

# A Business Case for Compliance Services in Psychiatric Hospitals & Behavioral Health Organizations

## EXECUTIVE SUMMARY

**F**or 25 years, Barrins and Associates has assisted Psychiatric Hospitals and Behavioral Health Organizations in preparing for initial accreditation and maintaining ongoing compliance. We've brought our expertise to over 350 organizations nationwide, helping to ensure they meet the ever-changing standards and elevate their level of patient care and safety.

The purpose of this white paper is to help you understand the financial return on investment the compliance services provide. From industry data to our own research, we present findings that make it clear, compliance support isn't just nice to have, it's an **essential service for high performing organizations**.



Psychiatric hospitals and behavioral health organizations are increasingly under pressure to maintain stringent compliance with regulatory and accrediting bodies, such as the Joint Commission, CMS, and SAMHSA. Despite the obvious benefits, due to fiscal pressures and tight budgets, services to help ensure compliance often get pushed to the sidelines. This white paper demonstrates that compliance services should not be viewed merely as an expense but as a critical investment akin to insurance that safeguards the organization against significant financial losses and reputational damage.

The return on investment (ROI) from compliance services is quantified not only in terms of direct cost savings—such as avoiding fines and legal fees—but also in enhancing operational efficiencies, improving patient outcomes, and maintaining competitive advantage. Through real-world examples and data-driven analysis, this paper articulates a compelling case for prioritizing budget allocations to compliance services. It is a strategic move that not only fulfills regulatory requirements but also positions organizations for long-term success and stability in a challenging healthcare environment.

For CFOs, CEOs, Nursing Directors, and Compliance Officers, the decision to invest in compliance services is an essential strategy for risk management and operational excellence, ensuring their institutions can continue to provide high-quality care without the looming threat of compliance-related disruptions.

For some expenditures, it's easy to determine a return on investment (ROI). For example, it is straightforward to justify a new piece of equipment that costs \$45,000 to purchase and \$5,000 to operate annually but reduces staffing costs by \$25,000 each year. But, for services where cost avoidance, operational efficiency and process improvements are key, it's harder to quantify. Compliance services fit into that category.

So, what is the Return on Investment (ROI) of compliance services for psychiatric hospitals and behavioral health organizations and how do you go about calculating it? And how do mock surveys factor into calculating the ROI?



## The Importance of Compliance Services for Psychiatric Hospitals and Behavioral Health Organizations

### *Would you choose not to budget for insurance?*

Rarely do we expect an extreme event to occur, but when it does, the insurance provides protection. Compliance services safeguard your operation in a similar manner. Even high performing organizations experience process breakdowns, a few that even lead to Immediate Jeopardy citations. In fact, in 2023, 10 IJ citations were issued to healthcare organizations that achieved A, B and C grades in the [Leapfrog Group's 2023 Hospital Rankings](#).

Maintaining compliance with esteemed accrediting bodies such as the Joint Commission, DNV, CARF,

COA, CIHQ, and ACHC, alongside regulatory agencies including CMS, SAMHSA, and state entities, is not just a requirement; it is a critical factor in elevating patient/client safety and avoiding costly legal implications. To address these challenges, many healthcare organizations leverage their internal staff and outside compliance services to ensure they meet standards. In an era of thin margins and tight budgets, organizations are scrutinizing these expenditures like never before. But, when a service demonstrates a substantial return on investment, it becomes more straightforward to validate its worth.

## Identifying the Impact of Accreditation

When asked to describe the benefits of an effective mock survey and other accreditation and regulatory compliance services is a nuanced discussion. During budget meetings, equating an expected return on investment is a more powerful answer. But unlike a new medical device with an easily defined operational cost, carving out the cost benefits of compliance services requires more work.



As a result, determining the ROI of compliance services, especially mock surveys, necessitates a methodical approach. The process involves three primary steps:

1. Defining the Value of Accreditation Services
2. Capturing Accreditation Costs
3. Calculating Return on Investment

*Let us explore each of these steps in more detail...*



## #1 Defining the Value of Accreditation Services

Compliance services, including mock surveys, play a crucial role in mitigating costs and improving processes for psychiatric hospitals and behavioral health organizations. These are four key areas that compliance services impact: 1) Competitive Advantage, 2) Process Improvements, 3) Operational Efficiency, and 4) Cost Avoidance.



### 1. Competitive Advantage

Psychiatric hospitals and behavioral health providers need a strategic edge to stand out and attract patients/clients, healthcare professionals, and partnerships. Compliance services, including mock surveys, can enhance a provider's competitive advantage in the following ways:

- **Reputation Management**

Compliance services help psychiatric hospitals and behavioral health providers maintain a strong reputation for patient/client safety and quality of care. A psychiatric hospital that consistently meets or exceeds regulatory requirements and accreditation standards is viewed more favorably by patients/clients, insurers, and referring physicians.

- **Accreditation and Certification**

Achieving and maintaining accreditation from reputable bodies like the Joint Commission, DNV, ACHC, CIHQ, COA, and CARF, as well as compliance with state and federal regulations, demonstrates a commitment to excellence in patient/client care.



- **Risk Mitigation**

Compliance services help psychiatric hospitals and behavioral health providers identify and address risks related to patient/client safety, data security, and legal compliance. By effectively managing these risks, psychiatric hospitals reduce the likelihood of costly litigation or regulatory fines.

- **Enhanced Partnerships**

Psychiatric hospitals and behavioral health providers that demonstrate a strong commitment to compliance are more attractive to potential partners, whether they are other healthcare organizations, insurers, or pharmaceutical companies. Strong partnerships can lead to improved patient/client outcomes and operational efficiency.

## 2. Process Improvements

Compliance services, including mock surveys, are not solely focused on meeting minimum standards; they also equip providers with the tools and insights needed to implement continuous improvement efforts. Here is how they contribute to a psychiatric hospital's ability to implement improvement initiatives:

- **Data-Driven Insights**

Mock surveys generate valuable data and feedback. Psychiatric hospitals and behavioral health providers can use this data to identify areas in need of improvement, whether related to patient/client care, workflow processes, or administrative procedures.

- **Best Practices**

Compliance services often include guidance on best practices in healthcare. Psychiatric hospitals can leverage these recommendations to enhance their existing procedures and workflows, ultimately leading to better patient/client outcomes.

- **Staff Engagement**

Engaging staff in compliance services empowers them to become active participants in the quality improvement process. Staff members are encouraged to contribute their insights and take ownership of implementing changes that enhance patient/client care.



### 3. Operational Efficiency

Operational efficiency is a cornerstone of high-quality healthcare delivery. Compliance services can significantly impact a psychiatric hospital's operational efficiency in the following ways:

- **Streamlined Processes**

Mock surveys often identify opportunities for process improvement. Providers can streamline workflows, eliminate redundancies, and reduce waste, leading to more efficient operations.

- **Resource Allocation**

Compliance services help providers prioritize resource allocation. By identifying areas where resources are most needed, hospitals and behavioral health providers can optimize their budget and workforce to ensure efficient and effective patient/client care.

- **Reduction of Non-Compliance Costs**

Non-compliance with regulations and accreditation standards can lead to costly penalties and legal expenses. Compliance services prevent such costs, which preserves financial resources and operational efficiency.

- **Technology Integration**

Compliance services can advise psychiatric hospitals on the integration of technology solutions that improve operational efficiency. For instance, effectively integrating electronic health records (EHRs) can enhance patient/client care and streamline administrative tasks.



### 4. Cost Avoidance

Compliance services play a vital role in helping psychiatric hospitals prevent avoidable expenditures, such as, preliminary denial of accreditation (PDA), immediate jeopardy (IJ), denial of accreditation (DA), and denial of Medicare certification. When conditions exist in a healthcare facility that, if not corrected, could lead to serious harm, injury, or death to patients/clients, this may lead to the suspension of Medicare reimbursements, substantial legal fees and more. Plus, adverse accreditation or regulatory decisions have a long-term impact, damaging the provider's reputation, which can have long lasting revenue implications.



## #2 Capturing Accreditation Costs

Although there are a variety of survey preparation services that organizations like Barrins and Associates offer, let's look specifically at costs of a Mock Survey. The mock survey process simulates the agenda for a Joint Commission survey and includes all the interviews, tracers, and other sessions that occur during an assessment. It's designed to keep your organization prepared and solve problems before they occur. \$20,000 is an average cost for this service.

## #3 Calculating Return on Investment

As emphasized earlier, achieving and sustaining compliance offers a myriad of benefits. However, there are inherent costs, with the most significant arising from adverse decisions by regulators or accrediting bodies. Consequently, evaluating the ROI of compliance services entails delineating the costs associated with navigating this perilous terrain.

Data compiled by Barrins & Associates over the past 12 months reveals that responding to an adverse decision typically incurs costs **two to four times higher** than those of conducting a mock survey through third-party compliance services.

For instance, investing \$20,000 in a comprehensive mock survey inclusive of clinical and life safety consultations obviates the need for outlays ranging from \$40,000 to \$80,000 for engaging a consulting firm to aid in recovery from an adverse decision. Notably, this assessment only encompasses the consulting firm's costs, excluding ancillary expenses such as legal support, overtime wages, additional staff, or other resource allocations necessitated by adverse rulings.



## Barrins & Associates Consultants



The ROI of compliance consulting services shows the value of accreditation and compliance efforts for psychiatric hospitals and behavioral health providers. Mock surveys, as an integral part of compliance services, offer a multitude of benefits, both financial and operational. Healthcare organizations that invest in these services not only protect themselves from legal and financial risks but also enhance patient/client care and staff engagement.

At Barrins & Associates, we have a proven track record of assisting psychiatric hospitals and behavioral health organizations with compliance services and mock surveys that provide a reliable return on investment. Our services are designed to ensure that psychiatric hospitals not only meet the requirements of accrediting bodies and regulators but also thrive in the ever-evolving healthcare landscape.