

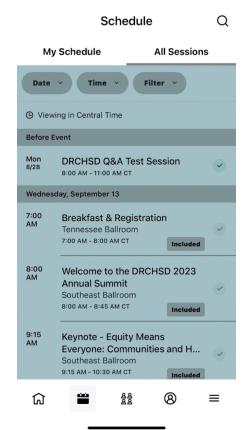
Delta Region Community Health Systems Development Program 2023

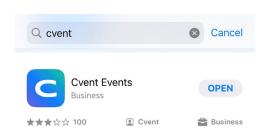


Stability of Rural Health care: No Margin, No Mission



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STABILITY OF RURAL HEALTHCARE: NO MARGIN, NO MISSION

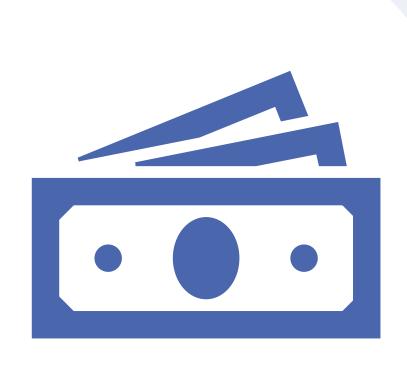
Eric Rogers, Principal, FORVIS & Wade Gallon, Senior Consultant, Stroudwater





No Margin, No Mission





Revenue MaximizationTop Opportunities

- Effective communication of services in the community
- Additional service offerings
- Revenue cycle improvement
- Medicare cost report
- 340B program participation
- Additional opportunities

Communication of services



Communication of services cont.



"I didn't know I could get that done here?"



"My doctor referred me to Big Medical Center 45 minutes away"



"So and so said you had to go to Big Medical Center for that type of scan"



"They're so small, I don't think they do that here"



"Maybe they do that here, but Big Medical Center has a big building and fancy equipment so it must be better"

Communication of services - Opportunities



Community engagement

Community events

Local media (e.g., newspaper, radio, etc.)

Social media

Partnership with other local institutions (e.g., churches, community centers, etc.)

Word of mouth – patient experience and reputation



Local provider engagement

Consistent outreach to local primary care providers

Involvement of ancillary department managers

Patient education

Communication of services – Opportunities cont.

- Do we consistently engage with the community?
- Do we communicate when new providers begin practicing?
- Do we communicate our priorities and initiatives?
- Do we partner with other local agencies around community health?
- What is our reputation in the community?
- What is the patient experience at our organization?



Additional Service Offerings

- Common refrains:
 - It costs too much money
 - We don't have money in the budget for this
 - There's not enough time to evaluate
 - Our staff do not have capacity



Additional Service Offerings - Opportunities



Establish community need

Market assessment

Community Health Needs Assessment (CHNA)

Common transfer reasons

Local competition



Evaluate financial feasibility

Estimated cost (fixed vs. variable)

Reimbursement

Estimated volumes

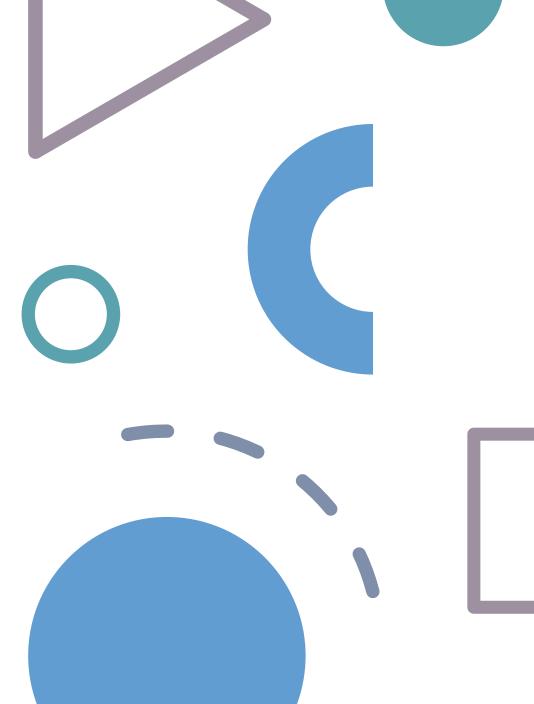
Impact to other areas



Effective promotion in the community

Revenue Cycle

- "You can't manage what you don't measure." – Peter Drucker
- Starts with a "measurement culture"
 - Consistent revenue cycle meetings
 - Defined cadence, established owner(s) and sponsor(s)
 - Key Performance Indicators (KPIs)
 - Comparison to industry benchmarks, internal goals and past performance
 - Dashboards for monitoring
 - Sharing information throughout the organization



KPIs example

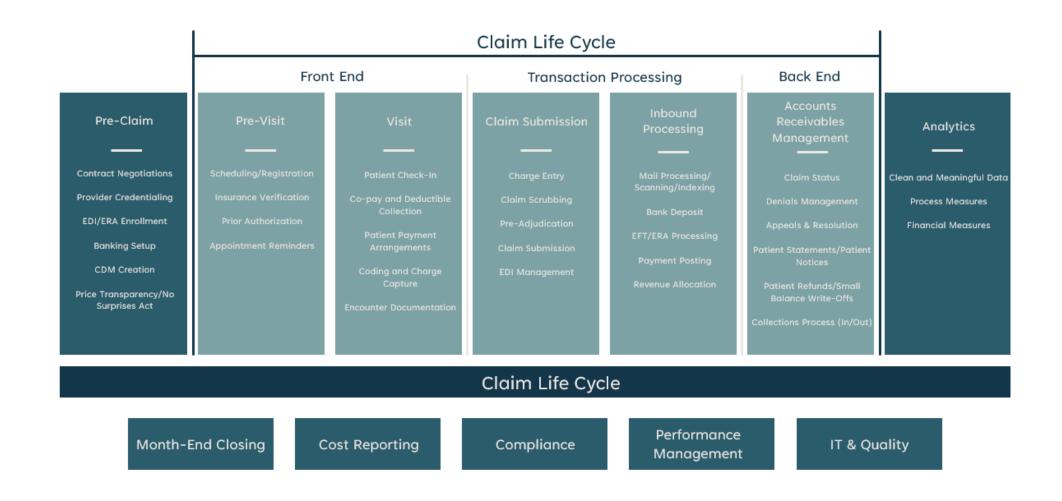
Revenue Cycle Metrics:

Revenue Cycle Financial Measures	Calculation:	Goal
Days in Gross Accounts Receivable	Total Gross AR / (Total Gross Revenue/# of Days)	45
Days in Net Accounts Receivable	Net AR / (Net Patient Revenue / # of Days)	45
Accounts Receivable > 90 Days	\$ Value of AR>90 days / Total Gross AR	20%
Gross Cash Collections to Total Gross Revenue	Cash Collected / Total Gross Revenue	25%
Percentage of Unbilled Receivables	Gross Unbilled Accounts Receivable / Total Gross AR	20%
Bad Debt % to Gross Revenue	Bad Debt / Total Gross Revenue	3%
Charity % to Gross Revenue	Charity Care / Total Gross Revenue	1%
Revenue Cycle Process Measures	Calculation:	Goal
Registration % Correct	1 - (Registration Errors / Patients Registered)	95%
Clean Claims From Bill Editor	Clean Billed Claims / Total Billed Claims	95%
Up-front Deductible and Co-pay Collections (Point of Service		based on Patient Co-Pay
Collections)	Point of Service Collections	amount trends
Claim Acceptance Rate	Dollar Value of Denials / Total Gross Revenue	95%
	Dollar Value of Claims Discharged but not Submitted to	
Days in total discharged not submitted to Payor	Payor / Average Gross Patient Revenue	5
Scheduled OP Services that are Pre-registered	# of Pre-Registered OP / Total Scheduled OP Patients	95%
Self-pay Patients that Receive Education on Charity Care and	Self Pay Pts Received Education on Charity Care and	
Financial Counseling	Financial Counseling / Total Self-Pay Patients	95%

Measurement Tools

Sample Hospital Name												
	Goal		FY2022 YTD	Π	Jan-23	Π	Feb-23	Mar-23		Apr-23		Y2023 YTD
Number of days in period			365		31		28	31		30		90
	100% of 3 mo											
Cash Goal	pr net rev	\$	1,756,802	\$	1,521,459	\$	1,642,907	\$ 1,538,282	\$	1,391,683	\$	4,702,648
Cash Collections		\$	1,971,948	\$	1,680,392	\$	1,489,575	\$ 1,750,692	\$	883,753	\$	4,920,659
% of Cash Goal	100%		112%		110%	\circ	91%	114%	\circ	64%		105%
Self- Pay Collections		\$	49,821	\$	41,056	\$	30,111	\$ 36,793			\$	35,987
Total POS Cash Collections		\$	7,254	\$	2,742	\$	8,920	\$ 6,581			\$	6,081
% of Total Self- Pay Collections	>15%		15%		7%		30%	18%		0%		17%
Gross Patient Revenue		\$	160,574,132	\$	14,227,967	\$	14,392,383	\$ 15,564,350	\$	10,363,172	\$	14,728,233
Average Daily Revenue		\$	439,929	\$	458,967	\$	514,014	\$ 502,076	\$	345,439	\$	163,647
Total A/R (including inhouse and credit balances)		\$	32,314,294	\$	26,355,787	\$	24,585,783	\$ 20,033,445	\$	27,324,085	\$	23,658,338
Days in A/R - Gross	< 40		73.45		57.42	\circ	47.83	39.90		79.10	0	48.39
Insurance A/R \$ > 90 Days		\$	7,134,002	\$	5,109,800	\$	6,068,690	\$ 2,826,451				4,668,314
% of Total A/R	< 15-20 %		22%		19%		25%	14%		0%	\odot	19%
All A/R \$ >90 days (includes Self-Pay)		\$	9,976,000	\$	8,689,922	\$	8,710,464	\$ 9,386,715				8,929,034
% of Total A/R	< 20-25 %		31%		33%		35%	47%		0%		38%
DNFB	< 5 Days	0	8.42		8.42	\bigcirc	6.32	4.97		9.00	\odot	6.57
DNFC	< 3 Days		7.58		7.58	\circ	4.45	2.75		3.00	\odot	4.93
Gross Denials \$ written off		\$	530,877	\$	232,596	\$	97,506	\$ 79,842				136,648
% of gross patient revenue	< 2%		0%		2%		1%	1%		0%		1%
Bad Debt transfers				\$	789,093	\$	528,767	\$ 759,585				692,482
% of bad debt gross patient revenue	< 8%				6%		4%	5%		0%		5%

Revenue Cycle Management



Revenue Cycle - Opportunities



Pre-visit

Data collection: Patient demographics, insurance verification, etc.

Patient Responsibility communication

Prior authorization

Appointment reminders

Provider credentialing



Point-of-service collections (e.g., copays)

Patient communication

Financial assistance

Patient education

Revenue Cycle - Opportunities in charges





Charge reconciliation

Clinical manager ownership/accountability

Education/industry best practice



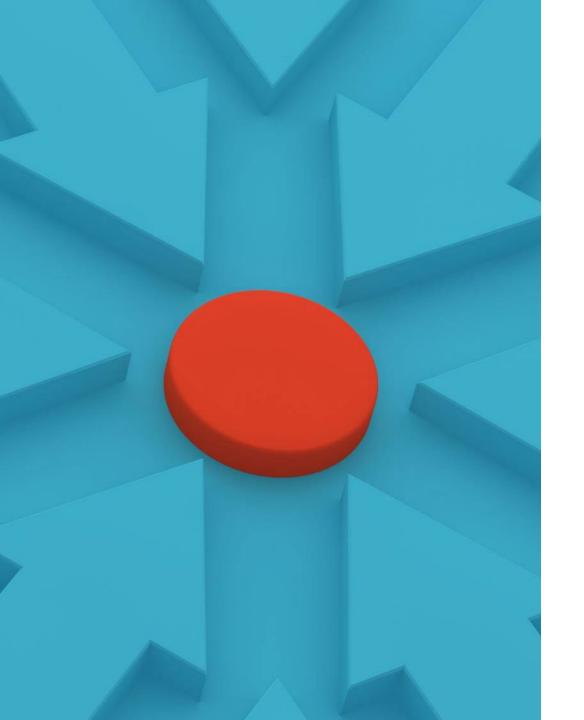
Third-party contracts

Keeping an inventory
Payment review
Negotiations

Revenue Cycle – Opportunities in Denials

- Denials Management
 - Tracking by type
 - Benchmarking denial rates
 - Coordinating with external vendors
 - Root cause analysis/mitigation
 - Appeals success
 - Denials team meeting (potentially separate from revenue cycle committee meetings)





Revenue Cycle - Opportunities for Chargemaster

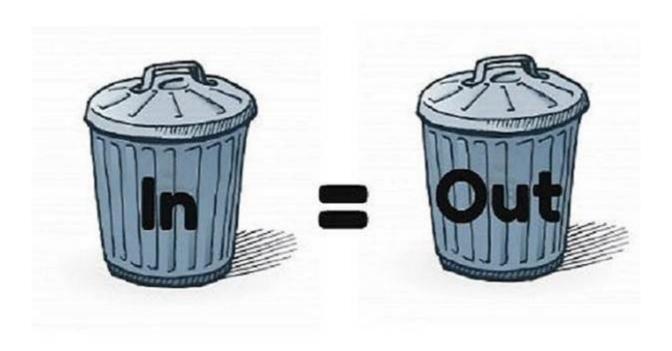
- Chargemaster
 - Consistent reviews
 - Strategic pricing
 - Greater visibility due to recent regulations



Medicare Cost Report

- Accurately filing a Medicare cost report (and in some cases Medicaid cost report) can potentially help hospitals maximize reimbursement
- CAHs
 - Cost-based reimbursement
- PPS
 - Add-on payments (e.g., DSH)
- Both
 - Medicare bad debts

Medicare Cost Report cont.



Medicare Cost Report - Opportunities



CAHs

- Expense and revenue "mapping"
- Overhead cost allocations
- Related party adjustments
- Provider compensation reporting
- Provider-Based Rural Health Clinic (PB-RHC) reporting
- Interim cost report filing
- PPS Hospitals
 - DSH adjustment
 - Other add-on payments
 - Wage index

Medicare Cost Report – Opportunities cont.

- Medicare Bad Debts
 - Available for a range of facilities (including CAHs, PPS hospitals and clinics)
 - Medicare reimburses 65% of allowable patient responsibility amounts for Medicare patients
 - Biggest challenges/areas of opportunity:
 - Documentation
 - Returning accounts from collection agencies
 - Compiling a compliant bad debt listing
 - "Dual-eligible"/"Free Care"/"Traditional" understanding the differences

340B Program Participation

- Who qualifies?
 - Critical Access Hospitals (CAHs)
 - Prospective Payment System (PPS) hospitals as follows:
 - Disproportionate Share Hospitals (DSH) disproportionate share adjustment percentage greater than 11.75%
 - Sole Community Hospitals (SCH) disproportionate share adjustment percentage greater than 8%
 - Rural Referral Centers (RRC) disproportionate share adjustment percentage greater than 8%
 - Children's and Freestanding Cancer Hospitals disproportionate share adjustment percentage greater than 11.75% or eligible through separate indigent care calculation
 - Federally Qualified Health Centers (FQHCs)
 - Other health centers and clinics as identified in statute
 - For-profit hospitals can't participate

340B Program - Opportunities

- Contract pharmacy arrangements
 - In some cases, limited opportunity exists given current 340B drug manufacturer restrictions
 - Additional data reporting
- Referral capture (specialty referrals)
 - Similarly, there may be restrictions
- Provider-Based Entity Clinic designation
 - Provider-based vs. freestanding



Additional Opportunities

- Patient Centered Medical Home (PCMH) designation for eligible provider practices
 - Potential enhanced payments, often, thought not exclusively, in the form of a Per-Member, Per-Month (PMPM) arrangement
- Chronic Care Management Programs
 - Medicare Chronic Care Management (CCM), Principal Care Management (PCM), etc.
 - Medicare Annual Wellness Visits (AWVs)
- Grant opportunities



Expense Management – Top Opportunities

- Labor productivity efficiencies
- Physician compensation redesign and productivity alignment
- Employee benefits and brokers
- GPO, Supplies and Purchased Services
- Pharmacy: Formulary, PBM and Rebates

Post-COVID Margins

2023 Q2 operating margins improved, but remain underperforming:

- Labor and NonLabor Expenses
- Volumes stabilizing/OP growth
- Business Office challenges
 - Increased Bad Debt and Charity Care
 - Denials and DRG downgrades
 - Turnover, inexperience and productivity challenges

Approximately 50% of hospitals posted negative operating margins in 2022

Expenses Remain High

Expense growth per adjusted discharge/*Calendar Day (Jul 2020 - Jul 2023)

Labor* 19%

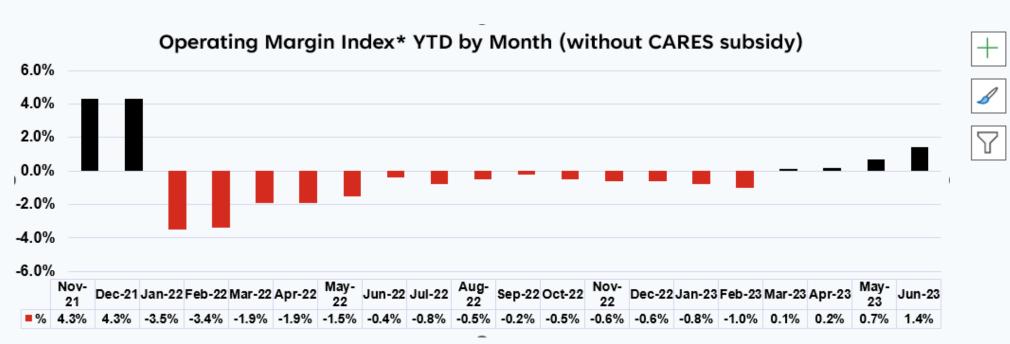
Supplies 22%

Drug Costs 24%

Purchased Services 20%

KH, July 2023; "National Hospital Flash Report"

National Margin Results



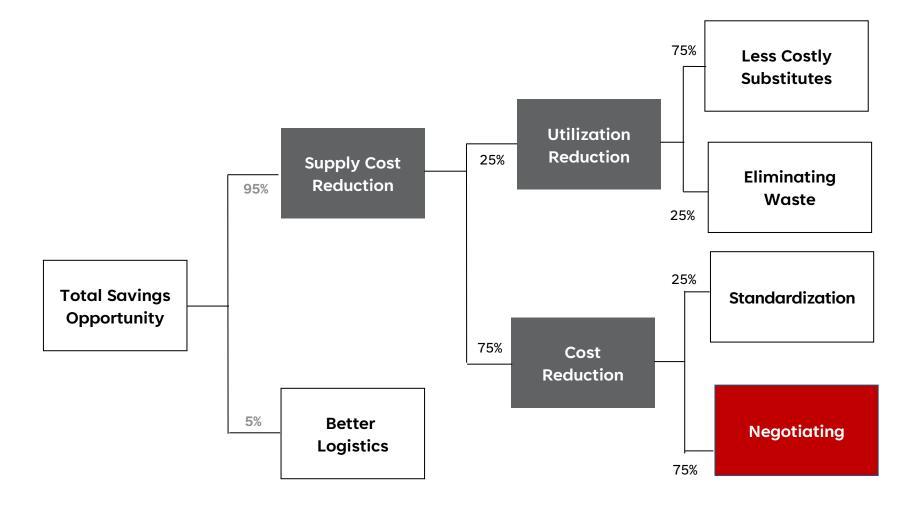
^{*} Comprised of national median of results adjusted for allocations to hospitals from corporate, physician and other entities. National Hospital Flashreport, March 2023 KH

NonLabor Cost Management

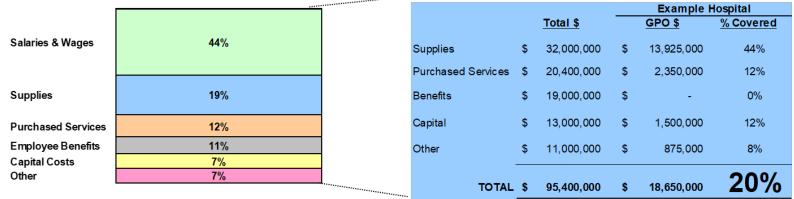
- The supply chain for most hospitals is vast and complex. However, with the right strategy and skills, it can be leveraged to generate reliable savings.
- Average cost reduction initiatives increase margins by 1% to 3% of NPSR.
- Common initiatives include:
 - Med/Surg supplies
 - Medical devices
 - Pharmaceuticals
 - Food & nutrition
 - Lab reagents and blood
 - Employee benefits
 - Utilities
 - Biomed & Service Contracts
 - Technology
 - Purchased Services



The Art of the Deal



GPOs



Source: HIDA and Arthur Andersen

Outside	GF	,o	Complem	ent	GPO	Replaced	l G	GPO		
Furniture Maint- Clin (2) Cleaning Telecomm Maint- Bldg (2)	\$ \$ \$ \$	18,000 96,000 10,000 89,000 37,000	Plastic/ paper Bed Rentals* Radiology (4) Lab (5) Surgery (4)*	\$,	Office Supplies Forms Surg- Ortho (3) Surg- Card (4)	\$ \$ \$	132,000 63,000 217,000 128,000		
Cardiac (3) Surgery (8) Dietary (3)	\$ \$	31,000	Surgery (6) Dietary*	\$	123,000 91,000					
Agency (6) Other 29 Contracts	\$ \$ \$1	306,000 207,000 ,072,000	22 Contracts	\$	827,000	9 contracts	\$	540,000		
		44%	•		34%	•		22%		

TOTAL \$2,439,000

Myth Busters

Self contracting is futile

Contracting for high technology areas is a waste of time

I don't have the resources to generate savings on my own

Mfg	Description	α	d Price	(Old Spend	Ne	w Price	N	lew Spend	Savings
Dart	8 oz foam cup	\$	12.04	\$	6,287.05	\$	11.23	\$	5,862.06	\$ 424.99
Tyco	30x36 black liner (now HD 24x33)	\$	21.01	\$	23,275.23	\$	18.60	\$	20,608.80	\$ 2,666.43
Tyco	38x58 Xhvy liner	\$	17.39	\$	18,222.12	\$	9.57	\$	10,029.36	\$ 8,192.76
Tyco	40x48Red Printed Liner	\$	15.32	\$	3,553.48	\$	13.37	\$	3,101.84	\$ 451.64
GP	Natural multifold towel	\$	12.83	\$	38,364.00	\$	12.39	\$	37,046.10	\$ 1,317.90
GP	Natural singlefold towel	\$	13.42	\$	483.00	\$	12.39	\$	446.04	\$ 36.96
				\$	90,185			\$	77,094	\$ 13,091
										15%

					Target
				Target	Savings
ltem#	Description	Current Price	Target Price	Savings \$	%
7770723	INTERBODY DEVICE EXP 23X7X10	\$ 4,500	\$ 3,836	\$ 664	14.8%
74200001260	IMPLANT SI JOINT CAGE 12X60MM	\$ 3,960	\$ 2,178	\$ 1,782	45.0%
7770728	SPACER 7X28 LORDOTIC ELEVATE	\$ 4,500	\$ 3,960	\$ 540	12.0%
8880823	SPACER ELEVATE X-LOR 23X8MM	\$ 4,500	\$ 3,838	\$ 662	14.7%
KPX203AB	TAMP BONE SPINAL KYPHO 20X3	\$ 2,700	\$ 2,768	\$ (68)	-2.5%
7510200	GRAFT KIT BON E IN FUSE SMALL	\$ 3,990	\$ 3,843	\$ 147	3.7%
7510400	GRAFT KIT BONE IN FUSE MEDIUM	\$ 5,460	\$ 5,094	\$ 366	6.7%
54740105545	SCREW SOLERA 5.5X45	\$ 800	\$ 606	\$ 194	24.3%
74200001250	IMPLANT SI JOINT CAGE 12X50MM	\$ 3,960	\$ 2,038	\$ 1,922	48.5%
54740105555	SCREW SOLERA 5.5X55	\$ 800	\$ 505	\$ 295	36.9%
	Totals	\$ 35,170.00	\$28,666.00	\$6,504.00	18.5%

Pharmacy

- P&T Committee and formulary
- Biosimilar utilization
- Medical Oncology
 - IP Rx
 - Oncology GPO
 - Patient Assistance Programs for Medicaid
 - Medicaid Carve-In (clean site)

Activity Code_Desc	IP Vol	Unit Charge
Rituximab 50242-0053-06 Total	131 \$	11,786.01
Pegfilgrastim 55513-0190-01 Total	99 \$	10,129.55
Rituximab 50242-0051-21 Total	175_\$	2,399.04
Neulasta PF on Body Injector Syringe Total_	24_\$	11,505.42
Ipilimumab 00003-2328-22 Total	3 \$	73,080.00
Pemetrexed 00002-7623-01 Total	26 \$	7,875.89
Bortezomib 63020-0049-01 Total	44 \$	4,606.18
Bevacizumab 50242-0061-01 Total	20 \$	7,443.78
Keytruda 4ml Vial Total	6_\$	12,948.00
Denosumab 55513-0730-01 Total	15 \$	5,018.46
Leuprolide Depot (3 Month) 00074-3346-0:	6_\$	8,839.09
Infliximab 57894-0030-01 Total	8_\$	2,913.32
Daratumumab 400mg/20ml Vial Total	4_\$	5,551.20
Bevacizumab 50242-0060-01 Total	10_\$	1,869.95
Denosumab 55513-0710-01 Total	6 \$	2,560.88
Nivolumab 100mg/10ml Total	2 \$	7,327.82

Item De scription	VOL	Uni	t Price	To	tal	Lo	w Savings	Hig	h Savings
MPB KEYTRUDA 100MG/4ML SDV 2 Tot	622	\$	10,235	\$	6,366,164	\$	147,018	\$	390,491
BRIDION INJ 200MG/2ML 10	509	\$	1,033	\$	525,727	\$	199,776	\$	299,664
EXPAREL INJ 266MG/20ML DS 10	33	\$	3,450	\$	114,826	\$	22,965	\$	51,672
ENTEREG CAP 12MG (D/S INST) 30	8	\$	5,455	\$	43,642	\$	10,000	\$	25,000
SAMSCA TAB 15MG 10 DS	4	\$	5,176	\$	20,704	\$	10,000	\$	15,000
						\$	389,759	\$	781,827



Pharmacy cont.

- Focus on the high-spend therapeutic classes by understanding trends to better manage costs. Examples:
 - Antineoplastics (cancer), autoimmune/inflammatory conditions, diabetes, critical care (plasma/fluid products - albumin or IvIG)
 - These are areas that have high utilization and expect prices to continually increase
 - Large changes in rheumatology (Humira coming off patent) & more biosimilar usage
 - Specialty products are going to make up more of total spend (traditionally IV products but increasingly seeing self-administered formulations)
 - Both inpatient & outpatient settings. Be prepared to manage both pharmacy & medical benefits
 - Important to support prior authorizations, patient financial assistance and leverage 340B to drive revenue/optimize reimbursement
 - Monitor drug shortages identify critical meds and plan accordingly

Clinical Variability Case Study

Observations

107 OP Laparoscopic Cholecystectomy analyzed 8 physicians

Average cost per case **best 3 physicians** is **\$5,895**Average cost per case **3 highest cost** is **\$9,059**



Insights

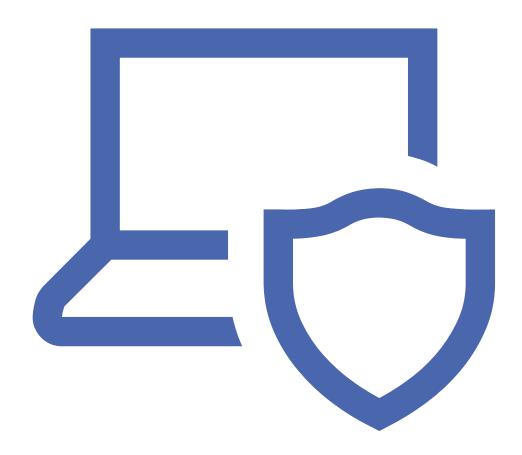
- Showing physicians where they stand compared to their peers can be effective in improvement
- 3 physicians exceed the 3 best performing physicians by 20% in cost per case in sample
- Total cost gap of \$149,052 between top and bottom 3 performers
- 50% improvement reduces costs by \$75,000
- Clinical variability over all cases could provide minimum cost savings of \$750,000

Implementation

- Physician champion and buy-in
- Identify best practices of top performers
- Information sharing with lower performers
- Coaching

Employee Benefits

- HR leaders overwhelmed last 2 years
- Brokers
 - Does your broker have your best interests in mind?
 Will they be a fiduciary?
 - Benchmark broker spend: Medical \$2 \$3 PMPM and PBM \$2 - \$2.50 PMPM
 - Ancillaries: Commission or flat fee?
- Stop loss thresholds
 - Most are \$350K individual limit (versus overall).
 Key is collaboration with carrier
 - Typical opportunity is 10% 35% savings
- Short term disability
 - Consider premium-based, voluntary program (through carrier) rather than hospital funded benefit. Can create PTO misalignment and abuse incentives
- Employee Assistance Programs: Pharmacy and Medical charitable services/foundations



Category	Rebate per Rx
Retail Brand	\$200 - \$220
R90 Brand	\$300 - \$700
Mail Brand	\$600 - \$900
Specialty Brand	\$2,600 - \$3,800

Pharmacy Benefits Manager

- What are the rebates...and where are they going?
- Gamesmanship Lever: Defining "Specialty Drugs" and establishing rebate bands
- Specialty Rx is ~ 2% 3% of total Rx count and should have avg of \$2,600 - \$3,800 rebate per Rx
- Other considerations
 - Spread pricing
 - Step therapy
- Typical PBM savings 15% 20%

Recent Non-Labor Case Studies

Regional Health System



- \$4.5M savings from GPO comprehensive competitive review process
- Pharmacy redesign and therapeutics committee implemented new protocols and controls
- Biomed and IT eliminated 23% of cost (\$MM) through negotiations and eliminating non-value add services
- Purchased Services redefined service delivery models in security, housekeeping, dietary, and facilities to increase service levels and decrease costs
- Redefined operational approval and capital financing processes.
- **\$32M** savings in 9 months with \$12.5M savings in non labor.

Midsized Community Hospital



- 30% 40% savings in physician preference items (PPI) categories of: total joints, trauma and neurostimulators
- \$464,000 in ED revenue charge capture
- New GPO affiliation reduced med/surg costs by 22% (over \$1M annually)
- Supply costs down more than 7.5% as volumes increased 10%
- Reversed years of negative margins to breakeven for FY20
- \$3.5M savings in 1st year

Recent Non-Labor Case Studies cont.

Midsized Hospital Affiliated with AMC



- \$498,000 savings with incumbent GPO
- Reduced PPI \$240,000 without a change in supplier or products
- Reduced reference lab costs by more than 33%
- Reduced property tax by \$135,000
- Facilities and utilities savings of \$93,500
- \$2.1M savings in 1st year with 8:1 ROI in following years

Small Community Hospital



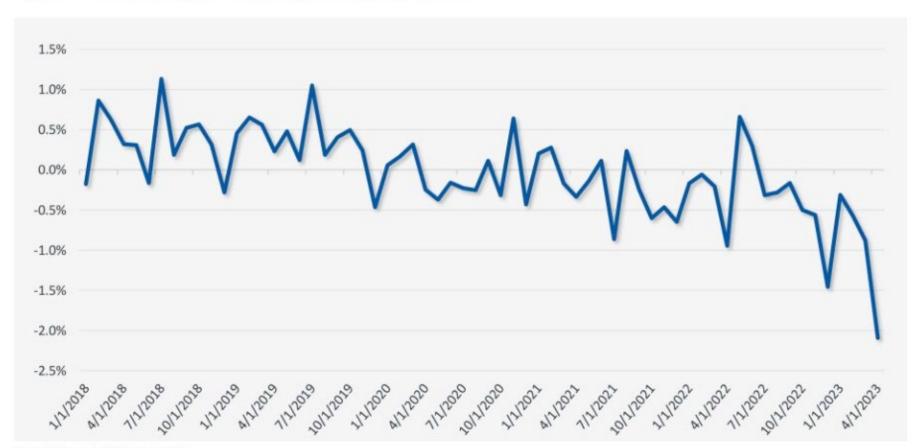
- 65 bed rural hospital
- Change in GPOs was not preferred due to internal staff changes. Savings of \$400,000 achieved through coloration with incumbent to optimize offering.
- PPI: shoulders and implement protocols
- Retail capture of 340B prescriptions. Software setup errors and orphan drug errors corrected and rebilled. Savings \$750,000.
- Pharmacy Benefits Management had been renegotiated twice in the past two years, yet J-Code rebates were still withheld. Savings achieved with the incumbent totaling \$260,000, or 25%.
- Reduced rates of collection agency 28% while increasing liquidation rates by 38%. Savings over \$600,000.

Labor

- Total labor costs (salaries, benefits and contract labor) approximately 15% higher than pre-pandemic levels and Labor Ratios averaging 55%-60% of NPSR.
- Executive Considerations
 - Wage increases
 - Contract labor (rates, count, mileage restrictions)
 - Employee health benefits
 - Span of control
 - Turnover and associated costs
 - Remote and hybrid work
 - Leveraging technology
- Labor productivity and rebasing: COVID impact on benchmarking, units of service, and drivers of variance

Recent Labor Reductions

Figure 1: Net Employee Percentage Change by Month



Source: Kaufman, Hall & Associates, LLC

Labor Recommendations



Rethinking job duties:
General Operations
Assistant

Internal agency/marketplace

Remote and hybrid positions/departments

New staffing models and skill mix

HR policies for pay mechanisms: OT, Premium, Weekend, Disaster

Ghost hours

International recruitment: nursing and physicians

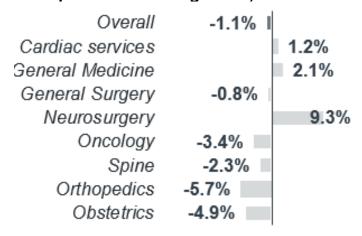
Efficiencies from Automation and EHR optimization

Update labor productivity tools

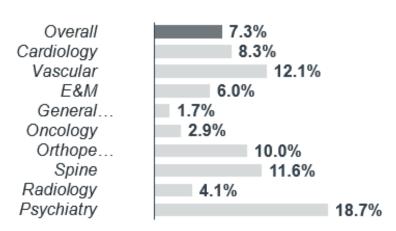
Service Line Rationalization

- 5-year growth outlook favors ambulatory providers
- Payer pressures fueling shift from IP to OP/Ambulatory settings impacting revenues.
- Significant competition in OP/Ambulatory space
- HOPD revenues at risk

Inpatient volume growth, 2021 - 2026



Outpatient volume growth, 2021 - 2026



Source: 2022 Advisory Board Market Scenario Planner

THANK YOU



FORV/S

Navigating the Top Threats Facing Rural Healthcare 3:00 – 4:00 pm Southeast Ballroom