

North Carolina Community Health Center Association



Monitoring Red Flags to Avoid Raising the White Flag: Using Financial Analyses

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Objectives for Session

- ▶ What is the Red Flag reporting concept?
- ▶ Discuss how a Red Flag reporting system should be designed
- ▶ Discuss where information should be acquired for Red Flag reporting
- ▶ Types of information and audience receiving the information

What is Red Flag Reporting?

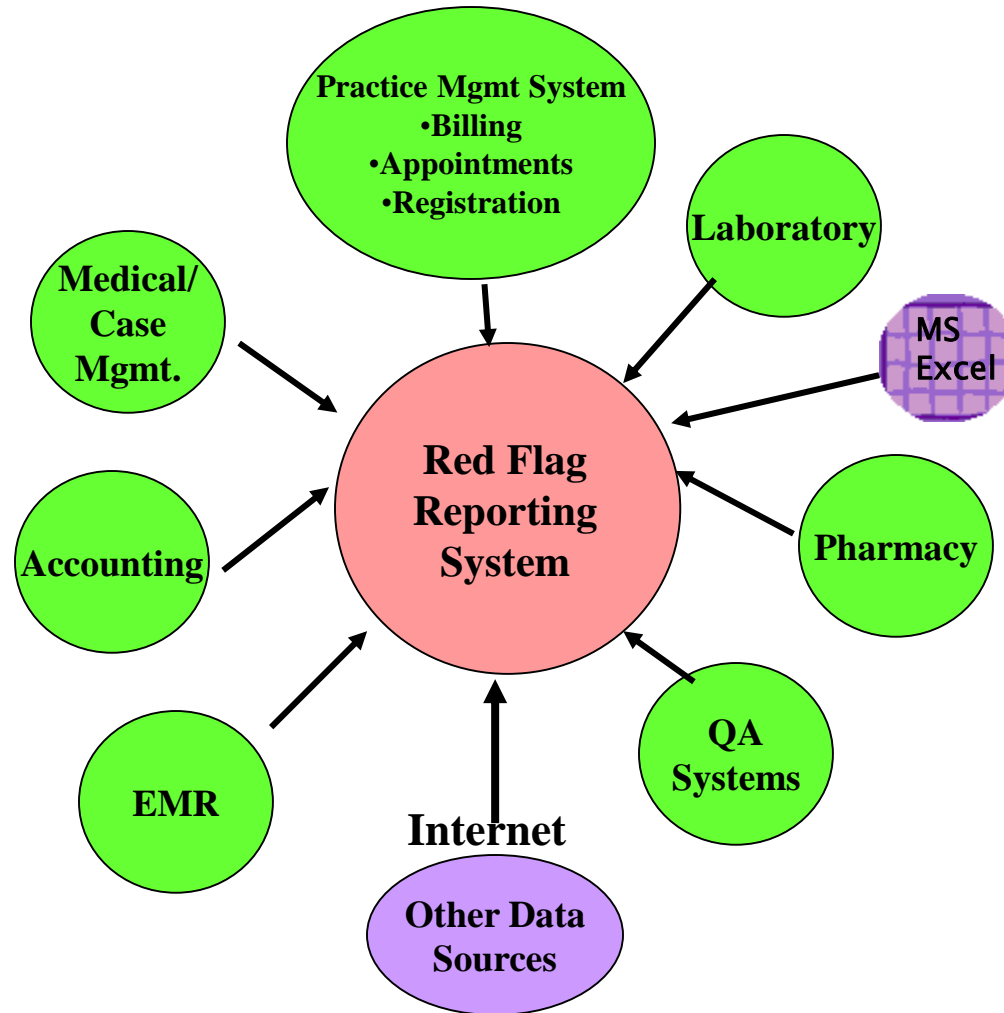
- ▶ Reports similar to quick review reports indicating financial, operational and performance status and trends of the organization.
- ▶ Purpose is to provide critical information in easy to read format (in some cases graphics) for quickly recognizing “outliers” that drive management decision-making.
- ▶ Allows for managers and others to “step back” from details and see key trends and relationships that drive the health center’s revenue, expenses, and performance efforts.

Why Red Flag Reporting?

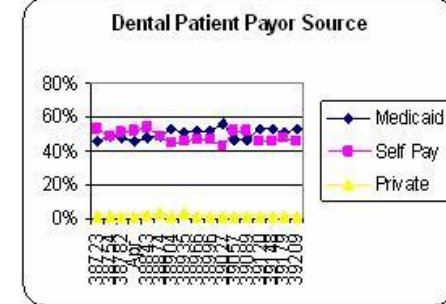
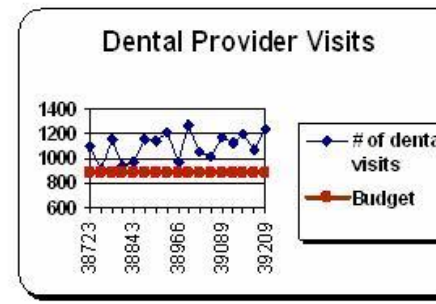
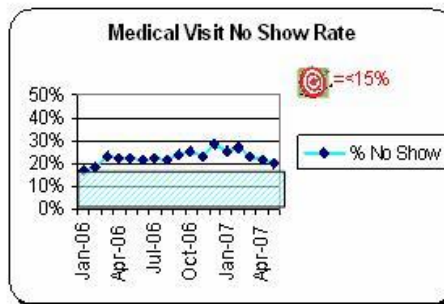
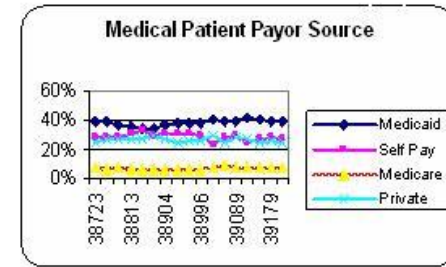
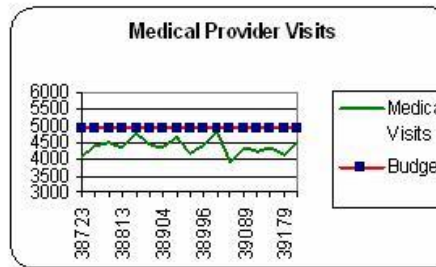
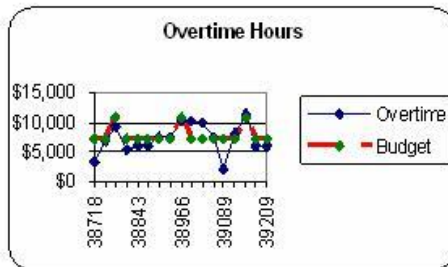
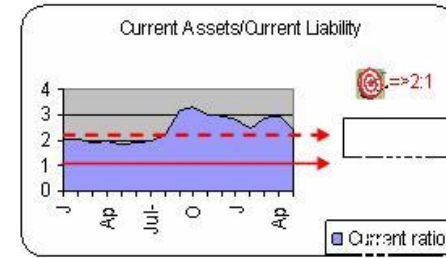
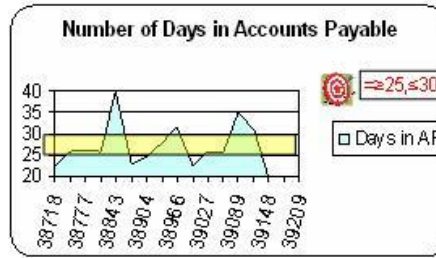
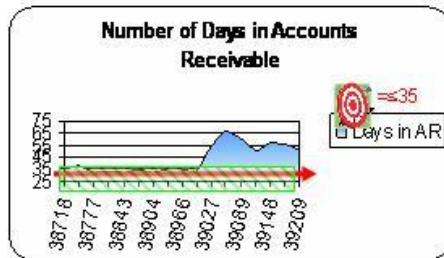
- ▶ Rather than waiting until problems to emerge, managers can quickly and accurately spot trends and make adjustments relative to their departments or areas of responsibility.
- ▶ Decisions and actions are based on fact.....not perceptions or intuition.
- ▶ Actions can be quicker than waiting for month-end reports



Where Does the Data Come From?



Report Formats for Generated Information



What Information Should We Generate and Report?

- ▶ Who are the stakeholders responsible for assuring acceptable health center performance?
- ▶ What is their role within the organization
- ▶ What information do they need in order to monitor adherence to planned progress?
- ▶ How do we determine each stakeholder's information needs?

Operational Indicators

There are a variety of operational indicators that, in real-time, can provide valuable data around health center operations and particularly access to services, utilization of services, and patient flow, including:

- Health Center Users by Payor, Plan, Service, Demographic Characteristics
- Visits by Payor, Plan, Service
- Next Available Appointment by Provider
- Third Next Available Appointment by Provider
- Number of Total Available Appointment Slots Filled by Provider
- No-Show Rate
- Walk-in Rates
- Average On-site Waiting Time for Appointment
- Number of Referrals to the Health Center by Type of Referral
- Number of Referrals from the Health Center by Type of Referral
- Number of Labs Provided
- Number of Scripts Written
- Number of Patient Complaints
- Number of Transportation Vouchers Provided
- Number of Visits Requiring Interpretation Services

Who Should Receive the Information?

- ▶ Board of Directors
- ▶ Finance Committee...other committees?
- ▶ Chief Executive Officer
- ▶ Chief Financial Officer
- ▶ Chief Operations Officer
- ▶ Chief Medical Officer
- ▶ Other Directors (Dental, Pharmacy, BH)



How Often Should Reports be Generated?

- ▶ Daily, weekly, monthly, quarterly, annually?
- ▶ Depends on what factors?
 - Type of information
 - Who is receiving reports
 - Availability of data; ease of acquiring
 - Usefulness of information



The Chief Executive Officer



- ▶ The CEO acts as the health center's driver—responsible for steering the organization toward its mission objectives. As a result, the CEO's vantage point should be broader and more summary in nature.

- ▶ Potential measures for the CEO's dashboard:
 - New Users and Volume
 - Volume/Utilization by Service Area, Site
 - Visits and Users by Payor
 - Productivity by Provider
 - Cost Center profit and loss
 - Accounts Receivable by Payor
 - IBNR (if at risk under managed care)
 - Fundraising report

Sample CEO Reports

DAILY MONITORING OF VISITS BY SITE AND BY PAYOR - 8/15/07

- This dashboard provides the CEO with daily data on visits by site and by payor. It also shows progress against the monthly budget.
- Here he/she can see that while it's halfway through the month, visits are not at the halfway mark of the monthly budget.
- Also, Medicaid FFS visits are the farthest away from attaining budget targets.
- Next Step? Drill down to see what factors may be causing Medicaid visits to be dropping.

Drop-down Box – Drill down to more detail ! (e.g. broken down by provider, by new and established patients by payor, by Medicaid MC plan)

	Daily Actual	Daily Budget	% Variance	Monthly Actual To-Date	Monthly Budget	% of Monthly Budget Attained
Site #1						
Medicare	7	4	40%	57	106	54%
Medicaid FFS	9	13	-40%	101	318	32%
Medicaid MC	12	19	-62%	275	490	56%
Commercial/Other	10	7	27%	80	185	43%
Self Pay	8	9	-11%	99	225	44%
Total	46	52	-14%	612	1,323	46%
Site #2						
Medicare	5	4	20%	57	100	57%
Medicaid FFS	18	23	-27%	239	577	41%
Medicaid MC	55	52	6%	641	1,305	49%
Commercial/Other	10	10	1%	120	251	48%
Self Pay	8	11	-37%	121	276	44%
Total	96	99	-4%	1,178	2,510	47%
Total Sites						
Medicare	12	8	32%	114	206	55%
Medicaid FFS	27	35	-31%	340	895	38%
Medicaid MC	67	71	-6%	916	1,795	51%
Commercial/Other	20	17	14%	200	436	46%
Self Pay	16	20	-24%	220	501	44%
Total	142	152	-7%	1,790	3,833	47%

The Chief Financial Officer

The CFO serves as the speedometer as well as the monitor of fuel efficiency. Indicators on the CFO's report compliment should focus any element that significantly affects an organization's finances and the efficient use of its resources.

Typical measures include:

- Those monitored by Federal and State regulatory bodies
- Those utilized by the general financial community such as Current Ratio and Working Capital.
- Those reflective of Revenue Maximization
 - Trends in Visits and Revenue by Payor
 - Accounts Receivables/Collection rates
 - Provider Productivity

Sample CFO Reports

- ▶ This excerpt from a CFO's reports shows that for the current period, the health center is performing 122% below budget.
- ▶ Other data sheds some light –the health center is underperforming in all areas this month, and particularly the lower than expected visits.
- ▶ Here the CFO can work with the COO and Medical Director to understand why there are 17% fewer users than expected. Furthermore, since visits associated with Medicaid FFS and Medicaid MC, the center's best payors are down, whether these patients in particular may be experiencing barriers to accessing care.

	6/1/07-6/30/07			
	Actual	Budget	Variance	%
PROFIT AND LOSS				
Patient Service Revenue	\$ 139,445	\$ 172,765	\$ (33,320)	-19%
Grant Revenue	50,000	50,000	-	0%
Fundraising Revenue	4,000	6,000	(2,000)	-33%
Other Revenue	2,534	2,500	34	1%
Total Revenue	\$ 195,979	\$ 231,265	\$ (35,286)	-15%
Expenses	203,000	200,000	3,000	2%
Operating Surplus/(Deficit)	\$ (7,021)	\$ 31,265	\$ (38,286)	-122%
UTILIZATION				
Total Users	385	466	(81)	-17%
New Users	350	388	(38)	-10%
Total Visits	1,309	1,583	(275)	-17%
Medicare	133	155	(22)	-14%
Medicaid	531	686	(154)	-22%
Medicaid MC	266	310	(44)	-14%
Commercial	100	139	(39)	-28%
Self Pay	279	294	(15)	-5%
Total Revenue per Visit	\$106.55	\$109.11	\$ (2.57)	-2%
Medicare	\$87.40	\$82.80	4.60	6%
Medicaid	\$150.00	\$150.00	-	0%
Medicaid MC	\$150.00	\$150.00	-	0%
Commercial	\$52.00	\$55.00	(3.00)	-5%
Self Pay	\$11.00	\$10.00	1.00	10%

Sample CFO Report Data

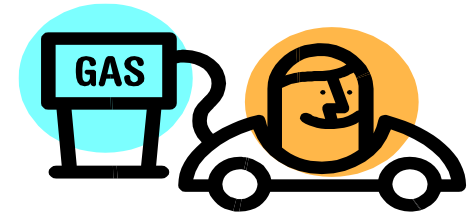
- This report displays financial indicators which the CFO can choose to further drill down to better understand performance by payor, department and/or site.

	Actual	Budget	Variance
Days in Accts. Rec.	100	75	(25)
Days in Accts. Pay.	75	60	(15)
Current Ratio	.95	1.1	(0.15)
Days Cash on Hand	5	25	(20)
Working Capital	(\$274,000)	\$500,000	(\$774,000)
Days in Reserve	65	60	5
Patient Revenue/Visit	\$ 95.00	\$ 92.00	\$ 3.00
Total Cost/Visit	\$105.00	\$100.00	(\$ 5.00)
SFS as % of CHC Grant	95%	90%	5%
Bad Debt Percentage	9%	6%	(3%)

Drop-down Box – Drill down to more detail ! (e.g. broken down by payor source)

Drop-down Box – Drill down to more detail ! (e.g. broken down by department)

The Chief Medical Officer, or CMO



- ▶ The Chief Medical Officer (CMO), or Medical Director, is responsible for ensuring that the center does not run out of gas. That means ensuring the center is meeting the clinical needs of its patients, that patient flow is as smooth as possible, and that providers are meeting productivity targets.

- ▶ Potential measures for the CMO's Red Flags include:
 - Provider productivity, by service area
 - No show rates
 - Filled Appointment slots
 - Next available appointment by provider
 - Third next available appointment by provider
 - Average on-site wait times for patients to see scheduled providers
 - Number of referrals to and from external providers, by service
 - Number of clinical/laboratory services provided

Sample CMO Report

- This report provides some of the key elements that drive patient productivity – the number of total appointment slots booked, the number/percent of “no-shows,” and the number of “walk-in” patients.
- This dashboard shows that Dr. Kennedy has not met his daily visit target because there was a lower than expected number of appointments booked and a higher than anticipated no-show rate.

Daily Visit Report – by Provider

	<u>New</u> <u>Patients -</u> <u>Actual</u>	<u>Established</u> <u>Patients -</u> <u>Actual</u>	<u>Total -</u> <u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>DR. KENNEDY</u>					
Available Appointment Slots	5	18	23		
Total Appts. Booked	4	11	15	20	-33%
No-Shows	1	3	4	4	0%
Walk-ins	2	2	4	2	50%
Visits	5	10	15	18	-20%
No Show Rate	25%	27%	27%	20%	25%
<u>TOTAL MEDICAL TEAM</u>					
Total Appt. Slots	23	90	113		
Total Appts. Booked	20	85	105	100	5%
No-Shows	2	8	12	20	-67%
Walk-ins	5	4	9	10	-11%
Visits	23	81	104	90	13%
No Show Rate	10%	9%	11%	20%	-75%

Sample CMO Reports

- With this information, the CMO can monitor key operational indicators affecting patient flow and productivity such as average wait time for a new patient appointment and average on-site waiting time. These may also impact upon average number of visits per provider therefore the indicators are displayed on one report.
- The CMO may also notice an increase in external referrals to specialists. Here they can drill down to type of specialist and provider making the referral to gather more information.

	<u>As of 7/15/07</u>	<u>As of 7/8/07</u>	<u>Target</u>	<u>Current</u> <u>Period</u>	<u>Prior</u> <u>Period</u>
Weekly Average Visits/Provider	82	86	83		
Average wait time for a new patient appt.					
Internal Medicine	5 days	6 days	7 days		
Pediatrics	8 days	11 days	7 days		
OB/GYN	15 days	18 days	7 days		
Average on-site wait time	35 minutes	27 minutes	15 minutes		
Number of External Referrals					
↑ Specialist Physicians				23	15
Radiology Group				11	18

Drop-down Box – Drill down to more detail !
(e.g. type of specialist physician, provider making the referral, etc.)

The Board of Directors

- ▶ The Board should have regular access to data that allows them to see a broad picture of the health center's performance.
- ▶ Reports can be designed for individual Board Committees, e.g. Finance, Compliance, as well as for the overall Board.
- ▶ Areas to review are those which report on performance in all key areas, finance, utilization, productivity, etc.
- ▶ Some health centers are setting up secure websites for their board to check real-time performance indicators.



Board of Directors Report

- This summary report informs the Board of center performance in multiple areas, including accounts receivable, collections, revenue and productivity. Here the Board may ask what is contributing to increased A/R and lower than expected provider productivity.

Revenue Maximization Accounts Receivable Metrics	Current Period	Prior Period	% Change	Budget	Strategic Plan	Industry Norms (where available)
Days in Patient A/R	89	76	-17%	60	50	70 -105
Bad Debt (as % of Net Pt. Revenue)	9.0%	10.2%	12%	9.5%	8.0%	6.2%
Per Visit						
Total Revenue	\$155.32	\$154.90	0%	\$157.00	\$160.00	
Patient Services Revenue	\$110.02	\$101.26	9%	\$107.00	\$115.00	
Total Billable Visits	17,000	18,000	-6%	18,500	19,000	
Provider FTE	5	5	0%	5	5	
Visits Per Provider FTE	3,400	3,600	-6%	3,700	3,800	3,800

Board of Directors' Finance Committee Report

- This information provides the Finance Committee with information on revenue and collections. Here the Committee can work with the CFO to understand why Commercial collections has dropped from the prior year. This also provides the Board with information on industry norms. They may ask why collection rates across all payors except Medicaid FFS is below average.

Revenue Maximization Accounts Receivable Metrics	Current Period	Prior Period	% Change	Budget	Strategic Plan	Industry Norms
Revenue Payor Mix						
Medicaid FFS	54.1%	54.8%	-1%	54.3%	56.0%	38%
Medicaid Managed Care	14.7%	14.0%	5%	14.5%	12.0%	21%
Medicare	6.1%	6.2%	-1.6%	6.3%	10.0%	12%
Commercial/Other	4.9%	5.1%	-3.9%	5.2%	5.0%	14%
Self-Pay	20.2%	19.9%	2%	19.7%	17.0%	15%
Collection Rate by Payor						
Medicaid FFS	98.7%	98.5%	0%	99.0%	99.0%	94%
Medicaid Managed Care	86.0%	87.0%	-1.1%	87.0%	90.0%	96%
Medicare	88.5%	84.9%	4%	98.0%	99.0%	89%
Commercial/Other	61.9%	68.0%	-9.1%	68.0%	75.0%	88%
Self-Pay	52.0%	50.0%	4%	50.0%	55.0%	77%
Net Revenue (Total Revenue - Bad Debt)	\$334,816	\$324,651	3%	\$362,420	\$412,787	

Red Flag Reports for Other Management Positions

Reports should be created for other positions that need access to readily available data.

Chief Operating Officer, COO

- Trends in Visits
- Utilization by Service Area
- Staffing Patterns – Admin. Support, Clinical Support
- Employee Retention Rate
- Use of Enabling Services – Transportation, Interpretation, Outreach
- Referral to Ancillary Service Providers

Chief Information Officer, CIO

- Training of new employees on MIS policies and procedures and targeted training in respective areas (e.g., practice management system, EMR, etc.)
- Statistics reflecting attempts to get into unauthorized systems
- Update and review of Business Continuity/Disaster Recovery Plan
- Tracking of hardware/software

Who Else Should Receive Operational Information?

- ▶ Dental, Pharmacy, BH Director, HR Director, Providers, Case Workers, Site Managers, Front Desk Supervisors, Billing Managers, etc.
- ▶ What is their role within the organization?
- ▶ What responsibilities do they have for identifiable outcomes in their area?
- ▶ How do you measure the outcomes?
- ▶ How do all these measures “fit” together?
- ▶ What information do the stakeholders need in order to manage their area of the business?



Any Questions???



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