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About FYA

FYA – *For Your Advantage*, is a free twice-monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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Designed to Adapt: The New Competitive Advantage in Healthcare

By John W. Kenagy, MD, MPA, Director, Kenagy & Associates, LLC

Great new technologies promise wonderful improvements in patient care. But improving patient care means something will be different, *i.e.*, patient care will change. Affecting certain kinds of change, even in places with strong, dynamic leadership, is a lot harder than most people realize.

For example, most organizations are great at improving what they are well designed to do. The essence of top-notch management is to not reinvent the wheel; when you find something that works, repeat it and improve it.

Therefore, high performance organizations identify what they are successful at and make it better. Usually these improvements are incremental, but they may be highly creative, leading to new businesses, wonderful benefits to humankind, power for the company and profitability. The business journals of every industry document these advances and the personal stories of the people who led them. So change isn't so hard – or is it? Here is the problem and the solution.

Successful companies don't *reinvent the wheel* because they want economies of scale based on what works for them, their "wheel." Therefore, they establish organizational DNA – structures, processes, technology and methods that keep turning and improving the functionality of their "wheel." And they hire and train people to develop the habits, behaviors and values that fit the structures, processes, technology and methods that keep turning and improving their wheel.

The best companies usually cannot be beat at what they know how to do because success is embedded into their DNA. For example, no software company challenged Microsoft and General Motors dominated car manufacturing for decades – *until they had to reinvent the wheel*. Google and Toyota created "new wheels" for success in their respective industries and Microsoft and GM, despite their know-how and financial clout, have found it impossible to change enough to compete. Google and Toyota are Disruptive Innovators and that gives them a huge competitive advantage.

Reinventing the wheel means changing organizational DNA. That's the kind of change I am talking about: working and thinking differently. The data and research are overwhelming – this is really hard to do. As a matter of fact, Clayton Christensen, my mentor at Harvard Business School and the father of Disruptive Innovation, studied hundreds of industry transformations, and says, "It's almost impossible."

That might be a problem for your healthcare organization. You can implement new technology and build new buildings, but making a big return on these new assets means making fundamental changes to deeply ingrained methods and in how people think and act. And that's hard. Here's the good news; you can do it!

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Designed to Adapt: The New Competitive Advantage in Healthcare (Continued...)

I speak from experience. If it's "almost impossible," that means it's possible. For the last 10 years, my colleagues and I at Kenagy and Associates (K&A) have been *expanding the possible* by discovering and doing what it takes to change organizational DNA and people's minds in healthcare. Imagine the difference.

Imagine what would happen if you could quickly and effectively change people's minds and behaviors. Yes, you can imagine results, a can-do spirit and innovation. And, yes, it is patient-centered and hassle-free. Surprisingly, it's not all new because a big part of changing your DNA is not implementing, cutting back or eliminating but rather renewing, revitalizing, rejuvenating, even reinventing, what works in healthcare. All you have to do is adapt. These are the rules:

1. The established structures and systems of high performing organizations and the habits, behaviors and values of people embedded within them always slow, stall and usually stop adaptive change. That's the problem with a Disruptive Innovation. Accept it. It's real. You need to get outside yourself to adapt ... and that's good.
2. Why it's good is that your future competitive success is not dependent on what you are doing now, but rather on how you adapt what you do to constantly changing opportunities. That's Adaptive Innovation. Getting outside yourself and your current capabilities is not bad – it's good. And we know you can do it. The third rule follows naturally:
3. Those few organizations culturally and operationally "designed to adapt" (it's built into their DNA to adapt and change) have bulletproof competitive advantage in complex, dynamic environments. You can become the Google or Toyota of healthcare.

What K&A has discovered is that changing your DNA is not rocket science. Superior performance and peace of mind are the result of changing people's thinking and expectations about the work and how it is done. The evidence is clear: to achieve lasting results, you can't just change "things," like facilities, product lines, technology or

org charts; it means having the capacity to change minds and develop people. It means being "designed to adapt" and that's Adaptive Design®.

Adaptive Design® is a simple, balanced approach to changing your DNA. It takes a frontline focus and management leadership because that is where the value is added. In every organization, we have found Adaptive Design a direct extension of what management is currently trying to do. It's just that trying harder is not the answer. You have to follow simple rules to make the difference.

My first book will be published this Fall detailing the unique managerial methods that have made highly adaptive companies like Toyota successful. It's not just lean industrial engineering that has made the difference for Toyota. As Fujio Cho, Toyota's chairman of the board, says, "No mere process can turn a poor performer into a star. Rather you have to address your employee's fundamental way of thinking." If you want performance like Toyota, you have to *Lead Like Toyota*.

Leading like Toyota means changing people's minds. Adapting. Adapting by design. Adaptive Design®. Watch future FYAs for more information and know-how from Dolly Bellhouse, other members of our team and from me. We will give you the evidence-base, skills and tools for creating competitive advantage based on adaptive capacity.

We will focus not so much on "what to do." You know what to do to succeed – deliver higher quality, safer, more flexible, much lower cost healthcare. The problem we solve is "how to do it." Our group helps to develop your organizational DNA to be "designed to adapt."

For more information, contact me at jkenagy@kenagyassociates.com and remember what Aristotle said, "We are what we do repeatedly. Excellence then is not an act, but a habit." So, make it a habit for your organization to repeatedly, relentlessly adapt.

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Recovery Audit Contractors Set Pilot Program

By Arlene F. Baril, MS, RHIA, Executive Vice President, HIM Services, PHNS

It's technical and it's detailed. And most of all it's important. What follows is an overview of the Recovery Audit Contractors program. You should have a basic appreciation of the program because eventually it will affect your institution. This review could be valuable to share with your chief financial officer and your business staff.

The Recovery Audit Contractors (RAC) pilot program was developed as a three year demonstration to identify improper Medicare payments. Section 306 of the Medicare Modernization Act directed CMS to investigate Medicare claim payments using RACs. CMS plans to have four RACs in place by 2010 and expand the program to all 50 states.

California, Florida and New York were selected as the demonstration states. The RACs focused on services from October 1, 2001 to September 31, 2005. The reviews consist of: Part A DRG Reviews, Part A & B payment errors based solely on claims data and Part B DME, Drugs and Renal Dialysis where medical records are reviewed.

The RAC may attempt to identify overpayments/underpayments that result from:

- Incorrect payment amounts
- Non-covered services (not reasonable and necessary)
- Incorrectly coded services
- Duplicate services
- Medical unlikely edits
- Technical denials from complex medical reviews
- Incorrect units of service

The RAC may NOT identify overpayments/underpayments that result from:

- Claims previously reviewed by another Medicare contractor
- Claims involved in a potential fraud investigation
- Hospice and Home Health Services
- Incorrect level of physician Evaluation and Management Code
- Claims paid or denied in the current fiscal year.
- Claims where the Medicare program does not have authority to reopen the claims
- Claims where the beneficiary is liable for the overpayment because the provider is without fault with respect to the overpayment

Random selection of claims is prohibited. Each RAC had to develop proprietary algorithms. The RAC must use the post-payment review process. The RAC may review medical records onsite or request copies. RACs will pay for record copies.

After identification of an overpayment, the RAC will issue a written demand letter. All payments to the RACs shall be paid only on a contingency fee basis, based on the principal amount of the collection. The RAC shall offer the provider the ability to repay the overpayment through an installment plan up to 12 months. The RAC shall not have any authority to compromise or settle an overpayment. If a provider voluntarily discloses an overpayment after the RAC issues a demand letter or a request for medical record, the RAC will receive a discounted contingency fee. For unsolicited/voluntary refunds, the RAC shall not receive a contingency fee. Providers are given 15 days from the date they receive an improper payment letter from a RAC to refute the charges.

The following are changes to the permanent RAC program:

- The look back period is three years
- The RACs cannot review claims paid before October 1, 2007
- RACs can review current fiscal year claims
- CMS will set mandatory limits on medical record requests
- EACH RAC must have certified coders (CPC or CCS)
- Discussion with the RAC Medical Director regarding claim denials is mandatory if requested by providers
- Frequent problem area reporting is mandatory
- RACs will have to pay back the contingency fee if they lose at any level of the appeal process
- Each RAC must provide a web-based application for providers to update contract information or review the status of cases
- A uniform external validation process will become mandatory

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Microsoft Partners with Kaiser on Patient Data

In the last issue of *FYA*, we featured a column on Google entering a collaborative pilot project with Mayo Clinic and New York-Presbyterian Hospital. The project involved a consumer-controlled personal health record.

Last week Microsoft announced a similar pilot project involving the 156,000 employees of Kaiser Permanente. The test will run until November. If it's successful, Kaiser will offer Microsoft's Health Vault personal health record service to 8.7 million members in nine states and the District of Columbia.

There are several companies offering personal health records on the Web, but Microsoft and Google, two of the largest technology companies, bring the potential to speed up the adoption of electronic health records (EHR). EHRs are considered an important tool in improving the quality of medical care and containing costs.

Today, most EHRs are maintained by health providers and insurers, allowing individuals access to their records through the Web. But those records are typically controlled by the institutions, and are not portable when a person changes insurers or health providers or moves to another part of the country.

The Microsoft partnership with Kaiser is significant because of Kaiser's size and its reputation as an innovative user of information technology.

The *New York Times* offered this background: "In the mid-1990s, Kaiser began offering its members the ability to ask health questions to nurses over the Web. In the last few years, it has gone much further with its Web-based My Health Manager personal health record, which enables patients to make appointments, send e-mail questions to doctors and place prescription orders online."

The adoption of Kaiser's internal health record is growing at 100 percent a year, with 2.25 million patient members using it to date, according to Kaiser's vice president for online services.

Linking the consumer-controlled personal health record

with the Kaiser record creates an opportunity to sharing and supplementing information from the Kaiser system with other personal health information. The proliferation of personal health monitoring machines, from blood pressure machines to pedometers, could be included, along with records of diet and exercise routines.

According to health experts, the goal is to give people useful information so they can be more active in managing their own health. The biggest payoff would be in improving the self-management of chronic ailments, like diabetes, asthma, congestive heart disease and hypertension, which account for the majority of the nation's healthcare bill.

About



FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

About



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