

# Transaction services

Healthcare provider turns cost center into independent services company

*“The goal was to realize a smooth transition to providing services for third-party healthcare organizations looking to either outsource or improve revenue cycle operations.”*

## Client’s challenge

A multi-state healthcare provider with a network of hospitals requested assistance in preparing a business case and operating plan to separate an internal services division into a stand-alone, revenue-generating business. The client sought to transform its revenue cycle services cost center into an independent entity capable of providing third-party services and generating new revenue streams for its parent corporation. The client’s revenue cycle services group supported network hospitals with operations ranging from patient admissions, billing, and collections to health information management and charge capture.

The parent company and the revenue cycle services division selected PricewaterhouseCoopers (PwC) to help refine its business plan, establish the separate legal entity, develop a revenue and cost model, and assist in transition planning and execution. The goal was to realize a smooth transition to providing services for third-party healthcare organizations looking to either outsource or improve revenue cycle operations.

## PricewaterhouseCoopers’ Advisory solution

The PwC cross-functional, cross-industry team helped the client achieve the following objectives:

- Define the new service offering and operating model
- Identify and plan new business processes required to serve third-party customers
- Develop a business plan to:
  - Evaluate market opportunities
  - Identify key target customers and segments
  - Identify and define processes required to serve third-party customers
  - Analyze political, regulatory, and competitive pressures
- Develop and summarize key aspects of the financial model, including required capital investment, cash flow impact, and rate-of-return analyses

- Assist management with developing a financial model to:
  - Create a customer sales pipeline base case and various scenario analyses
  - Estimate the direct and indirect costs of establishing third-party services
  - Identify the costs associated with separating the revenue cycle services group from the parent corporation
  - Estimate costs of sales, marketing, and customer onboarding

With these objectives accomplished, the team prepared the revenue cycle services management team for presenting its third-party services business case to the board of directors.

A transition team then worked to put the business plan in place and lessen disruptions to the client's core business. The transition team:

- Developed operational plans
- Resolved key dependencies and the escalation of executive-level issues
- Monitored operational plans and costs against the projected budget
- Coordinated nine functional work streams to refine existing business processes and establish new ones

### Impact on client's business

The client's board of directors approved the plan for the third-party revenue cycle services business. Fully prepared for its transition, the client achieved the transformation within the board's budget with minimal disruption to the parent or the revenue cycle services operation.

The stand-alone division successfully brought its first third-party customers on board, immediately creating a new profit center and revenue stream for the client.

For more information:

Barrett Shipman  
415-595-7308  
barrett.j.shipman@us.pwc.com

Michael Giguere  
617-803-6377  
mike.giguere@us.pwc.com