Healthcare Management for Respiratory Care Practitioners

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How to create a distinctive Respiratory Care department

KENNETH WINN

Contents

How to become the first and best choice for Respiratory Therapists

KENNETH WINN

Thank you for choosing to take part in this textbook. The primary goal of this textbook is simple: to provide you with the framework to design a distinctive Respiratory Care department that becomes the first and best choice for Respiratory Therapists. The framework in this book aligns with the anatomy of a tree. Each anatomical part of the tree represents a critical aspect of Respiratory Care management. In this textbook, I will be introducing the side of Respiratory Care few Respiratory Therapists ever see – the business side.

Chapter 1: Financial Health, the Taproot of an organization

- A taproot is

  ◦ a large, central, and dominant root from which other roots sprout laterally.

Chapter 2: Learning Organization, the Roots

- The roots are:

  - the part of a plant which attaches it to the ground or to a support, typically underground, conveying water and nourishment to the rest of the plant via numerous branches and fibers.

- What is a Learning Organization?

  - Peter Senge, who popularized learning organizations in his book *The Fifth Discipline*, described them as places "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together." Peter M. Senge, *The Fifth Discipline* (New York: Doubleday, 1990), p. 1.

Chapter 3: Operations, the Trunk (Quality, Safety, Customer Experience, Employee Engagement, Efficiency)

- The trunk is:

- ◦ the main woody stem of a tree as distinct from its branches and roots.

Chapter 4: Strategic Priorities, the Branches (Access, Quality, Cost)

- The branches are:
  - ◦ a part of a tree which grows out from the trunk or from a bough.

Chapter 5: Value Creation, the Leaves and Blossoms

I.

The taproot of an organization

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Introduction

The word budget dates back to the 15th century, meaning bag. So let's think about a budget as a bag of something (i.e. money, procedures, statistics) set aside for a particular purpose. When we say that we are budgeting for something, what we are saying is "I'm putting money into a bag for a specific purpose". Now when we talk about finance, we are indicating that we have finite resources. Therefore when discussing the budget and finances of a respiratory care department, we are describing a finite set of resources set aside to accomplish patient care related to respiratory care. It is important to understand that these finite resources are set aside for a specific purpose; a purpose that accomplishes a valuable service, respiratory care. This budgeted resource has been allocated to the respiratory care leadership to be used at their discretion.

Learning Objectives

- *Develop an operating budget that supports a department/service line/program*
- *Understand the role of the CPT® code and the RVU*

- *Explain the difference between gross revenue and net revenue*
- *Develop a pro forma operating budget for a new service line, department, or program*

The Budget

A budget is typically built in one of two ways:

1. Historical information from a prior fiscal year
2. Estimations are used when a new department/service line is being developed

Let's start by building a budget of procedures, statistics, and Relative Value Units (RVU) for FY 2021 from historical information. So first we need to review the first 4 to 6 months of FY 2020 and then make assumptions to build the FY 2021 budget.

Account	Description	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	N
	Department Volumes											
	Procedures - Observation											
	Procedures - Emergency											
	Procedures - O/P											
	Procedures - I/P											
	Total Key Statistics											
	Other Statistics											
	RVU - Observation											
	RVU - Emergency											
	RVU - O/P											
	RVU - I/P											
	Total Key Other Statistics											

Now that we have have reviewed the available FY 2020 information for procedures, statistics, and RVUs, let's build the FY 2021 budget.

Account	Description	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	N
	Department Volumes											
	Procedures - Observation											
	Procedures - Emergency											
	Procedures - O/P											
	Procedures - I/P											
	Total Key Statistics											
	Other Statistics											
	RVU - Observation											
	RVU - Emergency											
	RVU - O/P											
	RVU - I/P											
	Total Key Other Statistics											

CPT® codes

Current procedural terminology, commonly known as CPT® codes is the language used to connect providers (i.e. clinicians) with payers (i.e. insurance companies). CPT® codes are medical codes used by physicians and allied health professionals to describe the procedures and services they perform. Specifically, CPT® codes are used to report procedures and services to federal and private payers

for reimbursement of rendered healthcare In 1966, the American Medical Association (AMA) created CPT$^®$ codes to standardize reporting of medical, surgical, and diagnostic services and procedures performed in inpatient and outpatient settings. Each CPT$^®$ code is a description of a procedure or service. The AMA updates CPT$^®$ codes annually, releasing new, revised, and deleted codes.

There are 3 categories of CPT$^®$ codes:

- **CPT$^®$ Category I** −the largest body of codes consisting of those commonly used by providers to report their services and procedures
- **CPT$^®$ Category II** −supplemental tracking codes used for performance management
- **CPT$^®$ Category III** −temporary codes used to report emerging and experimental services and procedures.

In Respiratory Care, the primary focus is on **CPT$^®$ Category I**. Most of the Respiratory Care procedures fall under the Medical Services and Procedures section, codes that start with 9.

Sections of CPT$^®$ Category 1 Codes

1. Evaluation & Management Services (99201 – 99499)
2. Anesthesia Services (01000 – 01999)
3. Surgery (10021 – 69990)
4. Radiology Services (70010 – 79999)
5. Pathology and Laboratory Services (80047 – 89398)
6. Medical Services and Procedures (90281 – 99607)

Relative Value Unit (RVU)

Relative Value Units (RVUs) are a common scale for physician work. Commonly called Work RVUs or wRVU. These wRVU compare the work involved with performing a service to all other services and procedures. For example, Insert Emergency Airway (CPT[®] code 31500) is assigned 3.00 wRVUs. But performing Change of Windpipe Airway (CPT[®] code 31502) is assigned 0.65 wRVUs. The work required to do an endotracheal intubation is 4.6 times greater than the work involved to change a tracheostomy tube.

The monetary value of an RVU is determined by the annual conversion factor. The 2020 Medicare conversion factor, as defined in the Medicare Physician Fee Schedule final rule, is $36.0896. This means Medicare will pay $36.0896 per RVU in 2020. For example, CPT code 94640 (Ventilator management initial day) has 1.99 RVUs, so Medicare will pay $71.8183.

Measures included in the wRVU

wRVUs account for 3 stages of the work:

- Pre-service work (i.e. reviewing records, discussing procedure with peers, preparation)
- Intra-service work (i.e. patient encounter time)
- Post-service work (i.e. updating documentation)

*All wRVUs assigned to CPT[®] codes are a quantitative measure of the time involved with delivering a service

Gross Revenue, Net Revenue, and Operating Revenue

It is very important to understand that most Respiratory Care departments will only have access to their departments operating revenue and operating expenses. It is very easy to confuse gross revenue, operating revenue, and net revenue.

Let's walk through a small and simple scenario.

A patient is referred to your Pulmonary Function Testing (PFT) lab for a simple spirometry by their primary care provider (PCP). The PCPs office calls your PFT lab to schedule an appointment with the Respiratory Therapist (presumably a Registered Pulmonary Function Technologist (RPFT). Your PFT lab schedule template is setup for 1 hour appointments to ensure that the RPFT has time to schedule patients and take care of any administrative tasks necessary to run a PFT lab. The RPFT successfully schedules the patient's appointment and performs the simple spirometry. After the patient leaves the PFT lab, the RPFT "drops" the charge in the electronic medical record (EMR) and goes moves on to others duties as assigned. After the RPFT "dropped" the charge ($850.00) for a simple spirometry, the hospital billing system translates a simple spirometry procedure to CPT$^{®}$ code 94010 (Breathing Capacity Test) and sends a bill to the patient's insurance company. This patient's insurance company is Medicare. Several weeks later, Medicare pays the hospital with agreed upon cost ($6.1352) of a Breathing Capacity Test (CPT$^{®}$ code 94010).

In this small and simple scenario, the operating revenue (what the hospital bills) was $850.00 and the gross revenue was $6.1352. Now let's take a moment to calculate the net revenue, which deducts any related expenses. Expenses for a simple spirometry include:

- RPFT salary
- PFT lab utilities (i.e. lights, cleaning, water, etc...)
- Some portion of managements salary (i.e Respiratory

Manager/Director/Supervisor/hospital administrator/
secretary/etc...)
- Disposables (i.e. mouthpiece)

So...if your PFT lab performs 1 simple spirometry per hour for Medicare only patients, your PFT lab is losing money. We don't even need to do the math to figure that out.

In summary:

- Operating Revenue is what is billed to the payer/patient
- Gross Revenue is how much the payer/patient actually pays for the service
- Net Revenue is how much money is left over after expenses are deducted

Most respiratory care departments only have access to see the operating revenue and will never see the net revenue of their services. Therefore, it is very difficult to assume that your respiratory care department is pulling a profit for your organization.

Pro Forma

Company Name		3 Year Pro Forma		
INCOME		2020	2021	2022
	Operating Income			
	Category 1			
	Category 2			
	Category 3			
	Category 4			
	Other			
	Total Operating Income (OI)	0	0	0
	Non-Operating Income			
	Interest Income			
	Rental Income			
	Gifts Received			
	Donations			
	Other			
	Total Non-Operating Income	0	0	0
Total INCOME		0	0	0
EXPENSES				
	Operating Expenses			
	Accounting and Legal			
	Advertising			
	Depreciation			
	Dues and Subscriptions			
	Insurance			
	Interest Expense			
	Maintenance and Repairs			

Company Name		3 Year Pro Forma		
	Office Supplies			
	Payroll Expenses			
	Postage			
	Rent			
	Research and Development			
	Salaries and Wages			
	Taxes and Licenses			
	Telephone			
	Travel			
	Utilities			
	Web Hosting and Domains			
	Other			
	Total Operating Expenses	0	0	0
	Non-Recurring Expenses			
	Furniture, Equipment and Software			
	Gifts Given			
	Other			
	Total Non-Recurring Expenses	0	0	0
Total EXPENSES		0	0	0
	Net Income Before Taxes	0	0	0
	Income Tax Expense			
NET INCOME		0	0	0

Company Name	3 Year Pro Forma		
Owner Distributions / Dividends			
Adjustment to Retained Earnings	0	0	0

2. Learning Organization, the Roots of an Organization

The roots of an organization

KENNETH WINN

> "Great leaders don't blame the tools they are given.
> They work to sharpen them." – Simon Sinek

Introduction

Peter Senge, in his book *The Fifth Discipline*, described learning organizations as places "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together." (Peter M. Senge, *The Fifth Discipline* (New York: Doubleday, 1990), p. 1.) This chapter offers several ways to create an environment of continually progress.

Learning Objectives

- • Understand basic motivational theory and how Herzberg's Two Factor Theory can be used as a foundation for success
- • Understand the components of developing a comprehensive staffing plan
- • Create a succession plan for a department and individuals
- • Understand how to hire for sustainable success
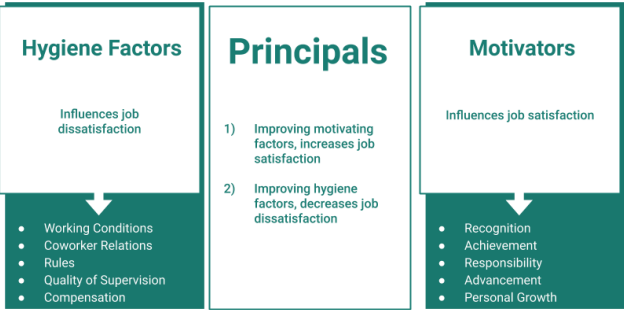
Motivational Theory

Herzberg's Two-Factor Theory

"One More Time: How do You Motivate Employees"

When it comes to creating a sustainable future for your Respiratory Care department, focus on the basics. Let's start with hygiene factors and these related questions:

- • working conditions: How is the daily workload for each Respiratory Therapist?
- • coworker relations: When walking into the break room, how does the atmosphere feel? Are hand-off reports adequate?
- • rules (i.e. policies and procedures): Are there any policies not being enforced that should be enforced?
- • quality of supervision: How are the supervisors perceived?
- • compensation: Are surrounding hospitals paying betting salaries or offering better incentives?

This is not an exhaustive list of questions, but should help you start asking the right questions. Be sure to be honest in your answers; especially with quality of supervision and rules.

Hygiene Factors	Principals	Motivators
Influences job dissatisfaction	1) Improving motivating factors, increases job satisfaction 2) Improving hygiene factors, decreases job dissatisfaction	Influences job satisfaction
• Working Conditions • Coworker Relations • Rules • Quality of Supervision • Compensation		• Recognition • Achievement • Responsibility • Advancement • Personal Growth

Developing a Staffing Plan

Great staffing plans center around the organizations strategic priorities, objectives, and goals. Staffing plans are used to create and execute strategies for recruitment, development, and retention of an organizations key assets – employees.

The following steps will guide you through calculating staffing needs and creating a strategic plan.

Step 1: Identify the organizations strategic objectives or goals

The table below represents an example of an organizations strategic priorities and strategic objectives. The concept of "line of sight" goal planning allows you as a department head to identify goals for Respiratory Care that align with the strategy of the organization. As part of the first step to creating a staffing plan, you as a department head, need to understand how to develop goals that align with the organizations strategic objectives. Using SMART goals, create goals for each strategic objective.

SMART: Specific, Measurable, Achievable, Relevant, Time Bound

Strategic Priorities	Strategic Objectives	Respiratory Care Goals
Access	Deliver on-demand services	
	Increase referral network	
	Build Specialty Services	
Quality	Establish sustainable care models	
	Improve value for teammates	
	Create value driven relationships	
Cost	Streamline operations by reducing variation	
	Deliver effective and efficient care	
	Optimize integration of services	

Step 2: Create an Organizational Chart and outline the following

- The number of employees
- The number of full time equivalents (FTE)
- Staff assignments
- Skills and competencies
- High performers
- Potential future leaders
- Low performers
- "Flight risks"
- Anticipate retirements
- Job descriptions
- Compensation

Exercises

Next:

- Review your staffing plan
- Create gap analysis between your staffing plan and your organization goals. Do they align? If not, the next step is to create a staffing plan that more closely aligns with the organizations strategic priorities and Respiratory Care department goals.

Step 3: Create a gap analysis

Become comfortable with ambiguous information.

Here is a list of items/questions to consider when creating a gap analysis:

- What are the organizations strategic objectives?
- What work needs to be done?
- What is the current revenue to FTE ratio compared to budget?
- How many FTEs do we need to get the work done (how is productivity measured?
    - Worked Hours per Unit of Service (WHPUOS)
    - Relative Value Units (RVU)
- What skills and/or experience are necessary?
- What skill gaps need to be filled?
- What are the current turnover rates?
- Are there expected mergers or acquisitions?
- Will new technology be introduced that will impact staffing?
- Are there economic changes?
- Who are the competitors?
- What are the current and projected labor expenses?
- What is the current unemployment rate?
- How many Respiratory Therapists will graduate from local schools?
- Identify the gaps between the current state and the desired future state
- What skills your workforce lacks
- What training is needed to fill those gaps
- Which skills need to be hired for
- Which employees have strong leadership skills and are good candidates for promotion
- Rethink your structure

Step 4: Forecast future staffing needs with the following questions: (Estimations and educated guesses are welcomed and required)

Step 5: Establish metrics (using your departmental and organizational goals) to measure your forecasted staffing plan success, examples include:

- ◦ Labor expense
- ◦ Productivity
- ◦ Employee engagement
- ◦ Employee retention
- ◦ Turnover rate
- ◦ Patient experience
- ◦ Length of stay (LOS)
- ◦ Readmissions
- ◦ Organizations quality indicators

Step 6: Develop succession plan, performance management program, and hiring strategy

Hiring for Sustainable Success

When hiring you need a consistent methodology and process to ensure that you conduct a full assessment of candidates. The best

methodology is behavioral based interview questioning. In behavioral based interviews, the candidate is asked to provide specific examples and avoids "If that happened, I would do this" response. If the candidate does not provide a specific example, ask them to clarify their response with a specific example from their experience. Past experiences are the best predictors of future success, so it is critical that you evaluate your candidates thoroughly to make the most informed hiring decision. All hiring decisions should be made with both the current state of your department and future state in mind. It is likely better

Hiring leaders

When hiring leaders, focus on the attributes that will continue to move Respiratory Care and healthcare forward.
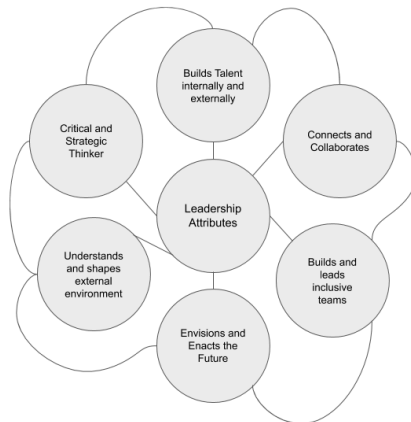
Critical and Strategic Thinker

- Engages in rigorous problem solving, through defining the problem, data collection, and analysis

- Makes good decisions when faced with ambiguity and uncertainty
- Recognition of patterns in complex environment
- Communications complexities in a sense of simplicity
- Sees the big picture and has long-term perspective, while balancing against short-term realities

Understands and Shapes the External Environment

- Deeply knowledgeable about Respiratory Care and the

competitive, political, and social environments which the
organization operates
- Understands the importance of actively engaging with and
shaping these environments
- Identifies, assesses, and builds relationships with key
stakeholders
- Mobilizes and directs supporting capabilities in public affairs,
communications, and government relations to achieve desired
outcomes

Envisions and Enacts on the Future

- Creates and communicates compelling visions of exciting and

achievable futures
- Mobilizes people and transforms organizations to realize the vision
- Catalyzes innovation and builds supporting capabilities
- Is a committed steward

Builds and Leads Inclusive Teams

- Understands the value of diversity in teams and gets the best out of all people
- Establishes trust and creates a culture of psychological safety to enable candid debate
- Builds consensus; decides when necessary

- Delivers outstanding results through others

Examples Interview Questions

How have you leveraged the diversity of skills, thoughts, or backgrounds of your staff for the benefit of the department or organization? Provide a recent example.

Share an example of how your leadership style has been a model to others on your team.

Describe a time when you lost trust with a teammate. How did you regain it?

Describe a time when one of your teammates adamantly opposed the majority direction. What was the situation, the employee's point of view, and the resolution?

Connects and Collaborates

- Recognizes the critical importance of integration and collaboration in achieving high performance
- Convenes and nurtures cross-system teams, and works effectively in "white spaces"
- Seeks win-win outcomes and puts the well-being of the patient and overall organization first
- Leads effectively across cultures

How do you facilitate multiple and diverse perspectives to create an innovative approach to a solution?

Tell me about a time when you had to gain the support of colleagues who did not report to you in order to execute a plan. How did you gain their support?

Describe a situation in which you proactively established or improved a relationship to achieve a business or clinical result.

Describe a recent integration in which you participated. How did you measure success and what might you have done differently?

Builds Talent Internally and Externally

- Demonstrated personal accountability for developing future generations of leaders who reflect the diversity of communities we serve
- Engages actively with colleagues in assessing and developing executive talent, focusing on competencies and character
- Invests time in coaching and mentoring high potentials for success
- Is a role model, embodying the best cultural fit

Give an example of when you created a safe environment to encourage open communication and contribution.

Share an example of how you coach and develop your team to achieve and increase their full potential, including promotions for your team members. How did you define their success in the new role or responsibility?

Tell me about a time when you created a growth opportunity for someone on your team.

Hiring Respiratory Therapists

When hiring Respiratory Therapists, remember that your goal when hiring leaders is the same as when you are hiring for respiratory therapists. You need employees that will move the profession of Respiratory Care forward. Use the same attributes as you would for a leader and modify them to fit the role of a Respiratory Therapist. This method will create a funnel for your future leadership needs.

Key Takeaways

- *Financial health allows the Respiratory Care manager to focus becoming a learning organization*
- Reflect on Herzberg's Two-Factor theory regularly and be honest with yourself as a leader
- Staffing plans are fluid and need to be continually evaluated based on the ever changing internal and external influences
- If you were to leave tomorrow, who would you replace you? Succession planning is your responsibility
- If you focus on Herberg's Two-Factor theory, build and execute an effective staffing plan, and have a succession plan in place, you will rarely need to hire new employees. Ask yourself two questions. 1) Where should I focus my time? 2) What is my number 1 priority?

3. Operations, the Trunk of an Organization

The trunk of an organization

KENNETH WINN

> "Most people would succeed in small things if they were not troubled with great ambitions" – Henry Wadsworth Longfellow

Operations, the Heart of a Respiratory Care department

Wherever we look we are surrounded by mountains of data. Yet, with all of this data in our spreadsheets and dashboards we are challenged with understanding how to leverage this data to improve without reacting to the ever changing data from month to month. In this chapter, we will discuss how to understand variation and drive your performance to the next level.

Learning Objectives

- Understand variation of metrics to drive performance in the operational areas of:
    ◦ Quality
    ◦ Safety
    ◦ Consumer Experience
    ◦ Employee Engagement
    ◦ Efficiency

3 Steps to Understanding Variation

Step 1: Write out a list of the measures that you routinely use

What kinds of data is readily available? Examples include:

- COPD Readmissions
- Missed treatments
- % PFT cancellations and/or no shows
- COPD Length of Stay
- % Medication scan compliance
- COVID LOS

Step 2: Pick 2 or 3 measures that you actually use and start to create a Control Chart

- COPD Readmissions
- COPD LOS
- COVID LOS

Step 3: Explain the noise. If no noise is identified, it's a predictable process and does not require insight

Control Charts

Insert video creating an example XmR Chart

Identifying an Opportunity for Improvement to Drive Performance

Step 1 Identify Potential Problems

- Look to your organizations strategic priorities and/or Respiratory Care department goals

Step 2 Obtain Data to Clarify the Problem

Focus on problems related to Respiratory Care department goals and/or the organizations strategic priorities and avoid "pet projects".

Inputs	Process	Outputs
Potential projects	Collect specific objective data on each problem or process identified. Determine each potential project's impact on: • Patient Satisfaction • Quality of Care • Employee Engagement	Prioritize problems indicating the probable impact of each potential project on the department goals and/or strategic priorities

Step 3 Evaluate and Select Projects

Criteria	Questions
Measurable	Is the data readily available?
Observable	How chronic is the problem?
Manageable size	How long will this project take?
Significant	Will the effort be worth the outcome?
Impact	Will the project impact quality, costs, or access to care?
Urgent	What is the timeframe?
Known risks	What types of risks are involved?
Potential resistance to change	What potential barriers are there?

Step 4 Create Project Charter

1. Problem statement
2. Goal statement
3. Business case and expected financial benefits
4. Project scope
5. Milestones/plan
6. Team members and roles

Step 5 Start the work

When reviewing data there are several things to consider:

- Typical Annual, quarterly, monthly, weekly, and daily reports do not provide adequate context and data without context is meaningless
- Before you can interpret data you must have a method of analysis

  ◦ Comparisons to goals or targets do not provide context for analysis and encourages a binary view

- The purpose of data analysis is insight
- All data contains noise that overshadow signals that provide insight
- Process behavior charts are the most effective method to reduce noise and provide insight
- Process behavior charts should be used with:

  ◦ Flow charts
  ◦ Cause and effect diagrams
  ◦ Pareto charts

- When a system is predictable, it is performing as consistently as possible and looking for causes is a waste of time, instead focus on efficiency of the

process.

"Information is random and miscellaneous, but
knowledge is orderly and cumulative" – Daniel Boorstin

4. Strategic Priorities, the Branches of an Organization

The branches of an organization

KENNETH WINN

Introduction

- Reflect back to your organizations strategic priorities when developing goals for your Respiratory Care department
- The conundrum of healthcare is typically the focus point for most organizational strategic priorities, so if your organization does not openly share their strategic priorities, focus on access, quality, and costs to ensure you are creating a distinctive Respiratory Care department.

5. Value Creation, the Leaves and Blossoms of an Organization

The leaves and blossoms of an organization

KENNETH WINN

> "Visibility doesn't automatically translate into value, don't just be everywhere, be where you are most needed"   – Bernard Kelvin Cline

Learning Objectives

- Define the meaning of value
- Understand how value is relative

- Value creation does not happen in a vacuum. Respiratory Care is bigger than Respiratory Therapists, it's the entire healthcare team that creates value. The take key away is how does Respiratory Care contribute differently to maximize outcomes.
- The little things add up

This is where you can add appendices or other back matter.