

How To Analyze and Contain Costs

Session 202
2015 NAHC Annual Meeting
Nashville, Tennessee

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October 29, 2015

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Direct Costs - definition

- The cost to provide staffing for patient care including clinicians, support staff, and the needed supplies and materials.

What are direct costs for clinical care?

- Clinicians: RN, LPN, PT, OT, ST, OTA, PTA, MSW, HHA
- All Clinical time: Patient care time, travel time, documentation time, and mileage

Look at delivery of care

- Clinical models for teams
 - Geographic
 - Regions
 - Territories
 - Clinical staff utilized
- Staffing patterns
 - Case loads
 - Use of LPNs

 - What works for your region and area - travel

Positive effects for:

- Continuity of care
- Decreased mileage
- Decreased travel time
- Staff and Patient satisfaction
- Staff retention

Clinical Supervisor Time

- Hiring, monitoring, educating, counseling and oversight
- How much time are they spending doing clerical functions versus managerial?
- Do they have time to case conference with staff and make supervisory visits
- Do they participate in development of staff and mentoring?

Where do I get data?

- Scheduling
- Pay registers – overtime and mileage reports
- Productivity programs
- National benchmarking company

Supply Costs

- What benefits you?
 - Drop ship
 - Supply room
 - Quality of supplies
 - Competitive bidding

Use of a formulary particularly for would care supplies

For Hospice

- Pharmaceutical costs
- DME
- Use of volunteers
- Medical director's contracts

Pharmaceutical Costs

- Your biggest expense other than staff
 - Shop around at least once per year
 - Set your formulary with your physician, then stick to it!
 - Supply only what is covered by hospice following CMS guidelines

Medical Directors

- How many are needed?
- MDs vs. CRNPs
- Roles – job descriptions and evaluations
- Functions
- Documentation

Use of Technology

- EMR
- Telephony
- Telehealth
- Air Cards
- Phones
- Encryption – text and email
- Mileage tracking system

How Did We Get here?

Medicare case mix creep cuts of 20.59%
ACA mandated cuts of another 14%
Increased Medicare Advantage penetration
and mergers that are paid for by
reducing patient care costs
Unfunded mandates like F2F, hospice
pharmacy and NOE, that required
increased costs with no payment
increase
Cost increases like health insurance.

How Did We Get Here?

Lets take a minute to
celebrate that we made
it this far!!
But, is there light at the
end of this tunnel?

Warning

You cannot rely on expense reductions to remedy your situation. You must also identify areas of revenue growth that must be realized for your agency to be successful.

Review of Indirect Costs

- Know your current expenses.
- Match them to the benchmark study definitions.
- Be sure to use benchmarks that management agrees are relevant.
- Compare your costs to the benchmarks and develop explanations for significant variances to benchmark levels.
- Determine if additional efficiencies can be implemented.

Review of Indirect Costs

- Here are some **free standing agency** benchmarks as percent of total revenue from the 2015 Simone Financial Monitor.
- Total Indirect Costs 35.00%
- Executive Management 3.79%
- Finance and Accounting 2.10%
- Intake 2.59%
- Information Systems 1.52%
- Taxes and Benefits are 21% of salary.

Review of Indirect Costs

- Human Resources .95%
- Sales and marketing 2.14%
- Clinical Support 7.96%
- Office Support 2.39%
- Space/Occupancy 1.70%
- Liability Insurance .41%
- Bad Debt 1.00%
- Legal and Audit .85%

Tips on Controlling Costs

- **Employee Health Insurance:**

Ask your broker to review costs of various plans to see what you can afford.

Audit plan membership for dependents.

Consider self insurance to avoid 7% tax from ACA as of January 1, 2015.

Make sure you can fund gap between expected claims and stop loss aggregate if claims rise.

Tips on Controlling Costs

- **Insurance Costs:**

Make sure that your broker is working for you and actively marketing coverage to obtain best prices.

Ask broker for ideas to reduce costs, including various deductible levels.

Negotiate annual fees instead of commissions to align interests.

Be aware of new offerings like Cyber Insurance.

Tips on Controlling Costs

- **Workers Compensation Insurance:**

Maintain a safety committee to reduce losses and premiums.

Audit how your employees are categorized between clinical, office and home health aides.

Establish quarterly claims review with insurer and broker to monitor progress.

Explore self insurance group options.

Tips on Controlling Costs

- **Occupancy Costs and Office Space:**

Investigate potential renegotiation of leases to reduce underused space, include utilities, renovate, cap overhead and common space charges.

This process may extend lease term in return for concessions.

Make sure all of your space is used as technology changes medical records and medical supply storage needs.

Tips on Controlling Costs

- **Cost Report Preparation:**

Evaluate benefits of contracting out this important task.

Contractors are aware of all changes and can advise you how to collect data and capture your costs on the general ledger.

Cost reports play a key role in rebasing and Medicare rate setting so a professional cost report helps the whole industry!!

Tips on Controlling Costs

- **Information Systems Costs:**

Make sure you are using all of the systems you are paying for to maximize operating efficiencies.

Be aggressive in contract negotiations-why pay annual inflation increases if CMS does not give them to you?

Ask for concessions with each new purchase.

Tips on Controlling Costs

- **Information Systems Costs:**

Implement new technology like fax servers and physician portals to send and receive referral information and signed orders.

Create plans to be paperless through use of scanning and other technology. This will reduce your paper and copier costs!

Review in-house vs. cloud costs and benefits.

Tips on Controlling Costs

- **Telephone and wireless cards:**

Take advantage of competition among vendors to reduce your costs. No long term contracts!

Seek reduced prices for office phone services, cell phones and wireless cards. Use volume to driver discounts.

Make sure your T-1 lines are right sized.

Tips on Controlling Costs

- **Banking Costs:**

Are you using all your bank accounts?

Do you use ACH's instead of wiring funds?

Do you mandate employee direct deposit?

Does your bank automate reconciliations?

Have you recently reviewed bank charges and compared to other banks?

Are automated sweeps cost effective?

Anticipate your borrowing needs early.

Tips on Controlling Costs

- **Bad Debt:**

Know sources of your bad debt and quickly take steps to correct problems—F2F issues, hospice NOE issues, lack of notice of co-pays to patients, one time referral sources, change of insurance coverage issues, and lack of proper insurance authorizations.

You can control your losses.

Tips on Controlling Costs

- **Marketing costs:**

Understand how competition in your market drives costs. Know reasons for additional costs incurred.

Monitor Medicare admissions generated by each marketer and liaison to evaluate effectiveness and cost/benefit.

Purchase Medicare market data to focus efforts on referral sources with the best potential to grow. Assign sales territories.

Questions?

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