

Road to Value: What's Most Important to Know and Do to Financially Position the Hospital for the Future (Part 2)



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Positioning Agenda

- Monitor and Improve Financial Viability
 - Increase revenues
 - Decrease expenses
- Monitor and Improve Quality
- Improve Data Management Skills
- Access to Ongoing Education
- Enhance Value

Top Priority

- Accountability must be assigned and accepted
- No excuses



Expense Management

- Changes in payment methodologies will reward providers that are able to best manage expenses while maintaining or improving quality
 - Labor costs
 - Non-labor costs



Labor Management

- Best practice organizations monitor and manage productivity on an ongoing basis
 - Gathering of data
 - Establishing of benchmarks
 - Monitoring of results
- Becoming more important
 - Affects total cost of population health
 - Patients becoming increasingly engaged in managing their costs



Labor Management

- No organization is too small
 - Avoid “core-staffing” trap
- Acknowledge that every facility is different
- No benchmark is perfect
- Benchmarks are moving lower with adoption of tighter standards to recognize changes in the industry



Labor Management

- Various data sources
 - External
 - Trade organizations
 - Research studies
 - Proprietary
 - Internal
 - Detailed study
 - Historical data



Labor Management

- External data
 - Greatest benefit
 - Externally derived
 - Based on best practices
 - Greatest challenge
 - Difficult to access – costly
 - Methodology is often challenged
 - How data is gathered
 - We are different

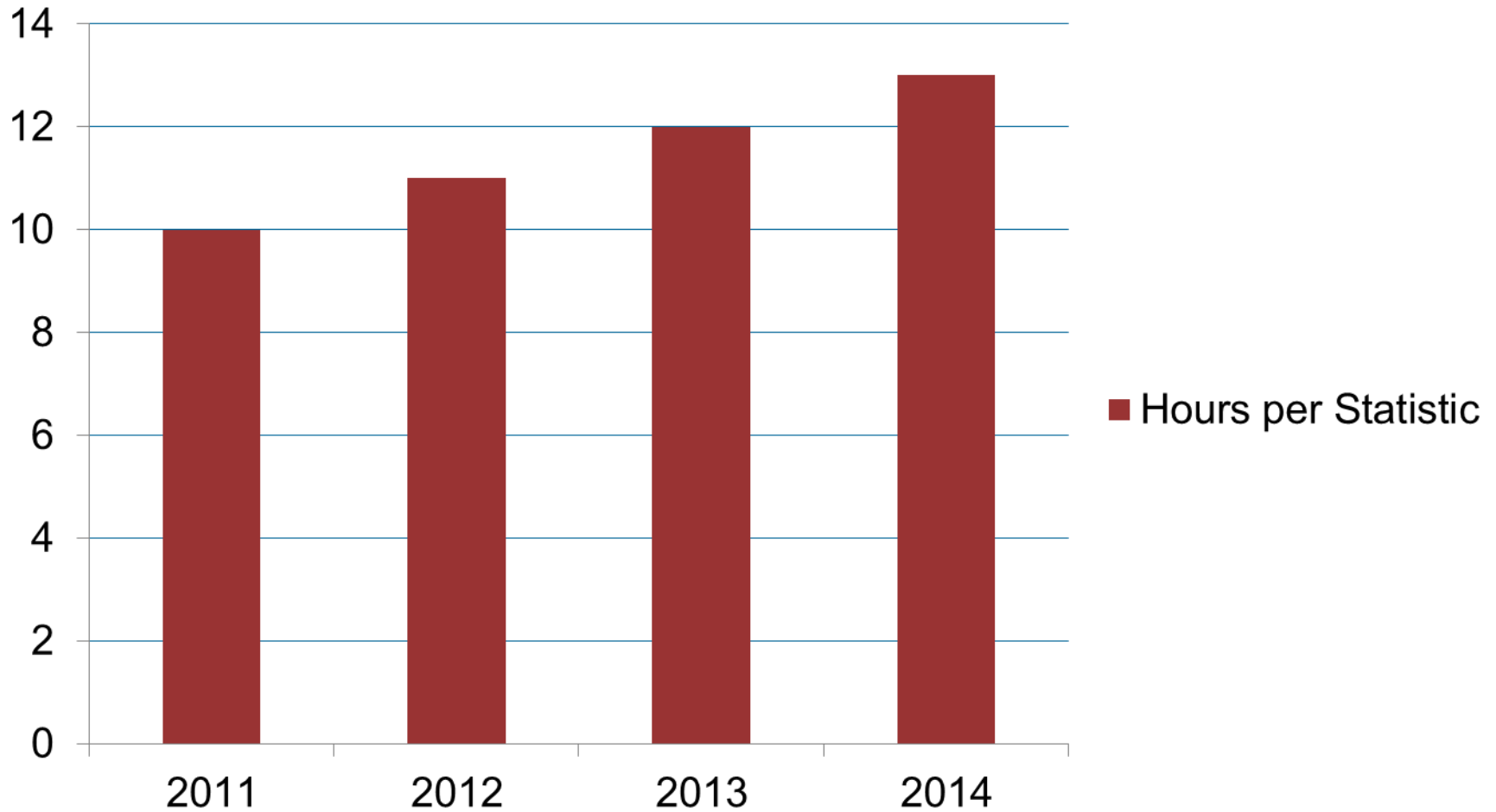


Labor Management

- Internal data
 - Takes time to develop
 - Provides historical data and trending
 - Only includes your data
 - Recommend 5 year trending
 - Only use productive hours

»»» Labor Management

Hours per Statistic



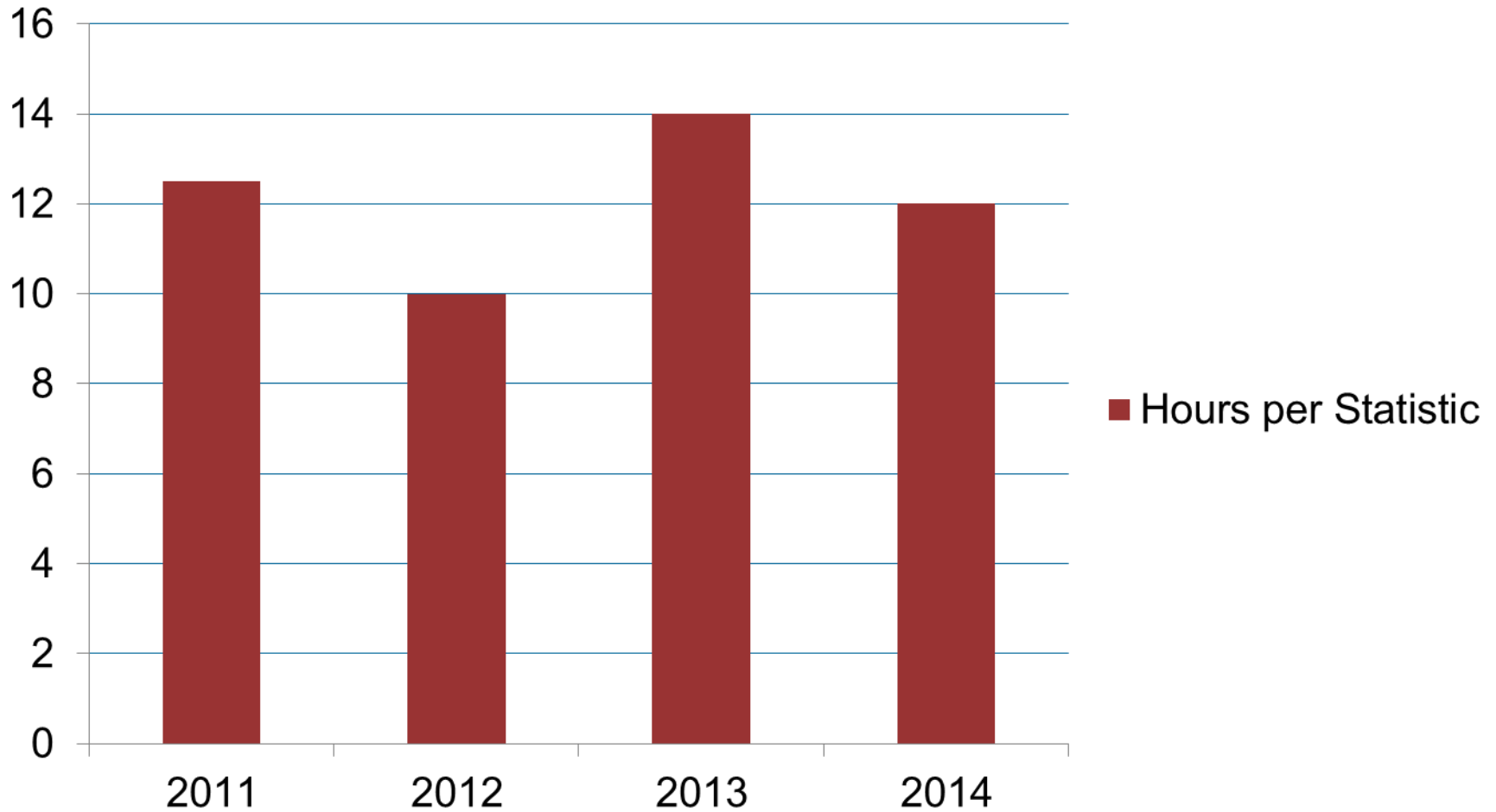


Labor Management

- Ultimately may use both internal and external data
 - External data to manage against peers
 - Internal data to monitor trends and reduce resistance
 - Example
 - Benchmark = 10 hours per statistic

»»» Labor Management

Hours per Statistic





Labor Management

- Trends over time can address:
 - “It can’t be done”
 - “Patients will die”
 - “Quality will suffer”



Labor Management

- Labor management is about more than completing mathematical calculations
 - Processes are key
 - Cannot usually reduce resource utilization without updating the processes in the organization
 - Work smarter, not harder



Labor Management

- Not all departments will hit benchmarks each month
- Most facilities would experience significantly better financial performance if they could just get the majority of their departments to operate at the best historical levels of performance

Labor Management

- Not all departments leaders will or can make the change and will opt out
- Now more than ever, CAHs must address the cost of care

Non-Labor Costs

- Need to monitor costs related to supplies, etc.
- Implementation of value analysis teams in supply chain management

Monitor and Improve Quality

- Providers need to report, monitor, and manage quality
 - Clinical process of care
 - Patient experience
 - Outcomes
- Can be a challenge due to small sample size

Monitor and Improve Quality

- Clinical Process of Care
 - Ensure providers are reporting clinical process of care
 - Monitor results against existing data
 - Develop and implement strategies to improve processes

Monitor and Improve Quality

- Patient Experience
 - Need to report and monitor HCAPS
 - Understand that many of these factors are perception
 - No excuses
 - Customer service training may be required
- Outcomes
 - Report and monitor outcomes

Improve Data Management Skills

- The need for data has never been greater
 - Marketing
 - Volumes
 - Cost per case
 - Cost per patient
 - Productivity

Improve Data Management Skills

- Smaller facilities increasing their access to data
 - More data
 - Faster data
 - Faster decisions
 - Better decisions

Improve Data Management Skills

- Options for smaller facilities to increase their access to data
 - Current vendors
 - Big data/business intelligence vendors
 - Compatibility of systems is the greatest challenge



Educated Leadership

- Understand the value of investing in education of staff and leadership
- The environment is changing quickly
 - Yesterday's strategies are yesterday's strategies
 - Updated strategies necessary for the future



Educated Leadership

- Freezes on education are a short term fix to a long range problem
 - Create more problems than solutions
- Goal – Have the most educated team.



How Positioning Will Prepare Providers

- Top 10 Indicators
 - Days in Net Accounts Receivable
 - Days in Gross Accounts Receivable
 - Days Cash on Hand
 - Total Margin
 - Operating Margin
 - Debt Service Coverage Ratio
 - Salaries to Net Patient Revenue
 - Payor Mix Percentage
 - Average Age of Plant
 - Long Term Debt to Capitalization



How Positioning Will Prepare Providers

- Implementation of the Revenue Strategies will assist:
 - Reduction in Days in Net Accounts Receivable
 - Reduction in Gross Accounts Receivable
 - Increased Days Cash on Hand
 - Increased Total Margin
 - Increased Operating Margin
 - Increased Debt Service Coverage
 - Improved Payor Mix Percentage
 - Reduction Long Term Debt to Capitalization



How Positioning Will Prepare Providers

- Implementation of the Expense Strategies will assist:
 - Increased Days Cash on Hand
 - Increased Total Margin
 - Increased Operating Margin
 - Increased Debt Service Coverage
 - Reduction Long Term Debt to Capitalization



How Positioning Will Prepare Providers

- Increased days cash on hand and improved profitability will assist facility in replenishing the necessary capital which can reduce average age of plant



How Positioning Will Prepare Providers

- The ability to maintain volumes over a larger population base while reducing expenses will reduce the cost of care to each individual
- Monitoring and improving quality scores will improve perception
 - Patients
 - Payors



How Positioning Will Prepare Providers

- Increasing quality while decreasing/maintaining cost will increase the calculated value
 - Value = Quality / Cost

How to Steps

- Implement steps to improve revenues
- Implement steps to decrease expenses
- Implement steps to improve quality



How to Steps

- The greatest remaining challenge will be managing the timing of changes in payor methodologies
 - Some payors will adopt changes faster than others
 - Incentives in adopted models will vary



How to Steps

- Result
 - Some payors will continue to reimburse for volume while others will reimburse for value
 - Implementing steps to improve value can increase profitability of value based payors while decreasing profitability of volume based payors
 - Increases the importance of managing financial indicators as early as possible to build financial reserves to successfully navigate the transition

How to Steps

- Result
 - Successful management of financial indicators and quality improves ability to attract partners in care delivery
 - Successful transition helps lead to improved population health, decreased cost, and long term financial sustainability of the hospital

Questions?



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