



# 3-minute case study: Rewards that drive down costs

By Erin Graham | November 16, 2017

**W**hat innovations drive success in healthcare? Here's a tactic from a high performer on the athenahealth network.

## The problem

In 2012, Austin Area Obstetrics, Gynecology, and Fertility welcomed Jinous Rouhani, MBA, as its new CEO. She discovered that the 22-provider group had extremely high overhead costs – higher than 90 percent of practices the same size nationally.

Because the group's physicians had a large degree of autonomy, and staff performed many different functions, Rouhani knew it would be difficult to align everyone toward the same goal of achieving profitability.

"Renegotiating contracts wouldn't be enough," she says. "You've got to cut costs. And you've got to get everyone on board."

## The solution

Rouhani implemented an incentive system that awards quarterly bonuses for every clinical team and department, in exchange for meeting precise targets. "You have to look at each area and figure out how to incentivize each department – the front desk, the check-out, the scheduler, each pod, the back office," she says.

The specificity of the criteria – from supplies ordered to the number of calls answered by nurses without going to voicemail – is the key. "Within each area," Rouhani says, "the bonus depends on actions pertaining only to them."

Simple arithmetic sets the size of possible bonuses: Payroll expenses plus supplies for each department are set against revenues for each quarter. The lower the expenses, the higher the bonus – typically, 10 percent of savings.

The system ensures that individual effort is recognized. "We're bonus-ing to create heroes,"

Rouhani says. Only the top two or three performers in each area receive a bonus when their team hits a new high bar. And those top performers are celebrated every quarter in a brief meeting of the entire organization.

“Through bonus-ing,” says Rouhani, “we are changing behavior.”

## The outcome

Compared to other practices on the athenahealth network of 99,000 providers, Austin Area Ob-Gyn performs in the top quintile on a range of key metrics related to operational efficiency, including RVUs per day, days in accounts receivable, patient pay yield, collections, and portal adoption, according to an ongoing project by athenahealth’s researchers examining key financial and operational metrics across the network. The practice has also reduced its overtime pay from 22 percent of payroll to zero.

Three years into the new incentive system, the organization’s overhead costs are in the 10th percentile nationwide for medical groups its size. And its profitability has doubled.

*Gale Pryor is associate editor of athenaInsight.*



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