

Excelsa Health is tackling administrative and operational costs for positive financial outcomes — Here's how

In collaboration with Optum

The competitive dynamics in the healthcare sector are more challenging than ever before. Health systems are vying for patients and denials from payers are on the rise. Meanwhile, fixed operating costs must be covered even though inpatient admissions are decreasing.

At Becker's 8th Annual CEO & CFO Roundtable in Chicago in November, Optum hosted an executive roundtable to explore strategies health systems can use to improve financial performance while maintaining high quality care. To explore this topic, John Simon, senior vice president and national provider practice lead at Optum Advisory Services, moderated a discussion with Thomas S. Albanesi Jr., executive vice president and CFO of Greensburg, Pa.-based Excelsa Health and Mike Valli, vice president and client executive at Optum360.

Excelsa Health: Delivering quality care in a challenging financial landscape

Excelsa Health is a nonprofit health system in Westmoreland County, which is about 40 miles east of Pittsburgh. Excelsa has \$600 million in annual revenue, 200 employed physicians, three acute hospitals, and several ambulatory locations. The system has been focused on improving margins for the last couple of years. The population in Westmoreland County trends older, so about two thirds of the payer mix is governmental and one third is commercial. This makes it challenging to operate profitably. In the last six to seven years, Excelsa Health acquired several physician practices, which positioned the organization to better serve their community but

also added financial complexity.

Mr. Albanesi said, "Our mission is to improve the health and wellbeing of every life we touch. Meeting the mission and balancing the financials is something we strive for every day. Quality care and adequate revenues are two parts of the oxygen we need on a daily basis. This tandem is essential for our ability to thrive in one of the most competitive healthcare markets in the country."

To fulfill its mission, Excelsa needs improved commercial physician reimbursement rates. Western Pennsylvania has some of the lowest commercial physician rates in the country. Excelsa hospitals have to subsidize its physician network due to the system's payer mix and the fact that commercial rates in the region are less than 120 percent of Medicare, according to Mr. Albanesi.

Another challenge is retaining and capturing more profitable tertiary specialty business in Westmoreland County. In select tertiary specialties, Excelsa's market share has opportunities for growth. Improvements are needed in care coordination and patient access.

Partnering with Optum to help eliminate administrative and operational costs

Excelsa Health continues to be focused on improving its operating margin. Mr. Albanesi noted, "Moody's and other rating agencies want us to be around a 2 percent operating margin. That means we have a performance gap that we need to close.

We knew we were leaking in the revenue cycle, so that was an area of opportunity.”

Excela did not invest heavily in new technologies, employee training or consultants to help elevate revenue cycle performance to the next level, as investing in ambulatory facilities was a bigger priority. To address this issue, Excela decided to enter a strategic partnership with Optum360. Optum360 will manage Excela’s revenue cycle operations and the company is paid based on the incremental yield that it generates.

Delivering immediate impact and long-term value

As part of the partnership, Excela’s revenue cycle team members have become Optum employees. While there was some initial concern from staff, employees have made the transition successfully and they now see the benefits of the change and career opportunities ahead.

The revenue cycle employees still feel part of the Excela team. They also have access to more resources, better technology and new training opportunities. Optum360 immediately brought in a SWAT team to get caught up on denials, which made the revenue cycle employees’ work lives less stressful.

According to Mr. Albanesi, “As a CFO, I feel like this is truly a partnership. It’s not outsourcing. I’m still actively involved in managing the revenue cycle, I have a more sophisticated level of talent, and all my employees made the transition to Optum360.”

Seeing financial improvement

Excela has already seen some early revenue cycle performance improvements. Optum360 has assigned two physician advisors to Excela to support their medical necessity review process and the accurate determination of patient admissions.

Instead of investing additional capital into administrative costs, Excela has invested in two cardiothoracic surgeons and two interventional cardiologists. Mr. Albanesi explained, “We’ve reinvigorated our cardiovascular surgery program. Patients can now have any cardiovascular procedure, short of a

transplant, done at Excela. It’s good for the community and good for our financial health. It’s been a win-win.”

Excela is now six months into its current fiscal year and it has seen its operating results improve significantly. Busier operating rooms is one contributor. Another factor is better performance and lower fixed costs on the revenue cycle side.

Tips for developing a revenue cycle partnership

If health systems are considering a revenue cycle partnership, Mr. Albanesi offered three suggestions:

- ***Focus on both the quantitative and qualitative aspects of the due diligence process.*** As Excela considered entering into the Optum partnership, the two partners launched a six-month due diligence process. This included a thorough review of metrics that had the potential to drive cash to the organization. In addition, Mr. Albanesi considered the “human aspects” of a partnership. He thought about mutual trust and the ability to truly work effectively with the Optum360 team.
- ***Ensure that both parties’ incentives are aligned.*** The partnership’s revenue cycle objectives are customized to Excela’s needs. In addition, Excela’s and Optum’s goals are aligned. Optum360’s incentives are tied to the systems performance and success.
- ***Look at additional opportunities for scale.*** Albanesi said, “If you are considering a revenue cycle partnership, think more broadly about how your potential partner can help you scale in other areas. Optum brings scale to Excela. No other revenue cycle companies have over \$100 billion in annual revenue, expertise and capabilities so many different aspects of healthcare.”

Conclusion

Value in healthcare is generated when quality care and sound financials intersect. Unfortunately, it can be very difficult for many organizations to deliver in both of these areas. Partnering with experts such as Optum360 can help.