

# Capture Every Dollar Earned: Right Care, Right Status, Right Payment

HFMA WASHINGTON-ALASKA CHAPTER MEETING

OCTOBER 12, 2023





## OVERVIEW & OBJECTIVES

- Observation care is frequently indistinguishable from inpatient care. However, the financial burden of admission status for hospitals and patients can be large.
- We will describe EvergreenHealth Medical Center's journey following Millwood Associates approach to ensure patients have the correct status (observation or inpatient).
- We will demonstrate how accurate selection of admission status by educated providers and a system to identify cases for status changes can increase appropriate status assignment which positively affects compliance, patient's financial burden, and hospital's margins.



# ABOUT MILLWOOD ASSOCIATES

Founded in 2018, our focus is on helping hospitals in the Pacific Northwest.



RON BENFIELD  
MBA, FACHE, FHFMA  
President / CEO

PRISCILLA GLOVATSKY  
MBA  
Director of Margin Improvement

KRISTIN OUELLETTE  
CPA, CHFP  
Director of Margin Improvement

LAWRENCE NEVILLE, MD  
Medical Director Quality & Safety



LAURIE SPENCER  
RN, ACM  
Director of Clinical Value



VICKI TAMIS  
PharmD, MBA, BCPS, ACE  
Director of Clinical Value



DANA WEBB  
MBA, RN  
Director of Clinical Value



## WE DIAGNOSE MARGIN-ERODING PROBLEMS

Years of industry knowledge and experience allow us to find and fix what's really broken.



## WE IMPLEMENT UNIQUE & PROVEN SOLUTIONS

Our processes and algorithms have been tested and proven.



## WITH MULTIPLE SERVICES YOUR MARGIN TYPICALLY IMPROVES 5-7%

You own the ongoing process and your mission is stronger and more sustainable.





## ABOUT EVERGREENHEALTH

- Independent 318 bed public hospital in Kirkland, WA serving east side of greater Seattle area



**4,529**  
Babies  
Welcomed



**15,000**  
Inpatient  
Admissions



**9,600**  
Home  
Health  
Patients



**413,000**  
Outpatient  
Visits



**2** Emergency  
Departments  
**7** Urgent  
Care Centers



**15-bed**  
Hospice  
Care  
Center



**330-**  
physician  
Multispecialty  
Group



**13**  
Primary  
Care  
Practices



**48**  
Specialty  
Practices



# EVERGREEN VIDEO #1

Why Evergreen chose to work on patient statusing and how it fits into our mission

Joy Hanson – Executive Director of Care Management & Clinical Documentation

## Mission

EvergreenHealth will advance the health of the community it serves through dedication to high-quality, safe, compassionate and cost-effective health care.

## Vision

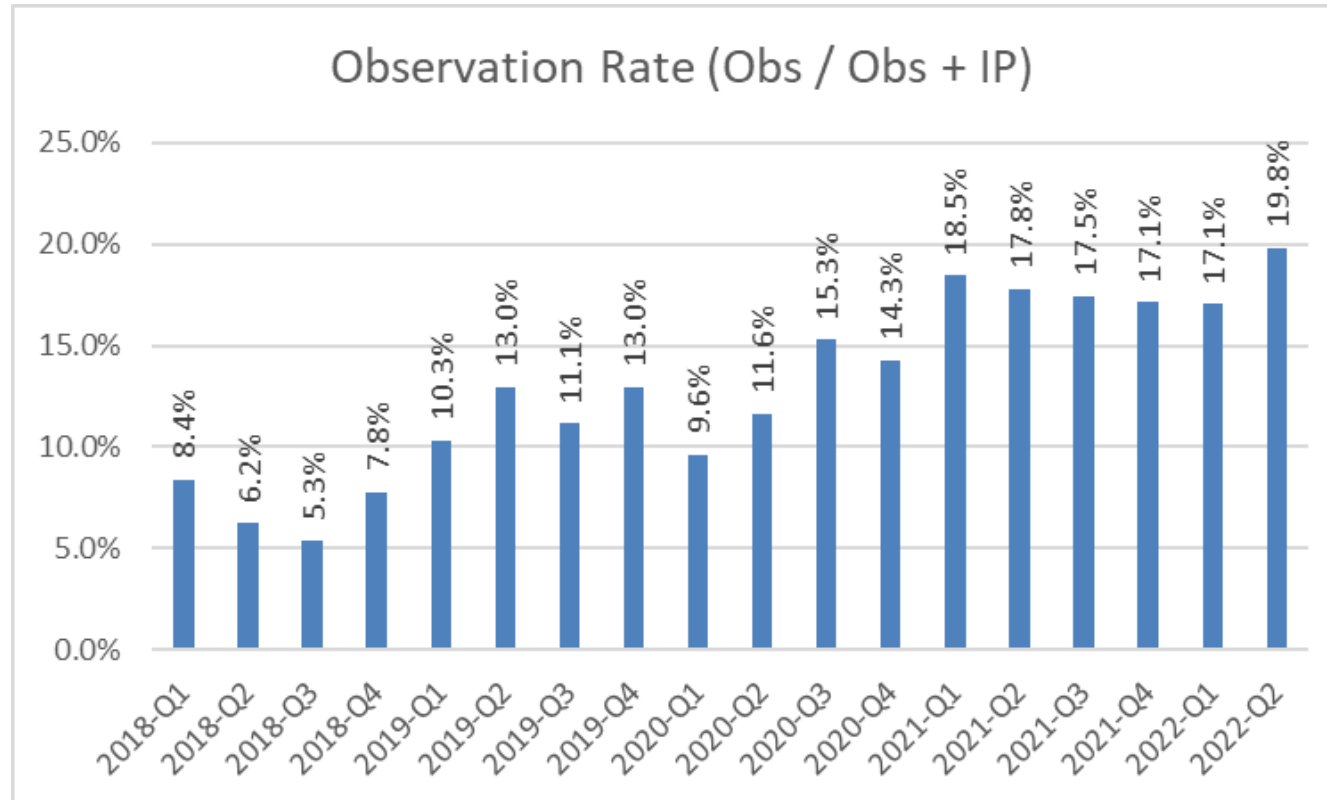
EvergreenHealth will create an inclusive community health system that is the most trusted source for health care solutions.

## Values

Compassion • Respect  
Excellence • Collaboration  
Accountability



## EVERGREENHEALTH'S OBSERVATION RATE



State data shows the use of observation status was trending up over time.





## OBSERVATION WORKGROUP

### Objective:

Ensure robust processes are in place to appropriately status medical patients (observation or inpatient), focusing on compliance, appropriate documentation, and optimizing length of stay.

### Initial Goals:

- Obs as % of Obs + IP = 15%
- Obs > 2 midnights less than 8 per week





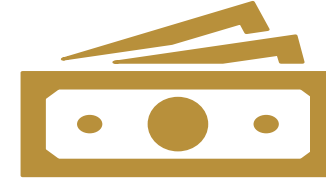
## WHY DOES STATUS MATTER?



**Maintain  
Regulatory  
Compliance**



**Capacity  
Management**



**Patient Financial  
Burden & Hospital  
Margin**

When our clients use our holistic approach to address appropriate status and observation length of stay the typical results:

- Reduced observation rate
- Decreased observation LOS to ~27-hour average
- Additional bed capacity for more acute patients
- Increased reimbursement by several million annually
- Potentially, reduced patient's out-of-pocket expense



## EVERGREEN VIDEO #2

**Why does patient status  
matter: Compliance**

Kami English – Manager  
of Care Management &  
Clinical Documentation  
Integrity



**Maintain Regulatory Compliance**



## WHY STATUS MATTERS?



### Maintain Regulatory Compliance

1. **Correct benefits are applied to beneficiary account**
2. **Reduces status errors with standardized processes**
  - Patient status advances to inpatient concurrent to care progression
  - All patients are in correct status prior to midnight
3. **Correct utilization of acute care beds**
4. **Accurate quality/safety scores**
5. **Ensures consistent status assignment upon admission**
  - Emergency department
  - Surgical/PACU
  - Direct admits



## WHY STATUS MATTERS?



### Capacity Management

- 1. Prioritizes observation patients for timely progression of care**
  - Ancillary departments prioritizing orders
  - Nursing focused on timely discharge
- 2. Multi-disciplinary approach to long stay observation patients**
- 3. Focus on avoiding social admissions**
- 4. Results in freeing up beds and staff for new capacity (inpatient or surgical)**



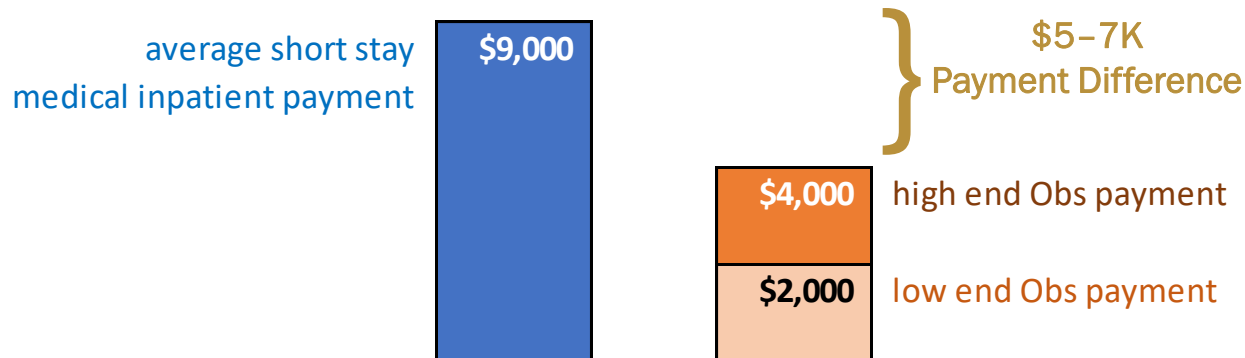
## WHY STATUS MATTERS?



Patient Financial  
Burden & Hospital  
Margin

1. Ensure that the appropriate benefits are applied to the patient's hospital stay.
2. Ensures you cover the hospital costs for the intensity of services provided, which adds revenue

### Payment Difference between Obs & IP



### Potential Opportunity:

**\$4-5 Million additional annual revenue**

- If long stay observation patients decreased from 6.0% (of total IP+Obs) to 2.0% at \$7,000 payment difference, the annual savings are significant.

**These patients have the same cost of care, same average charges, & same average LOS**

**Angelika Koch-  
Liebmann, MD –  
Medical Director of  
Care Management**



“The status optimizing project in partnership with Millwood has brought further clarification about observation and inpatient status and the associated financial impact to our organization.

In strong collaboration with our physicians and Care Management team, we are now more conscious about patients being admitted under observation status, more aware about criteria to be met in order to meet IP status and more capable to change the status in a more efficient way.

The Care Management leadership was able to provide more education to the admitting physicians, especially the hospitalist, and the entire organization was able to accommodate and implement suggested changes rapidly with a significant impact on reducing our organization's observation hours.”





## GUIDELINES FOR OPTIMIZING OBSERVATION

1. Observations determined by appropriate medical criteria, determined by providers, and supported by documentation.
2. Ideally, observation length of stay is less than 48 hours and averages 25-30 hours.
3. Processes should be dynamic - recognize and react to real-time changes.
4. Normal observation utilization range should be 9-12% of all patients that make it to a bed (*excluding newborns*).
5. Results are achieved by improving understanding of what observation is and ensuring a few key practices are in place



## OUR APPROACH



Established the infrastructure & visibility to the problem.



Engaged the hearts & minds creating a culture that “thinks hours, not days” for their observation patients



Established standard processes & accountability to ensure sustainability



Provided real time feedback with data



Established the infrastructure & visibility to the problem.

**1. Created governance structure and defined scope**

- Form oversight committee
- Form work groups
- Form subgroups on portions of the work

○ Committees to include representation from:

- CNO/CFO/CMO
- Hospitalist
- Nursing
- Case Management
- Revenue Cycle
- Clinical Informatics

**2. Defined the problem and established targets**

**3. Established strong partnerships between providers, care management and nursing**

**4. Identified root causes (lack of education, fear of denials, lack of standard work, outdated practices)**

**5. Developed workplans and tiered accountability**



Established the infrastructure & visibility to the problem.

## EvergreenHealth's workgroup members:

### Leader

Mary Shepler, RN  
Ettore Palazzo, MD  
Joy Hanson, RN  
Kami English, RN  
Angelika Koch-Liebmann, MD  
Brandon Au, MD  
Susan Schutte, RN  
Lenore Apigo, RN  
Daisy Fishman, RN  
Jessica Granger  
Kavitha Sayala  
Jessy Chacko, RN  
Adam Dittmore  
Richard Meeks  
Rebecca Elithorp

### Title

Chief Nursing Officer  
Chief Medical & Quality Officer  
Executive Director of Care Management & Clinical Documentation Integrity  
Manager of Care Management & Clinical Documentation Integrity  
Medical Director of Care Management  
Managing Physician for Hospitalist  
Supervisor Utilization Review  
Executive Director of Med/Surg  
Manager of Nursing Operations  
Director of Financial Planning & Operations  
Manager of Clinical Informatics  
Clinical Informatics  
Manager of Revenue Integrity  
Corporate Compliance Officer  
Manager of Compliance



Engaged the hearts & minds creating a culture that “thinks hours, not days” for their obs patients

1. **Established a common understanding of what an observation versus inpatient looks like for leadership, hospitalist, case managers, nursing and ED Providers**
2. **Developed targeted education on the why status is important**
  - Focused on compliance, patient financial burden and ensuring we are paid for the services provided
  - Ensured our providers understood their documented medical judgement/decision overrides any criteria tool
  - Ensured our care management & compliance partners understood CMS IP short stay rules / regulations
  - Ensured our nursing staff understood
3. **CNO championed clinical teams with the mindset for all observation patients “Think hours, Not days”**
  - Engaged Ancillary Departments to prioritize observation patients orders to ensure timely discharges
  - Created observation status visibility by adding it to reports, rounding dialogue and patient grease boards
4. **Celebrated wins – “Status Slayer” Awards**





## Established standard processes & accountability to ensure sustainability

- 1. Established Point of entry (ED, Direct admit, Surgery) review processes**
  - Attention was given to getting the right status at admission (avoid default to observation status)
  - Careful consideration was given to whether an Observation patient even belonged in a bed (avoiding admit to bed just to clear the ED)
- 2. Implemented evening review for all current observation patients to evaluate for care progression warranted inpatient status change or discharge**
- 3. Implemented retrospective reviews to ensure sustainability**
  - All Medical Observations with stay > 2 midnights to understand causes
- 4. Held weekly case review conferences with hospitalist lead/PA and case management of long stay observation patient to gain insight**
- 5. Formalized the peer-to-peer concurrent appeal process**
- 6. *Future work: Work with ED and case management to develop care plans to address frequent admissions patients***



## Provided real time feedback with data

1. Established what would be included in our data (it is okay to have exclusions) and ensured our definitions agreed upon
2. Agreed on our outcome metrics and targets
  - ***Observation patient % = Observations / Observations + IP***  
*(Different than % of obs patients in at midnight)*
  - ***Long stay observation patient %***
3. Established aggressive but achievable goals and targets with timelines
4. Created visibility of performance
  - Weekly & monthly observation unit dashboards
5. Established tiered accountability reporting performance and countermeasures



## PROCESS CHALLENGES – BARRIERS AND CONCERNS

- Limited 2<sup>nd</sup> level review provider resources
- Compliance concern with CMS Federal Register/2MR
- Fear of denials or insurance “push back”
- Long standing norm to default to observation status when uncertain
- Fear of insufficient resources to perform new tasks (evening review)



## Brandon Au, MD – Managing Physician for Hospitalist Group



“This project has brought much more awareness to our providers about the opportunities to convert patients from observation to inpatient care. Sometimes this is at the time of admission, but often it is 24+ hours later as we realize the patient has more medical issues/needs than initially anticipated and requires further hospitalization and management.

It has shed light on the important financial implications of patient status and ensuring our hospital is reimbursed appropriately for the care we provide.

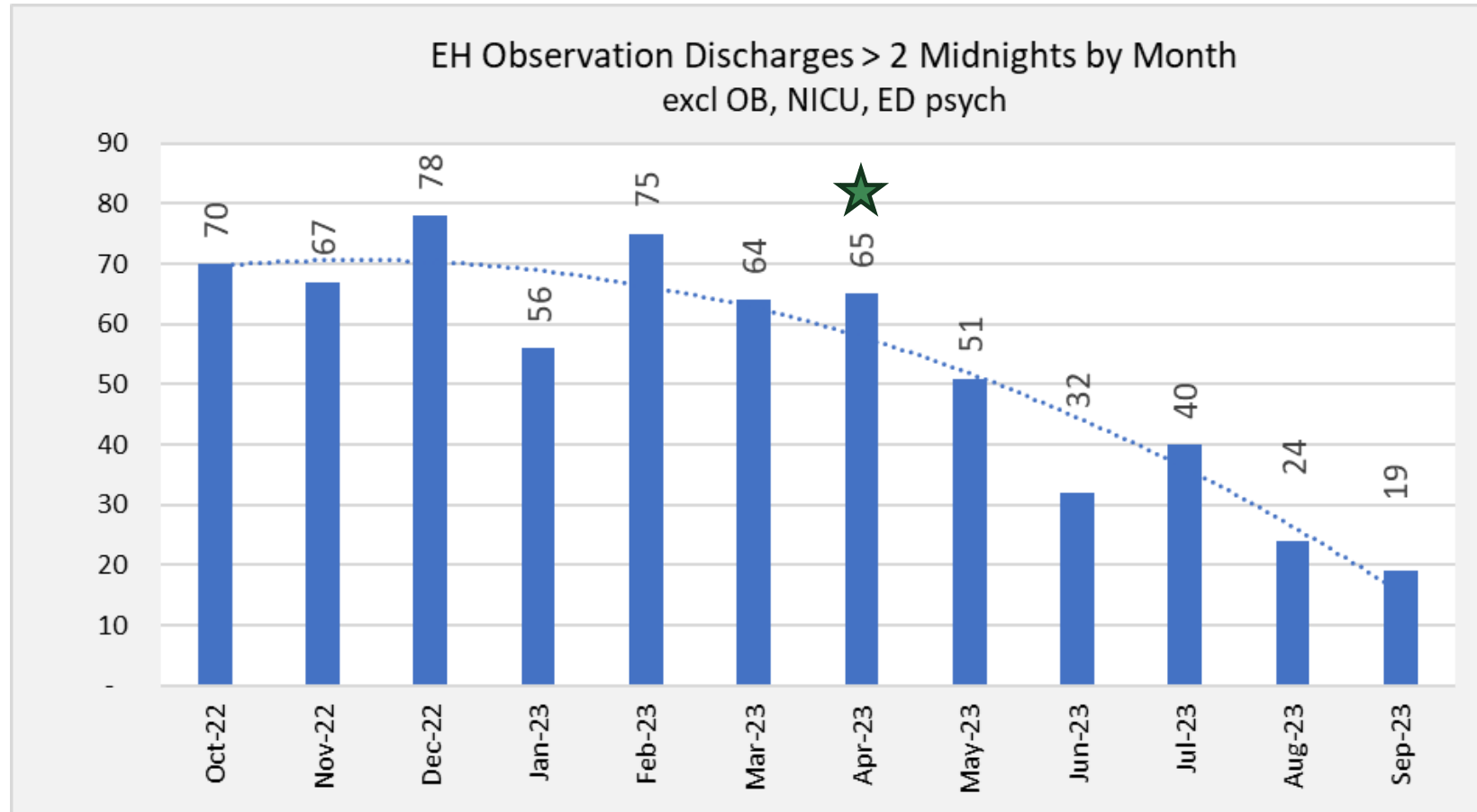
I believe our providers also have better awareness of the scenarios/criteria that justify inpatient status which is helpful especially when we have to do peer-to-peer appeals.

Our work has also helped to build the relationship and communication between providers and our Care Management department to make conversions where appropriate and decrease observation length of stay.”



## OUR OUTCOMES TO DATE

★ Month work started



Obs > 2 midnights Baseline (6 mon. end March 2023) = 68

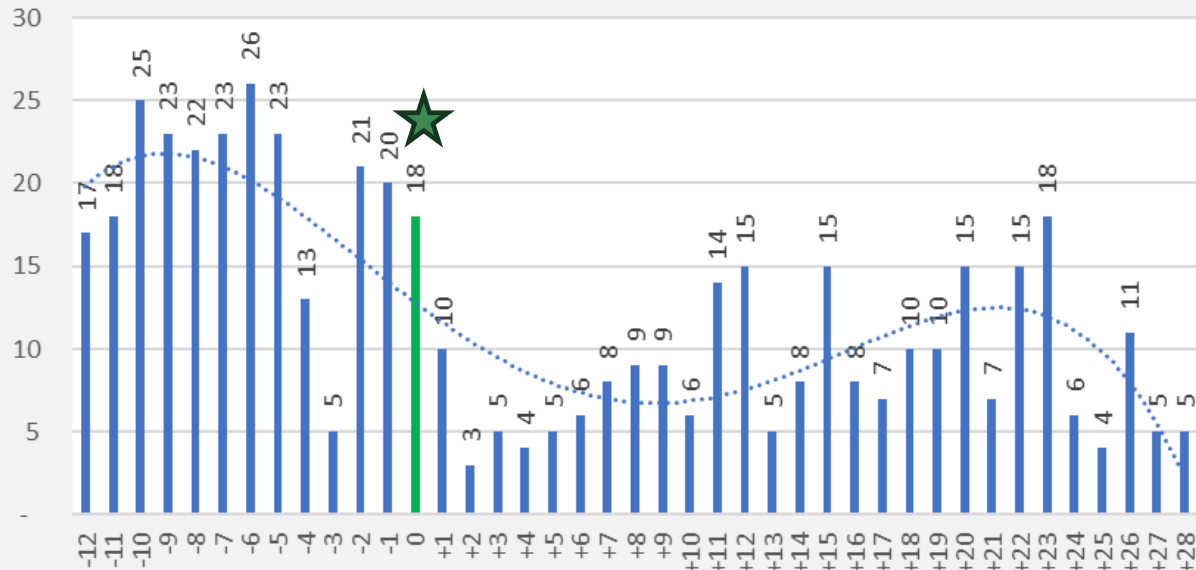




# MORE EXAMPLES OF SUCCESSFUL IMPROVEMENT

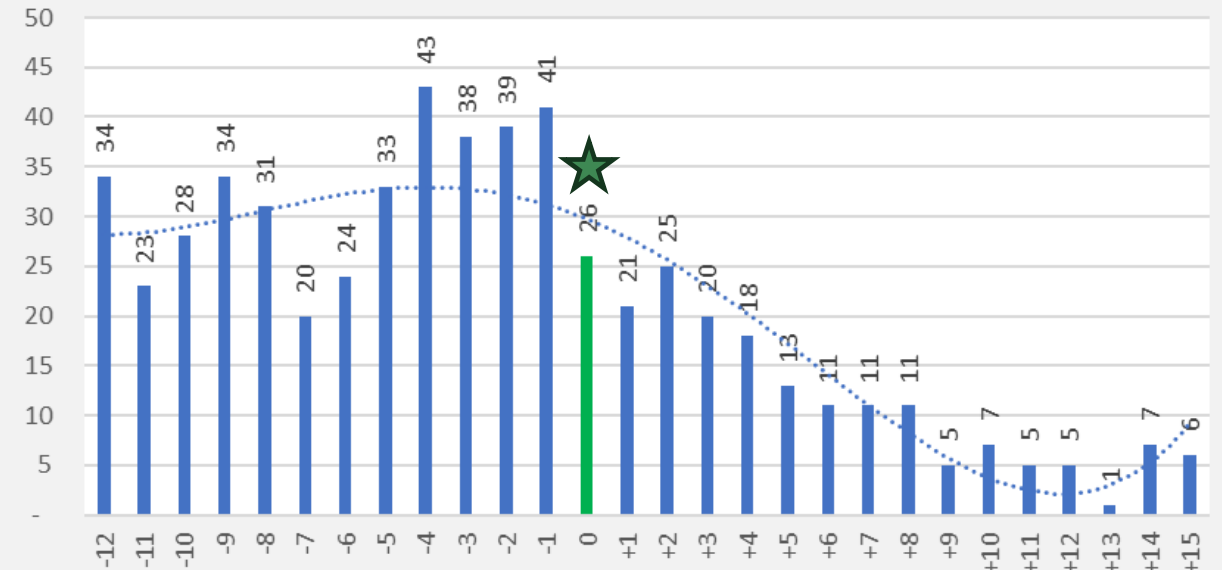
★ Month work started

Obs stays > 48 hours - Client A



Obs > 48 hours Baseline (12 mon. prior to start of work) = 20

Obs stays > 48 hours - Hospital B



Obs > 48 hours Baseline (12 mon. prior to start of work) = 32



## WRAP UP & QUESTIONS

Through awareness, collaboration, and accountability any hospital can ensure appropriate revenue, reduce risk of denials, and strengthen margin.



# ANY QUESTIONS?

Contact Ron Benfield with Millwood Associates for more information

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