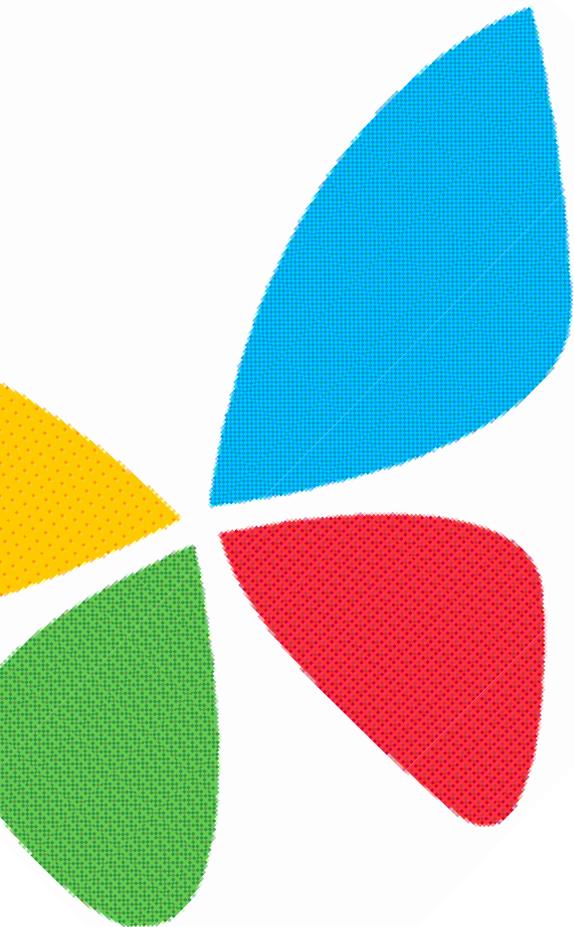


## CASE STUDY

# Children's Hospital Los Angeles Medical Group



Superior clinical performance needs to be supported by optimal financial performance. When new leadership at Children's Hospital Los Angeles Medical Group realized the revenue cycle was compromising its clinical mission, a commitment was made to confront the problems head-on.

Children's Hospital Los Angeles Medical Group (CHLAMG) consists of 564 physicians offering specialized pediatric care to children from around the world and is the largest MediCaid provider in California. Despite its size and long-standing reputation for clinical excellence, CHLAMG struggled with consistently poor revenue cycle performance. In turn, physician compensation, staff satisfaction, and retention, among other organizational aspects, were negatively affected.

"Our revenue cycle was completely broken, and had been for a number of years," stated Larry Harrison, CEO of CHLAMG. When he arrived at CHLAMG, the organization was reeling from the effects of a poorly-executed transition to a new billing platform. Days in accounts receivable (A/R) had been steadily increasing in the six months since the transition, and was up to 83 days. As bad as that was, it actually understated the problem because the A/R "clock" did not even begin until charges were entered into the billing system – which took an average of 40 days. There was no single cause for this poor performance, but rather a host of issues related to technology, inefficient processes, lack of transparency, and an absence of accountability.



“It was really daunting,” said Sara Small, who now serves as the Executive Director of Revenue Cycle for CHLAMG. “It was hard to even know where to start.”

Determined to prevent the under-performing revenue cycle from further undermining its ability to execute and expand its mission, CHLAMG committed to identifying and implementing the right solutions. “Our CEO’s number one goal when he took over was revenue cycle,” Small remarked, “and he backed it up in every way.”

CHLAMG asked ECG to conduct a rapid revenue cycle assessment geared toward surfacing areas of opportunity for both the near term and the longer term. The immediate priority was to isolate and address any A/R that was in danger of “timing out” and to reduce the large volume of outstanding A/R to more acceptable levels. Next, the focus transitioned to stabilizing the billing process by instituting the fundamentals of revenue cycle management. Finally, the organization established a methodology for ongoing process improvement.

“ECG’s focused analysis of the revenue cycle allowed us to understand very quickly where the functional blockages and pain points were that we needed to resolve,” Harrison said.

ECG then led the effort to improve revenue cycle performance, working with the medical group, its management services company, and the hospital administrators who had operational responsibility for the clinics.

## Four key activities helped CHLAMG realize transformative results:

### 1 Improved Transparency and Communication

Stakeholders were provided with timely, relevant, and accurate information regarding current performance, proposed changes, and progress made toward goals. A Joint Operating Committee (JOC) was created as the group responsible for the turnaround project. To ensure buy-in, the JOC involved physicians in developing solutions and was overseen by members of the medical group's board. Communication and accountability improved through regular updates provided at the board, department, and division levels.

### 2 Established Special-Purpose Task Forces (a.k.a. "Tiger Teams")

To work down backlogs in areas such as authorizations, coding, and credentialing, special teams were created to focus exclusively on those areas for a designated amount of time. Additional resources were provided by an outside billing agency (under an arrangement ECG negotiated and managed) to create additional bandwidth so that these backlogs could be reduced without falling behind on incoming volumes. Backlog reduction goals and timelines were established, and progress toward the goals was reported at the aforementioned JOC, as well as in other venues on a very regular basis.

### 3 Restructured Billing Team

Almost immediately upon her arrival as the new Director of Revenue Cycle, Sara Small began assessing her team and, with input from ECG, reorganizing to better meet the organization's needs. Several managers were promoted, others transitioned out of the organization and replaced, and several new positions were created and filled. To formalize these changes, ECG assisted in developing internal policies, procedures, and performance benchmarks. These actions have yielded greater staff accountability and productivity, improved communication and responsiveness to physicians, and significantly enhanced employee morale.

### 4 Modified Work Flows

A variety of changes to work flows were made in order to better allocate work load, address IT interface issues, provide greater charge capture, and enhance compliance. Further improvements are in the works and/or envisioned for the future. Interestingly, though, changes to work flows have accounted for only a relatively small portion of the performance improvements. Most improvement has been the result of simply focusing attention and effort on the key activities that "move the needle" – which is made possible by effectively establishing transparency and accountability.

“ ECG was organized, efficient, and kept us well-informed on a continuous basis. They were great communicators, which gave us confidence about what was happening, where we were in the process, and that we were hitting our targets. The combination of revenue cycle management and IT expertise they provided was exactly what we needed.”

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**LARRY HARRISON**  
CEO OF CHLAMG

IN SEVEN MONTHS...



IMPROVED  
COMMUNICATION



ESTABLISHED  
TASK FORCE



RESTRUCTURED  
BILLING TEAM



MODIFIED  
WORK FLOWS

CHARGE LAG DECREASED BY

67%

\$7.6  
MILLION

IN ADDITIONAL COLLECTIONS

A/R REDUCED BY

22  
DAYS

“ It’s pretty amazing that, at least in my experience, we have seen such significant improvements in such a short amount of time.”

**SARA SMALL**  
EXECUTIVE DIRECTOR  
OF REVENUE CYCLE

After a 7-month engagement, substantial improvements to CHLAMG’s revenue cycle performance have been made and sustained, including:

- \$7.6 million in additional collections, primarily through the reduction in A/R,
- More than \$1 million in monthly collections, leading to a total year-on-year increase of \$16 million in collections - with no fundamental change to the underlying business.
- A reduction in A/R by 22 days
- A 67% decrease in the average time required to enter charges
- A stronger management and accountability infrastructure

The actions taken and improvements made exceeded the expectations of the leadership team. “All of the changes that occurred have been for the positive,” stated Harrison, “from procedure to productivity to the morale of the employees.”

As a result of this engagement, CHLAMG now successfully manages its revenue cycle in a completely different and more appropriate way. The organization is better positioned to predict future results, identify negative trends, and make time corrections before small issues become big problems. Ultimately, the improvements that have been realized and ongoing enhancements ensure that the financial performance more effectively support CHLAMG’s ability to provide the very best care to the pediatric population.

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