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Executive Briefing

Healthcare Systems - Accounting Vs Operational

By David Moise, Decide Consulting

Summary
Healthcare clinics routinely rely on their operational software applications for their accounting needs. Not only do they see distorted views of the financial picture from this, they do a disservice to themselves and their software vendors. Healthcare clinics need to step back and evaluate the "what", "where" and "why" of the financial views they have.

There are multiple combinations of systems inside a healthcare clinic. There are systems for Master Patient Indexes, Practice Management, Electronic Health Records, Charge Entry and Claims Processing just to name a few. On top of these operational systems, one usually finds an Accounting System. These same clinics will most likely have a configuration where multiple of these systems, probably from multiple vendors, exist and at some level interface amongst themselves.

The operational systems mentioned above have a common thread weaved through them. They all capture payments and charges at some level. At first glance, nothing is wrong with this. Operational applications capture accounting transactions. It is a common fact in all IT and not just in healthcare.

Here is the issue - when we are making decisions, and those decisions are based on financial data, what applications are we retrieving our data from - the accounting or the operational?

The first problem with relying on any operational application for the financial news is that it only paints part of the picture. While many of the operational applications contain current views of the financial picture, they are just that - views. They do not give us the entire picture. This leads to the second much bigger problem. The reliance on the operational application causes the vendors of these products to shift their development resources towards accounting and not towards what their system is supposed to do.

We routinely see healthcare clinics rely on the financial reporting in the operational applications for their decision making. In addition to that, we also routinely see the same clinics pushing their software vendors to increase the accounting-oriented functionality and reporting. To make the problem worse, these software companies are complying with the requests.

Let's consider this example. Company X develops and sells a Practice Management (PM) application. It performs scheduling, charge entry, creates claims, takes patient payments and accepts remittance advice from the payors on claims. Multiple accounting entries are entered in this application. The application even exports the data into Microsoft's Dynamics accounting application. Because it is a mature product, the PM comes with a large amount of reporting built in. Many of the said reports are financial-oriented. The Dynamics installation is a couple of years old and has a limited reporting base. The clinic could add more reports to Dynamics, but is strapped on resources. Guess what happens next? The clinic asks (demands) the PM vendor to add to and change their reporting base.

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While the following statements sound innocent enough, they start a slide down the proverbial slippery slope:

- "if this report only had this on it."
- "can we get a report that looks like this except ..."
- “this report needs this on it so I can do ___”

This cycle starts a disservice to every party involved:

- The software vendor pushes their product to become more of an accounting package at the expense of its core competencies and functionality
- Most software vendors have subject-matter experts (SMEs) in the core competency, not accounting expertise, hence making ill-informed accounting decisions
- Often times we see the clinics demands are nothing more than conveniences for themselves. It is not uncommon these requests actually violate accounting principles
- The clinic is not getting a full picture of the financials because only part of the data exist in their system
- Cost increase. The license fee starts increasing to cover the expenses or the vendor starts loosing money

The clinic can take a point-of-view of "not my problem" if the vendor starts losing money on their license. The clinic can probably even get away with taking that position. Is this a good business practice though? Any company not limited to healthcare, whose vendor’s routinely loose money by servicing them will start loosing vendors.

We do not see enough of the software companies pushing to build interfaces to the account applications and then keeping the accounting functionality where it should be and the operational functionality where it should be.

Any well-run company finds the economies of scale in its people, capital and resources. Let the people do what they do best, and not anything else. Doctors should not work the front desk, nurses should not do the accounting and the accountants should not be prescribing medicine. Along these lines - operational systems should run the operation and accounting systems should do the accounting. Behind the scenes the two should be interoperable but functionality separate.

Healthcare clinics routinely rely on their operational software applications for their account needs. Not only do they see distorted view of the financial picture from this, they do a disservice to themselves and their software vendors. Healthcare clinics need to step back and evaluate what they are seeing and consider the source.

About the Author

David Moise is the founder and president of Decide Consulting. Started in 2002, Decide Consulting has been servicing multiple healthcare companies since then. Healthcare has continued pressing needs to expand access and care and still control costs. Decide Consulting understands that increased efficiency is the answer. For more information on Decide Consulting, please visit http://www.decideconsulting.com