

Healthcare provider reduces expenses, increases revenue, and improves credit standing*

Client's challenge

After Standard & Poor's placed its ratings of a healthcare provider on CreditWatch, the provider sought assistance to resolve numerous financial issues, including rapidly rising expenses and congested accounts receivable. The client recognized an immediate need to increase cash flow, enhance revenue-cycle operations, and uncover net-revenue opportunities.

PricewaterhouseCoopers' Advisory solution

Through in-depth interviews and a broad review of the client's operations, PricewaterhouseCoopers (PwC) quickly identified key performance issues and assembled a team of health-industries professionals to develop and apply solutions.

The engagement team first evaluated the client's revenue-cycle operations and recommended immediate actions to increase cash flow. The team identified methods to streamline accounts-receivable management practices and processes and eliminate heavily backlogged patient-account issues.

During the revenue evaluation, the team also identified supply-chain opportunities, including ways the client could reduce the costs of supplies, pharmaceuticals, medical devices, and contract services. PwC recommended use of a group purchasing organization to decrease spending on medications and other supplies. In addition, PwC identified ways to reduce length of stay, improve patient throughput, and control labor expenses.

The engagement team recommended these strategies to help the client:

- Control labor costs by examining staffing and productivity and developing operational solutions to cut expenses without reducing the quality of care.
- Improve relationships with physicians and reduce patient length of stay by bringing in nurses and physicians to share effective management approaches and techniques.
- Use a new-patient model for bed control and patient throughput.
- Streamline IT system functions and improve purchasing technology.
- Perform risk mitigation related to system upgrades.

Impact on client's business

With PwC's guidance and comprehensive, integrated approach, the client reduced expenses through changes to its revenue cycle, supply chain, IT system, and labor management. The client boosted cash flow by 21 percent, alleviated congested accounts receivable, and increased net revenue. Supply-chain enhancements resulted in expense reductions for supplies and services, and product standardization strengthened the client's buying power. Additionally, the client improved its purchasing technology, reduced overall length of stay, and decreased labor costs. Changes the client made improved its revenue and resulted in an S&P upgrade to "stable," which removed the company's ratings from CreditWatch.

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