PPS Financial Management
Improving Performance in the Hospital Setting

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Financial Success

- Financial success is not easy nor guaranteed
  - PPS
  - CAH
- Long term success is typically due to two factors
  - Location
  - Competition
  - Development of best practices
- Location and competition is difficult to change, but best practices can be addressed by all providers
Agenda

- Revenue recognition
  - Charge Capture/Coding
  - Timely Filing
  - Denial Management
  - Precollection Efforts
- Disproportionate Share
- Medicare Bad Debt
- Benchmarking
- Physicians
- Other services
Revenue Recognition – Charge Capture/Coding

• Best practice facility’s capture the revenues for services they are rendering
  • Significant area of opportunity for most facilities
  • Common areas of confusion/lost revenues
    • Outpatient nursing procedures
    • Pharmacy
Revenue Recognition – Charge Capture/Coding

- Outpatient nursing procedures
  - Facilities miss these opportunities
  - IV therapy, injections, Foley catheter insertions, etc.
Revenue Recognition – Charge Capture/Coding

- Outpatient nursing procedures
  - Lost charges occur due to a lack of understanding of what is actually separately reportable
    - Nursing documentation can affect ability to capture charges
      - Start times
      - Stop times
      - Site
      - Drugs
• Outpatient nursing procedures
  • Recommend a team from nursing and HIM meet frequently to discuss documentation and charge capture opportunities
Revenue Recognition – Charge Capture/Coding

• Pharmacy
  • Pharmacy charges are often missing from claims
    • Totally missing
    • Errors in proper reporting of units

• Overreliance on systems
  • Dispensing units
  • Unit conversion factors

• Need to develop processes to review and update processes
Revenue Recognition – Timely Filing

• Why capture the charges and then not file them timely?

• All Medicare claims must be filed within 1 year of service
  • Other payors may vary

• Many facilities still missing the deadlines!
  • Monitor write-off’s
  • Separate account for tracking
Revenue Recognition – Denials Management

- Advanced Beneficiary Notices / Medical Necessity
  - Need to manage denials
  - ABNs are not an option
    - This is an issue of liability not a determination of proper care
Revenue Recognition – Denials Management

• Advanced Beneficiary Notices / Medical Necessity
  • Track Denials
    • Service
    • Physician
    • Staff performing service
    • Etc.
  • Emergency Room services are not exempt
    • Monitor
    • Follow up with providers
Revenue Recognition – Precollection Efforts

• Large increase in uninsured and those with large coinsurance and deductibles
• Precollection necessary
  • Time of scheduling
  • Time of service
  • Based on estimates if necessary
• Charity Care determinations
  • Application
  • Presumptive methods
Disproportionate Share

• Identify and Capture Medicaid eligible days and SSI percentage to capture disproportionate share payments

• Aid in eligibility in 340B program
Disproportionate Share

• 340B Eligibility
  • Access to reduced costs for outpatient Pharmaceuticals
    • Hospital
    • Clinics
    • Retail Pharmacy
Bad Debts

• Medicare reimburses for Medicare Bad Debts on cost report
  • Not reimbursed at 100%
  • Significant lost opportunities for many providers
    • Self pay balances
    • Medicaid crossovers
Bad Debts

• Medicare reimburses for Medicare Bad Debts on cost report
  • Frequently requires adjustment to collection policies to meet requirements to claim Medicare bad debt.
Benchmarking

• Best practice facilities develop strategies for benchmarking
  • External
    • From outside organizations/groups
  • Internal
    • Developed internally based on detailed study or historical data
Benchmarking

• External benchmarks can provide greatest benefit
  • Peer facilities
  • Recommend 75th percentile
  • Must understand the methodology for gathering the statistic (apples to apples comparison)
  • Hardest data to obtain
Benchmarking

• Internal benchmarks can still provide benefits
  • Requires more time to develop
Benchmarking – Trends

• Monitoring trends
  • Recommend monitoring trends for 5 year period
  • Results from monitoring trending can help provide solutions and reduce resistance
# Benchmarking – Trends

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<tr>
<th>Department A</th>
<th>2011</th>
<th>Comment</th>
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<td>Over benchmark</td>
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<tr>
<td>Benchmark</td>
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<td>Need 23% reduction</td>
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Benchmarking – Trends

• Response from Department A – “Patients will die!”
Benchmarking – Trends

• What made 2009 so different?

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• What made 2009 so different?
Benchmarking

• Many facilities would experience better financial performance if they could just get the majority of their departments to operate at their best historical levels of performance
• Many facilities would experience better financial performance if they would just adhere to their staffing plans
Physicians

- Most facility’s employ or contract for their physicians
  - Many fail to manage physician services
    - Losses are expected
    - Not sure of proper strategies
Physicians

• Lloses are common, but not unmanageable
  • Determine “tolerable loss”
    • Level of loss anticipated/tolerable
    • Can be based on preliminary projections or comparison data
  • Manage to “tolerable loss”
    • Celebrate when losses are less than tolerable loss versus focusing on the loss
Physicians

• Strategies
  • Address support staffing levels in clinic operations
    • Utilize benchmarks
    • Recognize how support staff can improve efficiency of clinic practice
  • Explore alternative reimbursement methodologies
    • Many providers still have freestanding clinics
      • Rural Health Clinics
      • Provider Based Clinics
• Strategies
  • Rural Health Clinics – Understand them!
    • Understand what is an RHC visit
      • Clinic, Home, Nursing Home, Swing Bed
        • Swing bed frequently missed
      • Medically necessary face-to-face with physician or mid-level
        • Billing
        • Cost Report
        • Frequently overstated
        • Results in understatement of actual cost per visit
Physicians

• Strategies
  • Manage staffing levels for productivity standard
  • Pricing still important!
    • Reimbursement = 80% cost, 20% charge
Physicians

• Strategies
  • Provider Based Clinics
    • Don’t be afraid of them
    • Develop adequate timeline for implementation to ensure compliance with all required regulations and billing processes
Physicians

• Strategies
  • Compensation
    • Transition to RVU
      • May require a transition period
      • Separate out other responsibilities
        • Emergency Room coverage
        • Directorships
        • Supervision
        • Other administrative
Other Services

- Less is often times more
- Overall financial performance can be significantly impacted by the addition of non-hospital services
  - Home health
  - Hospice
  - Physicians
  - Ambulance
  - Nursing Homes
  - Assisted Living
  - Etc.
Other Services

• Rural providers frequently lack management time, commitment, or expertise to operate these other services
  • Have seen many home health agencies sold by hospitals to freestanding entities
    • Staffing levels improve
    • Compensation levels managed to more appropriate levels
• The more successful rural providers have developed ongoing strategies to take advantage of opportunities while minimizing the financial threats

• These strategies are not all inclusive and are continuously developing. Don’t be afraid to challenge past decisions and to reverse course when appropriate
Questions?

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