

Administrative burden is healthcare's 'albatross' — 5 actionable insights

In collaboration with Optum



Thomas Koulopoulos
Chairman and Founder
Delphi Group



Chris Pass
CFO
John Muir Health

Administrative costs account for an estimated 34 percent of all U.S. healthcare expenses, according to a 2017 study in the [Annals of Internal Medicine](#). In a June 15 webinar sponsored by Optum and hosted by Becker's Hospital Review, Delphi Group Chairman and Founder Thomas Koulopoulos explained the dire costs of administrative inefficiencies in healthcare. He was joined by Walnut Creek, Calif.-based John Muir Health CFO Chris Pass, who described how his organization took action to refocus on patient care.

Five takeaways:

1. Administrative burden is a massive problem.

The number of administrative employees in health systems has risen significantly over the past five decades, leaving many of today's hospitals with more billing clerks than hospital beds, according to Mr. Koulopoulos.

Most providers recognize "the administrative burden that hangs onto healthcare like an albatross, weighing down healthcare and our ability to truly innovate the cost-effective delivery of quality

healthcare to everyone who needs it," he said. "All of this points to what could be an ominous future for healthcare, but only if we don't take action now."

2. Evaluate processes affecting patient care.

To target administrative burden, health systems should identify factors (such as unnecessary testing or care gaps) that undermine care outcomes and efficiencies. Mr. Koulopoulos advised providers to shed these and other points of friction. However, a common misconception is that an activity is either a core competency — one that advances patient care — or it is not.

"The majority of tasks in healthcare — and many other industries, actually — they fall between these two extremes," he said. "For example, while revenue cycle and IT may not be part of a hospital's core competency, both directly impact the patient experience and the hospital's ability to use capabilities such as data analytics to better serve the patient and the needs of its local population."

3. Partners can help with the gray areas.

John Muir Health and Optum entered into a partnership based on the concept of "smartsourcing." Essentially, Optum handles a variety of services for John Muir, from revenue cycle processes to supply acquisition, allowing the health system itself to refocus on patient care.

"Smartsourcing is a partnership that's meant to increase innovation across the entire value chain of a hospital, and especially focuses on the white space between these core and non-core activities," Mr. Koulopoulos said.

Leveraging Optum's scale and sourcing capabilities paid off during the COVID-19 pandemic, according to Mr. Pass. For instance, when many IT workers were asked to work from home when possible, what could have been a logistical nightmare in terms of system access and infrastructure turned out to be an iterative growth process.

“We have pushed more changes in Epic since the beginning of March to today than we had done the entire six years before, because of COVID,” Mr. Pass said. “Because of the partner operating a virtual workforce, we didn’t miss a step and frankly were able to pick up probably more cadence and more opportunity because we were comfortable and people had the ability to work from home.”

4. Health systems can’t afford to do nothing.

While entrusting a smartsourcing partner with various services entails a certain level of risk, taking no action is a huge mistake, according to Mr. Koulopoulos. He often hears systems’ concerns that a partner can’t understand the facility, its finances, or the ability to administer patient care as well as those who work in the facility.

“While there’s some truth to all of that, at the end of

the day, that’s making excuses for not being able to shed that administrative burden,” he said.

5. Alignment is key. Without cultural alignment, a partnership between even the two strongest entities imaginable is “destined to fail,” Mr. Pass said. Additionally, for a successful smartsourcing relationship, both providers must understand that the goal isn’t obtaining the lowest cost.

“Your partners who are willing to say, ‘Yes, we can do it for less, but is that really what you want to deliver to your customer?’ [have] the same attitude that providers have,” Mr. Pass said. “I think that type of alignment and conversation is really a good cornerstone as to the basis of a partnership.”

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