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 competitoin 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

Revenue Recognition – Charge Capture/Coding

- 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

Department A	2011	Comment
Hours/Statistic	13.0	Over benchmark
Benchmark	10.0	Need 23% reduction

Benchmarking – Trends

- Response from Department A – “Patients will die!”

Benchmarking – Trends

- What made 2009 so different?

Department A	2011	2010	2009	2008
Hours/Statistic	13.0	12.2	9.8	10.8
Benchmark	10.0	10.0	10.0	10.0

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

- Loses 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

Physicians

- 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

Closing

- 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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