Physician Organizations: Managing Risk in the Midst of Fast Changes

POWERFUL INSIGHTS

Issue

Physician organizations today are navigating swift treacherous waters, with sweeping industry-wide reform initiatives, declining government reimbursements, and increased regulatory pressures on one side, and the groups’ own internal pressures to grow and be profitable, on the other. With reimbursements delayed, payer terms becoming more complex, operating costs going up and new competition developing, it is critical that physicians’ practices stay competitive in the marketplace by improving efficiency and providing better access and quality of care to patients. To do so, they must engage in risk assessment and management activities and establish a risk management plan – or risk getting swept down the creek without the proverbial paddle.

Challenges and Opportunities

The main challenges for physician groups center on revenue cycle operations, regulatory compliance effectiveness and technology advancements. These areas are not just critical to the success of healthcare providers looking to emerge successfully from the rapids of change; they are also areas where major opportunities exist to reduce risk and optimize revenues.

• **Revenue and Finance Operations:** Healthcare organizations today must do more with less without compromising quality of care. As more physicians become health system employees, health groups are trying various physician compensation models – from net income, relative value units (RVU) production and incentives for quality and outcomes, to accountable clinical management or co-management arrangements. It has become paramount to tackle the sometimes-difficult process of benchmarking physician pay and to design an effective physician compensation plan to recruit and retain physicians. It is also important to align physicians’ incentives with organizational goals and to design payment accuracy processes, such as denials and underpayments management, to maximize the organization’s bottom line.

• **Regulatory Compliance:** Noncompliance with regulatory laws, obligations and standards, such as HIPAA or Meaningful Use, can lead to a disruption in operations and substantial fines or take-backs, and can quickly sink a health group that neglects its regulatory obligations. When evaluating physician compensation, organizations need to keep in mind Stark Law implications and fair market value assessments for commercial reasonableness. Unidentified and unresolved government overpayments can also potentially lead to fines, decreased reimbursement and increased audits.

• **Technology Advancement:** Two out of three healthcare organizations are undergoing a major IT transformation. Due to the heavily regulated healthcare environment, this transformation is felt most acutely when new and disruptive technologies enter the IT space. Healthcare organizations are finding that their sensitive data is being accessed and utilized in many new ways, including via portable devices, cloud providers and other technologies. This proliferation of access makes the IT and data environment difficult to control and furthers the need to provide a more agile service at reduced costs while maintaining the confidentiality of electronic health records – a particularly daunting task for healthcare organizations.

Our Point of View

Establishing an overall risk management evaluation plan to address all aspects of physician operations will help health organizations manage their most critical risks.

Based on our experience, the following steps will help beef up the physician groups’ ability to handle the changes in the industry and improve cost and efficiency:

- Establish effective internal controls over the revenue and finance processes. Our experience indicates that at least a 5 percent net revenue improvement opportunity can be realized with improved controls around cash handling, charge capture, and denials and underpayments management.
- Assess the overall revenue cycle to establish a baseline, including benchmarks against leading practices, and identify gaps and process improvement opportunities the organization can use to direct process-specific reviews in the future.
- Analyze credit balances to discover any government overpayments and take proper action.
- Conduct an ICD-10 assessment to ensure conversion readiness or operating effectiveness.
- Conduct a Stage 1 or Stage 2 Meaningful Use compliance assessment to ensure the organization can demonstrate Meaningful Use successfully should it be audited, and to qualify for an incentive payment.
- Perform and document a HIPAA security risk analysis and assess compliance with the latest privacy, security, and breach notification HIPAA rules, including modifications from HITECH and Omnibus.
- Develop a routine process to validate compensation model integrity, financial impact and alignment with overall strategic objectives, and audit for compliance with applicable contracts, policies, procedures, internal controls and applicable laws and regulations to ensure integrity of reporting and disbursements.

**PROVEN DELIVERY**

**How We Help Companies Succeed**

Whether your top concern is payment reform, regulatory compliance, improving revenue, managing costs, implementing electronic health records, evaluating and safeguarding protected health information or implementing a new compensation structure, Protiviti brings deep industry knowledge and skill to your endeavor. We help physician groups manage risks and maintain their financial health.

Protiviti’s healthcare experts have hands-on experience with the changes in the healthcare industry and understand the challenges faced by healthcare providers. As an informed and independent entity, we bring fresh and unbiased ideas to the table and the right technical resources to the job, in either a co-sourced or outsourced capacity. Whether your organization is involved in specialized or targeted improvement initiatives, needs assistance through internal audit or is embarking on a benchmarking exercise, we offer solutions to address almost any need.

**Contacts**

Richard Williams  
+1.469.374.2469  
richard.williams@protiviti.com

Alex Robison  
+1.602.273.8022  
alex.robison@protiviti.com

Susan Haseley  
+1.469.374.2435  
susan.haseley@protiviti.com

**About Protiviti**

Protiviti (www.protiviti.com) is a global consulting firm that helps companies solve problems in finance, technology, operations, governance, risk and internal audit, and has served more than 60 percent of Fortune 1000® and 35 percent of Fortune Global 500® companies. Protiviti and our independently owned Member Firms serve clients through a network of more than 70 locations in over 20 countries. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies.

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