



## PALOMAR HEALTH CASE STUDY



ICD-10 didn't cause the sky to fall for Palomar Health. In fact, for Palomar Health the sky is the limit. 

Healthcare Solutions

### About the Client

Palomar Health is made up of three hospitals—Palomar Medical Center Escondido, Palomar Medical Center Poway, and Palomar Medical Center Downtown Escondido—serving communities in an 850 square mile area in Southern California. Palomar Health also includes a trauma center serving South Riverside and North San Diego Counties. Combined, Palomar Health facilities offer a wide range of services, including home health care, surgery, skilled nursing, ambulatory care, behavioral health services, wound care, and community health education programs.

### Client Challenge

In the fall of 2015, Palomar Health faced a challenge familiar throughout the healthcare industry: how to meet the looming ICD-10 deadline in the most efficient and cost effective way? And while headlines touted the difficulties that both payers and providers would face—from budget shortfalls and system failures to potentially significant reimbursement delays and costly penalties—Palomar Health's challenge was unique.

Palomar Health had an existing coding department. But attempting to address the ICD-10 transition on their own would mean significant expenditures on training and possible new hires, with no guarantee of success. On the other hand, outsourcing their coding functions, while still no guarantee of success, would remove transparency from the coding process. **How much work would be done by each FTE they were paying for? Would their contracted staff be adequate for their needs?** The answers to these questions could not be known if they turned over their operations to an outside organization with opaque pricing and no skin in the game. Both alternatives would require significant initial expenditures, and neither would give Palomar Health the flexibility it needed to accommodate what was anticipated to be an unpredictable transition: one in which fluctuations in personnel and outcomes were expected to be the norm.



## The Sutherland Transformation

To ensure a seamless ICD-10 transition that gave Palomar Health the greatest flexibility possible — maintaining transparency in pricing and production alike — Sutherland crafted a Palomar Health specific solution which included:

- **The training and management** of select Palomar Health coders
- **Right-sourcing of certified, trained coders** who used Palomar Health's systems at locations in Chennai and the Philippines to maximize workflow and productivity
- **Centralized, single-source, U.S. based management and communications** ensuring seamless delivery across geographic locations
- **On-demand dashboard** and weekly reporting providing total transparency into productivity and output
- **The implementation of outcomes-based pricing**, offering complete transparency into value
- **Staffing flexibility** to ensure all service level agreements (SLAs) were met

Sutherland's customized, end-to-end solution took responsibility for all aspects of Palomar Health's coding functions. And as a result of both side's commitment to forming a strong partnership, industry-wide turbulence that occurred in the early stages of the ICD-10 transition when the contract was structured around a fixed number of FTEs was met with increased staffing at no additional costs.

## Partnership Results

Between September 2015, when Sutherland's contract with Palomar Health went into effect, and September 2016, Palomar Health's coding functions saw impressive results across measures:

95%

An increase in coder production from 65% to 95%

96%

An increase in coder quality from 68% to 96%

\$17 million

A drop in DNFB from \$70 million to \$17 million

\$30 million

A cash flow target that experienced a flip of nearly \$30 million

98%

DNFB and quality SLAs have been steadily maintained above 98%

The relationship proved so successful and both companies' commitment to success so strong, that Sutherland is now putting additional skin in the game on Palomar Health's behalf, transitioning to an outcomes-based pricing model, increasing value, and extending opportunities for mutual, long-term gains. Palomar Health's experience with Sutherland proves that when working with the right partner — one with an unparalleled breadth of knowledge, depth of expertise, and wealth of resources — both industry-wide disruptions and company-specific challenges can be channeled into market-leading opportunities for success.

To learn more about Sutherland Healthcare, please visit [sutherlandhealthcare.com](http://sutherlandhealthcare.com) or contact us at [healthcare@sutherlandglobal.com](mailto:healthcare@sutherlandglobal.com)

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