



Keeping the  in Hometown

Maximizing Hometown Health Care Performance

Optimizing Operational Efficiency

Rural Health Care Leadership Conference

February 12, 2014



Presenters

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Anderson Regional Medical Center

Please note that the views expressed by the conference speakers do not necessarily reflect the views of the American Hospital Association and Health Forum.

Outline

- Performance in the midst of Health reform
- Strategic vision
- Operational assessment process
- Action plan for improvement
- Case Study: Gunnison Valley Health
- Case Study: Anderson Regional Medical Center

Example of Operational Dysfunction



Health Reform

There's no better time to set your performance path

- Costs of healthcare are not sustainable
- Payment system is in need of reform to better align incentives
- Current levels of quality are not acceptable
- Successful ACOs share in the savings it achieves for the Medicare program
- Opportunities for Medical Home incentives

Strategic Vision

- Perspective across leadership
- Board and medical staff education and involvement
- Annual business plan
- Strategic initiatives and growth plans

Operational Assessment

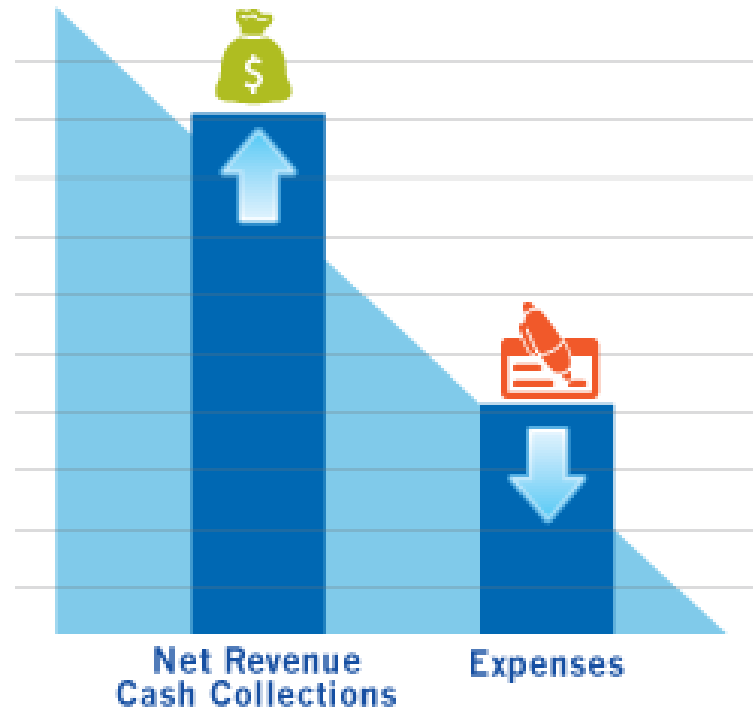
Key Areas of Focus

- Productivity
- Supply Chain
- Information Technology
- Strategy / Business Development
- Revenue Cycle

Additional Areas to Consider

- Managed Care
- Human Resources
- Clinical Services
- Risk Opportunities
- Cost Reports

Identifying opportunities: improvements in net revenue and cash collections, and reductions in expenses.



The Process

- Initial Board Education on Operational Improvement Opportunities – *Optional*
- Desk-top Review of Key Data Elements
- Multi-day / Onsite Assessment of Key Functional Areas
- Medical Staff and Leadership Interviews
- Presentation of Findings & Recommendations
- Implementation Support

Sample Productivity Summary

ACTUAL EEOB for Pay Periods			
Jan. 7 - Aug 5			
WORKED	6.46		
PAID	7.21		
AOB	18.1		
<u>Incremental Improvement in EEOB</u>			
	3%	5%	10%
Target EEOB Worked	6.26	6.13	5.81
FTE Reduction	(4)	(6)	(12)
Annual Salary Savings	(\$193,169)	(\$321,948)	(\$643,895)
FTE Reduction with Attached Productivity Standards			(12.9)

Sample Supply Chain Summary

- Convert from current GPO to CHC Consulting GPO utilizing Healthtrust Purchasing Group (HPG)
 - Analysis of exact match items indicates savings of \$245,000 on medical, surgical and pharmacy supplies (23% savings on medical/surgical and 2.5% savings on pharmacy)
 - CHC Consulting completes monthly reviews to ensure best pricing has been obtained
- Complete 340B enrollment documentation for reduced pricing on outpatient pharmaceuticals
 - Savings of approximately 20-25% of Average Wholesaler Price
- Reduce inventory levels to industry standards
 - Balance sheet impact of \$531,000
- Implement charge control processes
 - Review patient charge methodology to ensure all revenue is being captured

Sample Revenue Cycle Summary

- Through weekly conferencing with revenue cycle team, collections have increased \$486K and DNFB decreased \$1.4 million.
- Areas of continued opportunity include:
 - Organizational Structure
 - IT/Information Systems
 - Point of Service Collections
 - Medicaid A/R
 - OR Time and Supply Charging
 - Charge Capture and Reconciliation
 - Education
 - Coding/Chart Audit Resources
 - CDM/Pricing

Action Plans

- Set reasonable objectives and assign accountability
- Track progress
 - Monthly Operating Review
 - Monthly Financial Reporting Package
 - Utilization of Productivity Tool
 - Weekly/Monthly calls with Subject Matter Experts
 - Annual Business Plans



CASE STUDY

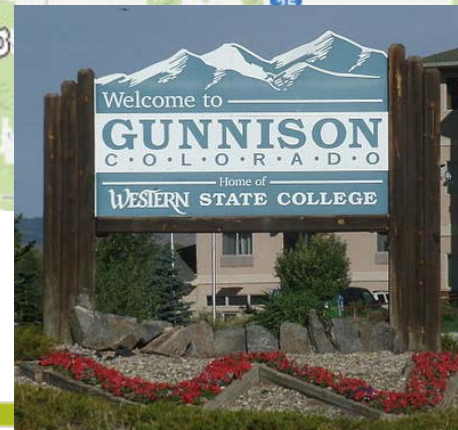
GUNNISON VALLEY HEALTH

GUNNISON, COLORADO

Gunnison, CO Overview

Gunnison, CO

- County Seat
- Population: 5,892
- Points of Interest
 - Crested Butte Resort
 - Western State College



GVHS Overview



**A TOP 100
CRITICAL ACCESS HOSPITAL
IN AMERICA**



**GUNNISON VALLEY HEALTH
HOSPITAL**

**LIVING WELL
TOGETHER**

GVH Overview

- Gunnison Valley Health is the sole, community owned, health system for Gunnison County and its surrounding areas
- The hospital is a 24-bed Critical Access Hospital, owned by Gunnison County and governed by a 7-member Board of Trustees
- Mission: To effectively organize and provide quality healthcare services that improve the health of our community

The Situation

- In Q1 2012, following steep declines in patient volumes, GVH patient revenue fell short of budget by nearly 6%, resulting in bond covenant violations
- GVH wanted to recruit new hospital leadership and initiate a financial turn-around
- CEO Rob Santilli was hired later that year and CHC was engaged to provide the operational assessment and implementation plan

Assessment Approach

- During the summer of 2012, nearly 20 counterpart experts were brought in to conduct a system-wide operational assessment
- More than GVH 25 staff members were interviewed
- A 90-page report was presented and then action plans developed to implement recommendations over the next year – in adherence with lender’s timeline for covenant compliance

GVH Specific Areas of Focus

- General overall operational performance review
- Key operational areas reviewed:
 - Productivity and labor review
 - Nursing
 - Perioperative
 - Support and Ancillary Departments
 - Revenue Cycle and Managed Care
 - Human Resources
 - Supply Chain
 - Information Technology
 - Insurance/Risk
 - Post Acute Services

The Plan

- Hospital Board Education
- Billing process improvements for better cash flow
- Supply spend analysis / savings
 - Contract recommendations
 - OR supply reduction plan
 - Biannual inventory counts
 - Consignment purchasing agreements
- Implementation of Productivity Tool to monitor labor expenses and maximize productivity
- Perioperative process improvement
- IT plan / Meaningful Use Stage 1 certification / attestation
- 340B Drug Discount Program enrollment
- Leadership Training and Cultural Change Initiatives

The Results

- Total net revenue is up 16.6% or \$2.4 million
- Outpatient revenue growth of \$1.8 million
- Days cash on hand increased 78.6%
- Debt service coverage ration rose from 1.25% (a trigger for losing financing) to a robust 3.00%
- Discharged Not Final Billed (DNFB) for coding reasons decreased significantly for a gain of over \$1 million
- Received \$510,000 in Meaningful Use payments
- Decreased bad debt and other write-offs for a gain of \$283,000
- Improved use of swing beds for a gain of \$301,000

CASE STUDY
ANDERSON REGIONAL MEDICAL
CENTER

MERIDIAN, MISSISSIPPI

Meridian, MS Overview

Meridian, MS

- County Seat
- Population: 40k
- Unemployment: 11.2%
- Points of Interest
 - Naval Air Station
 - Meridian Community College

Mississippi



ARMC Overview



ARMC Overview

- Mission: To continue our heritage of healing and improving life for the people we serve
- Established in 1928 months prior to America's Great Depression
- Named after visionary William Jefferson Anderson, MD
- Serves East Mississippi and West Alabama
 - 400 beds
 - More than 200 medical staff members
 - North and south campuses
- One of Mississippi's major employers
 - More than 1,700 employees

The Situation

- In 2011 ARMC was faced with multiple financial challenges resulting in bond covenant violations
- While the organization maintained a relatively healthy balance sheet, their main challenge was “cash flow”
- ARMC needed assistance in objectively reviewing their current operations and identifying opportunities for cost reduction and revenue enhancement

Assessment Approach

- The 4-month process involved both a desktop best practice benchmarking review, as well as a multi-team onsite review and assessment
- Interviewed 81 ARMC staff members
- 32 ARMC medical staff members

ARMC Specific Areas of Focus

- General overall operational performance review
- Key operational areas reviewed:
 - Productivity and labor review
 - Nursing
 - Perioperative
 - Support and Ancillary Departments
 - Revenue Cycle and Managed Care
 - Government Programs
 - Human Resources
 - Supply Chain
 - Information Technology
 - Insurance/Risk
 - Post Acute Services
 - Anderson Physician Alliance, Inc. (APA)

Summary Impact of Recommendations

Impact of Recommendations Area of Focus	Annualized			
	North Campus	South Campus	APA	Total
Revenue Enhancement				
Revenue Cycle (Pricing)	\$ 320,000			\$ 320,000
Total Revenue Enhancement	\$ 320,000	\$ -	\$ -	\$ 320,000
Expense Savings				
Productivity/Labor ¹	\$ 4,200,000	\$ 840,000		\$ 5,040,000
HR Benefits ²	\$ 1,514,000			\$ 1,514,000
Supply Chain				\$ -
<i>Current savings</i>	\$ 1,404,000	\$ 13,000		\$ 1,417,000
<i>Anticipated savings</i>	\$ 500,000			\$ 500,000
Information Technology	\$ 74,000			\$ 74,000
Risk/Insurance	\$ 275,900			\$ 275,900
Anderson Physician Associates			\$ 1,043,000	\$ 1,043,000
Total Expense Savings	\$ 7,967,900	\$ 853,000	\$ 1,043,000	\$ 9,863,900
Total Income Statement Impact	\$ 8,287,900	\$ 853,000	\$ 1,043,000	\$ 10,183,900
Other Opportunities				
Post Acute - Rehabcare contract ³		\$ 389,000		\$ 389,000
Post Acute - Regency contract ³		\$ 1,000,000		\$ 1,000,000
EHR Incentive Payment ⁴			\$ 204,750	\$ 204,750
Total Other Opportunities	\$ -	\$ 1,389,000	\$ 204,750	\$ 1,593,750
TOTAL POTENTIAL IMPACT	\$ 8,287,900	\$ 2,242,000	\$ 1,247,750	\$ 11,777,650
Balance Sheet Impact				
Supply Chain (Inventory Control)	\$ 2,800,000	\$ 557,000		\$ 3,357,000
Revenue Cycle (Cash Acceleration)	\$ 1,200,000			\$ 1,200,000
TOTAL BALANCE SHEET IMPACT	\$ 4,000,000	\$ 557,000	\$ -	\$ 4,557,000

1 Annualized labor savings does not include Benefits and represents productivity improvement of 81 FTEs for North Campus and a Paid EEOB of 4.20; and 12 FTEs for South Campus and a Paid EEOB of 2.16.

2 CHC recommends that HR Benefit changes be made in coordination with merit increases and other compensation initiatives.

3 Per Contract Terms, evaluate termination of management agreement with Rehabcare as well as termination of the lease/purchase services agreement with Regency and bring to fair market value.

4 First year of 4-year pay out totaling \$819k for HITECH Medicare Incentive Payment for EHR for 21 eligible professionals.

ANNUALIZED IMPACT OF PROJECT

• Revenue Enhancement	\$ 720,000
• Productivity/Labor	3,810,000
• HR Benefits	200,000
• Information Technology	74,000
• Supply Chain	2,500,000
• APA Clinics	1,043,000
• Rehab Care Contract	552,000
• Regency Contract	500,000
• EHR Incentive Payment	<u>204,750</u>
• TOTAL BOTTOM LINE IMPACT	\$ <u>9,603,750</u>

Recommended Next Steps

- Present Operations Assessment findings and recommendations to Board, Medical Staff, Department Managers, Employees
- Develop an implementation Action Plan based on Operational Assessment results
 - Include timeframes for accomplishment
 - Include persons responsible for accountability
 - Implement the Action Plan
- Provide quarterly progress updates to Board

Summary

- Assess the future
- Be optimally efficient, clinically sound, geographically essential and mission-focused
- Community hospitals are an essential provider in the continuum of healthcare services



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Questions & Answers

Thank You!

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