

Healthcare provider spins off internal services unit, transforming it from cost center to revenue-generating profit center

Client's challenge

An \$8 billion multistate healthcare provider with a network of hospitals requested assistance in preparing a business case and operating plan to spin-off an internal services division into a stand-alone, arm's-length, revenue-generating business. The client sought to transform its revenue cycle services cost center into a stand-alone entity capable of providing third-party services and generating new revenue streams for the parent corporation.

The client's revenue cycle services group supported network hospitals with revenue cycle operations, ranging from patient admission, billing, and collection to health information management and charge capture. In addition, the group was responsible for implementing best practices at network hospitals and advising individual hospitals on how to improve charge capture accuracy and expedite collections.

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

PricewaterhouseCoopers' solution

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

- Define the new service offering and operating model.
- Develop a business plan to:
 - Identify key target customers and segments,
 - Identify and define processes required to serve third-party customers,
 - Analyze current political, regulatory, and competitive pressures, and
 - Identify and plan new business processes as a stand-alone entity required to serve third-party customers.
- 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 direct and indirect costs associated with establishing third-party services,
 - Identify the costs associated with separating the revenue cycle service group from the parent corporation, and
 - Estimate sales, marketing, and customer-onboarding costs.

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 worked to implement the spin-off plan and lessen disruptions to the client's core business during the transition to the stand-alone state. The transition team:

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

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 the spin-off and 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 onboarded its first third-party customers, immediately creating a new profit center and revenue stream for the client.

Contacts

Barrett Shipman

512-708-5651
barrett.j.shipman@us.pwc.com

Michael Giguere

214-756-1649
mike.giguere@us.pwc.com

Joe Balog

678-419-4152
joseph.p.balog@us.pwc.com

Gregg Nahass

213-356-6245
gnahass@us.pwc.com