

# Kansas Critical Access Hospital Financial Improvement Project A Revenue Cycle Consultation

August 12, 2015

# Project Background

The Kansas Office of Primary Care and Rural Health partnered with Rural Health Innovations, LLC to implement this two-year financial improvement project.

Rural Health Innovations, LLC is a subsidiary of the National Rural Health Resource Center (The Center).

*This project was funded by the Kansas Medicare Rural Hospital Flexibility (FLEX) Program, awarded to the Kansas Department of Health and Environment (Grant NO. H54RH00009) from the Federal Office of Rural Health Policy, Health Resources and Services Administration.*

# Agenda

- Identification of the need for the project
- Scope of the project
- Identification of critical access hospitals (CAHs) to approach
- General Findings
- Outcomes and Data
- Lessons Learned
- Next Steps

# Kansas Case for Financial Improvement

## Your 2010 Performance Compared to Benchmarks

<i>Indicator</i>	<i>Benchmark</i>	<i>Percent of CAHs Meeting Benchmark</i>	
		<i>KS</i>	<i>Nation</i>
Average Age of Plant (years)	<10	32.3%	50.7%
Cash Flow Margin (percent)	>5	25.0%	56.4%
Current Ratio (times)	>2.3	48.1%	51.0%
Days Cash on Hand (days)	>60	47.5%	54.4%
Days Revenue in Accounts Receivable (days)	<53	49.3%	51.7%
Debt Service Coverage (times)	>3	24.6%	45.4%
Equity Financing (percent)	>60	55.3%	50.5%
LT Debt to Capitalization (percent)	<25	60.5%	48.2%
Medicare O/P Cost to Charge (times)	<.55	45.0%	68.6%
Operating Margin (percent)	>2	8.2%	41.1%
Return on Equity (percent)	>4.5	19.7%	50.8%
Total Margin (percent)	>3	13.2%	41.4%

## Risk of Financial Distress

<i>Risk</i>	<i>Number (Percent) of CAHs</i>	
	<i>KS</i>	<i>US</i>
Low	12 (40%)	528 (68%)
Mid-Low	7 (23%)	119 (15%)
Mid-High	6 (20%)	63 (8%)
High	5 (17%)	67 (9%)
<b>Total</b>	<b>30</b>	<b>777</b>

# Phase 1 - Assessment & Planning

<b>January - March 2012</b>	Kansas FLEX Team consulted with Federal Office of Rural Health Policy (FORHP), FLEX Monitoring Team, Technical Assistance & Services Center (TASC), and other peers. Goal: To gain a stronger understanding of the Kansas' financial situation and identified effective strategies to create positive change.
<b>April - October 2012</b>	Kansas FLEX Team partnered with Nevada Rural Hospital Partners to conduct State-wide Revenue Cycle Self-Assessment Project, with 43 of Kansas CAHs participating.
<b>October 2012 - March 2013</b>	Kansas sought out contractor through request for proposals (RFP) process to coordinate series of financial trainings (based upon the state-wide assessment results) and to implement a multi-hospital revenue cycle management consultation project. (Due to lack of high quality proposals, an award was not made)

# Phase 2 -Planning & Education

<b>March – September 2013</b>	Kansas FLEX contracted with Kansas Hospital Association to coordinate state-wide financial trainings.
<b>September 2013 – April 2014</b>	Kansas FLEX Team partnered with The Center to design a Kansas tailored Revenue Cycle Management Consultation Project, modeled after The Center’s federal project. (Note: Contractual process began in mid -January.)
<b>Spring 2014</b>	Project team meetings began to develop project recruitment documents, implementation timeline, determine hospital selection process, etc.

# Project Objectives

- A high level assessment of the revenue cycle processes in:
  - Registration
  - Health Information Management (HIM)
  - Business Office (BO)
- Identify possible performance improvement opportunities
- Provide generally accepted best practice recommendations that support performance gains

# Hospital Participation Requirements

Hospital chief executive officers (CEOs) were expected to:

1. Be actively involved and engaged in the project
2. Facilitate the onsite consultation
3. Respond in a timely manner as per the timeline
4. Participate in two webinars: pre-project introduction and post-project follow-up
5. Participate in two phone interviews: pre-onsite data review and post-project report review call

# Hospital Participation Requirements

Participating hospitals were expected to:

1. Complete the data request
2. Schedule and complete the pre-project interview
3. Schedule and confirm the onsite dates
4. Prepare key staff for the onsite consultation
5. Commit the appropriate personnel and time for the onsite consultation

# Identifying Hospitals with Greatest Need

Used select FLEX Monitoring Indicators from 2008 to 2012.

**Profitability indicators:** Total Margin, Operating Margin

**Liquidity indicators:** Days Cash on Hand, Days Revenue in Accounts Receivable

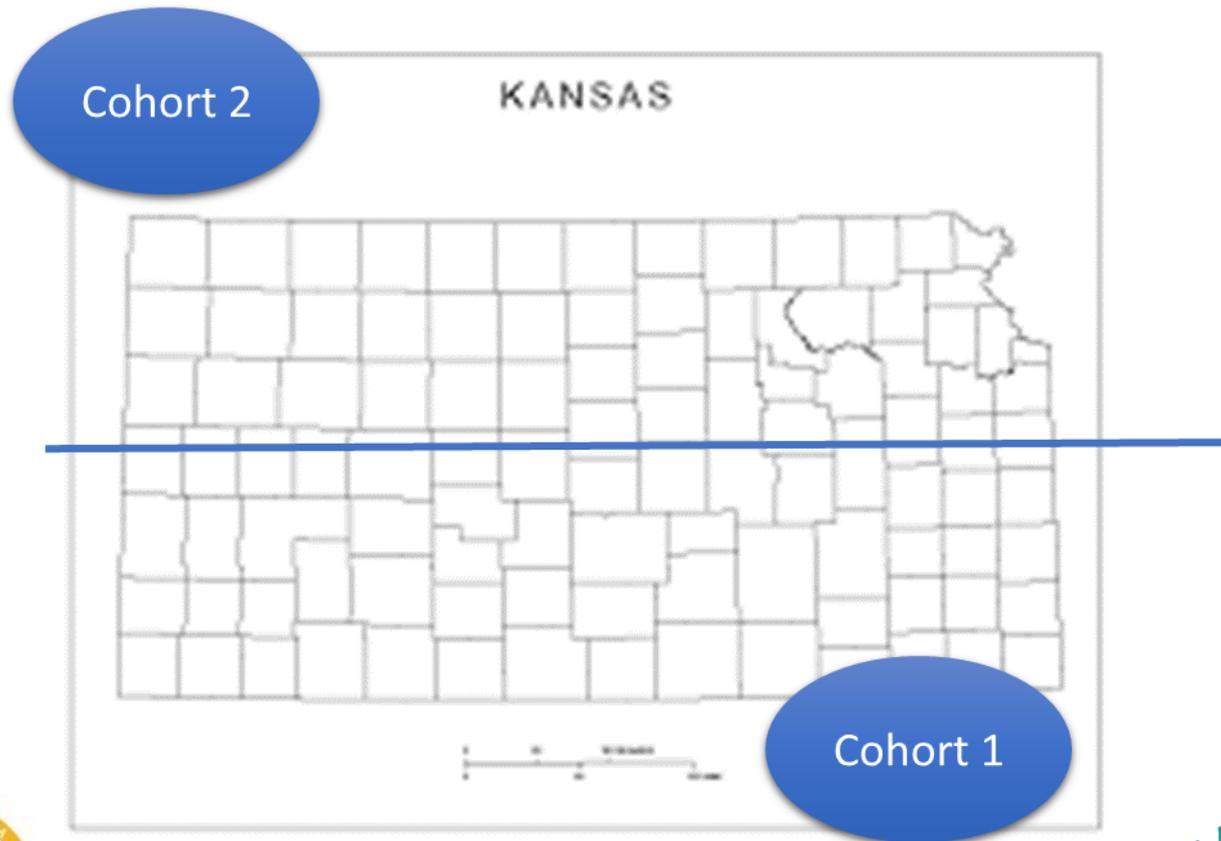
**Revenue indicator:** Medicare outpatient cost to charge

Calculated a composite score across each year of data for each hospital:

- 1pt - Total Margin greater than 0
- 1pt - Total Margin meets FLEX Monitoring benchmark >3%),
- 1pt - Operating Margin greater than 0
- 1pt - Operating Margin meets FLEX Monitoring benchmark >2%
- 1pt - Days Cash on Hand more than 30 days
- 1pt - Days Cash on Hand meets FLEX Monitoring benchmark >60 days
- 1pt - Days Revenue in Accounts Receivable is lower 46 days
- 1pt - Days Revenue in Accounts Receivable is between 46 and 60 days (FLEX Monitoring benchmark <53 days)
- 1pt - Medicare Outpatient Cost to Charge is lower than 0.50
- 1pt - Medicare Outpatient Cost to Charge is Between 0.50 and 0.60 (FLEX Monitoring benchmark <0.55)
(In the case of invalid or missing data, the hospital received an -0- score. )

# Recruitment of Hospitals

Hospitals with average composite score of below 4.5 (out of 10 points) were targeted during recruitment.



# Project Timeline

Kick-Off Webinar with Hospital Cohort  
Hospitals Compiled and Submitted data

Pre-onsite Phone Interview between Hospital and Consultant

One-day on-site visits by Consultant to meet with Hospital executive leadership and key front-line managers

Hospitals Receive Consultation Reports  
Post-project Phone Call between Hospital and Consultant

Post-project Webinar with Cohort to summarize aggregated results

# Phase 3 -Implementation & Evaluation

<b>Summer 2014</b>	Year 1 of the Kansas Revenue Cycle Management Consultation launched with 8 hospitals recruitment for the first cohort
<b>Early 2015</b>	Kansas FLEX Team launched Post-Project Learning Community Project for Cohort 1, with Consultant providing remote technical assistance to hospital focusing on revenue cycle management teams
<b>Early Spring 2015</b>	Year 2 of the Kansas Revenue Cycle Management Consultation launched with 7 hospitals recruitment for the second cohort
<b>Summer 2015</b>	Six-month post project check with Cohort 1 hospitals using the Recommendation Adoption Progress (RAP) framework
<b>Summer - Fall 2015</b>	Post-Project Learning Community Project for Cohort 2 launched with Consultant providing remote technical assistance to hospital focusing on revenue cycle management teams

# General Findings

- Similar findings for almost all hospitals
- Common themes:
  - No revenue cycle team
  - No preadmission assessment
  - Lack of pre-certification
  - Nurses doing registration
  - Lack of communication transparency with patients
  - Limited use of metrics to drive improvements

# Outcomes and Data

- Recommendation Adoption Progress (RAP) began in August with cohort one
- Early findings
  - Progress on implementation
  - Data
  - Impact on hospital
- A second RAP interview to be done in November/December

# Lessons Learned

- It's always about the leadership!
- It is critical to provide clear expectations up front with timeline for deliverables
- Keep hospitals engaged with rapid process for the project
- Provide information for hospitals about “what’s next?”

## NEXT STEPS:

Using Results to Inform Planning of Future  
FLEX-funded Activities

Questions?

# Contact Information

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