eliminate waste whenever possible.

The business case of any organization appears quite simple on paper: it is a function of revenue or funding received and expenses incurred. The difference between the

revenue coming in and the expenses going out contributes to the margin, which provides for sustainability and allows investment in innovation or improvement. The more a practice can either increase revenue or reduce cost in various areas, the greater the margin available to support resources for care coordination, investing in technology, addressing the social health needs of the community, or rewarding staff.



Margin = Revenue - Expenses

To ensure sustainability, a practice must first understand its current business case. Like any journey, it is difficult to develop a pathway unless you know your starting point. Ultimately, a practice needs to understand its impact on the total cost of care of its patients. Understanding the total cost of care is the system-level business case that underpins many alternative payment models. For practices without full access to payer cost data, we suggest first looking internally.

## **Steps for Sustainability**

The TCPi Change Package highlights several variables practices can work on right away because they involve things within the practice's own control:

- On the expense side, there are often opportunities to streamline work flows, drive efficiency, and reduce waste using Lean approaches and tools like process mapping. Eliminated process steps can increase time for activities that add more value to patients as well as to staff.
- Two revenue ideas from the Change Package include making sure the organization can collect as much revenue as possible from its existing contracts. This means managing the revenue cycle through things like timely and accurate coding, collection of co-payments, and follow up on outstanding receivables. It also means looking at any performance-based contracts and working with all staff to ensure effective management of the metrics driving payment, such as cancer screening rates, hypertension control, or ED utilization.

A common thread in both the early revenue and expense opportunities is the reliance on staff at all levels of the organization to make them work. This means all members of the staff need to understand the big picture of the practice's business case and where they fit in and can make a difference. Transparency of this information is essential though it may require some degree of skill-building to make the information meaningful. Finally, getting everyone involved in working on sustainable business operations means recognition and reward of these same individuals when they offer ideas that add value.

Sustainable business operations are critical. All the puzzle pieces need to fit together, with all staff playing a role.

## Resources

A variety of available tools and resources can assist in developing sustainable business operations, including many tactics in the TCPi Change Package. Two AMA StepsForward™ modules that will help develop sustainable business operations include:

- AMA Revenue Cycle Management Module
- AMA Starting Lean Health Care Module