



CRITICAL ACCESS HOSPITAL
FINANCIAL AND OPERATIONAL VIRTUAL
CONFERENCE

June 2024

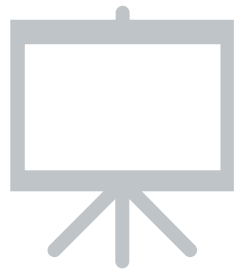
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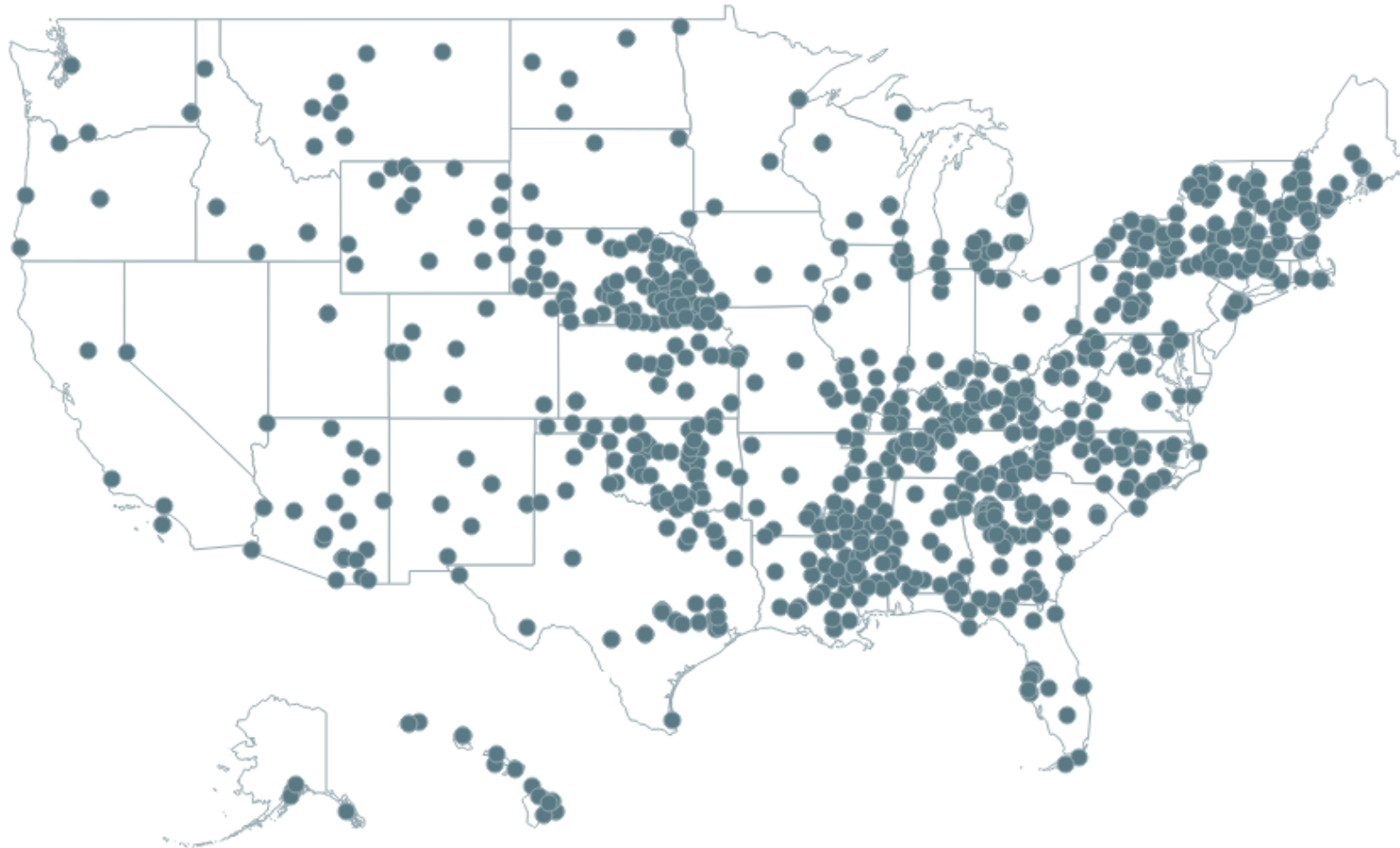


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- Strategic Facility Planning
- Capital Planning & Access
- Post-Acute Care Strategy

- **Operational Advisory**

- Performance Improvement & Restructuring
- Provider Practice Operations Improvement
- Revenue Cycle Solutions
- Post-Acute Care Operations
- Payor Contracting Advisory
- Staffing & Productivity Improvement
- Cost Report Reviews and Analysis





MASTERING REVENUE CYCLE KPI DATA

Essential Strategies for Rural Hospitals

Amy Graham, Principal

Ryan Breneman, Consultant

OBJECTIVES

What Is a KPI and How Are They Used?

How to Develop KPIs

Examples and Formulas

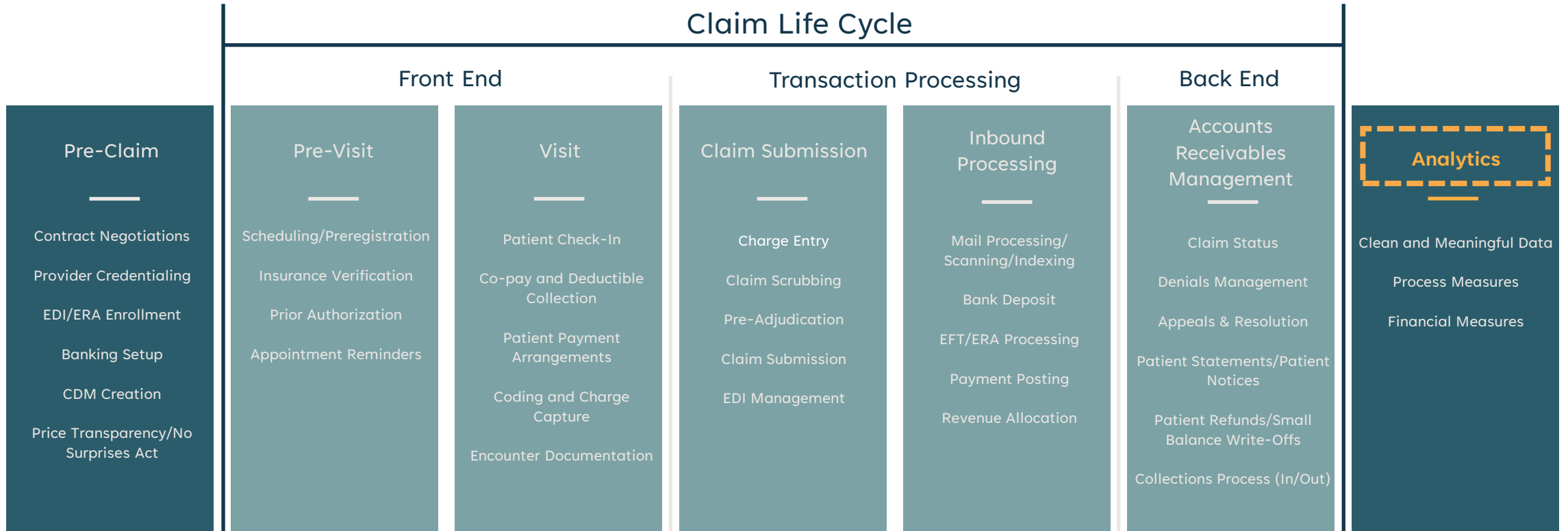
Best Practices Around KPIs



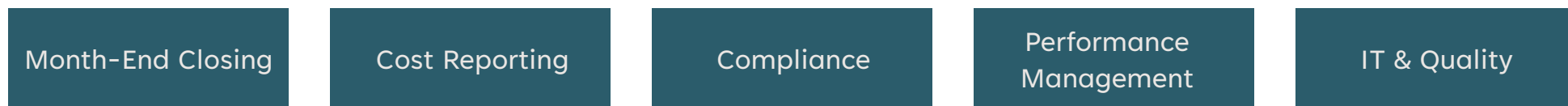
THE BASICS

What is a KPI and how are they used?

REVENUE CYCLE MANAGEMENT

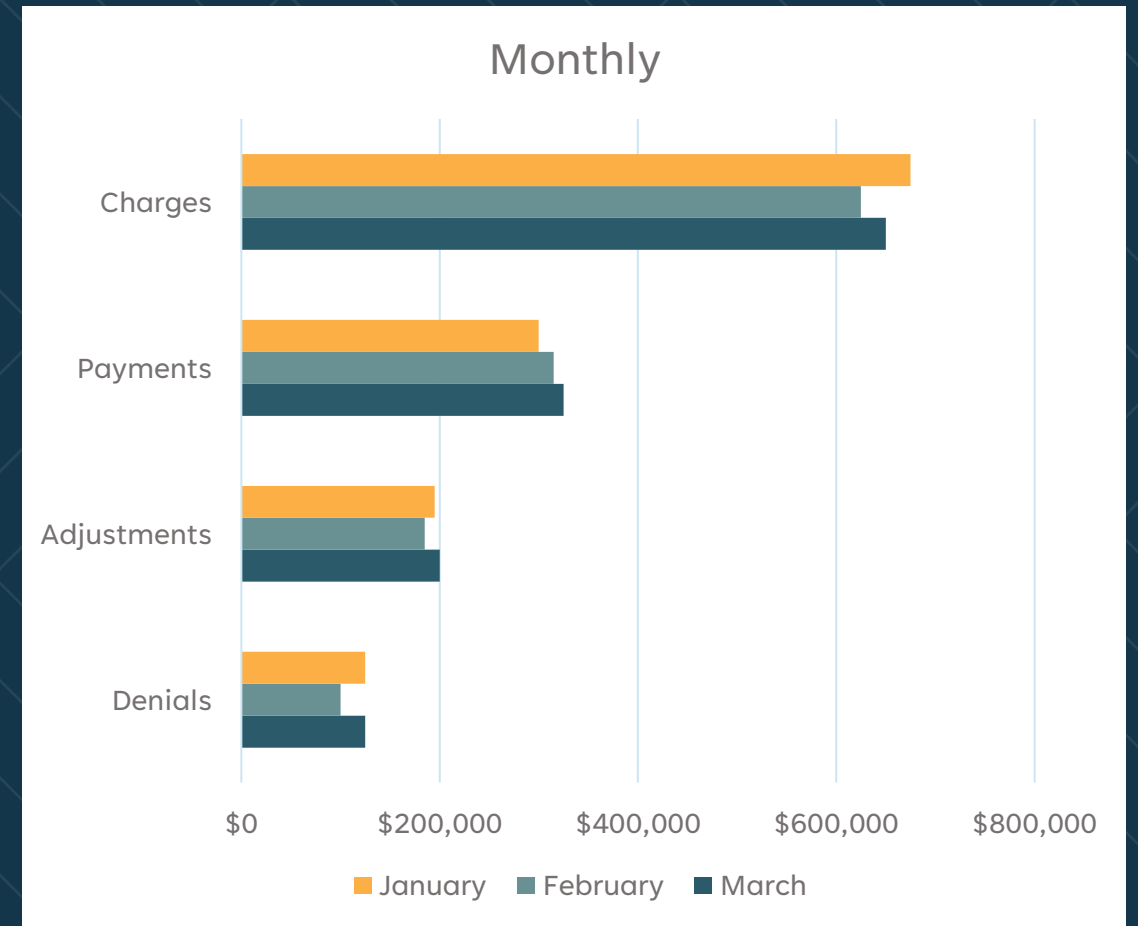


Claim Life Cycle



WHAT IS A KPI?

- Key Performance Indicator (KPI) is a measure of a specific item or objective over time
- Measures financial health, stability, and trajectory and gives value for further decision-making
- Metric tied to at least one business goal
- Actionable, Directional, Accurate, and Measurable



KPI VS. OKR

Key Performance Indicator

- Measure the present state of business (Days in AR last month)
- Top-down approach (high-level measures impact day-to-day decisions)
- Same basic KPIs used period over the period (net collections, denial %, etc.)

OKR (Objectives and Key Results)

- Goal setting that changes with overall organizational objectives
- Adaptive and frequently re-evaluated for new initiatives or objectives
- Reviewed quarterly or annually for alignment with overall organizational strategy



WHAT IS THE PURPOSE OF KPIS?



- Trend internal processes to show improvement or opportunity
- Create targets for teams to strive for and milestones to gauge progress
- Help leaders across the organization make better decisions backed by data
- Recognize process breakdowns or opportunities for improvement

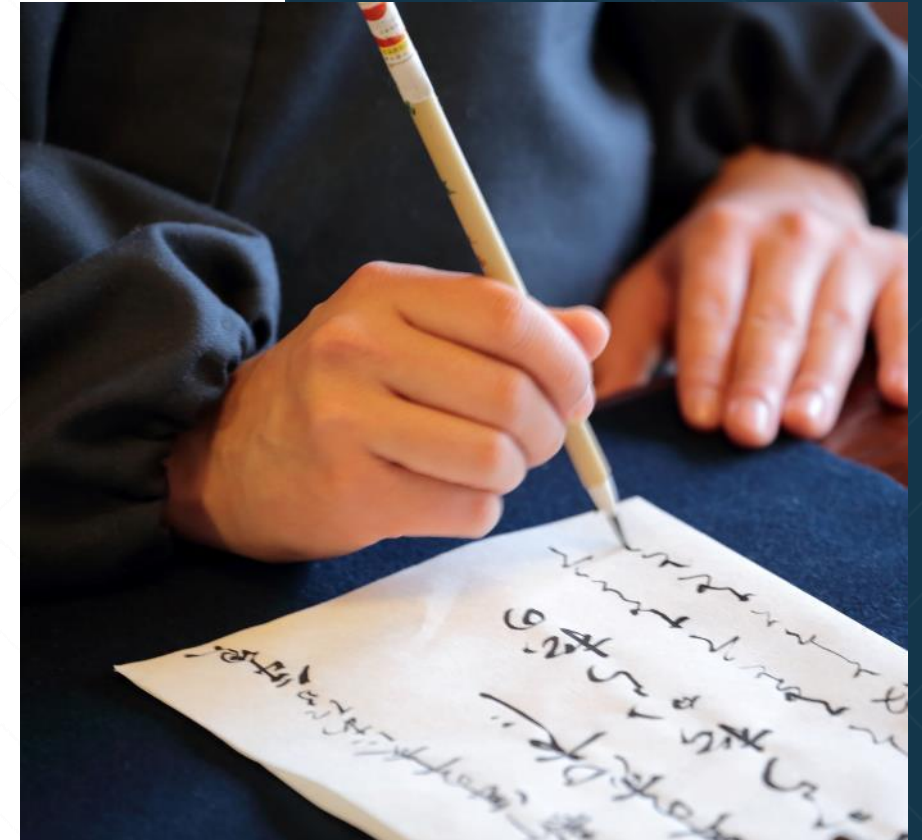


HOW TO DEVELOP KPIS

Where to start and how to improve

DEFINING YOUR KPI

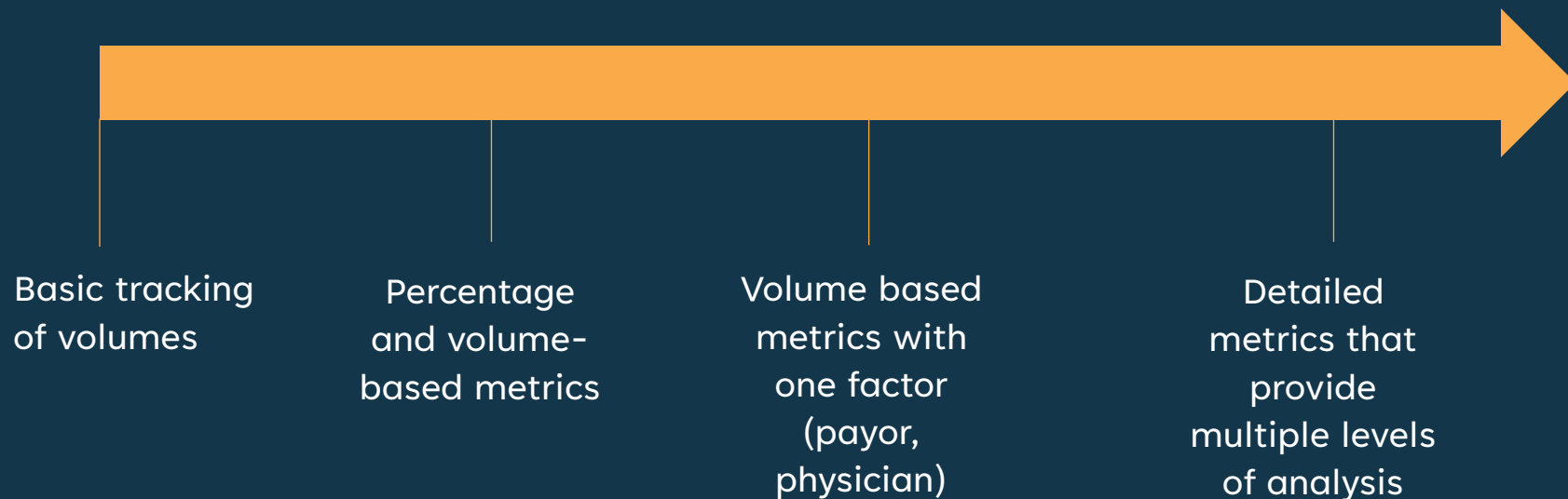
- Detail exactly what is being reported
Example: Denial count: denied line items, denied invoices, total denial codes?
- Document how data is obtained: via a specific report or calculation
- Identify 1-3 KPIs for each functional area within your revenue cycle
- Choose KPIs that align with organizational goals



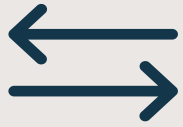
BUILDING KPI METRICS: START SMALL AND GROW

Begin with 4-7 Top Line indicators that give directional accomplishment (Example: Monthly Denials)

- Level one: overall monthly denials (quantity)
- Level two: overall monthly denied claims (percentage)
- Level three: overall monthly prior auth denials (percentage)
- Level four: overall Cigna monthly prior auth denials (percentage)



CLEAN AND CONSISTENT DATA WITHIN KPIS HELPS BY:



Establishing a starting point for communication



Giving teams and managers understanding of the why behind actions



Encouraging team engagement and buy-in



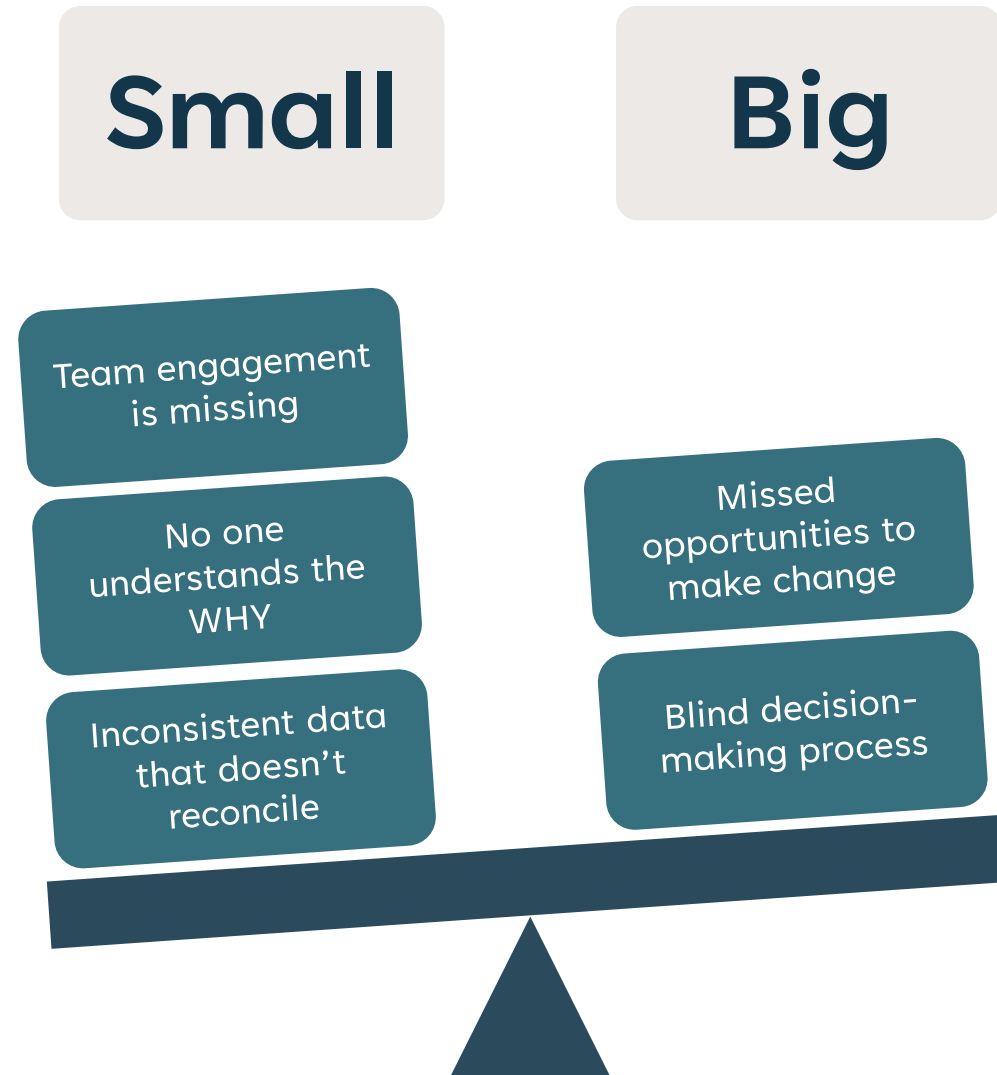
Giving further vision and understanding for decision-making



Allowing for course correction based on data



WITHOUT CONSISTENT KPI DATA, SMALL PROBLEMS BECOME BIGGER PROBLEMS, LEADING TO COSTLY SITUATIONS



WHEN EFFECTIVE KPIS ARE PRESENT, ACTION HAPPENS

- Reporting is replicated on a standard cadence
- One version of the truth
- Everyone is provided a consistent roadmap to follow
- Focus shifts from questioning the data to addressing problems
- Problems identified more quickly
- Utilization and throughput can be assessed
- Short and long-term efficiency improvements
- Opportunities for engagement across departments



KPI EXAMPLES

Formulas and usage

KPI DASHBOARD

- Data populated monthly
- Red/Yellow/Green Indicators of progress towards goal
- KPIs and goals established and published for the entire team to view
- Agreement on key areas to put focus

Sample Hospital Name						
	Goal	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Number of days in period		31	28	31	30	31
Cash Goal	100% of 3 mo pr net rev	\$ 1,521,459	\$ 1,642,907	\$ 1,538,282	\$ 1,391,683	\$ 1,465,778
Cash Collections		\$ 1,680,392	\$ 1,489,575	\$ 1,750,692	\$ 883,753	\$ 1,213,412
% of Cash Goal	100%	● 110%	● 91%	● 114%	● 64%	● 83%
Self- Pay Collections		\$ 41,056	\$ 30,111	\$ 36,793	\$ 38,555	\$ 41,232
Total POS Cash Collections		\$ 2,742	\$ 8,920	\$ 6,581	\$ 7,256	\$ 8,024
% of Total Self- Pay Collections	>15%	● 7%	● 30%	● 18%	● 19%	● 19%
Gross Patient Revenue		\$ 14,227,967	\$ 14,392,383	\$ 15,564,350	\$ 10,363,172	\$ 12,582,223
Average Daily Revenue		\$ 458,967	\$ 514,014	\$ 502,076	\$ 345,439	\$ 405,878
Total A/R (including inhouse and credit balances)		\$ 26,355,787	\$ 24,585,783	\$ 20,033,445	\$ 27,324,085	\$ 24,631,255
Days in A/R - Gross	< 40	● 57.42	● 47.83	● 39.90	● 79.10	● 60.69
Insurance A/R \$ > 90 Days		\$ 5,109,800	\$ 6,068,690	\$ 2,826,451	\$ 3,092,112	\$ 3,109,442
% of Total A/R	< 15-20 %	● 19%	● 25%	● 14%	● 11%	● 13%
All A/R \$ >90 days (includes Self-Pay)		\$ 8,689,922	\$ 8,710,464	\$ 9,386,715		
% of Total A/R	< 20-25 %	● 33%	● 35%	● 47%	● 0%	● 0%
DNFB	< 5 Days	● 8.42	● 6.32	● 4.97	● 9.00	● 5.08
DNFC	< 3 Days	● 7.58	● 4.45	● 2.75	● 3.00	● 2.87
Gross Denials \$ written off		\$ 232,596	\$ 97,506	\$ 79,842	\$ 65,525	\$ 70,232
% of gross patient revenue	< 2%	● 2%	● 1%	● 1%	● 1%	● 1%
Bad Debt transfers		\$ 789,093	\$ 528,767	\$ 759,585	\$ 689,443	\$ 712,357
% of bad debt gross patient revenue	< 8%	● 6%	● 4%	● 5%	● 7%	● 6%



REPORTS TO MONITOR RCM KEY INDICATORS

Claim Life Cycle

Process Measures

- > How is the hospital/clinic AR process performing?

Financial Measures

- > How is the hospital/clinic performing financially related to AR?

General Ledger/P&L



REPORTS TO MONITOR REVENUE CYCLE FINANCIAL HEALTH (PRE-CLAIM THROUGH FRONT END)



Registration % correct



Clean claim rate (from Billing Editor)



Point-of-service (POS) collections



Claim acceptance rate



Pre-registration rate



Self-pay patients receiving financial counseling education



REPORTS TO MONITOR REVENUE CYCLE FINANCIAL HEALTH

(TRANSACTION PROCESSING AND AR MANAGEMENT)



Gross (or Net) days in accounts receivables



Accounts receivable (AR) >90 days as a % of total AR



Cash collections as a % of net patient service revenue



Bad debt as a % of net revenue



Denial write-offs as a % of net patient revenue



Charity write-offs as a % of net revenue

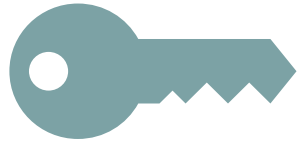


CALCULATIONS

Revenue Cycle Financial Measures	Calculation:
Days in Gross Accounts Receivable	Total Gross AR / (Total Gross Revenue/# of Days)
Days in Net Accounts Receivable	Net AR / (Net Patient Revenue / # of Days)
Accounts Receivable > 90 Days	\$ Value of AR>90 days / Total Gross AR
Gross Cash Collections to Total Gross Revenue	Cash Collected / Total Gross Revenue
Percentage of Unbilled Receivables	Gross Unbilled Accounts Receivable / Total Gross AR
Bad Debt % to Gross Revenue	Bad Debt / Total Gross Revenue
Charity % to Gross Revenue	Charity Care / Total Gross Revenue
Revenue Cycle Process Measures	Calculation:
Registration % Correct	1 - (Registration Errors / Patients Registered)
Clean Claims From Bill Editor	Clean Billed Claims / Total Billed Claims
Up-front Deductible and Co-pay Collections (Point of Service Collections)	Point of Service Collections
Claim Acceptance Rate	Dollar Value of Denials / Total Gross Revenue
Days in total discharged not submitted to Payer	Dollar Value of Claims Discharged but not Submitted to Payer / Average Gross Patient Revenue
Scheduled OP Services that are Pre-registered	# of Pre-Registered OP / Total Scheduled OP Patients
Self-pay Patients that Receive Education on Charity Care and Financial Counseling	Self Pay Pts Received Education on Charity Care and Financial Counseling / Total Self-Pay Patients



HFMA MAP KEY INITIATIVE



MAP Keys – Key Performance Indicators for Revenue Cycle Excellence

- Measure performance, apply evidence-based improvement strategies, and perform to the highest standards
- 5 Major Category Groups
 - Patient Access
 - Pre-Billing
 - Claims
 - Account Resolution
 - Financial Management
- 29 different benchmarks



For more information and Industry Standards, go to: <https://www.hfma.org/tools/map-initiative/map-keys.html>



KPI BEST PRACTICES

KPI BEST PRACTICES

- Hold monthly revenue cycle team meetings to review results
- Track and monitor Key Performance Indicators (KPI) that are actionable
- Benchmark against industry standards and internally to trend over time
- Develop an environment that is data-driven and open to improvements



BEST PRACTICES, CONTINUED

- Establish who, when, and how data is obtained
 - *“Employee X pulls metric Y from report Z at time B”*
- Establish reporting cadence
 - Daily
 - Weekly
 - Monthly
 - Quarterly
 - Yearly
- Stick to the established cadence
 - Some reports CANNOT be reproduced



USING KPIS TO TRACK TRENDS AND ANOMALIES

Current Period vs Prior Period

Key Indicator	Jun-22	Jul-22	Variance	% Change
Net Days in Accounts Receivable	17	17	-	0%
Accounts Receivable (AR) >90 days as a % of Total AR	13%	13%	-	0%
Days in Total Discharged not Submitted to Payer	5	5	-	0%
Cash Collections as % of Net Patient Service Revenue	47%	40%	(7)	-15%
Bad Debt % of Net Revenue	19%	20%	(1)	-5%
Charity Write offs % of Net Revenue	13%	12%	1	8%

Current Period vs Current Period Prior Year

Key Indicator	Jul-21	Jul-22	Variance	% Change
Net Days in Accounts Receivable	18	17	1	6%
Accounts Receivable (AR) >90 days as a % of Total AR	14%	13%	1	7%
Days in Total Discharged not Submitted to Payer	5	5	-	0%
Cash Collections as % of Net Patient Service Revenue	38%	40%	2	5%
Bad Debt % of Net Revenue	13%	20%	(7)	-54%
Charity Write offs % of Net Revenue	15%	12%	3	20%

Current Period vs Prior Year End

Key Indicator	Dec-21	Jul-22	Variance	% Change
Net Days in Accounts Receivable	16	17	(1)	-6%
Accounts Receivable (AR) >90 days as a % of Total AR	21%	13%	8	38%
Days in Total Discharged not Submitted to Payer	6	5	1	17%
Cash Collections as % of Net Patient Service Revenue	32%	40%	8	25%
Bad Debt % of Net Revenue	15%	20%	(5)	-33%
Charity Write offs % of Net Revenue	13%	12%	1	8%



HOW TO SPOT TRENDS AND ANOMALIES: INVESTIGATE



Ask questions

Who, What, When, Where, Why, How

› Ask *Why* **THREE** times



Look at the information differently

Aging buckets that are increasing or decreasing

› *Is there a specific payor that stands out?*

› *Is this an annual trend for the payor?*



Don't just focus on financial areas

Sometimes you need to look at the **entire** process to identify the root cause

› *Have there been operational changes?*



The first answer isn't the only answer

Multiple factors are at play which means there can be multiple answers



VENDOR INVOLVEMENT WITH KPI SUCCESS



Implement regular vendor performance reviews

Confirm vendor is meeting expected service levels
Establish timelines for deliverables



Utilize analytics to review leakage points

Focus on actionable data
Understand gaps in performance and corrective action plans



Enhance vendor oversight and accountability

Review vendor work, clarify expectations, and set up appropriate cadence of communication



Establish points of contact and anticipated staff involvement

What types of items require immediate escalation to staff?
What is the expected response time from the vendor and staff on all items?



VALUE OF KPI WITHIN PAYER CONTRACTING



Denial Reporting

- * Dollar value to total billed
- * Number of claims to claims submitted to payer



Medical Necessity

- * Medical Records Requests
- * Appeals Process



Prior Authorization

- * Process, lag time, automation



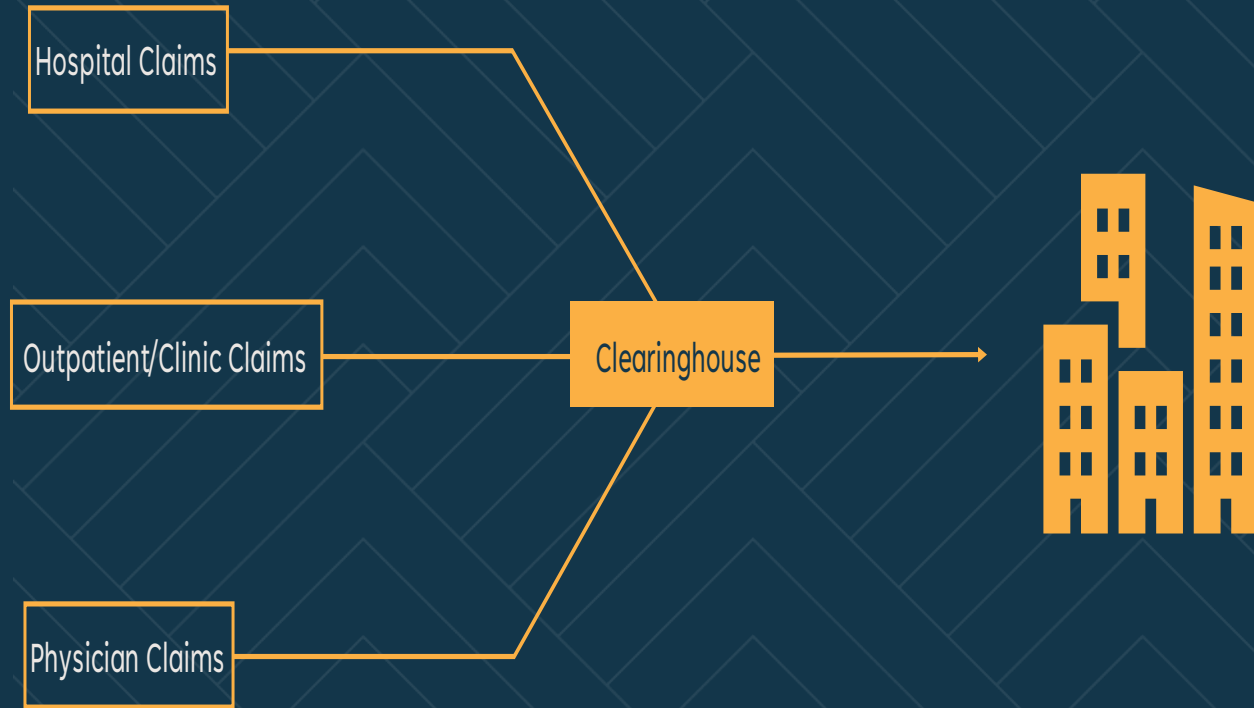
Overall success of payer

- * Financial Health of the contract



UTILIZING YOUR KPI TO DEVELOP A “DAILY RATE”

Claims Submitted
Claims Accepted
Claims Rejected
Pre-Registration Rate
Cash Collections



Q&A



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Our team of rural and community healthcare experts support the leadership of hospitals, health systems with a rural footprint, and the groups and clinics that form an essential care network across the 97% of the US that is defined as rural.



Amy Graham
agraham@stroudwater.com
(T) 207-221-8283
(M) 561-628-0066



Ryan Breneman
rbreneman@stroudwater.com
(T) 207-221-8282
(M) 615-481-0688

