



A Journey in Financial Improvement
Using Performance Improvement Strategies to
Improve Financial Indicators
December 20, 2017

IDPH
Iowa Department
of Public Health

Iowa Rural Hospital Learning Opportunity Program


Provided by the Iowa Department of Public Health and HomeTown Health through the
 HRSA Critical Access Hospital FLEX Grant 2017-2018, Iowa Grant #5888CA04.

**HOMETOWN
HEALTH**

**Iowa Rural Hospital Learning
Opportunity Program**

Webinar Etiquette

- All attendees are in “Listen Only” mode
- Questions or comments?
 - Open “Questions” pane in dashboard.
 - Type in comments or questions.
 - Comments will be monitored throughout webinar.
 - Questions will be addressed at end of the webinar.

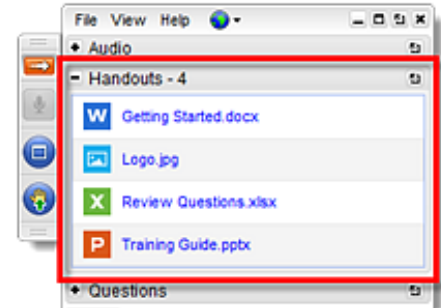


X	Question	Asker

Iowa Rural Hospital Learning Opportunity Program

Webinar Resources

- This webinar will be recorded and emailed to you to share with others on your team.
- Handouts are available for download in the Handouts pane and will be emailed out to attendees after the webinar.



Iowa Rural Hospital Learning Opportunity Program Continuing Education

As an IACET Authorized Provider, HomeTown Health, LLC offers CEUs for its programs that qualify under the ANSI/IACET Standard. HomeTown Health, LLC is authorized by IACET to offer **0.1 CEUs** for this program.

In order to obtain these units, you must:

- Attend webinar/view recording in its entirety
- Pass online quiz with 80% or better.
- Complete webinar evaluation.

Following this webinar, all attendees who have viewed the recording in its entirety will receive an email with a link to the quiz and evaluation.

Anyone that misses the webinar can view the recording online, posted on the program Dashboard, for CEUs.





Iowa Rural Hospital Learning Opportunity Program Continuing Education

HTHU provides over 300 courses online, over 170 Webinars a year, and various live training conference and workshops. Accredited Education from the *International Association for Continuing Education & Training (IACET)*. (Who accepts the IACET CEU? Full list at www.iacet.org)

- American Association of Respiratory Therapy
- American Board of Medical Microbiology
- American Society for Clinical Laboratory Science
- American Society for Quality
- American Speech-Language-Hearing Association
- Board of Certified Safety Professionals
- The Child Care Development Associate National Credentialing Program
- Clinician's View (Occupational, Speech, and Physical Therapy)
- Federal Emergency Management Agency
- Georgia, Massachusetts and Ohio Board of Nursing
- Georgia Professional Standards Commission
- Human Resources Certification Institute (for their Professional in Human Resource Designation)
- National Association of Rehabilitation Professionals in the Private Sector
- National Association of Social Workers
- National Board for Certification in Occupational Therapy, Inc. (NBCOT)
- National Council for Therapeutic Recreation Certification
- National Registry of Emergency Medical Technology (EMT)
- National Registry of Microbiologists
- National Society of Professional Engineers
- Society for Human Resources Management
- State of Georgia, FL and Iowa Board of Professional Engineers
- The American Association of Integrative Medicine
- The American College of Forensic Examiners Institute
- The American Council on Pharmaceutical Education
- The American Psychotherapy Association
- The International College of The Behavioral Sciences
- The National Board for the Accreditation of Occupational Therapy (NBCOT)



Iowa Rural Hospital Learning Opportunity Program Group Participation

Are you on this webinar with a group?

If so, please enter:
first/last names and email addresses
of those in attendance with you in the Questions Pane.





Iowa Rural Hospital Learning Opportunity Program Agenda

December 20, 2017

Welcome & Introductions	Jennie Price
Using Performance Improvement Strategies to Improve Financial Indicators	Sandy Sage, RN
Upcoming Events & Resources	Jennie Price

PURPOSE:
The Rural Hospital Learning Opportunities Program (RHLOP) exists to support Iowa's CAHs in activities that will improve their financial and operational outcomes.

Three Focus Areas:

- Personnel
- Days Cash On Hand
- Days in Net Patient AR

**Iowa Rural Hospital Learning Opportunity Program
Program Goals**

Iowa Rural Hospital Learning Opportunity Program "A Journey in Financial Improvement"

- Intended audience: Critical Access Hospital Financial Leaders (CFOs, Revenue Cycle Directors, Business Office leaders)
- Six Webinars: Preparation for new Payment Models and Strengthening Stability in CAHs
- Three Options for Live Training: "A Team Approach: Profitability in the Revenue Cycle"



Iowa Rural Hospital Learning Opportunity Program "A Journey in Financial Improvement"

Preparation for new Payment Models and Strengthening Stability in CAHs

Stop #1 - Using Performance Improvement Strategies to Improve **Financial Indicators**

December 20, 2017

Stop #2 - Developing an Efficient Revenue Cycle Committee

January 17, 2018

Stop #3 - Understanding the Roadblocks to Clean Claim Processing

February 21, 2018

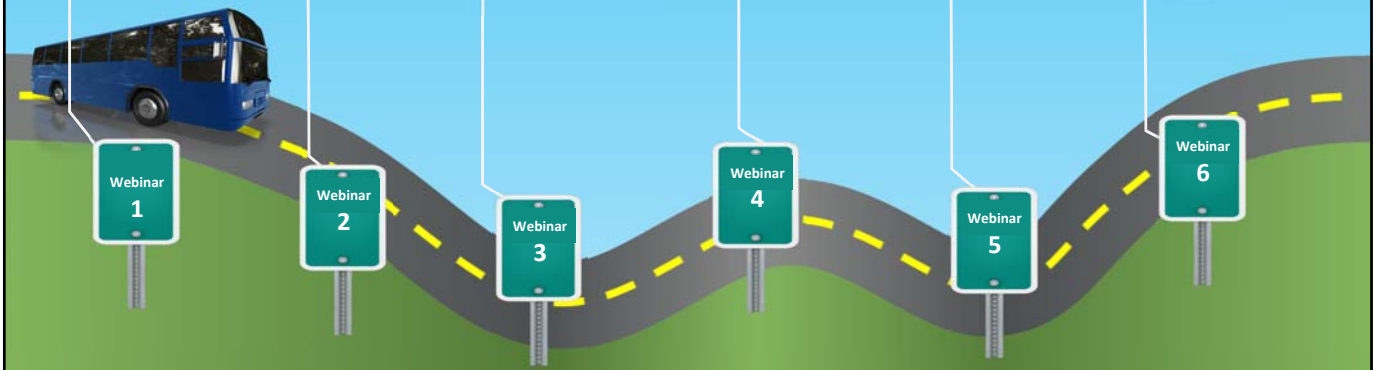
Stop #4 - Preparing for the Volume to Value Payment Transition

March 18, 2018

Stop #5 - Denial Management and the **Impact on Financial Stability**

April 18, 2018

Stop #6 - Financial Improvement "Best Practices"
May 16, 2018



Iowa Rural Hospital Learning Opportunity Program "A Journey in Financial Improvement"

Live Training Workshop and Networking:

- Overview of CAHMPAS reports: top areas with potential for improvement
- Patient Focused customer service training
- Developing an upfront collections program
- Training for Point of Service collections
- Accuracy in the Patient Access Department
- Charge Capture Best Practices
- Billing Compliance and Efficiency
- Denial Management
- Contract Management
- Sharing of Best Practices by Peers

Live Meeting Option #2:
Iowa Small Hospital Conference
North Iowa (TBD)
June 4, 2018

Virtual Meeting
Option #3:
July 24, 2018

Live Meeting Option #1:
Iowa Small Hospital Conference
Ankeny, Iowa
March 14, 2018



Iowa Rural Hospital Learning Opportunity Program Disclosure of Proprietary Interest

HomeTown Health, LLC does not have any proprietary interest in any product, instrument, device, service, or material discussed during this learning event.

The education offered by HomeTown Health in this program is compensated by the HRSA FLEX Grant 2017-2018 Rural Hospital Learning Opportunities Program, Iowa Grant # 5888CA04.





Iowa Rural Hospital Learning Opportunity Program
Sandy Sage RN

HomeTown Health Revenue Cycle Analyst

Instructor for HTHU School of Revenue Cycle Management

Registered Nurse for 25+ years

Worked in rural hospitals until 2015

Now working to help other rural hospitals survive and thrive!



**HOMETOWN
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**Using Performance Improvement
Strategies to Improve Financial
Indicators**

Presented by: Sandy Sage, RN
Revenue Analyst- HomeTown Health, LLC

Learning Outcomes

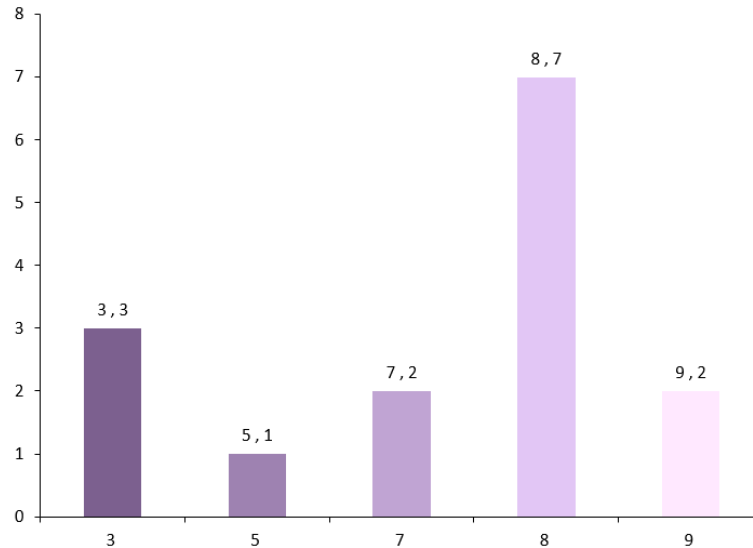
By the end of this training, you should be able to:

- Identify the financial indicators that you should be monitoring closely.
- Describe ways to improve your financial indicators through performance improvement strategies.
- Discuss what a benchmark means to you.

Learning Outcome standard: Based upon financial indicators and benchmarks from The Flex Monitoring Team/Federal Office of Rural Health Policy.

Survey Results

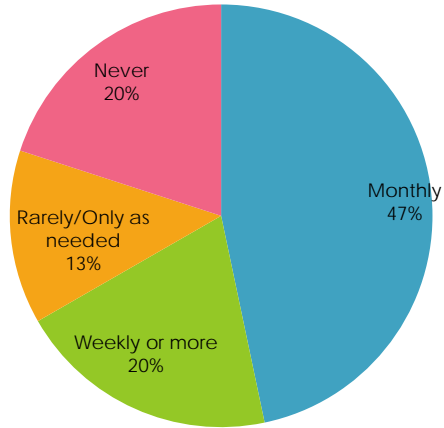
A goal of this program is to help your hospital to strengthen your financial stability (your hospital's ability to continue to operate on a long-term basis.)
On a scale of 1 to 10, how would you rate your hospital's "financial stability?"



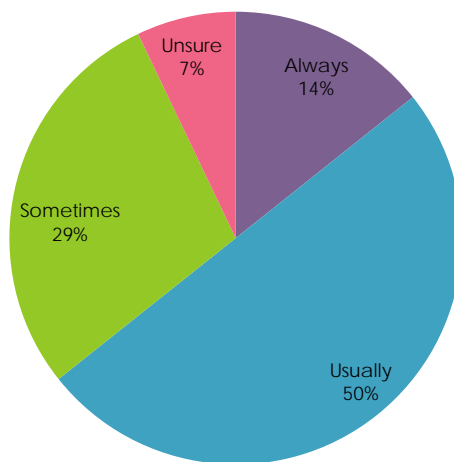
Specific Needs

- Changes in reimbursement and patient coverage insurance and how to offset this including self pay collections
- Increase cash days on hand , control benefit costs, keep AR days down
- DNFB - related to timely physician documentation and Cash for capital needs
- Un- and underinsured
- Weathering the non-stable Managed Medicaid program and the effects it has on our hospital. We can not keep up with the denials and extra work it takes to participate with these companies.
- Building days cash on hand and keeping AR down.

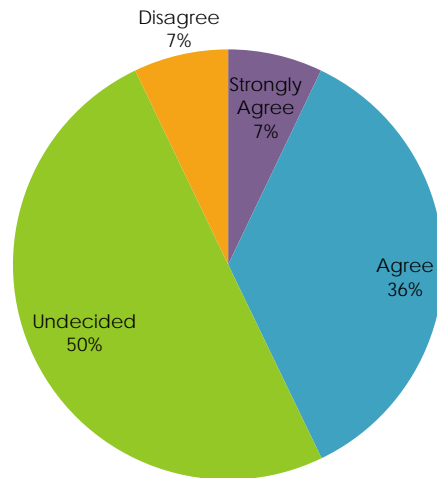
Do you have routine Revenue Cycle Meetings?



Do you take positive action on identified issues?



Our RC meeting creates positive results



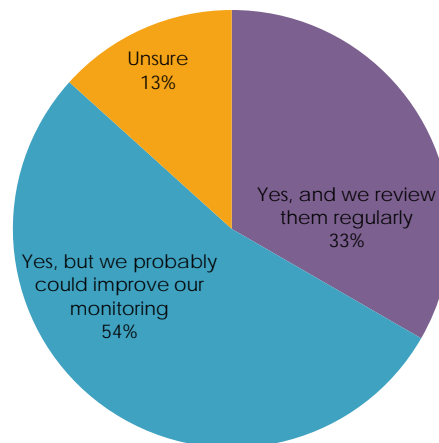
Greatest Revenue Cycle Challenges

- The meetings are not very structured and it takes a long time to implement any change.
- Late charges and first pass denials continue to be a challenge for us.
- De-centralized registration creates challenges as some staff isn't part of my team but directly impact accuracy of information gathered.
- Need to establish a revenue cycle team and get meetings started. X 2
- DNFB/AR Days
- Not fixing identified issues
- Denials - UHC - inpatient claims Medicaid MCOs not paying
- Optimizing operational efficiencies and processes, department buy in with regards to helping ensure revenue integrity

What RC improvements would you make?

- Faster turnaround for implementation of new processes.
- More interaction with the revenue producing department managers X 3
- Need a more systematic way to focus on denial management.
- Up front collections and training X 2
- To improve communication
- Hiring of UR staff under Revenue Cycle
- Lead HIM who can work directly with providers

Do you track KPI to Monitor RC?



Healthcare is a Business

- The financial health of a business is one of the most important indicators to determine if you can maintain the ability to meet your mission.
- Doing a financial analysis allows you to focus on both strengths and weaknesses.
- The FLEX Monitoring Team developed a tool to allow you to determine the financial health of your CAH.
- The CAHMPAS tool allows you to compare yourself to other hospitals similar to your own.

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Flex Monitoring Team | University of Minnesota
University of North Carolina at Chapel Hill
University of Southern Maine

A Performance Monitoring Resource for Critical Access Hospitals, States, and Communities

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FINANCE

We provide comprehensive information on the financial condition of Critical Access Hospitals, with the goal of improving hospital financial performance.

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CAH Financial Indicators Report

ABOUT THE FLEX MONITORING TEAM >

CAHMPAS

- Designed to make it easier to explore financial, quality, and community-benefit performance of CAHs
- Provides graphs and data that allows you to compare performance across user-defined groups by location, net patient revenue, and other factors important to you in benchmarking

CAHMPAS

OPTIONS

- Bar graphs to compare individual CAHs within a year.
- Line graphs to display trends
- Indicator selection is user determined
- Comparison Groups; State, Net Revenue, RHC Operators, LTC Owners, Government Owner status, Year
- Add up to 4 comparison groups
- Generate reports

CAHMPAS

Profitability Indicators

Measure the ability of a hospital to generate enough financial return to replace assets, meet increased service demands and compensate investors



Total Margin
Cash Flow Margin
Return on Equity
Operating Margin

CAHMPAS

Liquidity Indicators

Measure a hospital's ability to meet cash obligations

Current Ratio
Days Cash on Hand
Net Days Revenue in A/R

CAHMPAS

Revenue Indicators

Measure the amount and the different mixes of revenue sources available.

Outpatient Revenue to Total Revenue

Medicare Inpatient and Outpatient Payer Mix

Medicare Hospital Cost to Charge Ratio

Medicare Acute Cost per Day

CAHMPAS

Cost Indicators

Measures the amount and the different mixes of cost.

Salaries to Net Patient Revenue

Average Age of Plant

FTEs per Occupied Bed

Average Salary per FTE

CAHMPAS

Other Indicators

Utilization

Average Daily Census

Capital Structure

Equity financing

Debt coverage

The Calculator

- The financial indicator calculator will allow you to use your last cost report to determine your baseline indicator numbers.

CAH Financial Indicators Assessment Calculator

USING **Most Recent** MEDICARE COST REPORT DATA ELEMENTS

Cells where you input numbers from your Medicare cost report

Cells where your CAHFR indicator values are reported

Description	Worksheet	Part	Line(s)	Column(s)	Value
Interest expense	A		113	2	
Total salaries	A		200	1	
Total expenses	A		200	3	
Capital Related Costs- Building and Fixtures	A		1	2	
Capital Related Costs- Movable Equipment	A		2	2	
Other Capital Related Costs	A		3	2	
Total outpatient charges	C	I	200	7	
Non-CAH outpatient charges	C	I	88,89,93-117	7	
Medicare outpatient charges	D	V	202	2-4	
Medicare outpatient costs	D	V	202	5-7	
Medicare inpatient acute cost	E-3	V	4		
Nursing facility revenue	G-2	I	8	1	
Other long-term care	G-2	I	9	1	
Outpatient revenues	G-2	I	28	2	
Total patient revenues	G-2	I	28	3	
Inpatient revenues	G-2	I	28	1	
Total patient revenues	G-3		1		
Allowances and discounts	G-3		2		
Net patient service revenue	G-3		3		
Operating expenses	G-3		4		
Contributions	G-3		6		
Treatment revenue	R-1		7		

Profitability indicators	
Total Margin	#DIV/0!
Cash Flow Margin	#DIV/0!
Return on Equity	#DIV/0!
Operating Margin	#DIV/0!
Liquidity indicators	
Current Ratio	#DIV/0!
Days Cash on Hand	#DIV/0!
Net Days Revenue in Accounts Receivable	#DIV/0!
Capital structure indicators	
Equity Financing	#DIV/0!
Debt Service Coverage	#DIV/0!
Long-term Debt to Capitalization	#DIV/0!
Revenue indicators	
Outpatient Revenues to Total Revenues	#DIV/0!
Patient Deductions	#DIV/0!
Medicare Inpatient Payer Mix	#DIV/0!
CAH Medicare Outpatient Payer Mix	#DIV/0!
CAH Medicare Outpatient Cost to Charge	#DIV/0!
Medicare Acute Inpatient Cost per Medicare Day	#DIV/0!
Cost indicators	
Salaries to Net Patient Revenue	#DIV/0!
Average Age of Plant	#DIV/0!
FTE's per Adjusted Occupied Bed	#DIV/0!
Average Salary per FTE	#DIV/0!
Utilization indicators	
Average Daily Census Swing - SNF Beds	#DIV/0!
Average Daily Census - Acute Beds	#DIV/0!

The Calculator

- Please complete the calculator.
- Your CFO will be able to fill the numbers in from the cost report.
- The cohort hospitals will report those numbers to me and we will work together to determine program goals.
- If you want to join the cohort please contact me

Sandy.Sage@hometownhealthonline.com

The Indicators

Operating Margin

- Measures the control of operating expenses relative to your operating revenue.
- A positive value indicates that your operating expenses are less than your operating revenue.
- A negative value indicates your operating revenue is less than your operating revenue. (a loss)
- High negative values indicate financial difficulty.

Operating Margin

Operating Margin	-1.4%	-0.8%	-0.4%	-0.1%	2.2%
Definition: (tot oper rev - tot oper exp) / tot oper rev * 100					
total operating revenue (net patient revenue)	\$82,673,813	\$79,193,949	\$74,164,089	\$72,238,326	\$72,942,902
total operating expense	\$83,796,801	\$79,840,429	\$74,489,721	\$72,278,429	\$71,366,208

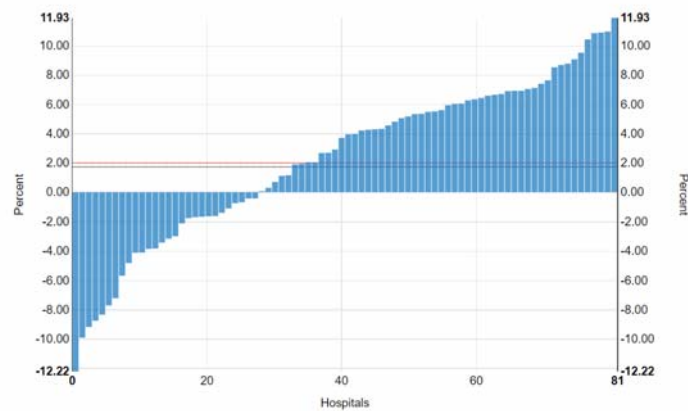
Data are annualized for periods other than twelve months.

Period ending date	6/30/2016	6/30/2015	6/30/2014
Number of months in period	12	12	12
Cost report status	As Submitted	Settled Without Audit	Settled Without Audit
Inpatient Revenue	\$10,977,157	\$8,940,567	\$9,090,500
Outpatient Revenue	\$47,823,597	\$47,941,266	\$41,673,835
Total Patient Revenue	\$58,800,754	\$56,881,833	\$50,764,335
Contractual Allowance (Discounts)	\$24,966,758	\$24,364,570	\$19,991,048
Net Patient Revenues	\$33,833,996	\$32,517,263	\$30,773,287
Total Operating Expense ¹	\$35,219,837	\$34,530,966	\$33,551,927
Operating Income	\$-1,385,841	\$-2,013,703	\$-2,778,640
Other Income (Contributions, Bequests, etc.)	\$350,115	\$412,207	\$426,299
Income from Investments	\$90,656	\$206,927	\$266,632
Governmental Appropriations	\$629,274	\$613,055	\$613,807
Miscellaneous Non-Patient Revenue	\$2,132,728	\$2,017,665	\$2,573,179
Total Non-Patient Revenue	\$3,202,773	\$3,249,854	\$3,879,917
Total Other Expenses	\$0	\$0	\$0
Net Income or (Loss)	\$1,816,932	\$1,236,151	\$1,101,277

Operating Margin

- How do you have a negative operating margin and a positive net income? (operating in the black)
 - EHR
 - County funds
 - Donations
- You are receiving income from a non-patient source.

Operating Margin - Iowa



Red Line is the benchmark – Blue line is the US median

Operating Margin

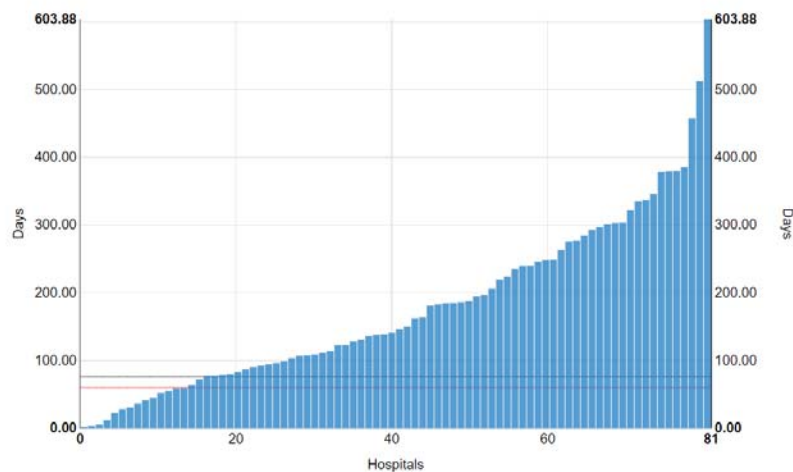
- Monitor all of your financial indicators closely.
- Evaluate your revenue cycle processes.
- Determine if accounts are being under-coded due to missed documentation. (Big area for lost revenue)
- Consider new revenue streams. (Dialysis, OP rehab, Psych)
- Follow up, follow up, follow up!

POLL QUESTION

Days Cash on Hand

- Measures the number of days a hospital could operate if no cash was collected or received.
- Very low values indicate financial difficulty.
- Calculated at fiscal year end so the report numbers do not reflect fluctuations during the year.
- Unrestricted investments may lead to an overestimate of cash on hand.

Days Cash on Hand



What should you monitor to increase Cash on Hand?

- Upfront Collections should average \$20/registration
- Monitor by registrar, adjust goals by area and by shift
- Survey Results
- 46.7% Do not have an upfront collections policy in place.
- 86.7% Do not have award or bonus system for collections

What should you monitor to increase Cash on Hand?

- Payment Arrangements for elective surgery
 - **Survey Results: 13% of IA CAHs do this Always**
- Track registration errors, 80% of claim errors originate in Patient Access.
 - **Survey Results: 33% of IA CAHs track these errors**
- HIM – Track chart delinquencies > 30 days
 - Chart delinquencies hold up cash
 - Follow Medical Staff policies

What should you monitor to increase Cash on Hand?

- Patients should be seen prior to discharge to make payment arrangements.
 - **Survey Results:** 40% of IA CAHs say they NEVER make these arrangements
- Clean Claims – the benchmark is 95%
 - Monitor clean claims, get your baseline and determine a goal

Days Cash on Hand

- Recruit skilled labor in your business office and Patient Access.
- Implement technology to streamline your billing and collection processes. Watch for recurring errors.
- Outsource difficult collection processes to free up billing staff to focus on other collections. (auto recovery, VA, Workman's Comp)
- Follow up on unpaid or denied claims.
- Increase upfront collections.

Days Cash on Hand

- Evaluate your write offs.
- Determine what is being written off that should be collected.
- Are you writing off denials where they could have been recovered?
- Are your contracts in need of renegotiation?
- What discounts are you giving patients to entice payment on accounts? Too much? Not enough?

Survey Results

What do you struggle with?

- Upfront collections and self pay collections X 4
- Picking correct insurance at time of registration
- We could be better at Medicaid eligibility especially in the ER
- Correct registrations
- First pass denials

Survey Results

Cash on hand peer improvements

- Transparency in our results have helped
- Regular monitoring and meeting of Rev Cycle committee, training, and improving processes.
- We re-organized the business office staff to have one payment poster who captures denial codes in the system.
- Monitor dashboard
- Ensuring proper build of EHR system

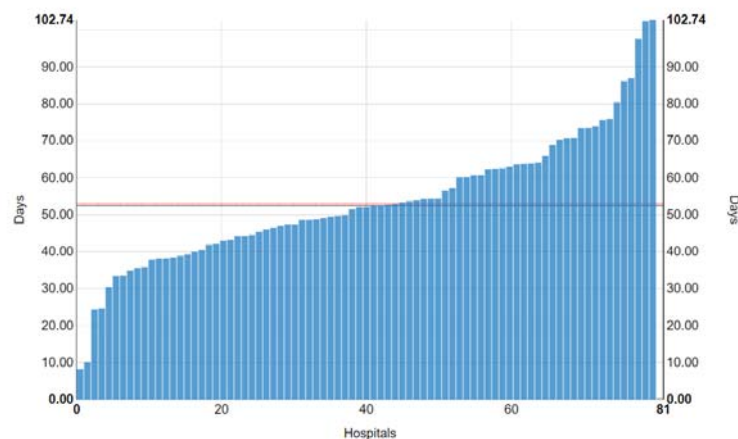
If you have a successful process please share it with us!

POLL QUESTION

Days in Net Accts Receivable

- Measures the number of days that it takes you to collect your receivables or money owed to you.
- High values show that it takes too long to collect.
- Low values show an efficient process to resolve accounts.
- Low values can also show a high Medicare percentage of patients.

Days in Net Accts Receivable



Benchmark is 53 Days

What should you monitor related to Days in Net AR?

- Denials will extend your AR days so you should monitor how quickly they are worked and your success rates.
- Determine what is causing denials using your results to improve processes.
- Don't monitor unless you are going to use your results for improvement.

What should you monitor related to Days in Net AR?

- Clean Claims – Your goal is 90%
- Use clean claims monitoring to identify errors and trends.
- Once identified evaluate the process and improve processes to help correct the breakdown in the process causing the error.
- Continue to monitor.

Days in Net Accts Receivable

- Monitor outstanding accounts.
- Evaluate why they are not collected. (Denied, errors etc.)
- Watch for trends that are affecting collections.
- Backtrack in the process to find issues that can be corrected to increase speed of billing and collection.
- Involve all departments that touch the claim.
- Report any improvements and solicit ideas from frontline staff.

Days in Net Accts Receivable

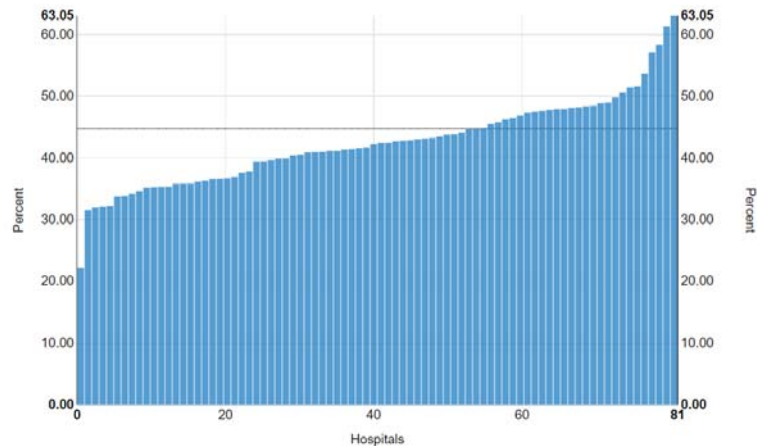
- **Survey Results:**
- 1 answered that they have a mechanism in place for tracking AR successfully
- 40% track denials and report to the C-Suite
- % of AR > 90 days ranged from 10-50%

POLL QUESTION

Salaries to Net Patient Revenue

- Measure the percent of net patient revenue that is used for labor costs.
- A value > 50% indicates that a majority of your net revenue is for salaries.
- High values show labor intensive hospitals or over-staffing.
- Low values show that your revenue is being spent on equipment, supplies and other expenses.

Salaries to Net Patient Revenue



US Median is 44.71%

Salaries to Net Patient Revenue

- Layoffs may only be a short-term gain.
- Layoffs can be a net-negative from financial and cultural standpoints.
- Optimize your labor. Use productivity software to determine staffing levels.
- Evaluate your pay scales.
- Evaluate your Paid Time Off policies (combine PTO and sick time to decrease benefit costs) and your health insurance benefits (find a better deal with a new insurance company)

Strategy to Improve

- Use Performance Improvement strategies.
- Find your current baseline numbers.
- Determine where you are in relation to the established benchmarks.
- Evaluate your processes.
- Understand how all indicators are intertwined.
- Develop a plan.

Performance Improvement

- Monitoring your financial indicators will help you determine how strong your hospital is financially.
- Each area should be looking at indicators that will affect the major financial indicators.
- Monitoring numbers is not enough.
- Changes and improvements must be made.

Performance Improvement

- Patient Access – Upfront Collections (\$20/registration)
- Financial Counselors – Uninsured screening for financial assistance (100% of uninsured)
- Case Management – Denials for medical necessity (less than 0.1% of net patient revenue)
- HIM – Chart Delinquencies > 30 days (< 5% of charts)
- Billing – Clean Claims (90% of claims)
- Collections – Claim rejection turnaround (< 15 days per claim)

Performance Improvement

- Collect data to get your baseline numbers for comparison.
- Analyze data and determine if improvements need to be made.
- Get front line staff to help make process improvements.
- Continue to collect data to measure success.

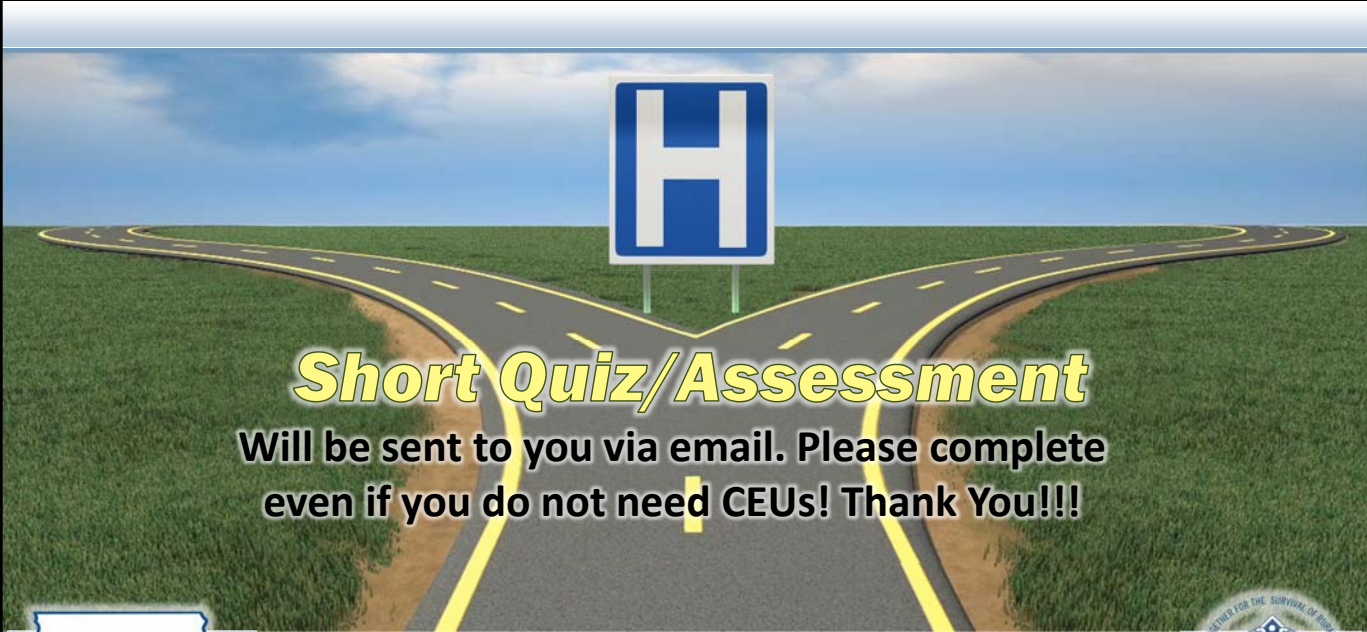
New Payment Models

- Based on value not volume.
- You need to get your financial processes in order prior to transitioning to value based models.
- You need a healthy hospital to be desirable to groups who are looking for partners and to insurance companies who want their beneficiaries to receive quality care and get a good deal for that care.


Learning Outcomes

Now that you have completed this training, you should be able to:

- Identify the financial indicators that you should be monitoring closely.
- Describe ways to improve your financial indicators through performance improvement strategies.
- Discuss what a benchmark means to you.




Short Quiz/Assessment
Will be sent to you via email. Please complete even if you do not need CEUs! Thank You!!!



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HOMETOWN HEALTH

Questions?



Contact Sandy Sage, RN
Sandy.sage@hometownhealthonline.com
or email
hthtech@hometownhealthonline.com

Iowa Rural Hospital Learning Opportunity Program

Announcements & Upcoming Events

Jennie Price, Director of Business Development



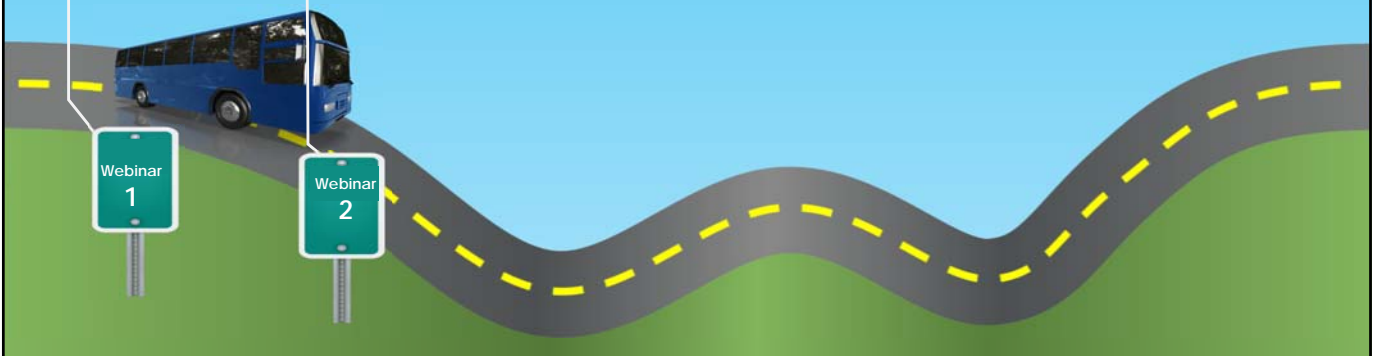
Iowa Rural Hospital Learning Opportunity Program "A Journey in Financial Improvement"

Stop #1 - Using Performance Improvement Strategies to Improve Financial Indicators

December 20, 2017

Stop #2 - Developing an Efficient Revenue Cycle Committee

January 17, 2018 at 1:00pm Central





Dashboard & Resources

A recording of today's webinar, handouts & resources, and future webinars dates can be found on the Program Dashboard located at: www.hthu.net/iowarhlop18



Tell us how we did!
A Journey in Financial Improvement
Using Performance Improvement Strategies to
Improve Financial Indicators



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HOMETOWN HEALTH

The slide features a background image of a road that splits into two paths, with a large blue sign with a white 'H' in the center. The text is overlaid on the road. The bottom of the slide contains logos for the Iowa Department of Public Health (IDPH) and Hometown Health, along with the program name and funding information.