

Top Performing Critical Access Hospitals – Lessons Learned



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CPAs & BUSINESS ADVISORS



State of the Industry

- Significant challenges to the profitability and sustainability to critical access hospitals
 - Affordable Care Act
 - Commercial payor changes
 - New networks
 - Higher out-of-pocket obligations
 - Patient's more involved in managing their expenses



State of the Industry

- Increase in closures and bankruptcies for all hospitals
 - 47 rural hospitals have closed
- Increase in number of facilities now losing money



State of the Industry

- There is a great disparity in overall profitability between Critical Access Hospitals
- Largest factors
 - Location
 - Adoption of best practices



Best Practices

- Physician relationships
- Volumes
- Labor management
- Revenue cycle
- Educated leadership
- Access to resources



Best Practices

- Commitment
- Accountability

»» Physician Relationships

- The move to population management increases the importance of strong relationships with your primary providers
 - Employed
 - Contracted
 - Other
- Covered lives with drive reimbursement and primary care providers will control covered lives





Physician Relationships

- Alignment is essential
 - Confidence and trust between physicians and hospital
 - Physician input in change
 - Physician champions
 - Meaningful and timely feedback
 - Shared levels of accountability
 - Recognition and rewards
 - Aligned vision



Physician Relationships - Engagement

- Strategies to better engage physicians
 - Communicate
 - Communication is key to develop strong positive relationships
 - Failure to properly communicate leads to distrust
 - Board Involvement
 - Board position
 - Discussion of physician issues



Physician Relationships - Engagement

- Strategies to better engage physicians
 - Timely Action
 - Physicians expect timely decisions and action on issues
 - Hospitals are frequently slow in acting on issues
 - Request input from physicians
 - Significant issues
 - Creates or enhances shared partnership and vision



Physician Relationships - Engagement

- Strategies to better engage physicians
 - Establishment of expectations and accountability
 - Set expectations
 - Hold accountability
 - Identification of tools and processes to enhance productivity
 - Streamline processes
 - Improve productivity

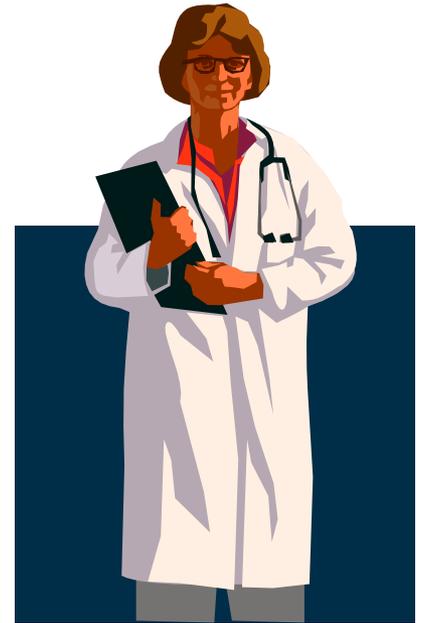


Physician Relationships - Engagement

- Strategies to better engage physicians
 - Provide leadership development
 - Similar to how we develop other leaders
 - Recognition and reward
 - More than just compensation

Physician Relationships - Engagement

- Ultimate goal
 - Build relationships
 - Show them respect
 - Allow them input
 - Clinic
 - Hospital
 - Allow them to be more successful





Volumes

- Best practice facilities focus on improving volumes
- The importance of volumes is changing over time
 - Past
 - Major focus on increasing the total number of services
 - Number of individual patient not as important as volume of services performed on these patients
 - High dollar specialty services sought

- The importance of volumes is changing over time
 - Future
 - Major focus will shift to maintaining or increasing volume of services based on increasing the total number of covered lives involved
 - Total cost of population health will be most important
 - Increase number of covered lives while decreasing total cost per covered life
 - Maintain services in locality
 - Develop new interventions/coordination to reduce need for most costly solutions

- Best practice
 - Develop strategic plan based on findings of Community Health Needs Assessment
 - Complete Community Health Needs Assessment or comparable assessment even if not required



Volumes

- Focus is to address the identified issues through development of services or collaboration with others to provide the necessary services
- Send the message that you are an engaged party in the provision of the healthcare needs in the community
- Increase the number of covered lives and retain services locally when possible and appropriate



Volumes

- Understand your market share
 - Percentage of market share captured
 - Who is capturing the market share you are missing
 - Cause for lost market share

- Understand the future of your market
 - Population trends
 - Inpatient trends
 - Outpatient trends



Volumes

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

Volumes – Inpatient Trends

| Service Line | 2013 Volume | 2018 Volume | 2023 Volume | 5 Yr Growth | 10 Yr Growth | 2013 ALOS | 2018 ALOS | 2023 ALOS | 2013 Days | 2018 Days | 2023 Days | 5 Yr Growth | 10 Yr Growth |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|--------------|
| Cardiac Services | 234 | 193 | 171 | -18% | -27% | 4.0 | 4.1 | 4.1 | 938 | 794 | 710 | -15% | -24% |
| ENT | 21 | 20 | 20 | -4% | -4% | 2.8 | 2.7 | 2.6 | 57 | 53 | 51 | -7% | -11% |
| General Medicine | 617 | 617 | 614 | 0% | 0% | 4.9 | 4.8 | 4.7 | 3,051 | 2,958 | 2,869 | -3% | -6% |
| General Surgery | 115 | 113 | 112 | -2% | -2% | 8.2 | 8.0 | 7.9 | 941 | 909 | 883 | -3% | -6% |
| Gynecology | 24 | 21 | 19 | -12% | -18% | 2.5 | 2.5 | 2.5 | 59 | 52 | 47 | -12% | -20% |
| Invalid | 9 | 9 | 10 | 1% | 3% | 8.7 | 8.7 | 8.7 | 82 | 83 | 85 | 1% | 3% |
| Neonatology | 180 | 178 | 180 | -1% | 0% | 3.6 | 3.6 | 3.5 | 653 | 640 | 634 | -2% | -3% |
| Neurology | 80 | 76 | 75 | -4% | -6% | 4.4 | 4.4 | 4.4 | 354 | 337 | 330 | -5% | -7% |
| Neurosurgery | 12 | 12 | 13 | 6% | 13% | 7.3 | 7.2 | 7.1 | 84 | 88 | 93 | 5% | 11% |
| Obstetrics | 138 | 142 | 148 | 3% | 8% | 2.7 | 2.6 | 2.5 | 366 | 364 | 370 | 0% | 1% |
| Oncology/Hematol... (Medical) | 54 | 52 | 51 | -3% | -6% | 5.3 | 5.1 | 5.0 | 284 | 266 | 252 | -6% | -11% |
| Ophthalmology | 2 | 2 | 2 | -11% | -19% | 3.1 | 3.1 | 3.1 | 7 | 6 | 6 | -11% | -21% |
| Orthopedics | 117 | 115 | 117 | -2% | 0% | 4.2 | 4.1 | 3.9 | 495 | 467 | 459 | -6% | -7% |
| Other Trauma | 15 | 14 | 14 | -4% | -7% | 3.9 | 3.9 | 3.8 | 59 | 56 | 54 | -5% | -9% |
| Rehabilitation | 21 | 21 | 23 | 0% | 7% | 13.0 | 13.5 | 14.0 | 273 | 283 | 316 | 4% | 16% |
| Spine | 41 | 38 | 37 | -7% | -11% | 3.5 | 3.5 | 3.5 | 143 | 134 | 130 | -7% | -10% |
| Thoracic Surgery | 11 | 11 | 11 | 2% | 3% | 8.8 | 8.4 | 8.0 | 94 | 91 | 88 | -3% | -6% |
| Urology | 27 | 27 | 26 | -3% | -6% | 3.8 | 3.7 | 3.7 | 105 | 99 | 95 | -6% | -10% |
| Vascular Services | 40 | 36 | 33 | -10% | -16% | 5.4 | 5.1 | 4.8 | 213 | 183 | 161 | -14% | -25% |

Source – The Advisory Board

Volumes – Outpatient Trends

*HOPD : Hospital Outpatient Department

| Service Line | 2013 Volume | 2018 Volume | 2023 Volume | 5 Yr Growth | 10 Yr Growth | 2013 HOPD Volume | 2018 HOPD Volume | 2023 HOPD Volume | 5 Yr Growth | 10 Yr Growth |
|---------------------------------|-------------|-------------|-------------|-------------|--------------|------------------|------------------|------------------|-------------|--------------|
| Cardiology | 3,974 | 4,095 | 4,098 | 3% | 3% | 1,266 | 1,275 | 1,260 | 1% | 0% |
| Cosmetic Procedures | 235 | 259 | 290 | 10% | 24% | 17 | 18 | 20 | 6% | 18% |
| Dermatology | 1,992 | 2,128 | 2,371 | 7% | 19% | 86 | 93 | 105 | 8% | 21% |
| Endocrinology | 25 | 30 | 37 | 19% | 47% | 10 | 10 | 11 | 4% | 12% |
| ENT | 1,166 | 1,232 | 1,355 | 6% | 16% | 160 | 151 | 150 | -6% | -6% |
| Evaluation and Management | 37,410 | 37,489 | 38,864 | 0% | 4% | 4,072 | 4,136 | 4,322 | 2% | 6% |
| Gastroenterology | 1,029 | 1,094 | 1,190 | 6% | 16% | 432 | 420 | 421 | -3% | -2% |
| General Surgery | 283 | 292 | 323 | 3% | 14% | 177 | 176 | 188 | -1% | 6% |
| Gynecology | 401 | 393 | 401 | -2% | 0% | 61 | 61 | 61 | -1% | -1% |
| Lab | 14,350 | 14,828 | 15,850 | 3% | 10% | 1,369 | 1,372 | 1,441 | 0% | 5% |
| Miscellaneous Services | 7,004 | 7,598 | 8,474 | 8% | 21% | 352 | 373 | 408 | 6% | 16% |
| Nephrology | 309 | 324 | 336 | 5% | 9% | 63 | 56 | 49 | -11% | -23% |
| Neurology | 509 | 569 | 669 | 12% | 31% | 118 | 111 | 113 | -5% | -4% |
| Neurosurgery | 29 | 33 | 36 | 11% | 23% | 6 | 6 | 7 | 10% | 27% |
| Obstetrics | 138 | 147 | 163 | 6% | 18% | 45 | 46 | 49 | 2% | 9% |
| Oncology | 83 | 82 | 87 | -1% | 4% | 40 | 43 | 50 | 7% | 25% |
| Ophthalmology | 3,328 | 3,667 | 4,211 | 10% | 27% | 196 | 194 | 206 | -1% | 5% |
| Orthopedics | 1,406 | 1,520 | 1,590 | 8% | 13% | 247 | 245 | 250 | -1% | 1% |
| Pain Management | 363 | 388 | 433 | 7% | 19% | 102 | 78 | 60 | -23% | -41% |
| Physical Therapy/Rehabilitation | 7,881 | 8,322 | 9,251 | 6% | 17% | 326 | 356 | 409 | 9% | 25% |

Source – The Advisory Board

- Best practice
 - Strategic plan is not a one time event
 - Ongoing process
 - Timely reporting
 - Considered during all major decision making



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 gathered
 - We are different



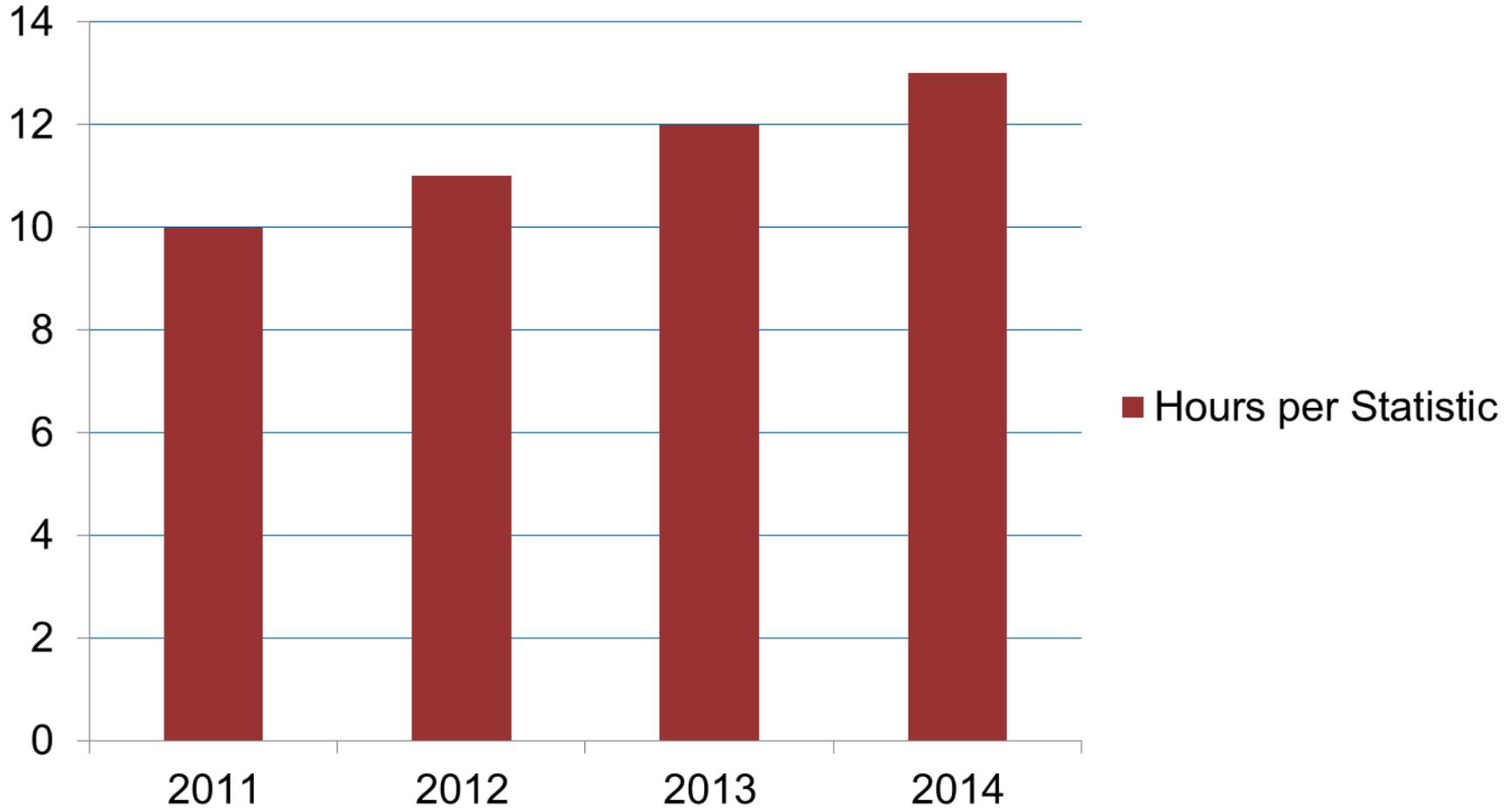
Labor Management

- 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





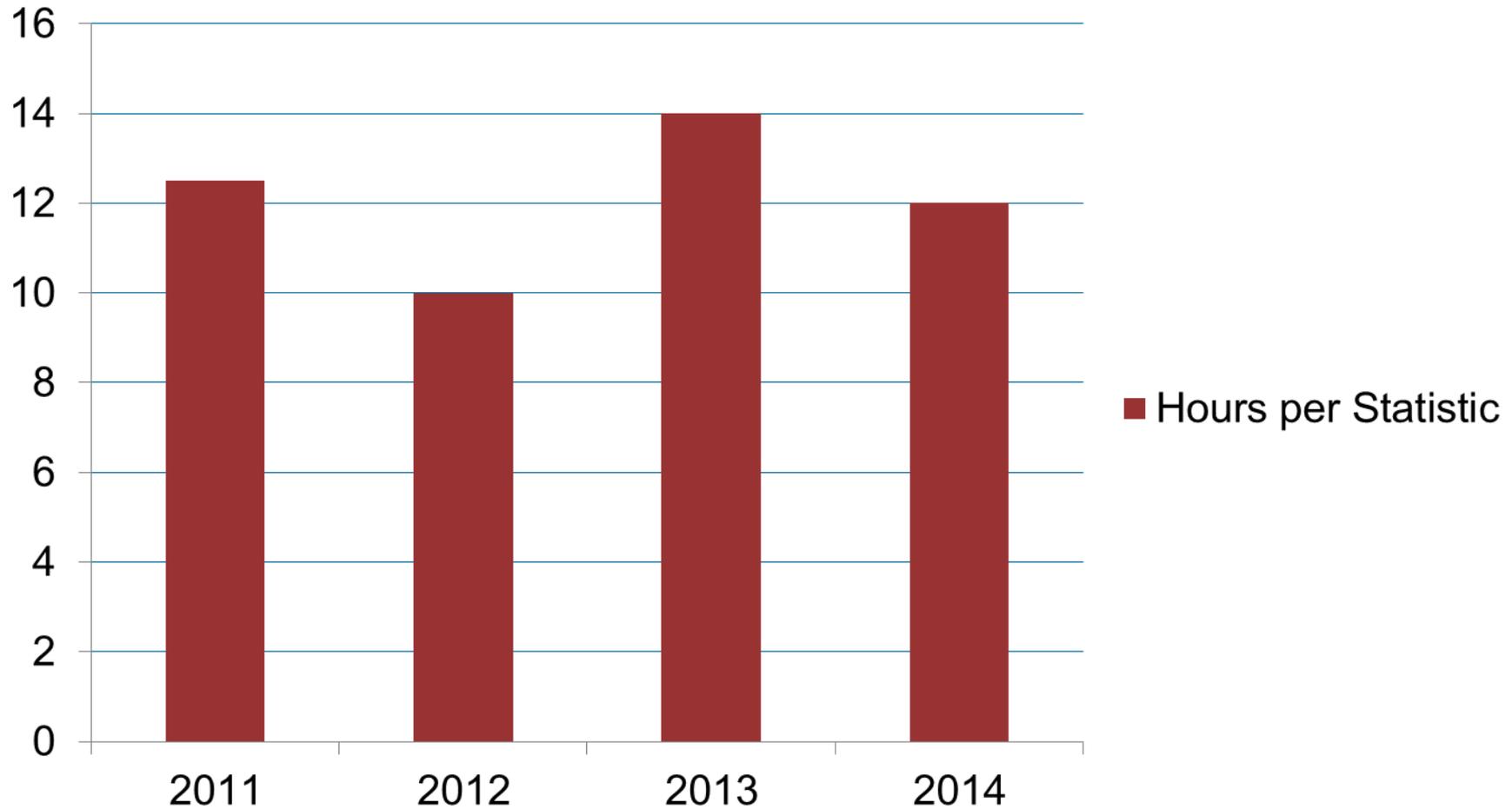
Labor Management

- 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.



Revenue Cycle

- Increased challenges in Revenue Cycle
- Best Practice
 - Establishment of policies and procedures
 - Assignment of accountability



Revenue Cycle – Patient Access

- Upfront processes are becoming more important than ever
 - Increasing levels of patient coinsurance and deductibles
 - Increasing mobility
 - Changes in health insurance carriers
- Significant variances in patient access processes



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 amounts 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 is appropriate



Patient Access – Identity and Responsibility

- Back-end
 - 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

Outpatient Nursing Procedures

- Outpatient nursing procedures
 - Facilities miss these opportunities
 - CAH
 - PPS
 - IV therapy, injections, Foley catheter insertions, etc.

Outpatient Nursing Procedures

- 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

- Outpatient nursing procedures
 - Recommend a team from nursing and HIM meet frequently to discuss documentation and charge capture opportunities

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



Pricing

- 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 caused by numerous issues
 - Restraints placed on Management by Board
 - Lack of understanding of reimbursement impact
 - Inability to access market based data



Pricing

- Successful providers have strong pricing strategies
 - Use of market based data
 - Commercial sources
 - MedPar
 - 75th percentile pricing
 - Annual updates to pricing



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
 - 90 days
 - 30 days?
- Many facilities still missing the deadlines!
 - Monitor write-off's
 - Separate account for tracking



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



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

»» Access to Resources

- Needed resources
 - Data
 - Expertise





Access to Resources

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





Access to Resources

- We are seeing smaller facilities increasing their access to data
 - More data
 - Faster data
 - Faster decisions
 - Better decisions



Access to Resources

- We are seeing smaller facilities increasing their access to data
 - Current vendors
 - BD/BI vendors
 - Compatibility of systems is the greatest challenge



Access to Resources

- We are seeing smaller facilities increasing their access to expertise that they have not had in the past
 - Affiliations
 - Affiliations can provide access to expertise on an as needed basis without loss of autonomy
 - Depth of available expertise varies



Access to Resources

- We are seeing smaller facilities increasing their access to expertise that they have not had in the past
 - Mergers
 - Mergers can provide access to expertise on an as needed basis, but with loss of autonomy
 - Depth of available expertise varies
 - Expertise may be welcomed or unwelcomed



Access to Resources

- We are seeing smaller facilities increasing their access to expertise that they have not had in the past
 - Consultants
 - Have seen significant increase in use of external consultants in CAHs
 - Greatest ability to maintain autonomy
 - Non-related healthcare providers
 - Non-profits/Grant funded.
 - Private equities.
 - Mergers
 - Mergers can provide access to expertise on an as needed basis, but with loss of autonomy
 - Depth of available expertise varies
 - Expertise may be welcomed or unwelcomed



Access to Resources

- We are seeing smaller facilities increasing their access to expertise that they have not had in the past
 - Ultimately we have seen all three work in the same markets



Educated Leadership

- Best practice facilities understand the value of investing in education for their 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.



Closing

- 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. Don't be afraid to challenge past decisions and to reverse course when appropriate



Questions??

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