

# Strategic Financial Planning

## Lessons Learned

### Performance Challenge

Small practices (under 10 practitioners) thrive in a fee-for-service environment and may not be prepared for the transition to value-based payment arrangements, which threatens their financial performance and ability to remain independent in the future.

### Practice Solution

Identify an administrator to lead strategic financial management with medical staff in thinking and actions to address challenges:

- Infrastructure and resource limitations
- Underestimating roles of the practice stakeholders
- Physician engagement
- Staff engagement
- Clarity of the reciprocity of value-based arrangements
- Communication barriers with local healthcare and insurance payers
- Organizational trust

### Change Steps

Practices can introduce concrete changes to their workflows and systems:

- Join a local collaborative to get guidance from peer organizations and create a forum of practices of sufficient size to be attractive to payers.
- Commit to delivering quality improvement rapidly by setting targets and establishing accountability for results in six to nine months.
- Aggressively manage cash flow while negotiating new contracts.
- Engage all staff in transformation work to make informed, transparent decisions to prepare them to transition into value-based payment arrangements.

*Undertaking strategic planning prepares practices for participation in APMs.*

## Practice Spotlight

This privately owned practice of nine providers has been in operation for around 60 years, serving about 7,000 active patients in Portland, Oregon.

Financial management challenge: The practice was in a financial holding pattern for the past several years, indebted to a contract that generated one-third of their revenue and consumed a significant amount of their resources. This prevented them from pursuing opportunities more closely aligned with their quality improvement goals and entering into other risk-based contracts that would provide more revenue. The practice typically spent a portion of the year financially in the negative and was unable to invest in the future. In several years, the practice would no longer be able to remain independent.

Hire for Leadership: In 2017, the practice hired a new administrator who decided to take steps needed to gain financial independence. The administrator understood that the shift to value-based payment arrangements would include changes affecting the whole team, and engaged the whole practice and was transparent on all levels, including financial transparency.

Community Collaboration: The practice is one of four practices that are part of the Portland Coordinated Care Association (PCA). This is a group of independent medical groups, mostly primary care physicians, which merges resources to help lower costs, improve quality outcomes, and enhance the patient experience. They meet quarterly to share best practices, help each other address barriers, and challenge each other to advance their goals. The administrator began researching opportunities for more value-based payment type contracts and used the quarterly PCA meetings as a platform to invite payers to participate in these conversations.

Make Strategic Use of Revenue: The administrator used spreadsheets to analyze income, expenses, and the percentage of revenue driven by fee-for-service, risk-based, and quality with incentives. Based on the current picture and the three-year forecast, the administrator determined there was the potential for gains associated with quality incentives. The administrator brought in all the supervisors to discuss current and future finances during a retreat.

During the retreat the focus was on the practice's goal: to stay independent, remain cash-flow-positive annually, and remain competitive by improving quality outcomes. It was clear that the team would need to make changes together; no one person could do it alone.

## Lessons Learned

### Change Tactics

Successful practice transformation tactics fall under person- and family-centered care, sustainable business operations, and quality improvement:

- *Practice as a community partner*—access expertise through peer practice collaboratives and increase influence with payers.
- *Strategic use of practice revenue*—drive commitment to performance excellence.
- *Workforce vitality and joy*—engage in re-directing existing resources and talent.
- *Capability to analyze & document value*—carry out financial management activities.
- *Efficiency of operation*—redesign workflow and staffing to move to new contracts.

### Resources

The [APA Financial Modeling Workbook](#), in collaboration with the American Psychiatric Association, helps in accurately estimating revenues and expenses for providing collaborative care and other integrated services by:

- ◇ Estimating visit volume & patients served.
- ◇ Defining and analyzing time spent by staff in key integrated care tasks.
- ◇ Estimating fee-for-service and BHI/CoCM G-code potential revenues .

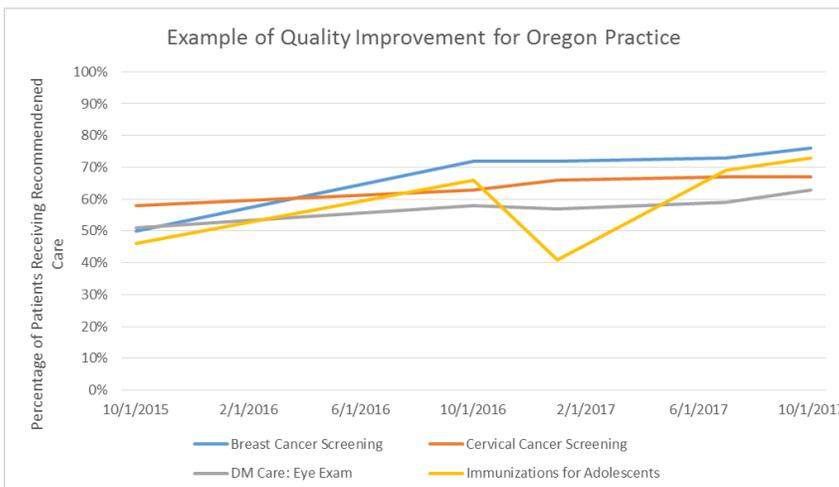
The [AMA Steps Forward module – Revenue Cycle Management in Medical Practice](#) helps practices learn to successfully improve and automate their practice’s revenue cycle, making them more sustainable and proactive with reporting. Materials can be used as-is or customized for a local care setting. The Module contains examples from practices on how they implemented the materials, including their results.

[NRHI’s learning module on Transitioning to Alternative Payment Models](#) features learning modules on Navigating Payment reform. (Login required.)

## Practice Spotlight

Each of the supervisors at the retreat had influence over a different line of business, so it was important to have the discussions together and talk about needed changes which affected the whole team.

**Figure 1: Improvements in Clinical Screenings, 2015-2017**



### Quality Performance Becomes a Priority:

It was important to clearly communicate to staff the change in contracting approaches and that many contracts were now requiring quality improvements to receive full reimbursement. This conversation created a clear incentive to explore different types of payment arrangements and helped put more focus on quality improvement initiatives.

**Engage the Entire Staff:** The administrator encouraged each supervisor to have discussions with their own teams. All the mid-level staff were made aware of changes that would affect them, and the reasoning for them, stressing the need to stay competitive and to focus on quality improvement due to the changing nature of contracts. Staff understood that in the short-term there might be some challenging transitions, and they were prepared.

**Outcome:** Ultimately, the practice was able to remain independent. The shift led to transparent and honest conversations, with and among staff, resulting in staff caring more about quality. The practice ended the year with positive cash flow and improvement on their QI metrics, which made them a more appealing partner and led to new contractual arrangements and more financial independence.

During that year, the practice was able to end the year positive (5.3%) when a deficit of -7.6% had been predicted previously. They were able to generate \$6 million in revenue – \$252,000 of which was attributed to APMs (4.29%).