Strata Decision Technology

# Measuring Downstream Financial Impact of Provider Clinics

Leveraging Real, Accurate Cost Data to
Track Clinic Patients Across the Care Continuum

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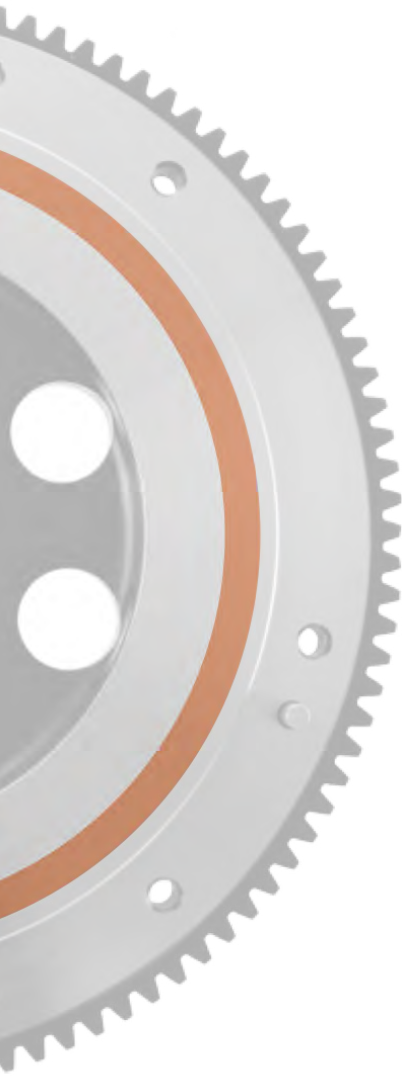
TECHNOLOGY



## Understanding the Growth of Outpatient Services in Healthcare

Each year, hospitals continue to invest in outpatient services to meet the needs and preferences of their patients, drive clinical innovation with new technologies and facilities, and follow financial incentives.

The support of government policies and health plans are leading healthcare providers to offer their services in lower-cost care settings like outpatient facilities[1], and those same systems have been acquiring or partnering with physicians and physician practices. The future of healthcare has hospitals focused on new medical advances (like minimally-invasive surgical procedures and techniques[2]) and consumer preference, but with limited ability to view how these new outpatient structures will impact their bottom line.

## The Paradox of the Provider Clinic: Investing in an Anecdote

For many healthcare organizations, they already know that certain activities or offerings are not profitable—but they still need to provide them.

The perfect example of this is provider clinics: whether they aren't charging enough for services, aren't providing enough high-cost procedures, or are requiring too substantial an amount for overhead cost to rent the building and provide the technology for their patients, these clinics are not a reliable source of revenue for their hospital or health system.

Yet, you'll notice hospitals and health systems continuing to invest in providing them. Why? For many of these organizations, they know that patients in these clinics will be referred to the hospital for larger, elective surgeries.

But how can hospitals measure the stream of patients who are returning to their system for these larger surgeries or procedures? They can't. There is no great way to measure the impact of these smaller visits to provider clinics, nor is there a way to factor them into the patient's larger care journey within the care continuum, without reliable cost data.

For many organizations, they may consider these clinics an investment with a return that comes in the form of new patients.

But without the data surrounding the full cost—not just volumes or revenue—these organizations can only consider the impact of their clinics on their overall health system as anecdotal.

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For organizations who can leverage true, accurate cost data, there is a better way to measure downstream impact of their outpatient provider clinics on their health system's overall margin.

In this whitepaper, we will delve into use cases for tracking patients whose encounters began at a provider clinic to determine their impact on the overall health system. Discover how leveraging your accurate cost data to produce real, trusted findings can help you make better decisions on future investments.

## Why Contribution Margin Can't Tell the Whole Story

For many healthcare organizations, the ability to tell downstream impact of services provided starts with the need to gather and utilize accurate cost data.

Clean patient data from electronic medical health records (EMRs) integrated into your organization's analytics can help, but the process is still incredibly manual.

Many organizations may leverage EMRs like EPIC that integrate into their analytics platform or even allow them to track accurate clinical data, but nevertheless, this becomes an incredibly manual process.

A hospital Decision Support team will need to pull together the patient data and attempt to track it as that patient enters various facilities and undergoes additional procedures in their care journey. Understandably, manually tracking a patient that started their journey at a provider clinic requires a Decision Support team many hours and a great deal of effort.

Even so, just tracking the patient's contribution margin can't allow an organization to see the true downstream impact, without carefully considering cost data.

For healthcare organizations trying to track the impact that their clinic patients have on the overall system, they may not be able to factor in the full cost of their clinic or overhead costs.

Without a more complete picture of total costs, it becomes impossible to judge the downstream financial impact of these patients who began at a provider clinic.

If your organization can leverage accurate patient data from EMRs and EHRs like EPIC and Cerner, that is only half the battle. Tracking the investment and outcome of a particular patient population—those patients who began their care

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journey at an outpatient clinic—requires a seamless integration between accurate cost data and clinical information about a particular episode of patients.

## Why Hospitals Are Missing Out on the Whole Story

While healthcare systems and providers may hope to expand their footprint in the market with outpatient provider clinics, they often struggle to identify the true return on investment that accompanies those clinics.

Looking at rough contribution margin, overall patient volumes or revenue from clinic patients, can't tell the whole story. And often, hospitals don't know where to begin when considering trying to gather all of the information required to tell it.

For many organizations, the idea of using clinics to drive patient traffic to their hospitals or inpatient facilities seems like enough. More patients in outpatient clinics will result in more patients being referred to the hospital, and "good will" with patients whose experience with the healthcare system's brand was a positive one.

But measuring that patient's impact on the organization at a financial level across the continuum of care can't be done simply by tracking patient volumes or revenue. Patients may come in for a large number of visits at the clinic, but those visits may not result in downstream revenue for the organization. They may be for smaller procedures, or may not result in a referral for a larger surgery within the hospital.

Even so, patients returning to the health system may not have as positive an impact as the organization previously believed.

**Reasons why health systems may be unable to see the full impact of clinic patients on their full system...**

- They don't have access to accurate cost data
- They haven't been able to integrate that cost data with their clinical data from EHRs
- They may see an overall high margin for the health system, and not feel the need to look into the margins of their clinics
- They may feel comfortable "hoping" to find profits downstream, or feel confident that these clinics will bring in more patients and more procedures
- They may not be able to imagine a way that they could track or anticipate those profits

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## How the Right Analytics Can Track Downstream Impact

For organizations already tracking downstream impact from their clinic patients, the automated tracking of these patients within the larger context of the health system's financial success can only be leveraged through advanced analytics.

Health systems with outpatient clinics and facilities need a way to track their patients across their care journey, utilizing preexisting patient data and cost information to better understand the full cost.

Whereas they may find their overall system to be operating with healthy margins, they can use episode analytics to track patient populations within their clinics to better understand the margin impact that those clinics can have on the full system.

## How Organizations Are Already Using Episode Analytics to Track Downstream Impact

Over 200 health systems and 1,000 hospitals are already utilizing a single, modular, cloud-based StrataJazz® platform to drive their financial planning, analytics, and performance management, including anticipating downstream financial impact from particular procedures or facilities.

The StrataJazz® Episode Analytics module helps your organization drive quality of care by defining episodes using trigger events, time periods, and in-scope visit types. Analyze your patient cohorts across the full continuum of care by linking encounters into episodes that will allow for high-level analysis of patients in a related care pathway. Utilize this analysis during payor negotiations, and in the longitudinal management of the patient population and contract.

With StrataJazz®, your organization can start to assess your full margin picture to determine whether your departments and facilities are profitable and sustainable.

To learn more about Strata Decision Technology and our cloud-based, modular platform, visit our website.

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### Footnotes

[1] Alex Kacik, "For the first time ever, less than half of physicians are independent," Modern Healthcare, May 31, 2017. View in article

[2] Steve Burrill, "An eye on growth in outpatient hospital services," Deloitte Perspectives, August 21, 2018. View in article