

Manage Risk With Manager Training: A Healthcare Leader's Checklist

By Eric Jolly, CPA, CGMA, and Scott Gerard, CPA

These are common scenarios in healthcare:

A radiology technician is promoted to manage the radiology department at her institution based on her years of experience and knowledge of the discipline, but she does not have the training or skills to prepare or oversee budgets or think strategically about increasing the service's volume.

A veteran physical therapist respected by colleagues for his clinical expertise is promoted to service line manager and finds himself responsible for planning equipment purchases and capturing market share – areas beyond his skill set.

Clinical managers need business skills, but they rarely have chances to acquire these skills in their clinical work. This gap in experience and training often becomes apparent when these individuals are promoted to positions of leadership. The deficiency in competencies can hinder a department's viability and competitiveness, especially in the value-driven environment of healthcare reform. According to an amalgamation of data on approximately 1,500 client internal audits collected by CHAN Healthcare – a subsidiary of Crowe Horwath LLP – in 2014, lack of management training and accountability is one of the top three causes of internal audit issues. It behooves healthcare organizations to manage risk by investing in business and management training for clinical managers, including those newly promoted to a managerial position.

Following is a list of seven essential areas of management competency:

1. **IT applications and privacy and security.** Clinical managers need to know how to: 1) advise their team on protecting patient data, 2) work with their team and IT department to apply patches and security updates to locally managed systems, 3) test program changes and patches to see that those changes don't jeopardize the systems, 4) back up data to tapes or the cloud as often as necessary, 5) verify the privacy and security of patient information that is backed up to the cloud, and 6) oversee other security practices, such as segregation of duties, to confirm, for example, that an employee who accepts cash is not able to take it and write off the balance.
2. **Payment card processing.** Many patients have larger deductibles and copayments as a result of healthcare reform. Some hospital services, such as radiology, have only a single touch point with the patient, which means that a service must do everything that it can to collect payments upfront. Clinical managers who lack a solid grasp of the complex rules of payment card processing and required secure networks could jeopardize their department's ability to use payment cards to collect payments from patients and could leave the facility vulnerable to reputational damages similar to those recently observed in retail.
3. **Business financial oversight – revenue cycle and accrual accounting.** Clinical managers need to know how profitable their service lines are to plan strategy and make decisions that will promote the department's ongoing competitiveness and viability. This requires having a basic understanding of the accounting for their



department, including knowing the difference between gross and net revenue, how many procedures a service performs, average net revenue per procedure, charity care discounts for uninsured and underinsured patients, and the difference between accrual and cash basis accounting.

If, for example, a disproportionate share of Medicaid and uninsured patients are being referred to the emergency room from a nearby hospital, knowledge of this referral pattern can help the emergency room manager plan a cost-effective response. One response might be to develop solutions to move this volume to the organization's urgent care clinic, which has a lower cost structure.

4. **Human resources.** Clinical managers should know how to think strategically to determine the optimal mix of strengths and skills needed by new employees. The managers should know how to evaluate and improve the performance of the individuals who report to them, monitor the individuals' productivity, handle scheduling and staffing changes when an employee takes a leave of absence, terminate an employee without putting a hospital at risk, determine salary increases, and handle intradepartmental disagreements.
5. **Strategy.** Clinical managers must understand the skills and capabilities a department needs to capture more volume in order to, for instance, make a business case for new equipment. For example, they need to understand how volume will change, net revenue will increase, physician relationships will improve, and unnecessary readmissions will decline if an institution invests \$1.5 million to \$4 million in a surgical robot. Clinical managers might understand the clinical benefits of acquiring the robot, but can they make decisions based on how the acquisition will affect a department from a strategic business perspective?
6. **Vendor management.** Outsourcing a service does not mean eliminating the associated risk. Department managers or directors must understand their role in selecting and managing vendors and holding them accountable for the quality of their work, whether those services are housekeeping for a surgery center or billing for a cancer institute. For example, does a billing vendor achieve higher net revenues because it upcodes, putting the hiring organization at risk in the process?
7. **Risk management.** Clinical managers must know how to investigate and report accidents and other adverse events. Risk management involves learning how to do a root cause analysis to prevent future occurrences as well. Managers also must assume responsibility for confirming that a department does not violate the False Claims Act, the Stark Law, and other laws and regulations that could put a department and institution at risk.

Clinical managers don't have to become business or financial experts, but they do need grounding in the basics of important business disciplines and in knowing when and how to draw on specialized expertise from elsewhere in an organization.

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