

# Optimizing the General Ledger

## *A White Paper*

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## Introduction

Lean methodology is founded upon a simple principle: **Improving process efficiency while minimizing waste and delays**. The funny thing is, what if you think the way you've *been* doing something is the most efficient way? Why would you change? As humans, we are creatures of habit and often think the method we are using is best (regardless of efficiency). Moreover, repetition of our habits with success gives us evidentiary support our method is best. But, let's focus on this mindset. Success does not equate to best. In other words, simply being successful at something does not prove it is the most efficient and best route to take.

For example, if my goal was to get to California, I could simply drive from Texas, heading west, and I would reach California in 22 hours. I got to California, right? But, was this the *best* route I could have taken? The answer is quite obviously, no, as a flight to California would take only three hours and is clearly the most efficient and best way to get to California. This example is rather elementary, but for good reason. We know, given our understanding of all options in transportation, flying to California is the most efficient route. However, imagine if you didn't know flying was an option? Knowledge changes our perception of what decision to make.

## How Does Process Efficiency Relate to the General Ledger?

Let's take a step further and apply the concept of efficiency to a Revenue Cycle General Ledger optimization project. Typically, the General Ledger is treated like the "ugly stepchild" of the Revenue Cycle optimization, often neglected until the last minute. Actually, this seems to make sense, because it involves the very last stage in a charge's lifecycle. The General Ledger doesn't prevent a system-based charge from dropping to a patient bill or being sent out on a claim for reimbursement.

Those of you working in Finance probably want my head on a stick, given your close ties with Revenue Cycle and the General Ledger and their importance to an organization's sustained financial viability and operation. Before you make any rash decisions, listen to this. The practice of leaving the General Ledger to the very end of a project is terrible and, frankly, wrong. Moreover, the team designing and collecting data for the optimized General Ledger—Patient Accounting—is wrong. They are unfamiliar with a variety of components that are critical to designing the General Ledger in the optimal and most efficient way.

Can you have success doing it this way and with this team? Yes, and I've seen it be successful in the past when implemented this way. That is why the process has never been looked at closely, until this point. But, remember: *success and best are not always equal*, particularly in this case.

## Changing Old Habits

Now, if the process used in the past for numerous General Ledger optimizations is not the best approach, what's the alternative? On a recent project, instead of waiting until the final hour to address the General Ledger, the Charge Services team decided to chart a new course and methodology by beginning the General Ledger data collection and design concurrent with the standard data collection timeline of each department's charges. Moreover, our team took ownership of the design of the General Ledger. Pausing here, let me reiterate the two drastic differences in our approach: **Timeline and Team**. In fact, we dubbed this radical new approach the "T2 Switch."

### Timeline

Project timelines are never easy and often dynamic. Yet, it is possible to effectively manage a project timeline by strategically planning when each input needs to begin and estimating its time for completion. Reversing the timeline of when to begin the General Ledger data collection and design was our first alteration to the previously established process. Our logic was simple. If the General Ledger were mapped, designed, and built before testing, we could fully and advantageously test the General Ledger during the many testing events and have a high level of confidence the design meets the client's expectations and needs. So, we went to work.

We met with the Finance departments, collected the list of active cost centers, identified what charges needed to go to each cost center, and mapped everything accordingly. This was far from a cut and dry, quick and clean effort. This was a several-month-long undertaking – in part because of the organization's size – and it highlighted the need and benefit of beginning the General Ledger data collection and design process early in the project timeline.

With the General Ledger mapped, designed, and built, we put ourselves in an unequivocal utopic state in which every project team yearns to be: ahead of schedule. Sounds too good to be true, right? With a plethora of time, we used this to our advantage and began testing to ensure the General Ledger design was accurate and met the client's expectations. Imagine testing a design before an official testing event and being adequately prepared. Did we find issues? Yes. Did we experience these same issues during Integration Testing? No. Simple as it may sound, this full, in-depth testing of the General Ledger prior to an Integration Testing event rarely, if ever, happens. This reality is shocking, given how important the General Ledger and accurate revenue assignment are to every healthcare organization.

You might be asking, is testing *before* Integration Testing necessary? No. Can you still be successful without it? Absolutely. However, anyone who has been in this business knows that testing is the quintessential component to any system implementation project. The more testing a system goes through, the less likely there is to be unexpected errors or issues. It also helps establish client confidence that the implemented system will work. By simply altering the timeline of when we executed the General Ledger data collection and build process, we negated the all-too-common absence of General Ledger testing prior to Integration Testing.

## Team

Getting now to the second critical component, who performs the data collection and build of the General Ledger? Traditionally, the Patient Accounting team handles the job. After all, the tool to build the General Ledger is a Patient Accounting tool. However, this doesn't make sense for two reasons. First, the Patient Accounting team is not nearly familiar or involved with revenue as is the Charge Services team. Second, the Patient Accounting team has a laundry list of tasks that need to be completed from their perspective. Mapping, designing, and building the General Ledger does not fall high on that list. With this in mind, our Charge Services team, decided to take ownership of the construction of the General Ledger.

Changing ownership of a task doesn't always guarantee improvement and has the potential to worsen the situation. In this particular instance, however, improvement was a near certainty. Let's reiterate the two points above: familiarity with revenue and a full plate. It's often forgotten that healthcare organizations generate revenue from the generation of charges. If the Charge Services team is designing and building all of the charges within a system, why would it not also be concerned with the revenue, given the two are parallel to one another? At the risk of sounding like a broken record, remember, we are creatures of habit and processes that have worked before trick us into thinking they are best. However, seeing an opportunity to improve, we took a new approach.

Taking a step further, suppose you were to ask a member of the Patient Accounting team which Activity Type is used for CDM 12345678 and into what cost center will that charge go? I'd be willing to bet that person would not be able to answer the question. Ask a Charge Services team member the same question, and you'll have an answer in a heartbeat. The Charge Services team is the utmost authority when it comes to charges within a system and how they are built. Although the Patient Accounting team member is perfectly capable of designing the General Ledger to determine where revenue is routed, the Charge Services team, given their expertise and familiarity with the charges built in the system, is much better equipped to not only ensure all charges are dropping accurately onto the patient's account, but also ensure charges go to the correct cost centers.

Still unconvinced? Although we've established the Patient Accounting team is not the best equipped team to handle the undertaking of designing and building the General Ledger, they are still capable of getting the job done. It is important to note that the Patient Accounting team isn't waiting around with nothing to do. In reality, the Patient Accounting team's to-do list is extensive and borderline scary, given tight project timelines. At the end of the day, their greatest concern is making sure claims are generating and getting sent out to the appropriate vendors for reimbursement. The argument, therefore, is simple. Given the high volume of tasks Patient Accounting owns and given they are not well equipped or familiar with revenue and charging, why should they be responsible for the mapping, creation, and ongoing maintenance of the General Ledger during a Revenue Cycle optimization? They should not. The Charge Services team should perform these functions.

## Summary

Changing the *timeline* of General Ledger data collection and build to coincide with the Charge Services data collection and build can lead to additional time for testing prior to Integration Testing. The additional testing of the newly developed General Ledger improves the system and generates client confidence that it will perform as expected upon go-live.

Changing *team* ownership of the General Ledger from Patient Accounting to Charge Services relieves the Patient Accounting team of a critical, yet time-consuming task, while also assigning the function to the team most familiar and equipped to deal with the system's charge and revenue capturing capabilities.

Ultimately, the decision of which approach to take is up to you and your project team. No two projects are the same and each project has its own complexities that have to be carefully evaluated. Just remember, a process that has worked in the past does not necessarily mean it is the best approach. Consider the "T2 Switch" method the next time you are implementing a new Revenue Cycle Implementation involving the General Ledger, as it might be make you redefine best.

## About Impact Advisors

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