

Issue Brief:

ROI for Referral Management System: Significant Returns for Automating Admissions

This companion to the PatientPlacement.com Referral Management System ROI worksheet discusses examples of the significant gains in performance and revenue. Specifically, it looks at returns in efficiency and effectiveness for continuing care providers using the Referral Management System.

ROI Case 1: Efficiency

As the number of patients and continuing care facilities grow, and specialization of care expands, many facilities are addressing efficiency in admissions and intake with the same rigor as with clinical and financial systems.

Consider the room for improved efficiency. Consultants working with a Canadian nursing home organization conducted recent research that found the admissions process typically involves 160 steps: 69 handling steps, 36 forms to complete, four family trips to the hospital and 15 delays.

The research also found that making an offer of a bed in a nursing home involved 53 steps, five staff members, and nine forms.

Managing and processing patient referrals and admissions requires a significant amount of time and resources. Today there are simple tools and technologies such as the PatientPlacement.com Referral Management System that streamline your admissions process from initial inquiry to final decision. Automation gives greater productivity at lower cost.

We compiled an ROI worksheet to analyze the specific gains in efficiency for a typical organization using the PatientPlacement.com Referral Management System. We modeled using a simple, typical set of steps in an admissions process:

1. Receive referral notification and fax documents, and log referral
2. Distribute referral documentation for review, attach related documents
3. Track the status of the referral while under review
4. Verify Medicare, Medicaid or commercial insurance coverage
5. Accept patient and notify referral source
6. Create standard admissions forms and welcome letter/package

7. Create weekly activity reports
8. Create monthly activity reports

[This is a representative admissions process; it is neither exhaustive nor reflective of all providers.] We compared the time and resources involved in each step for a provider not using the Referral Management System vs. a provider using the solution to automate and accelerate the admissions process.

The results: A typical provider would save nearly 1,800 hours—225 work days of effort each year using the Referral Management System.

Average number of referrals annually:	1,064
Time saved per referral (minutes):	101
Annual time saved (minutes)	107,925
Annual time saved (hours)	1,799
Annual time saved (work days)	225
Annual time saved (work weeks)	45

<i>Reducing the Paper Pileup</i>	
Pages of documents per referral	22
Average referrals per day	4
Average pages of documentation per day	85
Average pages of documentation per year	23,738

[Figures for average referrals and pages volumes taken from admissions survey of 383 skilled nursing facilities in fall 2008, conducted by Patient Placement Systems.]

One example with an existing PatientPlacement.com RMS customer validates this level of efficiency. One six-location skilled nursing provider that implemented a Web automation solution for centralized admissions has seen tremendous gains in responsiveness and efficiency. An analysis examined the time the provider spent on daily referral management processes. The analysis suggests that the provider will save an estimated 1,175 hours, or 29.5 work weeks per year, by expediting referral review and communications processes. This helps the provider meet goals to improve responsiveness to referral sources and maintain a competitive advantage in its marketplace.

ROI Case 2: Effectiveness

For a long-term care provider, automation should mean improved census driven by capturing more referrals and admitting more qualified patients faster. Our fall 2008 survey of 383 continuing care providers indicates that 57 percent of all patient referrals ultimately result in an admission. At an average of 1,064 referral inquiries, that would mean an average location accepts 606 new patients each year.

What if a faster, more responsive and efficient system for admissions creates even a modest increase of 3 percent in patients accepted? A 60 percent acceptance rate translates to 638 admissions, an increase of 32 patients in a year. This incremental improvement has a huge affect on the bottom line:

- 32 patients x \$200/patient day x 365 days average time under care = **\$2.34 million**

We've shared this example with continuing care providers who questioned the volumes of additional patients, saying that they typically admit far fewer than 600 patients each year or that average patient stays are shorter. Even with more conservative assumptions, the returns from accelerated admissions are considerable. Let's say an automated admissions system helps you be responsive and nimble enough to capture one additional patient every other month—six additional patients each year. We'll also assume an average length of care of 200 days:

- 6 patients x \$200/patient day x 200 days average time under care = **\$240,000**

Even with these more modest assumptions, the returns are obvious. This example doesn't even factor in the benefits of more efficient operations, reduction in paper usage, and better communications with referrals sources.

In fact, the returns relative to the costs are staggering. The PatientPlacement.com Referral Management System, the industry's leading Web-based solution for automating admissions, starts at a subscription price as low as \$99 per month. Would you invest \$1,200 each year for a \$240,000 return? How about for \$2.34 million? It appears to be more costly *not* to automate your admissions processes.

Profitability in continuing care can be tough to gauge. Using detailed data on financial performance and efficiency provided by The Virginia Health Information organization and Web site (http://www.vhi.org/about_annual.asp), we were able to develop baseline assumptions for margins and profitability. The average margin for strong financial performers is about 10 percent (we acknowledge these figures vary widely among providers, with margins as high as 30 percent and some negative margins where costs outweigh revenue).

So, in our two examples, providers could expect to realize a net of \$234,000 or \$24,000. Again, at prices starting as low as \$99 per month, even just considering net profit, the Referral Management System pays for itself tens of times over. Even if your margin assumptions are a more conservative 5 percent, you would return \$12,000 net on a \$1,200 investment in our most conservative example.

Admit more patients, faster, while lowering the costs of managing your entire referral and admissions process.

Ready to see the PatientPlacement.com Referral Management System in action? See a demo at www.patientplacement.com/rmsdemo.

Ready for a free trial? Sign up here: <http://www.patientplacement.com/rms-free-trial.aspx>

Have questions? Call us today at 888 657-9480 or send us an email at info@patientplacement.com.