Critical Access Hospital Financial Management 5/24/2023



THE PRESENTERS



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AGENDA

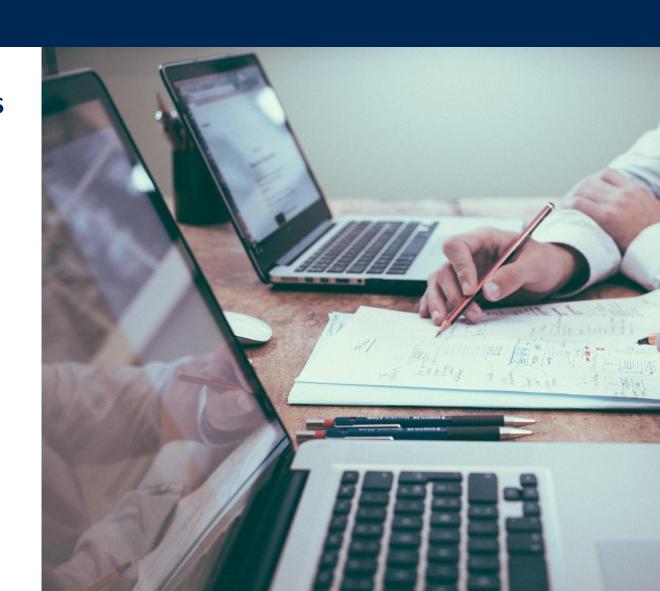
- **▶ POST-COVID FINANCIAL ENVIRONMENT**
 - ► CAH FINANCIAL MANAGEMENT STRATEGIES
 - ► CAH REIMBURSEMENT MANAGEMENT STRATEGIES
- ▶ NHA OUT-MIGRATION & MARKET DATA



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 REIMBURSMENT
- 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

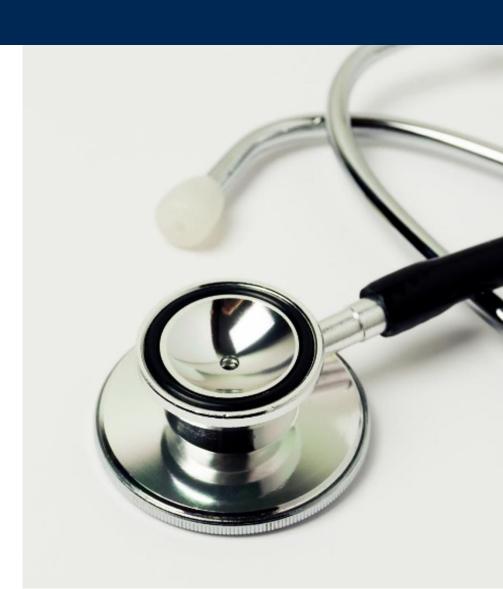
- **▶ FINANCIAL STATEMENTS**
- ► FINANCIAL INDICATORS
 - Operating Margin
 - Days Cash on Hand
 - Days in Gross/Net AR
 - Payor Mix Percentage
- **▶ ACCURATE BASE-LINE OF PAST PERFORMANCE**
- **▶** ACCURATE BUDGETING POST-COVID

▶ SERVICE LINE/LOCATION PROFITABILTY 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

▶ 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



▶ 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

▶ 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?

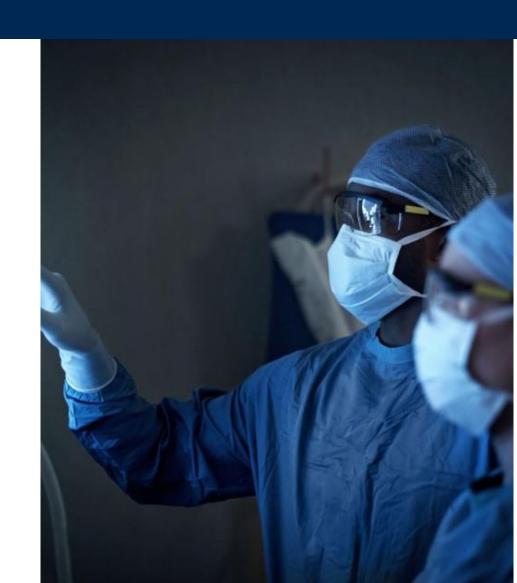


EXPENSE ANALYSIS

- 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

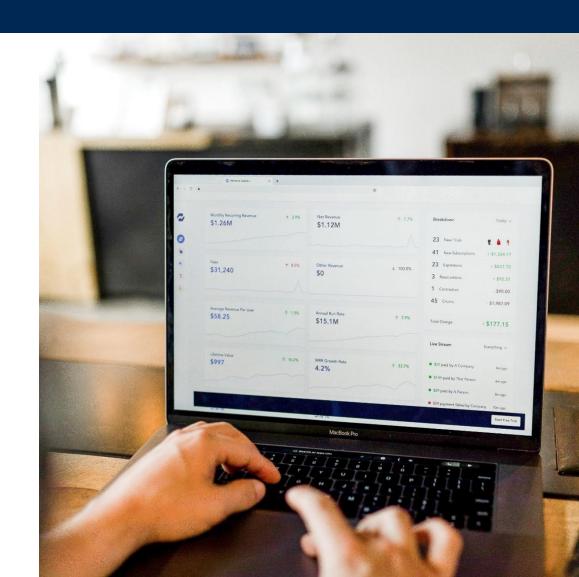
- ► USE DATA ACCUMULATED TO CREATE FINANCIAL ROAD-MAP FOR NEXT 3-5 YEARS
 - What is our goal from a financial and community perspective?
 - Which service lines, locations, and related payors give us the opportunity to have financial stability to service the community into the future?



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



QUESTIONS?



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

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

FINANCIAL

- **▲** Financial Planning
- ▲ Investment Advisory

 Socially Responsible Investing

Investment advisory services are affered 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