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Staffing: intake authorization, billing-related work, claims and IT opportunities.

By Tom Kosnik

What comes to mind when thinking about healthcare staffing? Maybe travel nurses? Or allied health? There is actually a hidden, lucrative world in healthcare and a huge opportunity for staffing firms -- the business side of healthcare.

I know what you are thinking. Health-care -- isn't that staffing nurses and doctors and therapists? Aren't there already a whole slew of private and public companies staffing these positions? What about the human resources; isn't there a short supply of these resources? As a point of clarification, I am not talking about the clinical side of healthcare. Let's take a look at this other side of healthcare.

There is an enormous opportunity on the business side of healthcare for staffing firms. Our industry, for the most part, has been blind to the business side of healthcare. When we use the term healthcare, we automatically assume nurses, doctors and therapists, etc. In reality, these positions make up only a sliver of the jobs that can be staffed in a healthcare business environment.

Sizing Up the Business Side of Healthcare

The way to briefly size up the business side of the healthcare industry from a staffing opportunity perspective is to view the healthcare industry from the two camps -- providers and payers.

Providers are those organizations that offer healthcare services to patients. Such organizations are hospitals, clinics, urgent care facilities, optometry and podiatry centers, medical device providers, ambulatory services, plus many more.

Payers are those organizations that authorize and make payment for the services that the providers fulfill. Such organizations are insurance companies, managed care facilities, Medicare, Medicaid, workers compensation and others.

This may appear to be straightforward and simple to understand. It is easy to assume that such a system of provider and payer is a clear-cut transaction. That is, a patient receives services, a co-pay is collected, the insurance company is billed and a payment is expedited. This assumption is a fallacy.

The business side of healthcare has become complicated. This complication has emerged as a result of a significant increase in back-and-forth communication and negotiations between providers and payers. These communications and negotiations occur on every level of healthcare services. And, as every person reading this article can identify with, the patient gets caught in the middle, and therefore an increase in communication with patients has emerged as well for both providers and payers.

Payers such as HMOs (Health Management Organizations), PPOs (Preferred Provider Organizations), Medicare, Medicaid and others have created an extensive paper trail that has become status quo in the business side of healthcare. This paper trail is a series of checks and balances. Authorizations, member services, co-pays, insurance benefits checks, plus many others, have to occur in order for transactions between providers and payers to be completed. All these various movements back and forth and communications between providers and payers require staff. Many of these organizations hire staff on a temporary basis or on a temp-to-direct basis to assist in the fulfillment of this work.

Healthcare Revenue Cycle

We need to understand the healthcare revenue cycle in order to wisely sell into the business side of healthcare from a staffing perspective. How does it all happen -- the admitting, billing and collecting within the

healthcare system -- and where are the staffing opportunities?

First, there is the intake/admission process for when you go to the doctor or get admitted to a hospital. Work that needs to be completed consists of scheduling the appointment, obtaining or completing patient registration forms, obtaining medical records, verifying insurance coverage, obtaining patient signatures on government-required documents, obtaining patient signatures on provider's required documents, etc.

Second, there is the authorization process that occurs. This work consists of updating medical records, obtaining insurance authorizations, updating patient financial files, collecting co-pays, applying the co-pay to the patient bills, filing and requesting additional medical records, maintaining medical records and charts, scheduling follow up appointments or referral appointments, etc.

Third, there is billing-related work. Such work consists of coding and billing insurance companies and/or Medicare/Medicaid, following up on medical billing, supplemental insurance billing, applying payments to specific accounts, patient billing, etc. There is also work conducted once a patient receives an invoice. Customer care work includes items such as explaining benefits to patients, researching customer accounts, assisting customers with insurance providers and general customer-care questions.

And fourth, there is work related to the payer once they have received claims. Payers have an open claim system with several checkpoints that need to occur in order for a provider to receive payment. Within this open claim system there is communication going back and forth between the payer and the provider that generally includes negotiating a reduced payment on the invoice. All this work takes time and human resources to perform.

Staffing services are acquired within all the sectors of the healthcare revenue cycle. All these various jobs within the revenue cycle require personnel that can be trained to acquire specific skill sets to perform specific work tasks within certain areas. Some providers and payers take on the task of acquiring and training these human resources internally. Many other providers and payers outsource such work to staffing organizations. Knowing the revenue cycle, learning how to sell into the revenue cycle, focusing in on one or two areas in order to build a staffing practice all lead to success for a staffing vendor.

The Information Technology Opportunity

There is a unique opportunity for vendors offering information technology staffing services on the business side of healthcare. Many healthcare organizations, on both the provider side and payer side, have antiquated IT systems. From an informatics perspective -- that is, the engineering of information systems and the practice of processing information -- many healthcare organizations will be making substantial investments.

At the center of a healthcare organization's information technology system is a data center. First and foremost, this data center needs to be secured. Security needs to be obtained from both external and internal sources. Security is an issue because many personnel access these data centers. Such accessing of the information within the system not only needs to be secure, but also it needs to be real time and accessed quickly.

Some healthcare organizations choose to outsource their information technology infrastructure. The thought is that their core competency is not information technology, so better to outsource the function. Other healthcare organizations outsource the development of various business processes to information technology firms that have such capabilities. It is important to get these processes down to a science since technology is such a critical function within a healthcare organization that almost every employee touches.

Hardware purchases and hardware updates are other camps of information technology decisions that healthcare organizations will make and implement with the assistance of an information technology vendor. Then there is software. There are decisions around software and software updates and software implementations. These are no small decisions for healthcare organizations. Think back to the increased communication between providers and payers. Increasing efficiencies in these areas often times includes acquiring information technology systems that can speak to other related organizations.

From an information technology staffing perspective, the opportunity is enormous as the entire healthcare industry is on the edge of some radical changes. Such information technology advancements, alterations, and updates will be driven by the government. A good place to seek greater insight and research is with the Healthcare Information and Management Systems Society (www.himss.org). HIMSS is dedicated to "providing leadership for the optimal use of healthcare information technology and management systems for the betterment of healthcare." You can download HIMSS' CIO Survey (which addresses issues around staffing) at no cost.

Planning to Penetrate the Business Side of Healthcare

Many staffing vendors make a critical mistake of not thinking through a proper strategy to penetrate the business side of healthcare. By taking a haphazard shotgun approach to the opportunity, these staffing vendors end up spinning their wheels and spending a lot of financial resources with very little results.

Planning is critical to the success of getting into the business side of healthcare. An adequate planning process will force a staffing vendor to conduct a few levels of research. There are untold areas of opportunity both on the provider and payer side in which a staffing vendor can focus. In order to succeed, a staffing vendor really needs to find or define an area of focus.

Researching: A company wanting to service the business side of healthcare will first need to conduct a little bit of research. Prospects and customers is the first stop. Some questions that will need to be answered include the following: Is the opportunity for your firm on the provider side of the equation or is it on the payer side of the equation? Who are these companies? Do they use staffing vendors? If so, does your firm possess the capabilities to service these customers or can you acquire the capabilities easily? This research is classically known as market research. It answers the questions of who to pursue and with what services.

Competition is the second stop for research. Staffing firms wanting to get into the business side of healthcare need to know where the competition already has strong holds. The bad news is that some staffing providers have beaten your firm to the punch. The good news is that many of the specific areas within the revenue cycle, articulated above, are not serviced in a focused manner by any one staffing provider. Research on the competition will answer the question about where the holes are in the business side of healthcare. A prudent strategy could consist of building a service practice to meet the need where a hole exists for a provider or payer within the healthcare framework.

Industry is the third stop for research. Staffing Industry Analysts has projected healthcare staffing to decline 3% in 2009 from 2008. Is this projected decline on the clinical side of healthcare or on the business side of healthcare? Sixty-six percent of the organizations that responded to the 2008 year-end CIO survey conducted by the HIMSS show that the IT departments of these organizations are budgeted to increase over 2009. What are the staffing needs of these organizations? What are the various pay rates, bill rates and gross margins? What level of capabilities are prospects expecting? Industry research will bring answers to these questions.

Researching prospects, competitors and the industry at large will give focus to a staffing vendor's service offering. Focus will be critical to success. All things to all people will not work. A shotgun approach will not work. Hiring a sales rep from the industry and seeing what this person sells will not work. Focus is critical to success because on the business side of healthcare building a "practice" around a servicing offering is what works. Research will disclose what prospects and customers buy from staffing vendors. Research will also assist in determining the focus of the practice and capabilities the staffing vendor will need to acquire in order to assist prospects and customers with specific needs.

Goal Setting: Once a focus is determined, a good planning process will establish realistic goals. It is wise to set goals in the following areas: (See PDF below)

Good luck succeeding without setting goals. As strange as it may sound, many staffing firms spend thousands of dollars on growth initiatives without setting goals in which to measure success. Goals need to be realistic and attainable.

It may appear to be difficult determining realistic goals on a startup division or practice. If a staffing firm has invested the proper amount of financial resources on the front end and has acquired the right kind of personnel, then realistic goals should not be too difficult to establish.

Over a 12-month period, it takes three to four months to establish a relationship to the point in which job orders are obtained. After job orders start coming into the house, then it is two to six placements a month, depending upon how many recruiters the staffing firm has dedicated to the practice; for example, one experienced sales executive bringing in two to three job orders a week. Two experienced recruiters fulfilling 25% to 50% of the job orders equals two to six placements a month.

By the sixth month of operation, evaluation and revision can occur if there is needed revenue, gross margin and net income goals, based on pay rates and bill rates.

Action Planning: Once goals are determined, key initiatives are established and action plans are built out. A staffing vendor has decided to build a certain staffing practice that services this unique segment in the business side of healthcare. Key Initiatives are the items that need to get accomplished in order for the firm to

achieve its goals.

In this scenario of investing in and building a new practice area, the staffing vendor may have to acquire some additional personnel: sales executives and recruiters. The staffing vendor will have to do some things from a marketing perspective such as update their Website, develop a marketing brochure, maybe execute on a marketing program, purchase a mailing list, etc. The staffing vendor will have to do some physical things that involve additional office space to be rented to house personnel, desks and phones, and acquire additional seats to a software package, etc.

If key initiatives are not established and action plans are not built out, then chances are items will slip through the cracks, key initiatives will not get accomplished and goals will not be achieved. A general example of an action planning form is as follows: (See PDF below)

Economic Model: Every good plan is backed up with an economic model (a realistic cash flow analysis). A good accountant, controller or CFO can assist you with a cash flow analysis. Where is money going to be spent? Where is money going to come from? Where is my break-even point?

A cash flow analysis is important because one needs financial benchmarks. (Please see examples on page 46 and pages 48-49.) Otherwise, money keeps flowing out the door with no real tie back to the organization or the goals. A well-developed cash flow analysis will also assist a management in making decisions. If expectations state that we are suppose to be at "x" spot in 6 months and we are only half way there, then some decisions need to be made? Something is not working. Just dumping more money into the practice is not an adequate response. Well, where do we make the changes? Cash flow analysis will assist one with this decision.

See PDF below of a simple example of a cash flow analysis:

The Big Three to Consider When Getting into the Business Side of Healthcare

When it comes to new business development, it is easier said than done. Anyone who owns a staffing firm or manages a staffing-based profit center knows that there are many variables to successfully building a new staffing practice. Some additional items to put on the agenda are: the art of acquiring the employees that best fit the task to establish this practice in the market place, the job of developing an adequate compensation plan that will reward the right kind of behavior and not run a business dry, and the best way to build a candidate database and to mine that database so as to obtain mission critical information. These are just a few examples.

In the end, there are three critical items to work through:

- Planning -- Build out a road map. Complete the research, establish a focus, choose a practice focus, establish key initiatives and build out detailed action plans.
- People -- Acquire the right kind of human resources that will insure success and not drain energy from your organization. This is a job in and of itself, and most staffing firms are challenged with hiring the right kind of people.
- Economic Model -- Do not fly the plane blind. Establish economic benchmarks, set realistic goals and make timely decisions based on progress toward or away from your goals.

Focusing in on planning, people and an economic model will go a long way toward taking advantage of the opportunities in the business side of healthcare.

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See button below to download a PDF of the examples mentioned above and cash flow examples.