The Uncertain, But Certainly Changing World of Healthcare Finance

Improving Cash Flow in a Healthcare Facility

by Dan McMurray, Sr. Managing Director &
Juanita Schwartzkopf, Managing Director
Focus Management Group

Published in the Feb 2013 issue of Focus Insights | Updated February 2013
Without a doubt, we all know the worlds of health care and health care finance will be changing dramatically very quickly. While we cannot anticipate exactly how government funding and insurance payments will change, we know there will be increased pressure to reduce payments for services to all providers.

Key to survival during this uncertainty will be revenue cycle management – from all perspectives. The well run revenue cycle management program includes managing the payment process from the time of pre-admission through final collection – with measurements of performance every step of the way.

Whether a lender, an owner, a board member, or other stakeholder, the importance of emphasizing revenue cycle management has never been more important to the ongoing success of the medical care providers.

An Example
Recently Focus Management Group undertook a review of a medical center’s revenue cycle management. After a short initial review, it was determined there was no tracking of the number of days from discharge to billing – a key performance indicator to ensure timely payment of services. It was also determined there was no tracking of payments for specific services by payor – a key performance indicator to ensure full payment by each payor for services provided. It was lastly determined that the accounts receivable aging reset the bill date when any activity to the bill occurred – eliminating the key performance indicator of an accounts receivable aging from initial bill date.

In this example, the medical center was performing satisfactorily, but wanted an outside view of cash management to improve collection times and amounts.

The Outcome
Focus Management Group worked with the medical center to establish reporting formats, and performance review reports and criteria, to allow a timely assessment of performance at all steps of the patient care process. The improvements in the reporting and the measurement to plan, resulted in improved cash flow while there was no increase in the number of patient days served.

Lesson To Be Learned
In uncertain times, the important emphasis should be on the basics of cash management. It is time to step back and reassess the entire process from pre-admission through discharge and payment. For the care provider, an outside view of the process provides a critical external viewpoint of performance. For the lender, a cash management report card on its borrowers allows the lender to determine which clients may be at risk for cash flow problems. For other stakeholders, the external review assists them in their management of the health care provider.

Related Articles and Case Studies

Protecting and Preserving Medical Records During Bankruptcy.
Managing the Revenue Cycle Managers
Downey Regional Medical Center Exits Bankruptcy Healthy Than Ever
Hospital Holding Company
Focus Management Group is a leading business restructuring firm headquartered in Tampa, with offices in Atlanta, Chicago, Cleveland, Dallas, and Los Angeles. For more information on our experience with successful turnarounds or restructuring in the healthcare industry, contact our experienced Managing Directors listed below:

**Corporate Offices**
5001 W. Lemon Street
Tampa, FL 33609
Tel: (800) 528-8985
Fax: (813) 281-0063
www.focusmg.com

**Key Contacts**
Dan McMurray: d.mcmurray@focusmg.com
Juanita Schwartzkopf: j.schwartzkopf@focusmg.com

---

**About the Authors**

**Dan McMurray, Sr. Managing Director**

Dan McMurray is a senior executive with more than 35 years of experience in the healthcare industry. Dan has a proven track record of achievements working for healthcare systems, individual hospitals, and medical institutions and associations. As part of the Focus team, he currently serves as the Patient Care Ombudsman to Peninsula Hospital Center, Hudson Healthcare, Dewitt Rehabilitation and Nursing Center, St. Vincent’s Catholic Medical Center, and American Medical Utilization Management. Dan has also served as Chief Restructuring Officer to a multi-site hospital system in Hawaii and hospitals in New York, Texas, and Indiana. He served as Advisor to Imaging Centers in New Jersey, Hospitals in California and Connecticut, and a Multi-Specialty Medical Practice in Florida, Office of the Attorney General State of Michigan. Dan has been awarded a B.A. from Fordham University and an M.B.A. from Cornell University's Johnson School of Management.

**Juanita Schwartzkopf, Managing Director**

Juanita Schwartzkopf, a Managing Director at Focus Management Group, has over 25 years experience in commercial banking, financial management and operations and systems management and asset recovery situations involving bankruptcy, dissolution and liquidation. Schwartzkopf has an extensive background in credit risk assessment and loan portfolio appraisal, and has reviewed asset-based lending and commercial lending loan portfolios of various financial institutions. She has worked with nearly all major financial institutions in the evaluation of credit risk surrounding various borrowers and has held key management positions that include CFO and senior vice president in a variety of industries, such as manufacturing, agriculture, dairy operations, lumber, flooring, consumer finance, apparel, and electronics. She earned an M.B.A. from the University of Wisconsin in 1987 and a Bachelors's degree in Accounting from Carthage College in 1981. She holds a CPA certification and a CFE.