

Morning Session 1, Day 2: Financial KPIs and reporting

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Introduction

- Too much data obscures important information.
- Selection and format are keys.
- Adjust information to the needs of persons within organization.
- Some information varies according to the funding model.

Financial KPIs: Executive Leadership

Monthly:

- Profit/loss by program
- Profit/Loss by population, such as adult and children's MH, SUD
- Actual revenues and expenditures compared to budget for month and year-to-date
- Days in receivable -- quickly identify variations
- Other depending on circumstances, such days of cash when stressed

Single Report for program manager, same for all programs to executive leaders and finance committee

Shelter	▼ Monthly Budget ▼	▼ Monthly Actual ▼	▼ Variance ▼	▼ YTD budget ▼	▼ YTD actual ▼	▼ Variance ▼
Revenues	-	-	-	-	-	-
Fundraisers	283		(283)	1,417		(1,417)
State, BG, County through intermediary	27,833	26,532	(1,301)	139,167	142,090	2,923
Medicaid	5,092	5,999	907	25,458	27,323	1,865
Donations	100	-	(100)	500	-	(500)
Fundraisers	283	-	(283)	1,417	216	(1,201)
Program Fees (Rent/Admission Fee)	100	90	(10)	500	490	(10)
Daycare	500	550	50	2,500	250	(2,250)
Total Revenues	33,908	33,171	(737)	169,542	170,369	827
	-			-		-
Expenditures:	-	-	-	-	-	-
Salaries/Wages	18,523	17,560	(963)	92,617	89,900	(2,717)
Employee Benefits	2,363	2,246	(117)	11,813	10,543	(1,270)
Payroll Taxes/Workers Comp	2,611	2,455	(156)	13,055	12,064	(991)
Contract & Professional Fees	367	356	(11)	1,833	12,788	10,955
Communication	458	450	(8)	2,292	2,155	(137)
Printing/Postage	275	260	(15)	1,375	1,244	(131)
Maintenance & Repair	330	340	10	1,650	2,100	450
Supplies	417	450	33	2,083	2,345	262
Dues & Fees	400	388	(12)	2,000	55	(1,945)
Travel & Training	295	-	(295)	1,473	1,300	(173)
Transportation	504	498	(6)	2,519	2,776	257
Capital Outlay	83	-	(83)	417	-	(417)
Occupancy	1,067	1,077	10	5,333	5,445	112
Insurance & Bonds	668	666	(2)	3,342	668	(2,674)
Fundraising & Recognition	50	-	(50)	250	-	(250)
Program Expenses (includes groceries)	340	332	(8)	1,698	1,566	(132)
Licenses & Permits	56	-	(56)	279	-	(279)
Taxes	17	-	(17)	83	83	(0)
Building Lease 1	67	67	0	333	333	(0)
Building Lease 2	25	25	-	125	125	-
Grounds Maintenance	63	62	(1)	313	322	10
Total Expenditures	28,822	27,232	(1,590)	144,111	145,812	1,701
Add: Administrative Support	4,926	4,624	(302)	24,631	23,618	(1,013)
Expenditures + Admin	33,748	31,856	(1,892)	168,742	169,430	688
Profit/ (Loss)	160	1,315	1,155	800	939	139

Executive Leadership, Quarterly:

Those reported monthly and --

- Change in net assets
- Days of cash, working capital, and current ratio
- Accounts receivable aging report summary
- Cost per unit (if easily calculated)

Executive Leadership, Annual:

- Includes monthly and quarterly KPIs and --
 - Costs per unit (minimum annually)
 - Audit and management letter
 - Four year trend report: net assets, profitability, debt ratio, and special considerations
 - One year annual: Current ratio, days of cash and working capital, accounts receivable
 - Average reimbursements from each payer, net bad debt

Board Level KPIs

Finance Committee – same as executive leadership, see above

Full Board

- Monthly -- profitability by organization and program.
 - Special concerns if needed
- Quarterly
 - Change in net assets
 - Period and YTD comparisons of budget and actual.
 - Special concerns as needed, such days of cash and current ratio

Example 1, board level monthly P/L report

Program Revenues	Month			Year-to-date		
	Budget	Actual	Over/(under)	Budget	Actual	Over/(under)
Administration	0	0	0	0	0	0
Emergency Services	\$ 30,335	\$ 32,685	\$ 2,350	\$ 182,009	\$ 186,770	\$ 4,761
Sheltered stabilization	89,702	95,555	5,853	538,213	550,990	12,777
Adult Outpatient	123,870	120,990	(2,880)	743,218	715,660	(27,558)
Children's Outpatient	17,166	10,779	(6,387)	102,995	86,009	(16,986)
Children's in-home	20,166	22,120	1,954	120,998	130,000	9,002
Total Revenues	\$ 281,239	\$ 282,129	\$ 890	\$ 1,687,433	\$ 1,669,429	\$ (18,004)
Program Expenses Plus Admin	Budget	Actual	Over/(under)	Budget	Actual	Over/(under)
Emergency Services	30,979	27,185	3,793	185,874	168,411	(17,463)
Sheltered stabilization	88,741	92,609	(3,868)	532,449	513,339	(19,110)
Adult Outpatient	127,329	113,109	14,221	763,975	736,165	(27,810)
Children's Outpatient	13,933	12,276	1,657	83,599	86,325	2,725
Children's in-home	19,612	18,174	1,438	117,672	95,804	(21,869)
Total	\$ 280,595	\$ 263,354	\$ 17,241	\$ 1,683,569	\$ 1,600,043	\$ (83,526)
Profit/(Loss)						
Emergency Services	(644)	5,500	(1,443)	(3,865)	18,359	22,224
Sheltered stabilization	961	2,946	9,721	5,764	37,651	31,887
Adult Outpatient	(3,460)	7,881	(17,100)	(20,757)	(20,505)	252
Children's Outpatient	3,233	(1,497)	(8,044)	19,396	(316)	(19,711)
Children's in-home	554	3,946	516	3,326	34,196	30,871
Total	\$ 644	\$ 18,775	\$ (16,351)	\$ 3,864	\$ 69,386	\$ 65,522

Example 2, board level monthly P/L report

	Month	Year-to-date
Program Revenues	Actual	Actual
Administration	0	0
Emergency Services	\$ 32,685	\$ 186,770
Sheltered stabilization	95,555	550,990
Adult Outpatient	120,990	715,660
Children's Outpatient	10,779	86,009
Children's in-home	22,120	130,000
Total Revenues	\$ 282,129	\$ 1,669,429
Program Expenses + Admin	Actual	Actual
Emergency Services	27,185	168,411
Sheltered stabilization	92,609	513,339
Adult Outpatient	113,109	736,165
Children's Outpatient	12,276	86,325
Children's in-home	18,174	95,804
Total	\$ 263,354	\$ 1,600,043
Profit/(Loss)		
Emergency Services	5,500	18,359
Sheltered stabilization	2,946	37,651
Adult Outpatient	7,881	(20,505)
Children's Outpatient	(1,497)	(316)
Children's in-home	3,946	34,196
Total	\$ 18,775	\$ 69,386

Board annual reviews and KPIs:

Receive auditor's direct report, audit, and management letter

- In person to finance committee or full board
- In any case, audit and management letter, which covers controls, to full board

Four year trend report: net assets, profitability, debt ratio, and special considerations

Annual: Current ratio, days of cash and working capital, accounts receivable

Monthly for Program Managers

Aggregate profit/loss, all programs

For program of responsibility:

- Detailed revenues and expenditures compared to budget for month and year-to-date
- Productivity, aggregate and individual staff
- Individual staff profit and loss if appropriate if measured

Outpatient Therapists, Depending on Activities, Monthly

- Proportion of time providing direct, billable service
 - Aggregate for whole program
 - Individual for clinician
 - Such reports themselves improve productivity
 - Monthly net revenues when generated individually, very powerful
 - Productivity accelerates with financial incentives
 - Individual profit/loss when associated with incentives or split fee payments.

All staff, contributions to fiscal health part of performance standards and feedback

- Not all defined as financial, mostly the same as quality of care
- Examples:
 - Outpatient productivity, authorizations, and charting for therapists
 - Receptionists: “telephone answering business;” registration
 - Assessment, screening: authorizations, engagement
 - Residential counselors: retention
 - Managers, profit and loss, access to care

Structural efficiency, office-based outpatient benchmarks

- Most office-based programs relying on outpatient require 6 or more highly productive clinician FTEs.
- 60% or more of all expenses go to compensation for direct billing staff.
- Obviously difficult in frontier areas

FFS, Outpatient Productivity Benchmarks

Proportion of all hours devoted to face-to-face contact in billable sessions

(Note impact of turnover on productivity as case-loads shift)

Below .4, frequent result without feedback

Between .4 and .55: feedback alone, and sometimes cajoling.

.55 to .75: Usually sustainable for years with \$ incentive

Higher than .75, rarely year-after-year sustained, unwise to plan for it.

Case Rate/Bundled

Total the encounters for each case and total costs for providing the services.

Total the revenues (net bad debt allowance) that would be expected if the encounters were billed.

Compare both to revenues for the case/bundled rates.

Service Procedure Code/Modifier	Projected utilization	Actual utilization	Cost of providing services	Revenues if billed
T1023				
H0031				
90791				
96101				
96118				
90832				
90834				
90837				
90846				
90849				
90853				
S9484				
H2011				
T1016				
H2019				
H0038				
H2015				
Hoo38				
H2017				
H0046				
Totals				
Actual case rate revenues				

Capitation, if you ever do it

- ▶ Plan targets by type of service and episodes of care.
- ▶ Monitor monthly, address variations.
- ▶ Managing costs and utilization
 - ▶ For each program and population
 - ▶ Aggregate utilization as measured by encounters
 - ▶ Costs to program and comparison to revenues if billed
- ▶ Use internal authorization processes that support needed access.

Service Procedure Code/Modifier	Previos Year's utilization at some time	Projected utilization	Actual utilization	Cost of providing services	Revenues if billed
T1023					
H0031					
90791					
96101					
96118					
90832					
90834					
90837					
90846					
90849					
90853					
S9484					
H2011					
T1016					
H2019					
H0038					
H2015					
Hoo38					
H2017					
H0046					
Totals					
Actual case rate revenues					

Negotiations: Actual costs or comparison to payers versus *net payment after bad debt*

- Insurance plan rates often appear to be much better than they are in practice.
- Patient co-pays and deductibles can result in significant bad debt.
- Insurance plan claim rejections due to authorization problems and other issues.
- Example, a particular plan offers a rate for psychotherapy, one-hour rate: \$110.
 - Yet experience has shown that the bad debt associated with this plan is \$28/session.
 - Rate would need to cover program cost plus the \$28 to be minimally acceptable.

CQI: Apply CQI to the financial dimensions of performance

- Likely candidates for Plan Do Check Act rapid cycle improvement:
 - Staff productivity
 - Timely access to care
 - No shows
 - Days in receivable
 - Revenue cycle management
 - Identifying the needs of payers

Part of a larger healthcare entity?

- May not be tracking BH revenues by department.
- Treat BH as if it were free standing.
- Obtain or develop revenue reports.
- Obtain or develop utilization reports.
- Take the initiative to help address and resolve revenue-cycle management issues.
- Provide favorable profitability reports to management.