

**Medical Oncology/Hospital Alignment  
Must Focus On Operational Efficiency  
Before The Deal Is Finalized**



*Integrated Oncology Consulting Solutions  
And Cancer Care Center Planning*

## Medical Oncology/Hospital Alignment Must Focus On Operational Efficiency Before The Deal Is Finalized

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*The Oncology Group and the Arvina Group, LLC, combine their strengths to serve clients and collaborate on operational enhancements and value improvements for hospital based arrangements involving infusion services and medical oncology practices.*

### Why This Topic Is Important to Cancer Program Administrators

Here to now, many cancer programs typically contributed to a hospital's excess of revenues after expenses (fully allocated) or "profit". With "value" as the new normal, cancer program strategies will have to look beyond profit as key measures of success. Programs will require diversified strategies that address:

- Cost management and continuous operational improvements
- Quality monitoring, improvement and ability to demonstrate to payors and the public
- Strategic market and value/payor position
- Physician alignment success
- Services development, differentiation and growth
- Affiliation and network strategies
- Organizational structure and leadership development strategies

This article will focus on strategies to maintain efficient, operationally optimal hospital-based infusion therapy services that follow the implementation of a hematology/oncology and hospital alignment strategy.

### The Cancer Program Challenge and Opportunity

The recent trend in hospitals aligning with their hematology/oncology practices (either professional service agreements or employment) significantly increase operating costs and management requirements and can jeopardize the cancer program's contribution to hospital profit.

- Hospitals have to understand that alignment is more than just an alternative income structure for physicians and expansion of hospital-based infusion therapy where the hospital has the potential to enjoy and benefit economically.

- With alignment, a hospital's infusion therapy service and related cost structure (both direct and overhead requirements) can expand significantly, and so will the financial risk associated with the increased business volume.
- On average, each hematologist/oncologist will add an average \$2 - 4 million in expenses to a hospital through alignment, approximately three quarters of which will be drug-related expenses.
- With the increase in value-oriented insurance products and declining reimbursement, hospitals will not be immune from the same trends that have created incentives for hematology/oncology practices to align with hospitals.
- In order to avoid hitting the wall, cancer programs will have to be operationally strategic in their alignment with cancer program physicians. This operational efficiency must be imbedded as part of the deal planning, not a consideration after the deal is completed.
- In the absence of an operationally thoughtful plan to strategically manage a significantly expanded hospital-based infusion therapy and hematology/oncology practice service, cancer programs could be exposed to potential and significant financial losses and create a strategic vulnerability in a hospital's clinical services portfolio.

### Successful operational efficiency will address five key areas:

- Quality of care and patient safety
- Staffing mix and operational efficiency
- Pharmacy and formulary management
- Revenue cycle management
- Organizational structure and leadership development

Each of these areas is discussed below to provide guidance about the steps that should be taken to efficiently structure operations.

### Quality of Care and Patient Safety

Patient safety will have a significant impact on quality of care, which in turn, can be a determining factor on patient satisfaction. Key considerations for adequately structuring infusion therapy quality processes and patient safety include:

- **Chemotherapy Administration Safety** – Familiarity with and use of American Society of Clinical Oncology/Oncology Nursing Society chemotherapy administration safety standards.
- **Staff Training** – Adequate training and routine assessment of all staff skills and knowledge of chemotherapy administration.
- **Policies, Procedures and Pharmacy 797 Compliance** – Updated and adequate policies and procedures that include adequately incorporating chemotherapy administration safety standards.

For entities where the hospital is taking over a practice's infusion therapy service, pharmacy 797 regulations must be assessed and followed.

- **Quality System** – A medical oncology and infusion quality system as part of an overall, comprehensive cancer program quality monitoring, measurement, reporting and continuous process improvement system for the cancer program. Hospital-based arrangements should consider implementation of the American Society of Clinical Oncology's Quality Oncology Practice Initiative (QOPI).

### Staffing Mix and Operational Efficiency

Management of the hematology/oncology practice and infusion therapy services are labor intensive, require active management of available capacity to maximize yields and represent the second largest expense item after the cost of pharmaceutical supplies for the service. To maximize operational efficiency, practice and infusion therapy service managers must:

- **Effectively Manage Capacity** – Manage patient exam and infusion therapy services capacity effectively. Reviewing utilization patterns, smoothing utilization peaks and valleys and assuring that operations lead to ease of practice (patient flow, paper work and clinical documentation and records, communications, etc.) will maximize use of available physician time and capacity and infusion staff capacity.
- **Manage Patient Scheduling** – Patient scheduling will determine the extent to which service capacities are utilized. Operational analytics are important tools to explore the key characteristics of work requirements. Using the findings from the analytics to determine the length of the work schedule and scheduling criteria (maintaining primary care nursing, knowing when to schedule shorter vs. longer infusions, scheduling injection, etc.) to maximize available capacity throughout the day.
- **Manage Workflow** – Workflow mapping is an important component to understanding the relationship of multiple work processes, communications among staff and the specific roles staff members play to complete work efforts. Once the mapping is completed, any requisite redesigns can be completed and staff work assignments modified.
- **Plan Staffing Levels and Mix** – Once the work schedule and operational requirements are understood, a staffing plan can be developed to match expected work requirements. The plan will address the work schedule, staffing mix (RN, APRN, MA, clerical, etc.) and staffing levels (FTE levels and worked hours required by day).

### Pharmacy and Formulary Management

Pharmacy costs typically account for 70% - 75% of a hematology/oncology practice. When the practice transitions to a hospital-based arrangement, the infusion activity and related pharmacy costs significantly expand a cancer program's expense base. Hospital-based arrangements require compliance with pharmacy 797 regulations and in most states, the hood, if one exists in the cancer center, requires

staffing by a pharmacist. Both requirements are expensive additions to the hospital's operation that are typically not maintained in the physician's practice. These facts coupled with the increased introduction of new and expensive molecular targeted therapies requires a more contemporary approach to pharmacy and formulary management. This approach requires:

- **Most Favorable Drug Pricing** – With the significant increase in oncology drugs, assuring that the hospital is obtaining the most favorable pricing through its group purchasing organization (GPO) or oncology drug GPO, including applicable drug rebates.
- **Formulary Management** – Establishing a multidisciplinary oncology formulary management committee to routinely review formulary composition, changes in the formulary and maximizing the use of generics where possible is an important component of pharmacy operations management. At least one member of this committee should be represented on the hospital's pharmacy and therapeutics committee.
- **Inventory Management** – Ordering and inventorying of drug doses that match the clinical requirements of the service.
- **Coding Accuracy and Compliance** – Maintaining current coding capabilities (J-codes and HCPCS) to reflect changes by payors in reimbursement.
- **Information Systems, Communications and Linkages** – Maintaining adequate information and processes to review drug usage logs against the patient population served to minimize waste and maximize dose inventory levels.

### Revenue Cycle Management (Billing and Collection)

Revenue cycle management focuses on coding, billing, collections and the management of those financial services processes. Routine monitoring of infusion and oncology pharmacy revenue cycle to assure compliance with established policies, procedures and coding requirements is essential to minimize billing rejections and delayed (and minimized) reimbursement. An effective revenue cycle management process requires:

- **Coding Accuracy and Timeliness** – Clarity and comprehensiveness of coding, billing and collections policies and procedures.
- **Audits** – Routine audits of coding compliance and EOB against payor-specific payments is essential.
- **Financial Counseling** – Financial counseling, provision of required patient assistance, payment plan to assure clear and firm understanding of payment requirements, responsibilities, preauthorization requirements and patient copay requirements.
- **Denials Management** – Routine assessment of denials, denial reconciliation, determination of routine cause(s) for denials and denial follow-up actions and procedures.

- **Credentialing** – Assure up-to-date credentialing is maintained and adequate communication with billing and revenue cycle staff and management about provider credentialing status.
- **Charge Capture** – Ongoing revenue cycle quality assessment process to assure adequate charge capture, accurate and timely charge capture and payments consistent with payor contracts.
- **Adequate Information Systems and Linkages** – Efficient and thorough information system connections, processes and systems to optimize electronic population of coding and billing information from the electronic medical/health record, CPOE and basic registration data.

### Organizational Structure and Leadership Development

The organizational structure and management systems that are established to support a hospital-based infusion therapy service and medical oncology practice serve as the platform to manage this multimillion-dollar business. Adequate systems and processes must be in place to manage, monitor and maintain effective control of the business to assure its contribution and value to the parties of the arrangement. Key components of this platform must include:

- **Organizational Structure** – The infusion services organizational structure needs to be clearly defined within the overall cancer program and in its relationship to the hematology/oncology practices. Clear lines of responsibility, accountability and authority must be in place and supported with well-developed position descriptions.
- **Management Information Reporting** – An adequate and timely system of management reports (volume, budget, financial performance, quality, scheduling, revenue cycle, practice production, overall YTD and annual business profit/loss statements, etc.) must be available on a real-time and monthly basis to effectively manage what is likely a multimillion-dollar business for the hospital and arrangement.
- **Strategy** – The structures and processes for strategic initiatives (planning, measurement of strategies initiated, communications processes, issues and trends identifications and solution development).

*The Oncology Group and the Arvina Group, LLC, have a longstanding working relationship and complementary expertise and professional experiences. By combining their strengths, The Oncology Group and the Arvina Group, LLC, can better serve clients by collaborating on operational enhancements and value improvements for hospital-based arrangements involving infusion services and medical oncology practices.*

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