

# THE CENTRAL ROLE OF BPM IN HEALTHCARE

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Industry consolidation, increasingly better informed consumers, rising pharmaceutical costs and continuing regulatory pressure are a few of the major challenges that healthcare providers in North America need to address. This paper outlines how the effective deployment of Business Process Management (BPM) can be central to both improving the patient experience and reducing the costs of operation.

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## INTRODUCTION

According to the OECD, the United States spends more on healthcare than any other country - an estimated 17.7 percent of Gross Domestic Product (GDP) in 2013<sup>1</sup>.

In contrast to most OECD countries, approximately 50% of health spending in the United States was publicly financed, well below the average of 72% in OECD countries as depicted in Figure 1 below<sup>2</sup>.

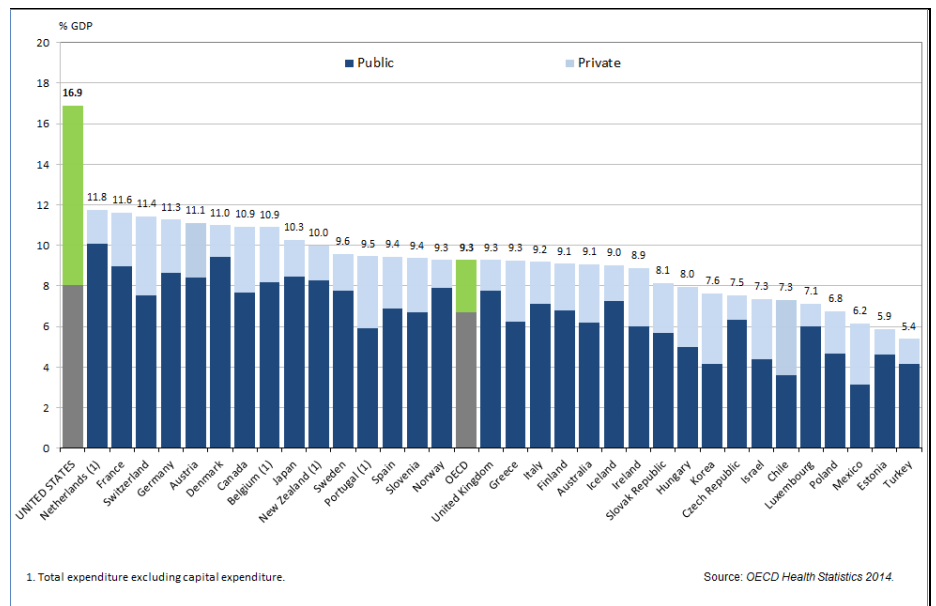


Figure 1: Health expenditure, public and private, as a share of GDP

Not only does the U.S. spend more on healthcare than any other industrialized country, it appears that the higher expenditures do not translate into longer life expectancy. According to the OECD, in 2011 (latest year available), life expectancy in the United States stood at 78.7 years, 1 ½ year less than the OECD average of 80.2 years.

The healthcare landscape has been complicated by the Patient Protection and Affordable Care Act – commonly known as the Affordable Care Act (ACA) or Obamacare – which was signed into law in 2010 and has been fraught with controversy partly because of

<sup>1</sup> Industry Report, Healthcare: United States, The Economist Intelligence Unit, June 2014

<sup>2</sup> OECD Health Statistics 2014: How does the United States compare?

the severe problems with a web-based enrolment system. The complexity introduced by government regulation is not likely to subside any time soon.

Both U.S. healthcare funding and insurance coverage are undergoing significant transformation and the American Hospital Association summarized the challenges facing the industry as:

- Increasing pressure on all healthcare organizations to increase efficiency.
- New payment models are a needed critical element
- New models of care that emphasize care coordination are needed for quality improvement.

In considering the challenges faced by healthcare providers as outlined below, the central role of Business Process Management (BPM) in meeting these challenges head on provides grounds for optimism.

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## INDUSTRY CHALLENGES

Industry audits and studies have found that the primary challenges for the healthcare sector include factors such as regulatory complexity, industry consolidation, emerging technology, continuing cost pressures, and changing patient expectations.

As far back as 2010 the American Hospital Association's Strategic Issues Forecast 2015 focused on long-term strategic issues affecting hospitals and health systems. This report raised the following questions:

- How will hospitals and healthcare providers become more efficient to deal with continued internal and external pressures to do more with less?
- How will hospitals and health systems become more efficient in the face of declining Medicaid and Medicare reimbursements?
- How will hospitals and health systems utilize performance improvement and system reengineering to reduce variability as they face changes in reimbursement policies and pressures to address utilization?
- How do we develop more reliable efficiency metrics for hospitals and other care providers?
- What are the best ways for hospitals and health systems to work with and equip providers to improve quality?
- What are the effective clinical integration strategies to enable payment redesign and quality improvement?
- How will hospitals and health systems promote and utilize cost-effectiveness research to create more value for their patients?

- How will consumers be more actively engaged in their care.<sup>3</sup>

While these questions are not new, they are arguably as relevant today as they were over five years ago. Indeed, there is a high degree of alignment across various studies on the key challenges facing the industry as depicted in Table 1 below.

American Hospital Association	PWC Healthcare Study	OECD
Efficiency	Cost reduction	Quality of care
New Payment Models	Controls re: privacy	Increasing efficiency
Cost reduction	Pricing revision	Balancing innovation and cost
Quality of care improvement	Business model realignment	Harnessing new technology

Table 1: Key Challenges Facing Healthcare

According to a recent article in Harvard Business Review, the majority of roundtable participants felt that the major impediments to change in this sector are mostly internal. This is in part related to a traditional functional mindset among executives in healthcare provider, hospitals and healthcare insurance companies. This is reinforced somewhat by the focus on both functional specialization and areas of medical specialization.

The same study pointed to outdated or ineffective IT infrastructure as a major roadblock, and almost two-thirds of respondents identified either cultural resistance or misalignment with physicians as their biggest obstacle. The recent series of mergers and acquisitions in the healthcare sector has much to do with these issues around IT infrastructure and cultural misalignment.<sup>4</sup>

One of the most effective ways of addressing the traditional mindset in the healthcare sector is to gain clarity on how work flows across functional department and areas of medical specialization to create

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<sup>3</sup> [www.aha.org/research](http://www.aha.org/research)

<sup>4</sup> Merrild, Paul, The Biggest U.S. Health Care Challenges Are Management Challenges, Harvard Business Review, February 6, 2015

“ An outcome based payment system could save consumers, employers, and taxpayers more than \$1 trillion over the next decade ”

value for patients and customers. That is precisely what Business Process Management (BPM) can help organizations accomplish.

## THE PAY FOR PERFORMANCE HEALTHCARE REVOLUTION

During the past few years there has been growing pressure in the US and UK healthcare systems to tie payments more aggressively to patient outcomes rather than to services rendered. There is a great deal of hope that the switch to a focus on outcomes could deliver substantial savings over the next decade.

According to one McKinsey & Company study, an outcome based payment system could save consumers, employers, and taxpayers more than \$1 trillion over the next decade while improving the delivery of care.<sup>5</sup> This shift in focus signifies a major shift in the underlying business processes that manage the way healthcare is delivered and measured. As such this shift will also mean a significant opportunity for innovation in BPM for Healthcare. BPM Software is uniquely suited to perform the extensive “follow-up” required to track patients and measure their outcomes and switch the focus from episodic based payments to outcome based payments.

Payers today only encourage evidence-based medicine in the most general way, or they sometimes put focus on a few specific and easily measurable process metrics. Often, these metrics have little real impact on outcomes or costs, and thus monitoring them is simply an administrative burden for both providers and payers. Instead, McKinsey and Company recommends that payers focus on specific practice pattern changes that, if implemented, are most likely to have the largest impact on cost and/or quality. Payers would then be better prepared to understand the “top 10” highest return-on-

<sup>5</sup> McKinsey and company, The Trillion dollar Prize, 2013

investment decisions/actions for each patient, condition, and/or episode of care.<sup>6</sup>

## CREATING VALUE WITH BPM

Business Process Management (BPM) can help healthcare organizations understand the value creating flow of work as well as the non-value creating activities. Process based change needs to begin with a shared understanding of the landscape and that in turn requires a common vocabulary when it comes to processes. By examining the organization in a process based context it may be possible to shift management attention from what matters to their department or area of medical specialization to what matters to the organization.

A high level process model can be effective in stimulating dialogue on the cross functional business processes that create value. Figure 2 below is an example of a high level process for a healthcare insurance provider.

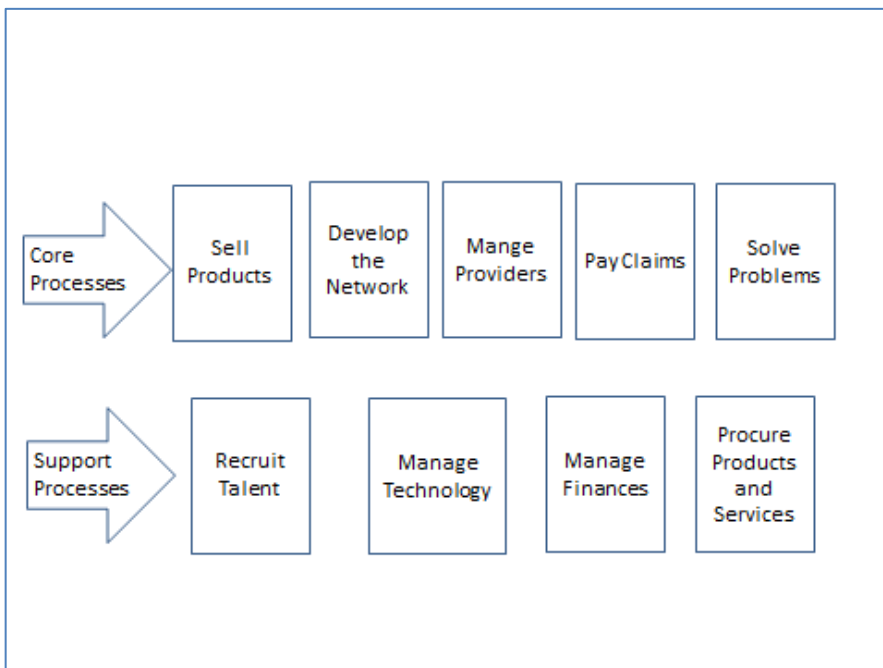


Figure 2: High Level Process Model

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<sup>6</sup> Ibid

“BPM can also be instrumental in assuring compliance.”

Once the need for taking a process based view has been recognized, healthcare organizations can progress to modeling, analyzing, redesigning and automating critical business processes with BPM. Document management is a major issue for many healthcare providers and with BPM an online system can eliminate issues

with outdated paper-based forms. In hospitals, key processes such as **new patient onboarding, medical records management and patient release** can be performed more quickly to improve response time and patient satisfaction.

BPM can also be instrumental in assuring compliance. With ever changing government regulations, it's essential to ensure that operational processes remain in compliance with regulations and healthcare professionals follow currently mandated procedures. Given the degree of consolidation in this sector, the alignment of divergent information technologies is also one of the challenges for healthcare organizations that BPM can support.

BPM can be instrumental in accelerating Big Pharma clinical trials and can even be useful in streamlining FDA approval of new medications – although that process is weighed down with a disproportionate amount of regulation. Payors can deploy BPM to improve the processes such as the enrolment process and hospitals can use BPM to manage processes and data across a broad range of patient care issues.

The potential benefits of applying BPM in the hospital environment include the following:

- automate non–value-added tasks and eliminate non-value added ones,
- monitor and improve care delivery as it occurs,



- identify and avert resource bottlenecks,
- automate the identification of critical conditions using analytics,
- monitor cost, quality and compliance metrics

BPM is now recognized as a major trend in technology and many healthcare organizations are looking to use BPM to improve the efficiency of operations.

## SUMMARY

Regulatory complexity, industry consolidation, emerging technology, continuing cost pressures, and changing patient expectations represent significant challenges for the healthcare sector. BPM provides the means for organizations to increase efficiency, ensure regulatory compliance, and improve methods of gathering and reporting data. New and improved business process management practices will likely play a key role in the years ahead.

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#### ABOUT PROCESSMAKER

ProcessMaker is a leading open source and cloud based Workflow and BPM software suite that makes it simple for companies to automate form-based approval driven processes and interconnect people and existing company systems. ProcessMaker understands the needs of the healthcare sector. Our clients have used our products to automate a range of processes including Medicaid applications with a focus on avoiding unnecessary delays, frequent errors and missing documentation related to these applications as well as a variety of back office processes.

ProcessMaker is headquartered in New York and has a partner network spread across 35 countries and on five continents. Hundreds of commercial customers including many Fortune 100 companies and many of the top telecom operators in the world rely on ProcessMaker to automate their processes. ProcessMaker is available in 17 different languages and has been downloaded over 1 million times.