



**CPAs & BUSINESS ADVISORS**

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# **CRITICAL ACCESS HOSPITALS**

Improvement Opportunities in a Challenging Environment

# STATE OF THE INDUSTRY

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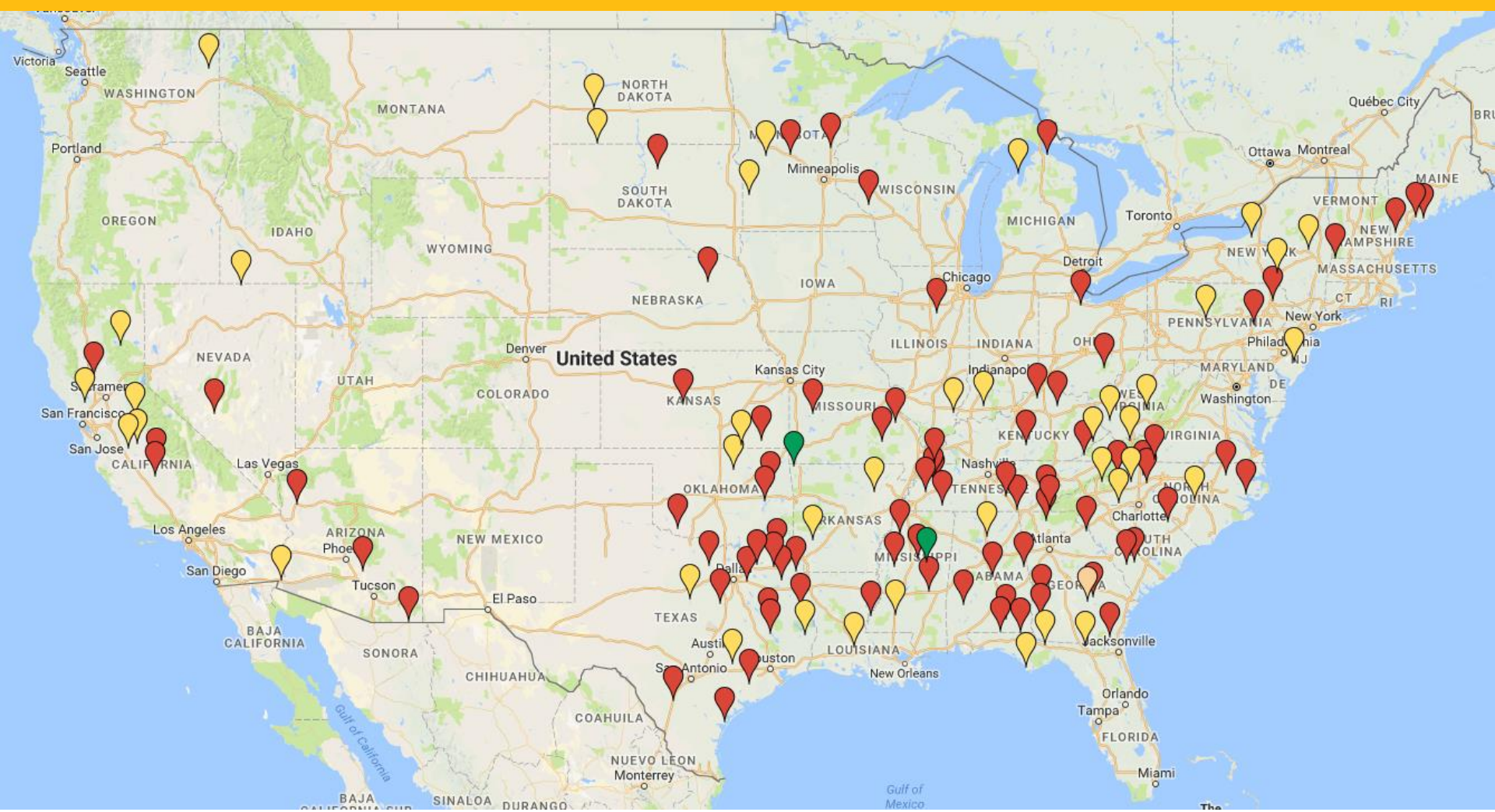
- Significant challenges to the profitability and stability of all hospitals
  - Health care reform
  - Commercial payor changes
    - New networks
    - Higher out-of-pocket obligations
  - Competitors
    - Traditional
    - Non-traditional

# STATE OF THE INDUSTRY

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- Increase in closures and bankruptcies
  - Over 80 rural hospitals have closed
  - Increased number experiencing losses

# RURAL CLOSURES



# STATE OF THE INDUSTRY

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- There is a great disparity in overall profitability between rural hospitals
- Common factors leading to success
  - Location
  - Adoption of best practices

# BEST PRACTICES

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- Revenue Cycle
- Volumes
- Labor and other expense management
- Data management

# BEST PRACTICES

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- Commitment
- Accountability



# REVENUE CYCLE



# REVENUE CYCLE

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- Increased challenges in the Revenue Cycle
- Significant number of resources in the industry
- **Best Practices**
  - Establishment of policies and procedures
  - Maximize the use of technology
  - Assignment of accountability
  - Drive down days in accounts receivable

# PATIENT ACCESS – IDENTITY AND RESPONSIBILITY

- Hard to collect if you don't properly identify the patient
  - Photo identification
  - Insurance cards
  - Insurance verification
- Processes must be established
  - Accountability must be assigned
  - After hours included!!

# PATIENT ACCESS – IDENTITY AND RESPONSIBILITY

- Identification of coinsurance, deductibles and copays
  - Identify estimates prior to scheduled services
  - Estimate amount for non-scheduled services
  - Collect estimated balances
  - Identify loan sources
  - Establish payment plans if necessary/appropriate
  - Includes Emergency Room for non-emergent patients

# PATIENT ACCESS – IDENTITY AND RESPONSIBILITY

- Identification of coinsurance, deductibles and copays
  - Identify charity care recipients
    - Application
    - Presumptive methods
  - Reschedule services or redirect place of service if appropriate

# PATIENT ACCESS – IDENTITY AND RESPONSIBILITY

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- Back-end processes
  - Establish policies
    - Payment plans
    - Collection agencies
  - Follow policies as identified

# REVENUE RECOGNITION – CHARGE CAPTURE/CODING

- Best practice facilities 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

# PRICING

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- Charges for rural services frequently is well below that of larger counterparts for the exact same services
  - Often 20-40% below competitors
  - Sometimes consistently below cost
- Lack of appropriate pricing strategy may be caused by numerous issues
  - Restraints placed on Management by Board
  - Lack of understanding of reimbursement impact
  - Inability to access market based data

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# PRICING

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- **Successful providers have strong pricing strategies**
  - Use of market based data
    - Commercial sources
    - MedPAR
  - 75<sup>th</sup> percentile pricing
  - Annual updates to pricing

# DENIALS MANAGEMENT

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

# DENIALS MANAGEMENT

- Advanced Beneficiary Notices / Medical Necessity
  - Track Denials
    - Service
    - Physician
    - Staff performing service
    - Etc.
  - Emergency Room services are not exempt
    - Increased frequency of denials
    - Monitor
    - Follow up with providers



# VOLUMES

# VOLUMES

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- Best practice facilities focus on improving volumes
- The strategy for volume growth has changed over time
  - Past
    - Major focus on increasing the total number of services
      - Number of individual patients not as important as volume of services performed on these patients
      - High dollar specialty services sought

# VOLUMES

- The strategy for volume growth has changed over time
  - Current/Future
    - Major focus is shifting to maintaining or increasing volume or services based on increasing the total number of covered lives involved
      - Total cost of population health is increasing in importance
      - Increasing number of covered lives while decreasing total cost per covered life
        - Maintains services locally
        - Develop new interventions/coordination to reduce need for most costly solutions
        - Wellness pays!
    - It is all about market share

# VOLUMES

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- Understand your market share
  - Percentage of market share captured
  - Who is capturing the market share you are missing
  - Why are they capturing your market share?
    - Marketing
    - Perception
    - Reality
    - Access
- Understand the future of your market
  - Population trends
  - Inpatient trends
  - Outpatient trends

# VOLUMES

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- **Population**
  - Increases and decreases
  - Changes in age, sex, and other demographics
- **Inpatient service trends**
  - By service line
- **Outpatient service trends**
  - By service line



# VOLUMES

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- Physicians/Nurse Practitioners/Physician Assistants
  - Don't forget your providers!
  - Right number
  - Right specialty mix
  - Pay attention to their contracts
    - Balancing act
      - Compensation level
      - Incentives



# **LABOR AND OTHER EXPENSE MANAGEMENT**

# LABOR MANAGEMENT

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- 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

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- 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

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- Various data sources
  - External
    - Trade organizations
    - Research studies
    - Proprietary
    - State wide / Regional
  - Internal
    - Detailed study
    - Historical data

# LABOR MANAGEMENT

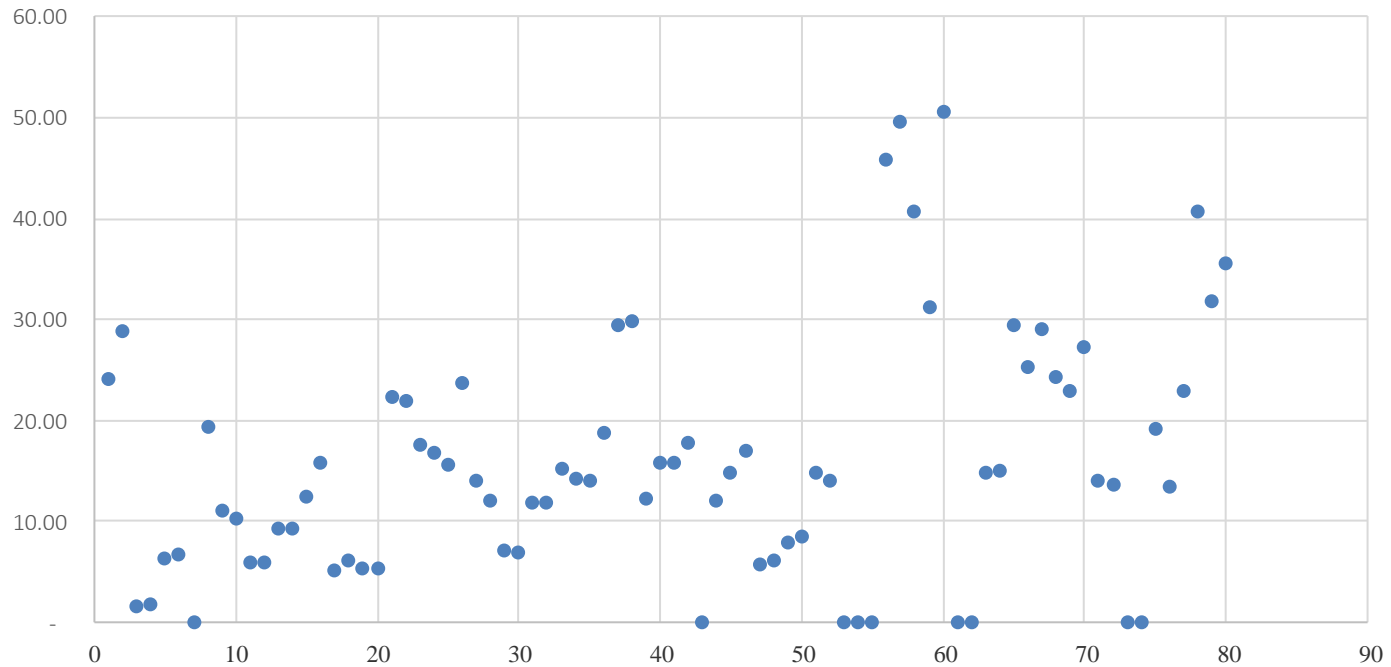
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- **Managing variation**
  - Why such a large variation between providers as well as internally?
    - Processes
    - Personalities
    - Etc.

# LABOR MANAGEMENT

One State – 40 Critical Access Hospitals

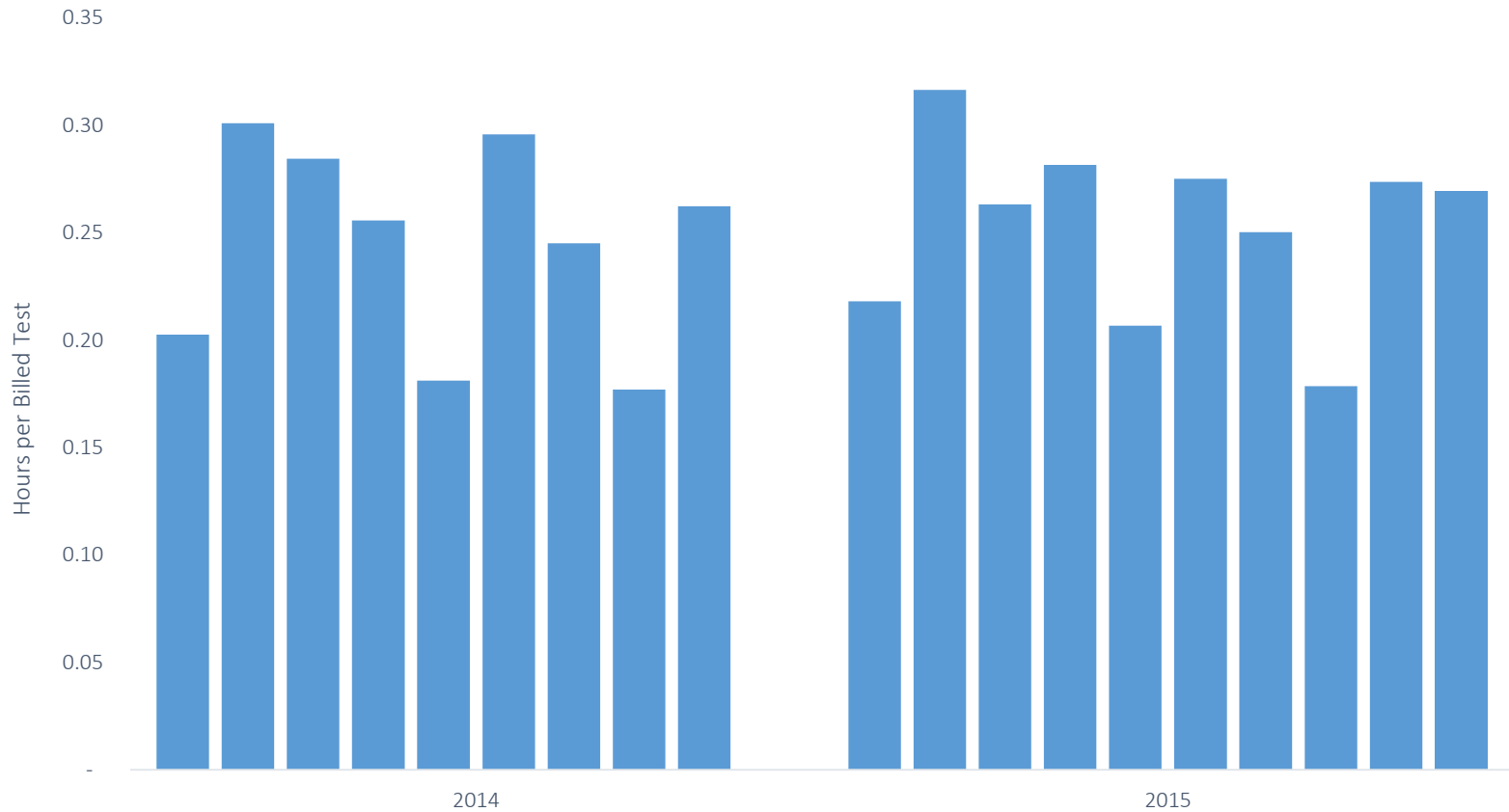
Med Surg HPPD including ICU & SB



# LABOR MANAGEMENT

One State – 9 Hospital Lab Departments

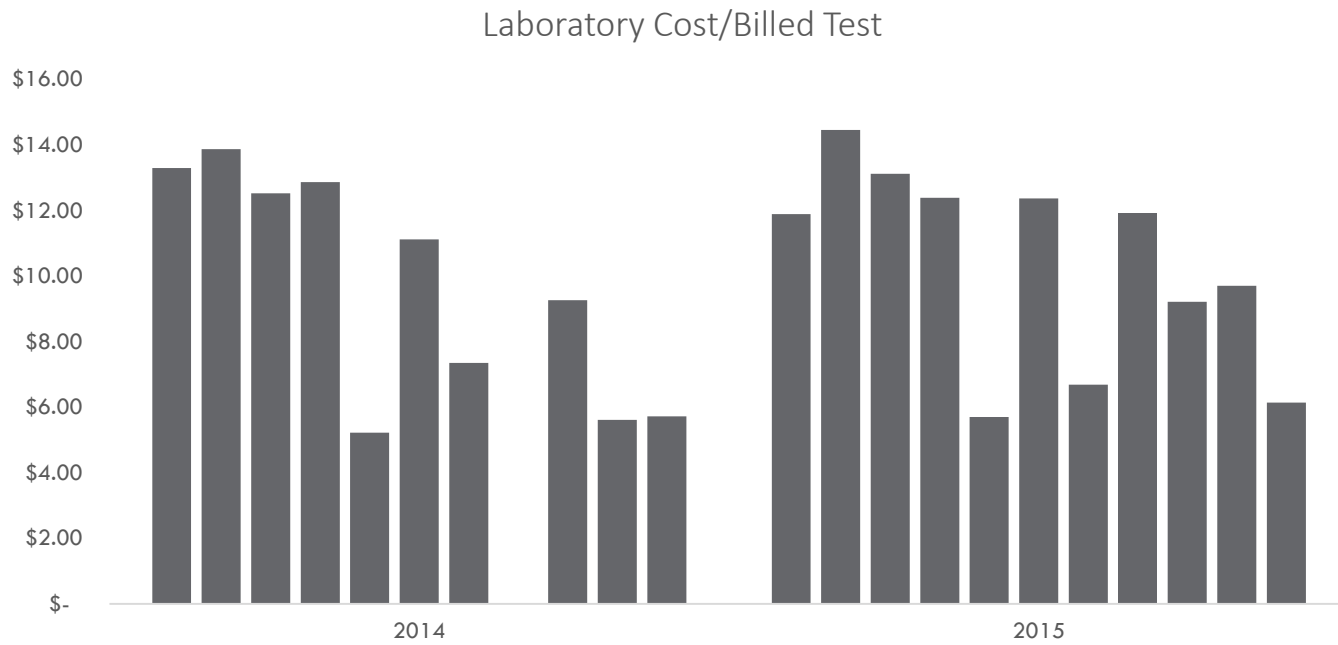
Laboratory Hours per Billed Test





# LABOR MANAGEMENT

One State – 9 Hospital Lab Departments



# LABOR MANAGEMENT

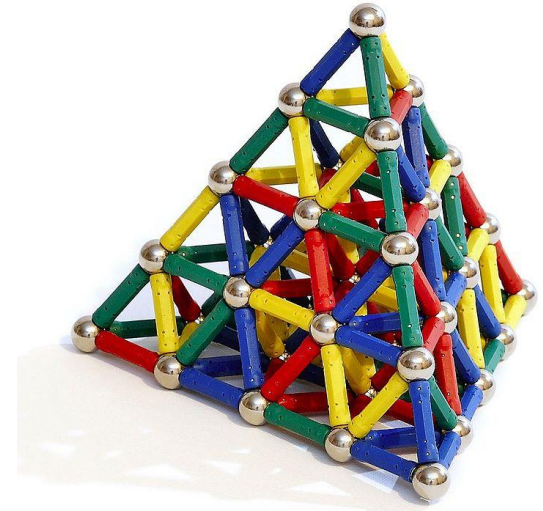
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- Best practice steps
  - Gathering of data
  - Establishing of benchmarks
  - Monitoring of results
  - No excuses



# DATA MANAGEMENT

# DATA TRANSFORMATION (ORGANIZATION)



We are pulling real time operational data that we did not have before and learning things we did not know – it is helping us to stop guessing!

Beginning to diagnose the correlation of how staff and patients move in the care process and the relation to quality and satisfaction.

New data is providing new questions and innovation is starting.....

# ELEMENTS OF DATA MANAGEMENT IN HEALTHCARE

## **Data pools are expanding**

EMR's are gathering a sea of data and helping to understand cost of care. Real time location systems (RTLS) providing deeper information on "how" we work. EDW's – electronic data warehouses – getting reports out is very difficult.

## **Lagging information**

We keep reporting on what happened in the past. Lagging, operational data has limited usefulness. Staff need to know sooner of variation in operational costs. The speed we expect the data is quickly increasing.

# A SHIFT OF DATA MANAGEMENT

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**Data Sets Will Only Get Bigger**

More reporting will be requested

**Reports Are Going Mobile**

**New Streams of Data Are Being Added**

Real Time Information

Correlative Information

**Costs Are Being Understood in More Levels of the Organization**

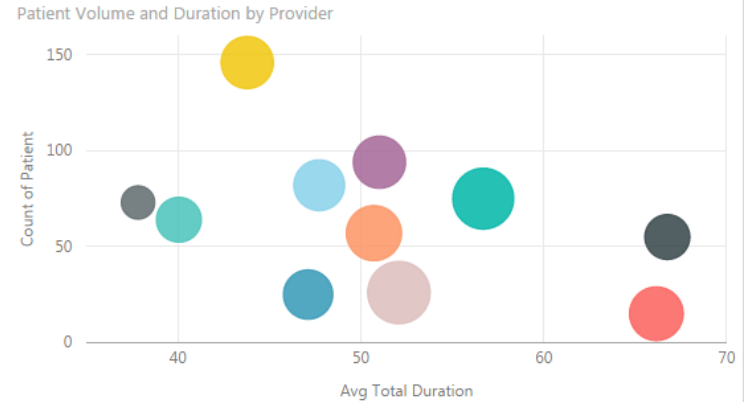
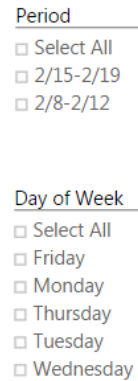
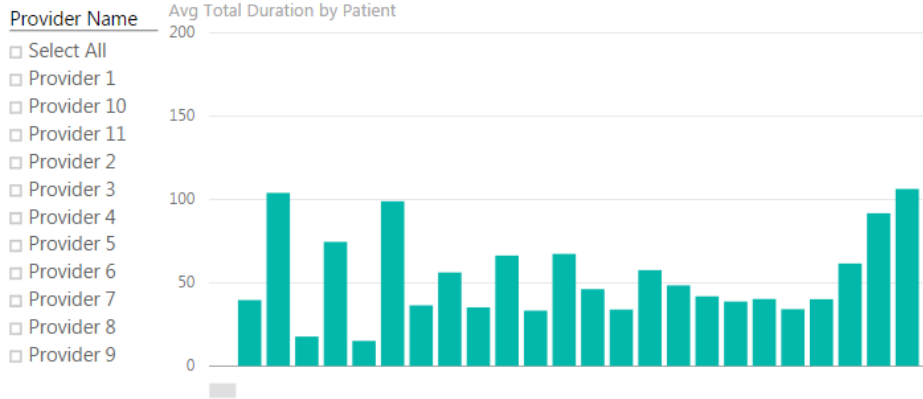
**Advanced Reporting Capabilities will Help Us Educate People and Contain Costs**

# WHAT'S FUELING THE PARADIGM SHIFT

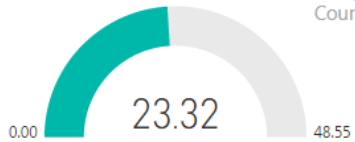
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- 1) Operational data is becoming more abundant.
- 2) Care providers are learning the value of operational data closer to the point of care.
- 3) Data is getting more mobile and providers understanding how mobility can help drive decisions.

# LEVERAGING BI TO GAIN UNDERSTANDING

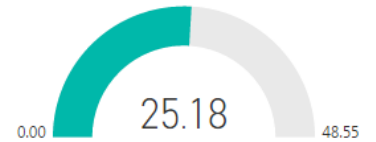


Value Added Time



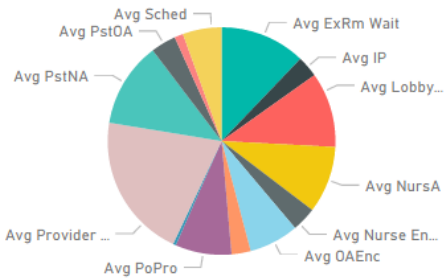
**712** Count of Patient  
**5.05** Avg Lobby Wait  
**9.76** Avg Provider Encounter  
**48.55** Avg Total Duration  
**48 %** Value Added Time  
**52 %** Non-Value Added Time

Non-Value Added Time

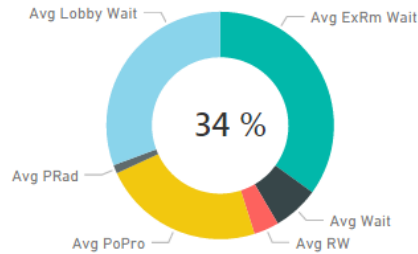


Workflow Type	Provider Name	Month	Day	Start time	Avg Total
Ambulatory	Provider 1	February	9	8:10	
Ambulatory	Provider 1	February	18	8:14	
<b>Total</b>					

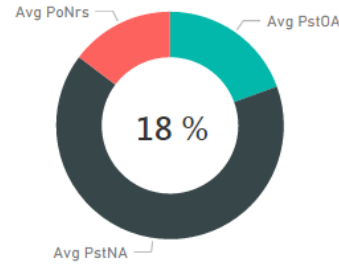
Cycle Time Breakdown



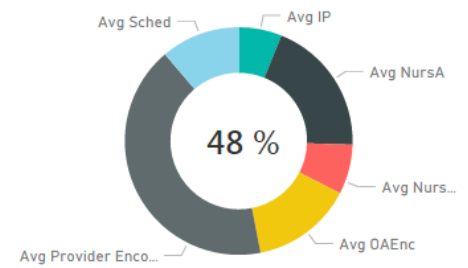
Target Waste



Workflow Waste



Value Added Time







# CLOSING COMMENTS

# CLOSING

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- The more successful rural providers have developed ongoing strategies to take advantage of opportunities while mitigating the financial threats
- These strategies are not all inclusive and are continually developing.
- New practices often require organizations to challenge past decisions
- Now is the time

# QUESTIONS?

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# THANK YOU

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