

Critical Access Hospital Financial Management

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ACCOUNTING · FINANCIAL · TECH · M&A · TALENT

▲ THE PRESENTERS



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AGENDA

- ▶ **POST-COVID FINANCIAL ENVIRONMENT**
 - ▶ **CAH FINANCIAL MANAGEMENT STRATEGIES**
 - ▶ **CAH REIMBURSEMENT MANAGEMENT STRATEGIES**
- ▶ **NHA OUT-MIGRATION & MARKET DATA**





POST-COVID FINANCIAL ENVIRONMENT + STRATEGIES

▲ FINANCIAL PRESSURES

- ▶ **WORKFORCE SHORTAGES & INCREASED LABOR COSTS**
- ▶ **RECRUITMENT/RETAINMENT COSTS**
- ▶ **TEMPORARY COVID CASH INFUSION**
- ▶ **SUPPLY CHAIN DISRUPTIONS**
- ▶ **INFLATION, INTEREST RATES & MARKET VOLITILITY**
- ▶ **CHANGES IN PAYOR MIX**
- ▶ **CHANGES IN PAYOR REIMBURSEMENT**
- ▶ **CHANGES IN DEMAND FOR SERVICES**



▲ NEXT STEPS POST-COVID

▶ WORK AS A TEAM TO IMPROVE FINANCIAL PERFORMANCE & LONG-TERM FINANCIAL STABILITY

- Difficult decisions/conversations
- Demands strategic planning
- Accurate data required
- Education/communication on current pressures, strategies, and long-term financial plan



FINANCE FUNDAMENTALS

▶ **FINANCIAL STATEMENTS**

▶ **FINANCIAL INDICATORS**

- Operating Margin
- Days Cash on Hand
- Days in Gross/Net AR
- Payor Mix Percentage

▶ **ACCURATE BASE-LINE OF PAST PERFORMANCE**

▶ **ACCURATE BUDGETING POST-COVID**

FINANCIAL STRATEGIES

▶ SERVICE LINE/LOCATION PROFITABILITY REVIEW

- Which services/locations are making a positive bottom line?
- Direct cost method
- Indirect cost method
- Use Medicare Cost Report as a tool
- Incorporate current payor mix and expected shifts in payor mix

▲ FINANCIAL STRATEGIES

▶ PAYOR CONTRACT PROFITABILITY REVIEW

- How are we getting paid from largest payors, outside of Medicare/Medicaid?
- Shifts from % of charges to fee schedule
- Commercial Payors – Opportunity Review
- Incorporate into budget, marketing plan and service lines



FINANCIAL STRATEGIES

▶ STRATEGIC PRICING/CHARGEMASTER REVIEW

- Encompassing review of service line/payor mix data to strategically price for services
- Financial Modeling -
 - If we increase the pricing for these services, how does it impact our bottom line?
- Method I/Method II Billing
- CRNA passthrough election

▲ FINANCIAL STRATEGIES

▶ ANALYZE MARKET DEMAND

- New service lines/services?
- Expand certain service lines?
- Eliminate services that are not in demand/making money?

▶ ANALYZE OUT-MIGRATION DATA

- Are patients going somewhere else for services?
- Do we want to compete for those services?



FINANCIAL STRATEGIES

▶ EXPENSE ANALYSIS

- Do we have the capacity to continue spending like we have during COVID?
 - Short term variable COVID expenses
 - Long term fixed costs that started during COVID
- What is sustainable?
- Labor costs
 - FTE budgeting
 - Incorporate service line review
- Purchasing process review & accountability

▲ STRATEGIC FINANCIAL PLAN

▶ USE DATA ACCUMULATED TO CREATE FINANCIAL ROAD-MAP FOR NEXT 3-5 YEARS

- What is our goal from a financial and community perspective?
- Which service lines, locations, and related payors give us the opportunity to have financial stability to service the community into the future?



STRATEGIC FINANCIAL PLAN

► OTHER CONSIDERATIONS

- Analysis of REH model
- Telehealth Services
- Care Deliver/Access to Care
- Continuing Education (internal and external)
- Marketing Strategy





CAH REIMBURSEMENT MANAGEMENT STRATEGIES

ENROLLMENT/CREDENTIALING

▶ MEDICARE

- Part A
 - New enrollments
 - Revalidations
- Part B
 - New practitioners
 - Reassignments
 - Revalidations

▶ COMMERCIAL PAYORS

CONTRACTS/REIMBURSEMENT

▶ **MEDICARE**

- Reimbursement – Are we being paid in accordance with the contract
- Monitoring rates

▶ **MEDICAID**

- Reimbursement – Are we being paid in accordance with the contract
- Multiple payors - consistency of reimbursement

▶ **COMMERCIAL**

- Reimbursement – Are we being paid in accordance with the contract
- Charges / Fee Schedule
- Monitoring of rates; Annually/Semi-annually/Quarterly

▲ COST REPORT

- ▶ **Has the cost report been reviewed between management, the Board, and the cost report preparer recently?**



COST REPORTING

▶ FUNDAMENTAL COST REPORT OVERSIGHT

- Cost report recommendation letter
- Timely monitoring during the course of the fiscal year
- Cost report summary of changes to cost to charge ratios & per diems
- Major impacts on cost report
 - Changes in Medicare utilization
 - Volume changes
 - Expenses
 - Revenue changes/Rate increases
 - Square footage changes
 - Implementation of services

COST REPORT REVIEW & STRATEGIES

▶ OPERATIONAL DECISION-MAKING USING THE COST REPORT

- Due diligence
- Do we purchase that physician clinic?
- Provider-based regulations/reimbursement
- Should our physician clinic be converted to a rural health clinic?
 - Reimbursement implications
 - RHC compliance rules
- Relocation of space within the hospital
- Building projects – large or small
 - Feasibility

COST REPORT REVIEW & STRATEGIES

▶ OPERATIONAL DECISION-MAKING USING THE COST REPORT

- Service line assessment
 - Home Health
 - Community Services
 - Rural Health Clinic
 - Productivity
 - Staffing/scheduling
 - FOIA (Freedom of Information Act) – Competitor cost report comparison
 - NRCCs – Non-reimbursable cost centers

The background of the image is a dark blue gradient. Overlaid on this background are several faint, semi-transparent illustrations of laboratory glassware, including various flasks, beakers, and test tubes, arranged in a scattered pattern.

NHA DATA PORTAL

QUESTIONS?

Lutz

MIND WHAT MATTERS

SOURCES

- ▶ **Financial Guide for the Rural Health Care Leader During COVID and Post-COVID.** National Rural Health Resource Center. October 2021.
- ▶ **Financial Turnaround Needs Board Oversight.** Jamie Orlikoff. Retrieved May 5, 2023 from <https://trustees.aha.org/financial-turnaround-needs-board-oversight>

THE LUTZ NETWORK

ACCOUNTING

- ▲ **Audit & Assurance**
 - Audit, Review and Compilations
 - Employee Benefit Plan Audits
- ▲ **Client Accounting Services**
 - Outsourced Accounting
 - New Business Onboarding
 - Accounting Software Implementation
 - Compensation Consulting & Compliance
- ▲ **Tax**
 - Federal Business Tax
 - State & Local Tax
 - Credits & Incentives
 - Individual Tax
 - Cost Segregation Studies

CONSULTING

- ▲ **Business Valuation**
- ▲ **Business Transition & Exit Planning**
- ▲ **Data Analytics & Insights**
- ▲ **Family Office Services**
- ▲ **Healthcare Consulting Services**
- ▲ **Internal Control Assessments**
- ▲ **Litigation Support & Forensic Services**
- ▲ **Risk Assessment Services**

FINANCIAL

- ▲ **Financial Planning**
- ▲ **Investment Advisory**
 - Socially Responsible Investing
- ▲ **Retirement Plan Services**

Investment advisory services are offered through Lutz Financial Services, LLC.

TECH

- ▲ **Outsourced IT**
- ▲ **Technology Strategy Consulting**
- ▲ **Software Consulting and Implementation**
- ▲ **Cybersecurity Education**

M&A

- ▲ **Buy-side & Sell-side Representation**
- ▲ **Industry Market Analysis Services**
- ▲ **Transaction Advisory Services**
 - Due Diligence
 - Quality of Earnings

TALENT

- ▲ **Recruiting & Search Services**
- ▲ **Temporary Staffing**
- ▲ **Salary Reviews**
- ▲ **Position Description & Advertising Analysis**
- ▲ **Screening & Selection Assistance**
- ▲ **Outplacement Services**