

# BKD/SHP Benchmark Leaders: How Best Practice Agencies Get Their Results

**BKD**<sub>LLP</sub>



CPAs & ADVISORS

Mark P. Sharp, CPA // Partner





# BKD Home Health Benchmarks

// Cost reports with 2017 year ends

// 8,819 total agencies

// 90% freestanding, 10% provider-based

// 80% urban, 20% rural

// 79% for-profit, 21% not-for-profit

// Median revenue of \$1.7M

// Median Medicare mix of 75%



# Best Practice Peer Group

## // BKD/SHP Benchmark Leaders

// Identified as a 2017 SHP Benchmark Leader

// Quality, compliance and patient satisfaction

// Combined with financial success in 2017

// 301 total agencies

// 94% freestanding, 6% provider-based

// 64% urban, 36% rural

// 85% for-profit, 15% not-for-profit

// Median revenue of \$4.5M

// Median Medicare mix of 70%

# Location of BKD/SHP Benchmark Leaders





# Survey of the BKD/SHP Benchmark Leaders

// Survey sent out to all Benchmark Leaders

// 24 questions

// Topics included

// Organizational relationships/affiliations

// Approach to quality

// Operational strategies for efficient operations

// 45 total surveys completed

# Overall Profitability (freestanding only)

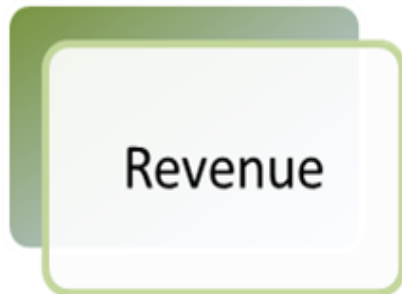
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Gross margin	49%	54%	45%	57%
Net margin	11%	16%	2%	10%



# Medicare Profitability

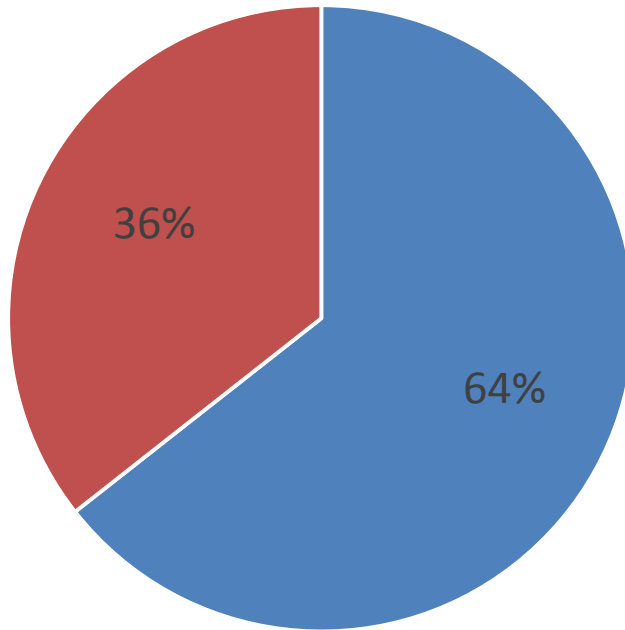
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Gross margin	53%	57%	52%	61%
Net margin	20%	26%	11%	25%

Consists of

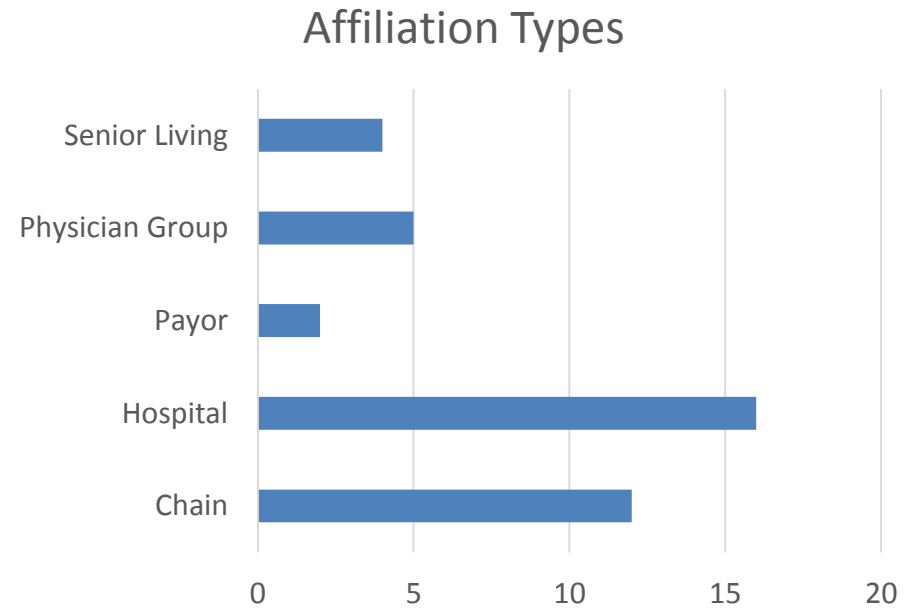




# Scale Matters – Affiliations

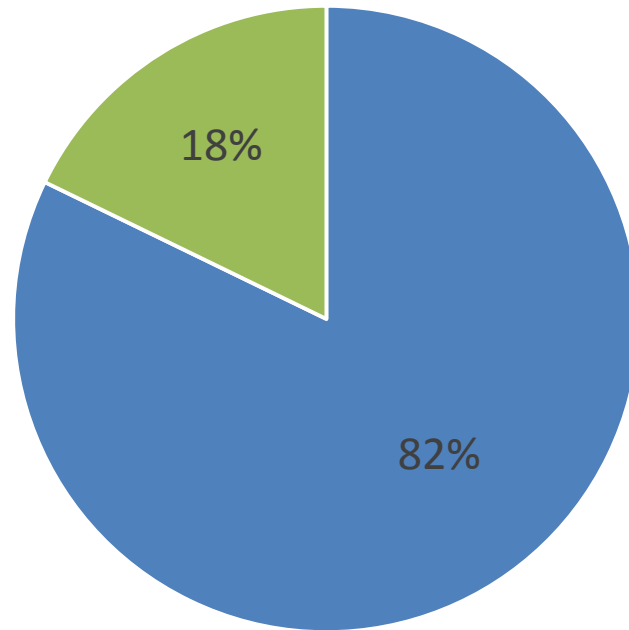


■ Affiliated ■ No Affiliation



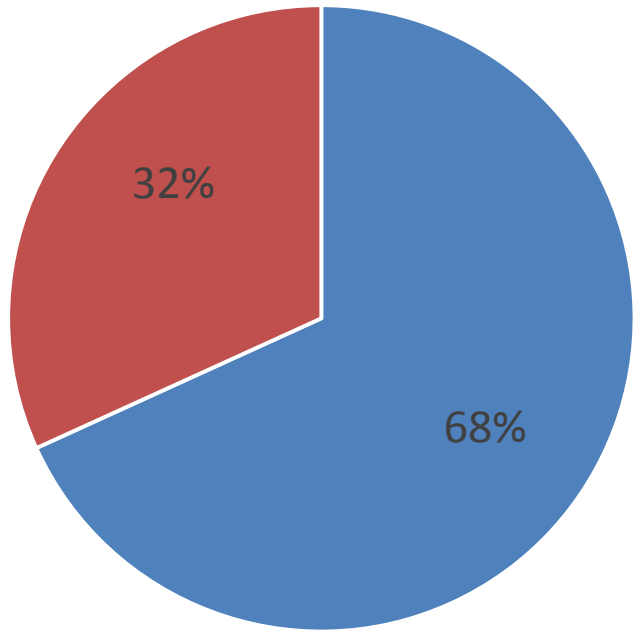


# Scale Matters – Locations



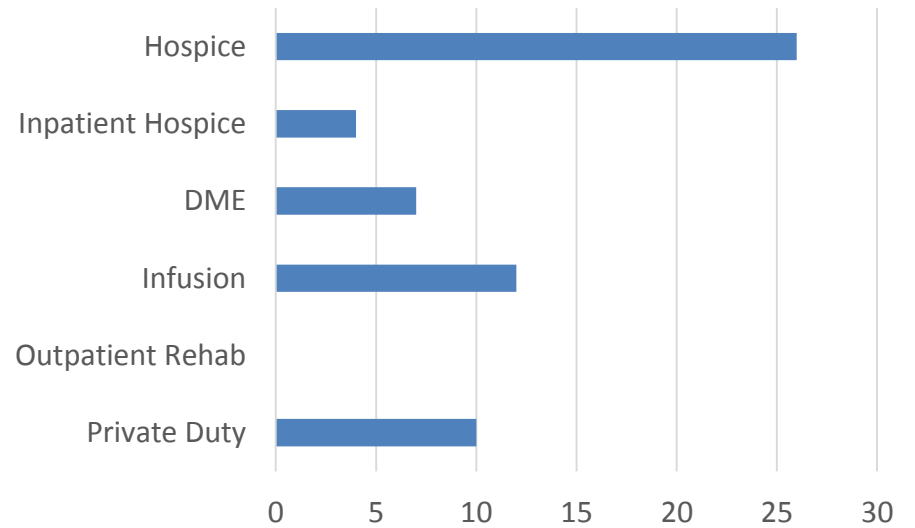
■ Multiple Locations ■ Single Location

# Scale Matters – Service Lines

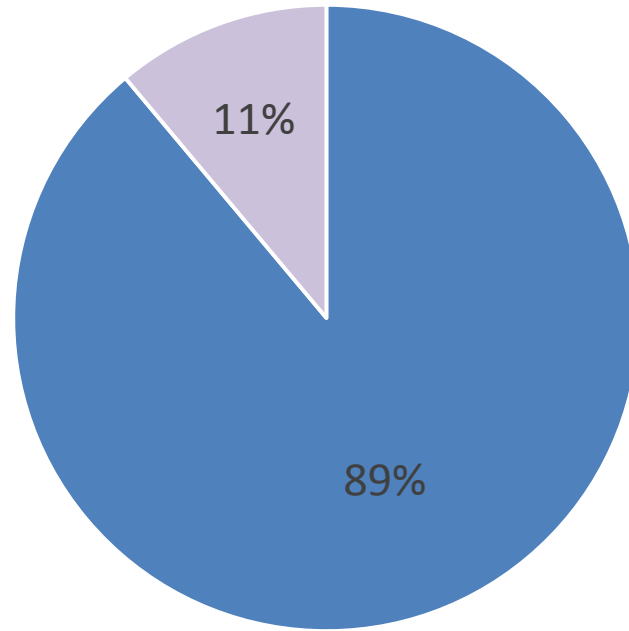


■ Multiple Service Lines ■ Home Health Only

## Other Service Lines



# Scale Matters – Marketing



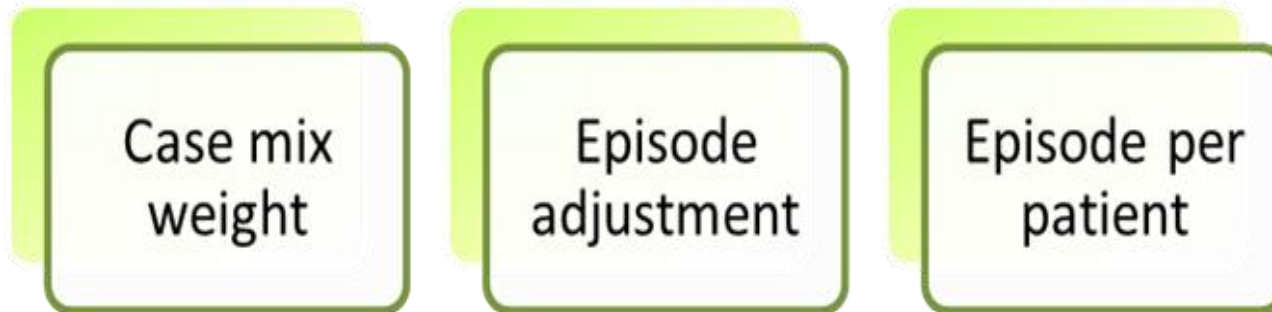
■ Dedicated Marketing Staff ■ No Dedicated Marketing Staff



# Home Health Medicare Payments

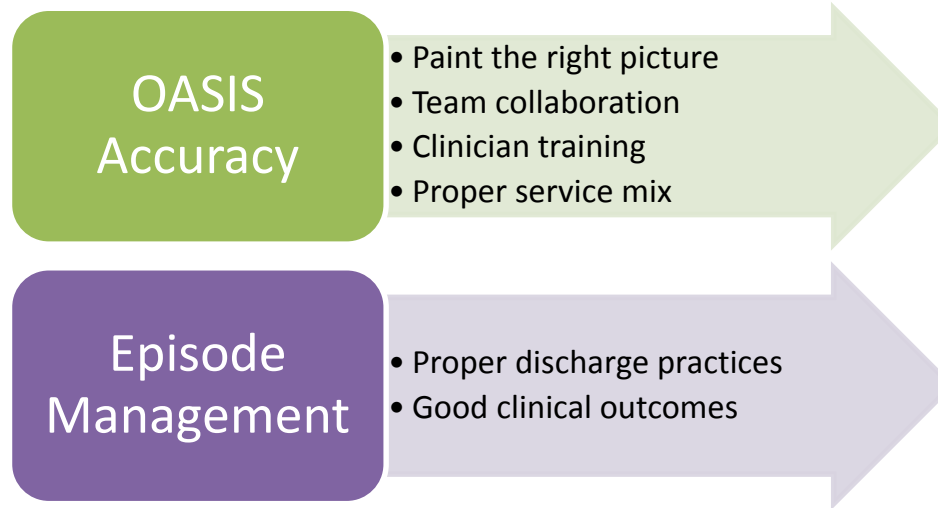
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Per episode	\$2,602	\$2,955	\$2,763	\$3,202
Per patient	\$4,609	\$3,892	\$4,572	\$3,425

## Consists of

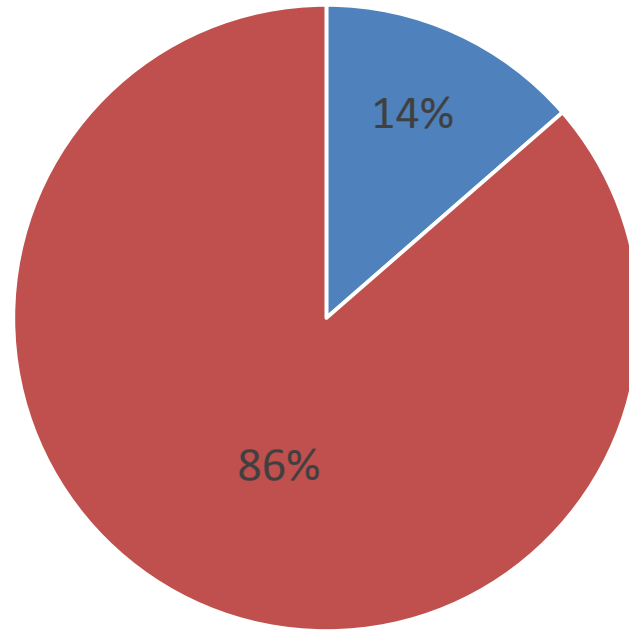


# Episode Payment Drivers

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Case mix weight	1.1023	1.1802	1.0255	1.1489
LUPA percentage	7.4%	5.6%	6.6%	3.4%
Episodes per patient	1.7	1.4	1.6	1.3



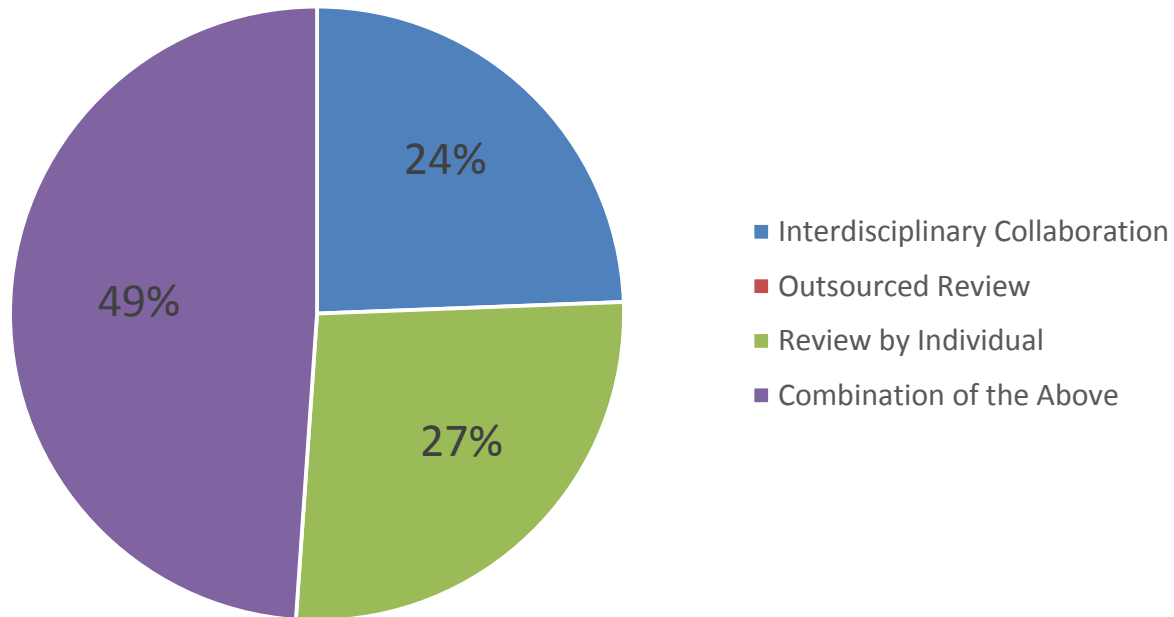
# Getting the Payment Right – Admission Model



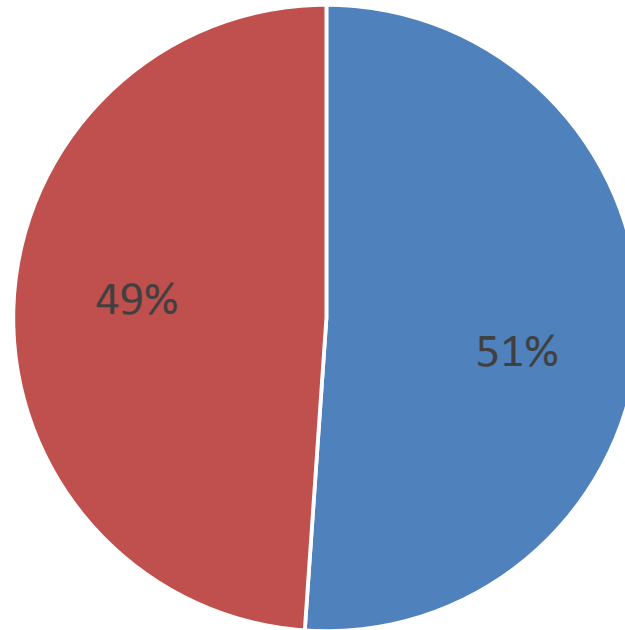
■ Admission Clinicians    ■ Clinicians Perform Own Admissions

# Getting the Payment Right – OASIS Review

Admission OASIS Review Approach



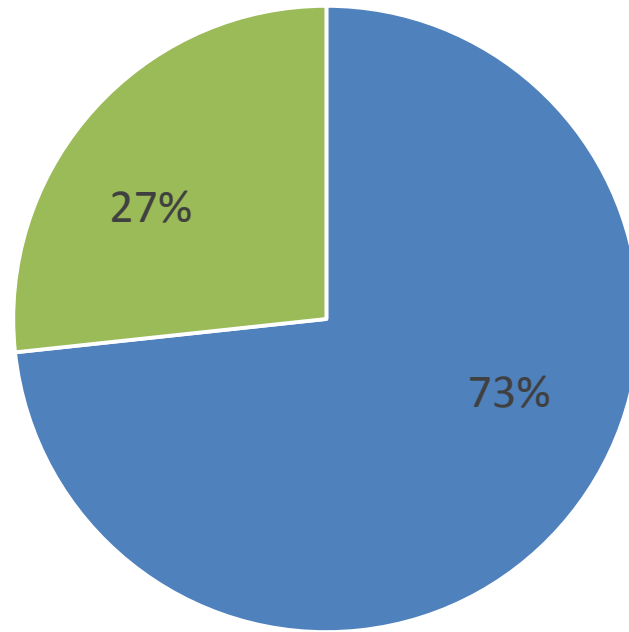
# Getting the Payment Right – ICD-10 Coding



■ Code Internally ■ Outsource the Coding



# Getting the Payment Right – LUPA Management

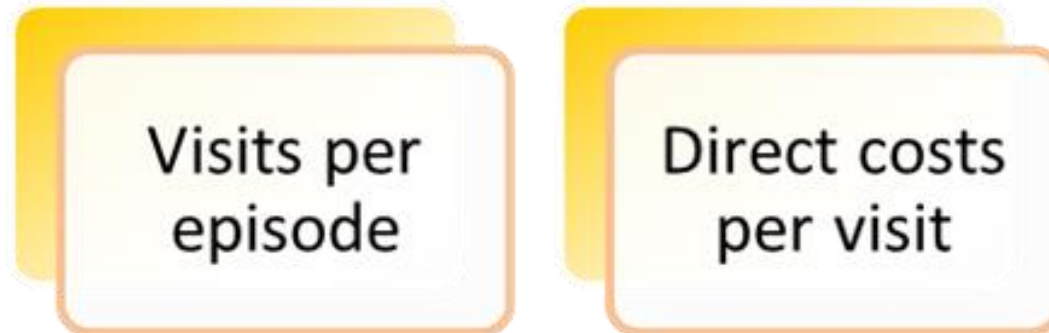


■ All LUPA Cases Reviewed ■ Don't Review All LUPA Cases

# Direct Cost Per Episode

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct labor costs	\$1,166	\$1,008	\$1,230	\$944
Total direct costs	1,264	1,095	1,348	1,071

Consists of



# Visits per Episode

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Nursing	7.7	6.8	8.0	6.4
Therapies	8.0	6.5	6.6	4.5
Total	17.0	15.0	16.4	14.0

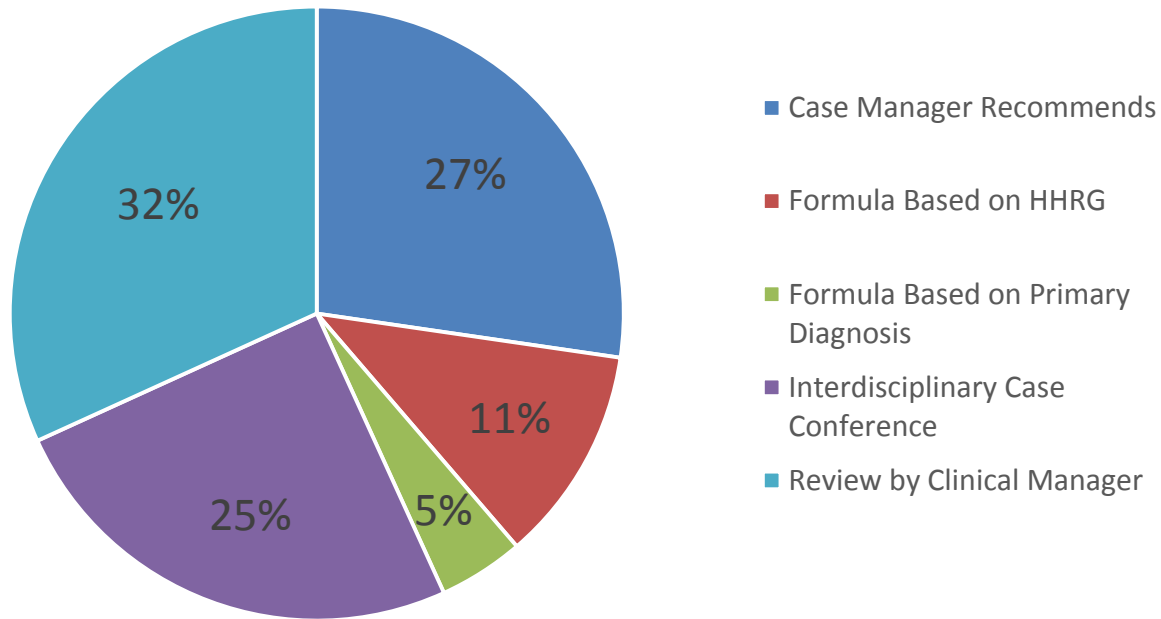
## Episode Management

- Team collaboration
- Patient participation
- Manage care by the episode
- Effective use of technology



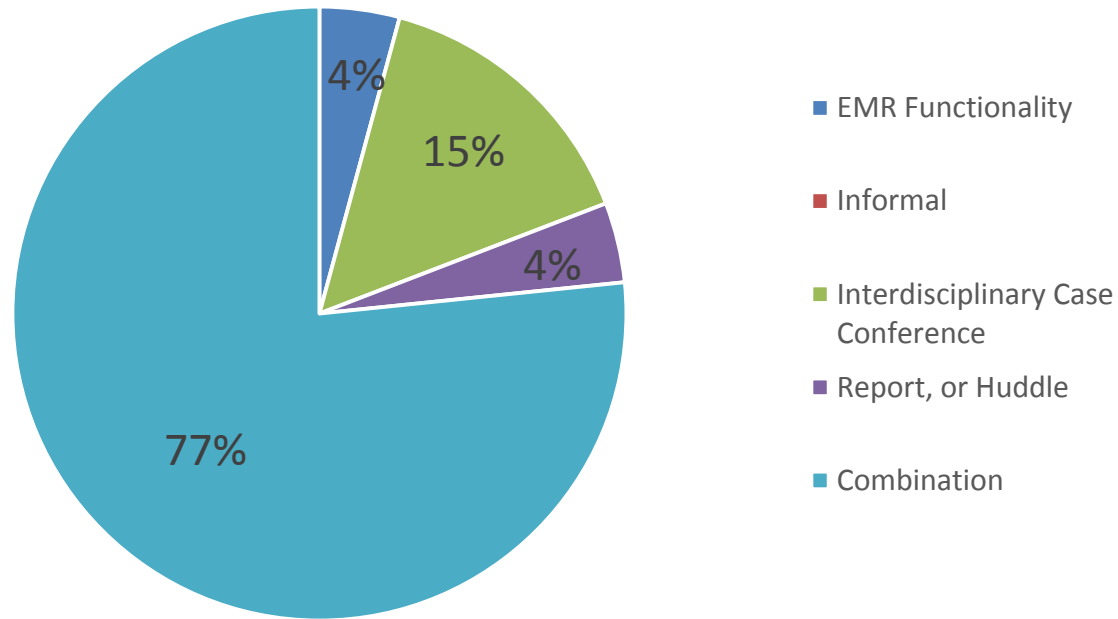
# Using the Payment Right – Episode Management

Approach for Managing Visit Utilization



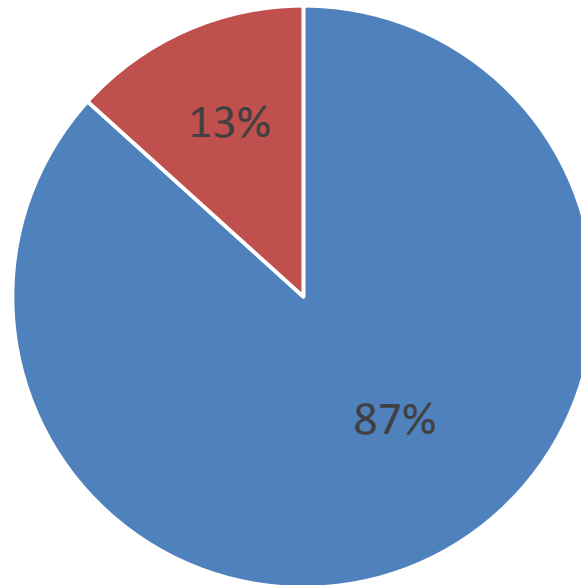
# Using the Payment Right – Episode Management

Approach for Care Coordination





# Using the Payment Right – Re-Hospitalizations

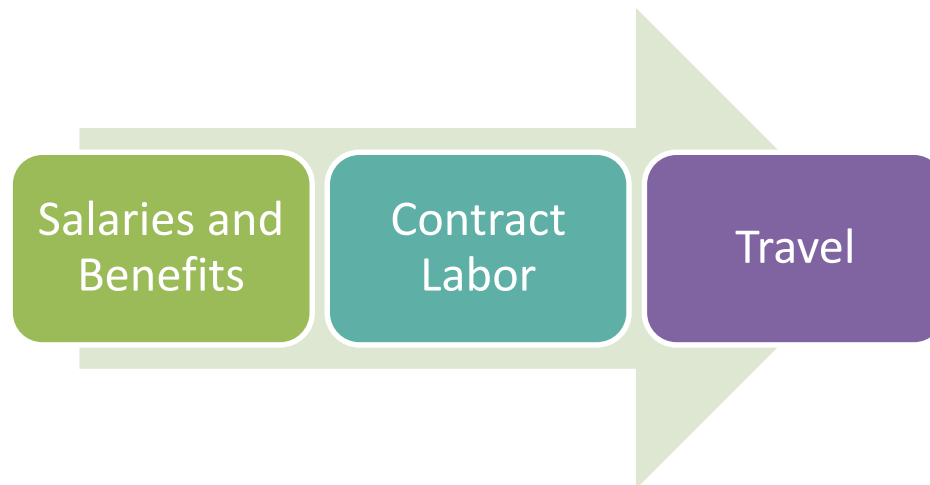


- Review all Re-hospitalizations
- Don't Review all Re-hospitalizations



# Direct Cost per Visit

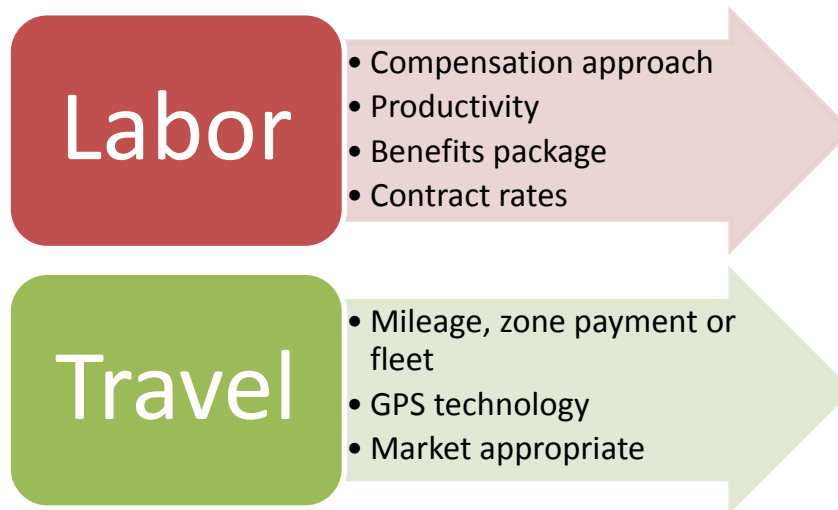
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Nursing	\$66	\$54	\$71	\$52
PT	82	76	85	72
OT	85	78	83	67





# Direct Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct labor	48%	44%	48%	37%
Transportation	2.5%	2.0%	3.2%	1.5%

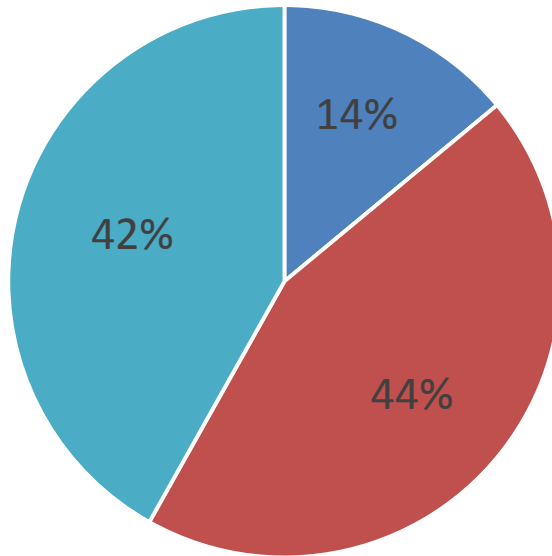






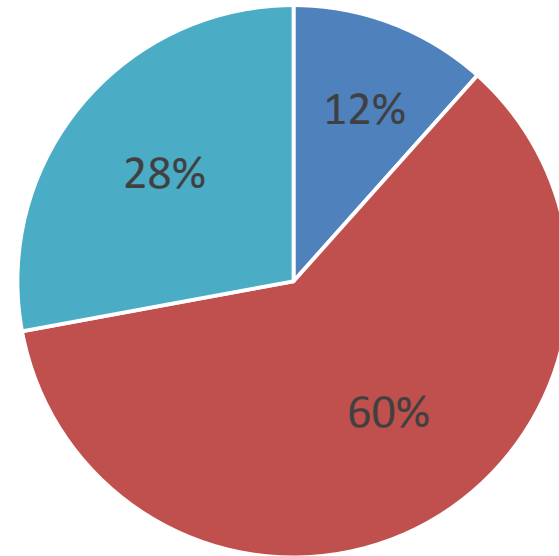
# Managing Costs – Compensation Models

RN Compensation



■ Hourly ■ Per Visit ■ Salary

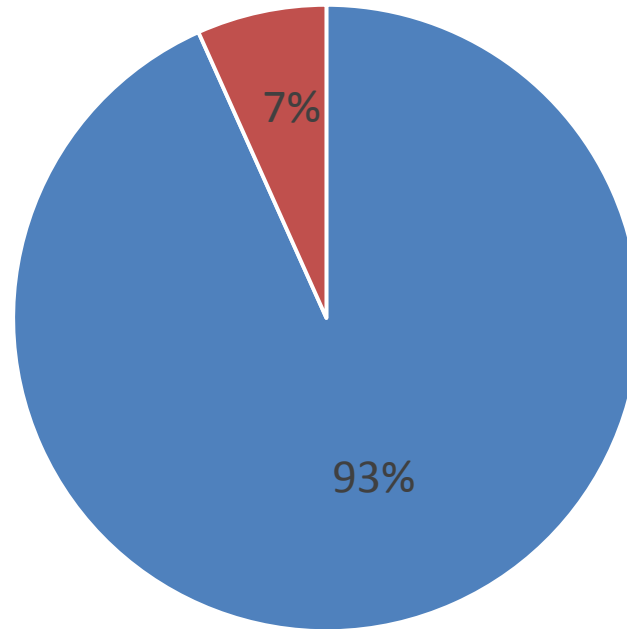
Therapy Compensation



■ Hourly ■ Per Visit ■ Salary



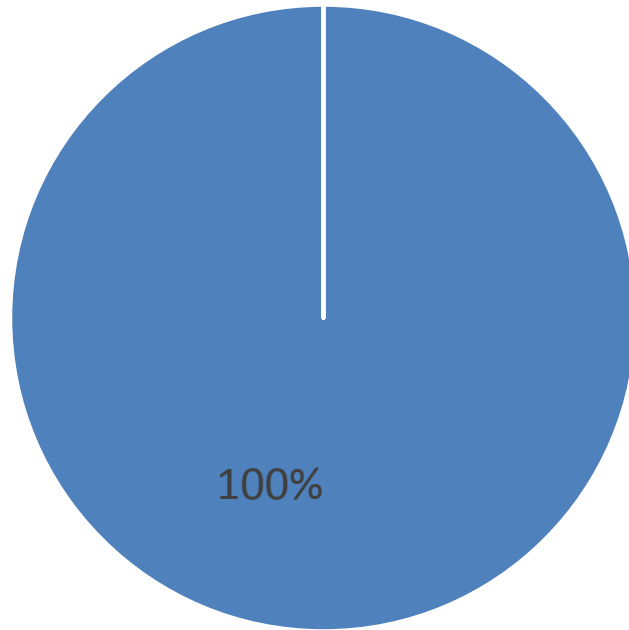
# Managing Costs – Productivity Models



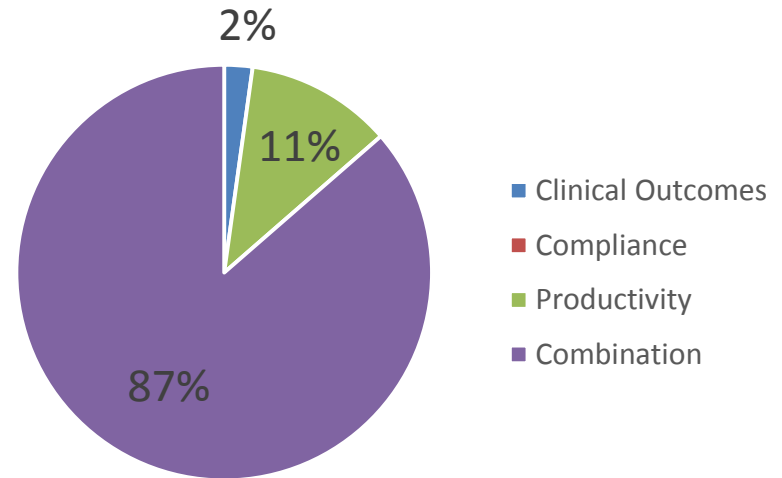
■ Visits/Units/Points per Day or Week ■ Caseload Average



# Managing Costs – Clinician Performance



Measures Monitored

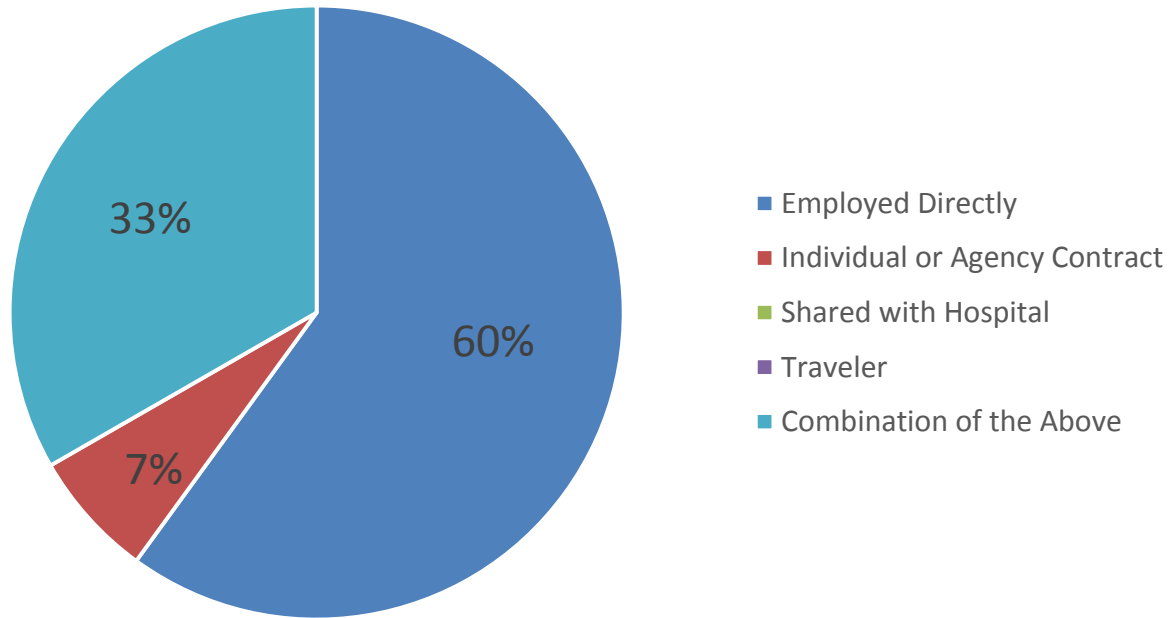


■ Monitor Individual Performance ■ Don't Monitor Individually



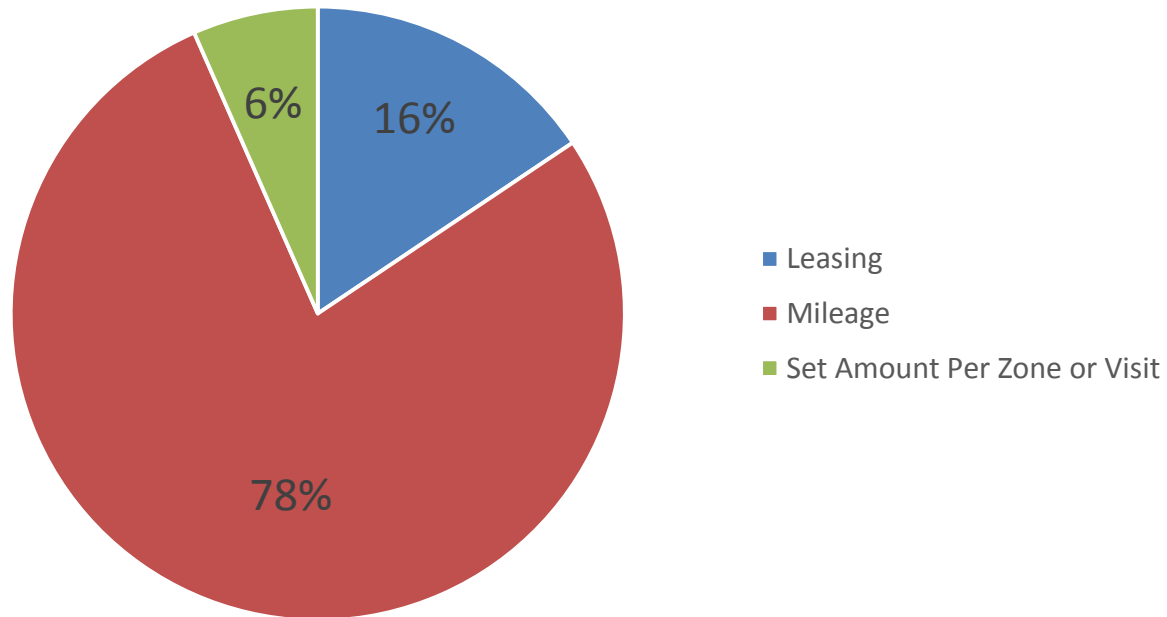
# Managing Costs – Therapy Staffing

Primary Therapy Staffing Arrangement



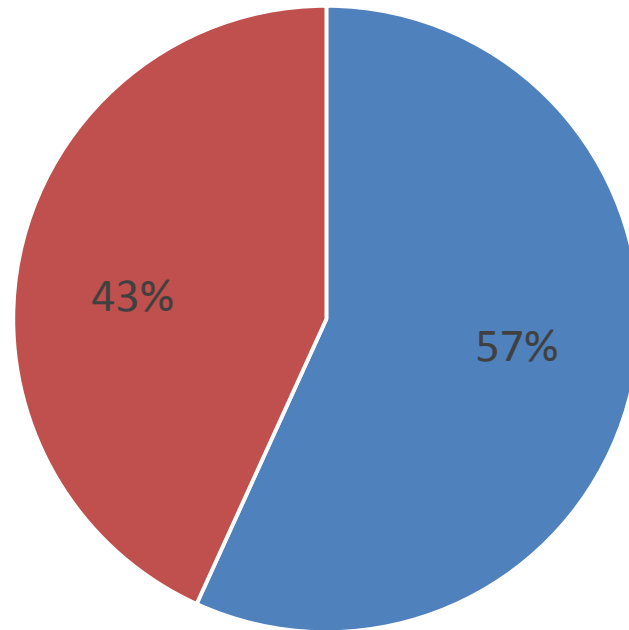
# Managing Costs – Travel

Approach for Field Staff Travel





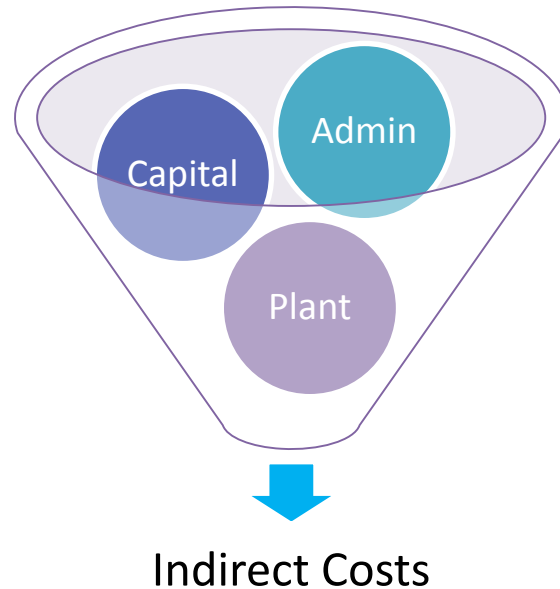
# Managing Costs – Clinician Scheduling



■ Self-Schedule   ■ Scheduled by Office Staff

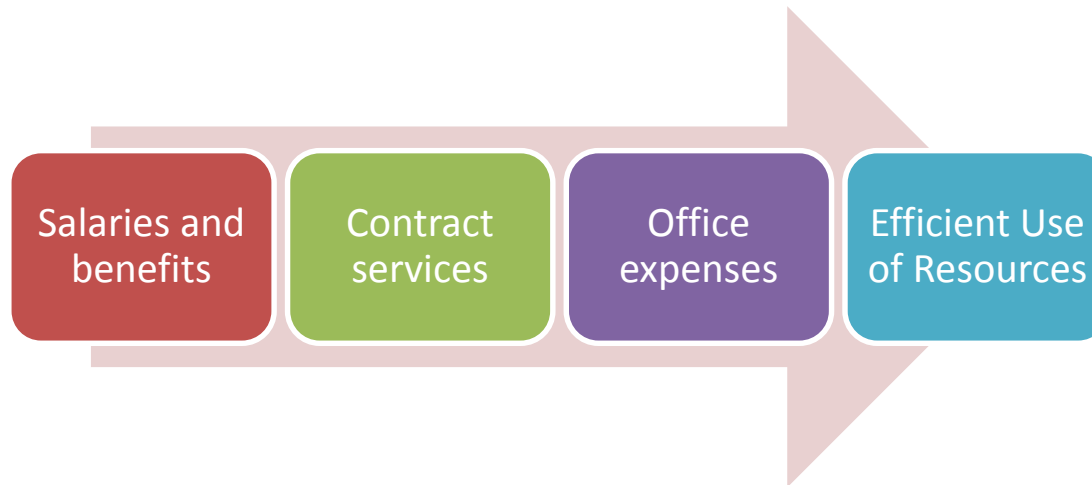
# Indirect Cost per Episode

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Total indirect costs	\$833	\$618	\$1,065	\$723



# Administrative Costs as a % of Revenue

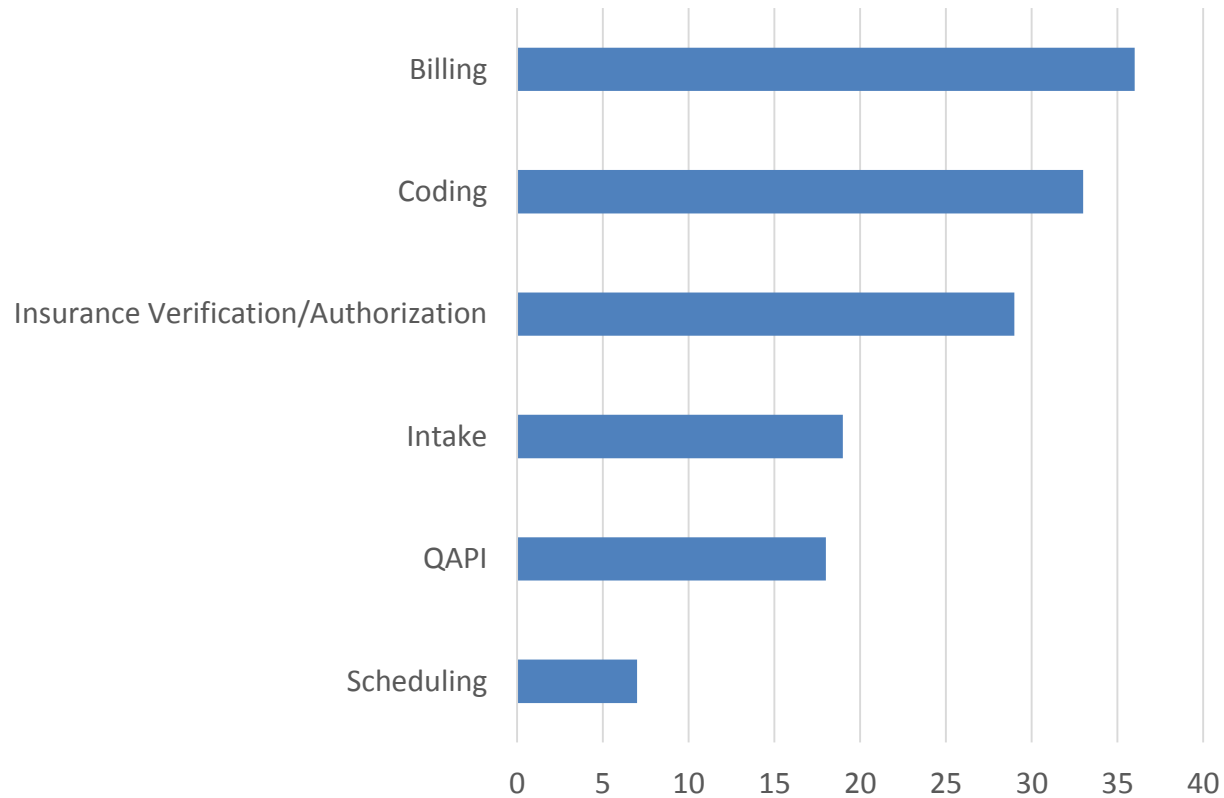
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Admin labor costs	15%	12%	27%	17%
Total admin costs	33%	24%	38%	28%





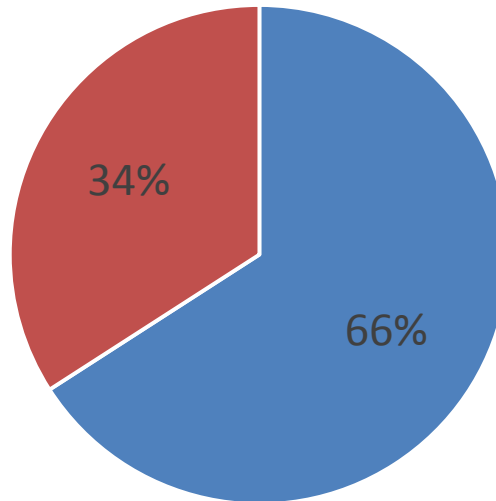


# Managing Costs – Centralized Functions



# Managing Costs – Back Office Accountability

Use of Accountability Metrics for  
Non-Clinical Positions

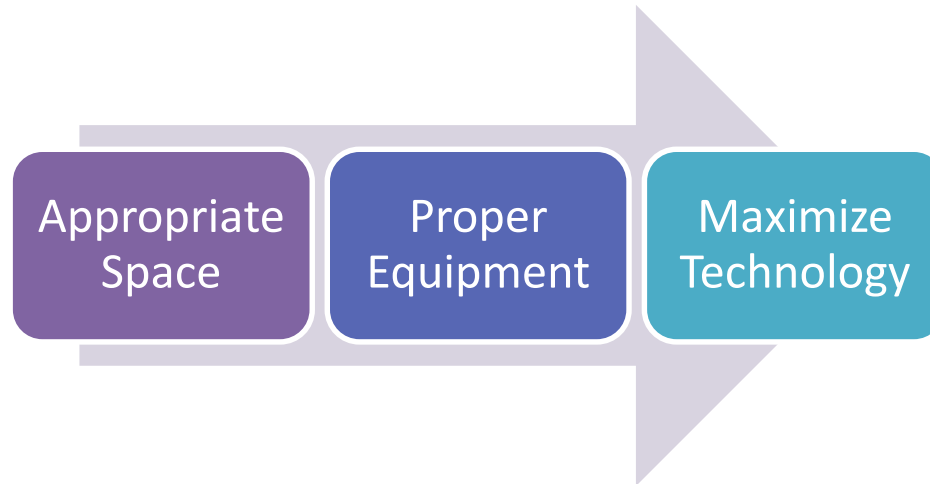


■ Use Accountability Metrics    ■ Don't Use Accountability Metrics



# Capital & Plant Costs as a % of Revenue

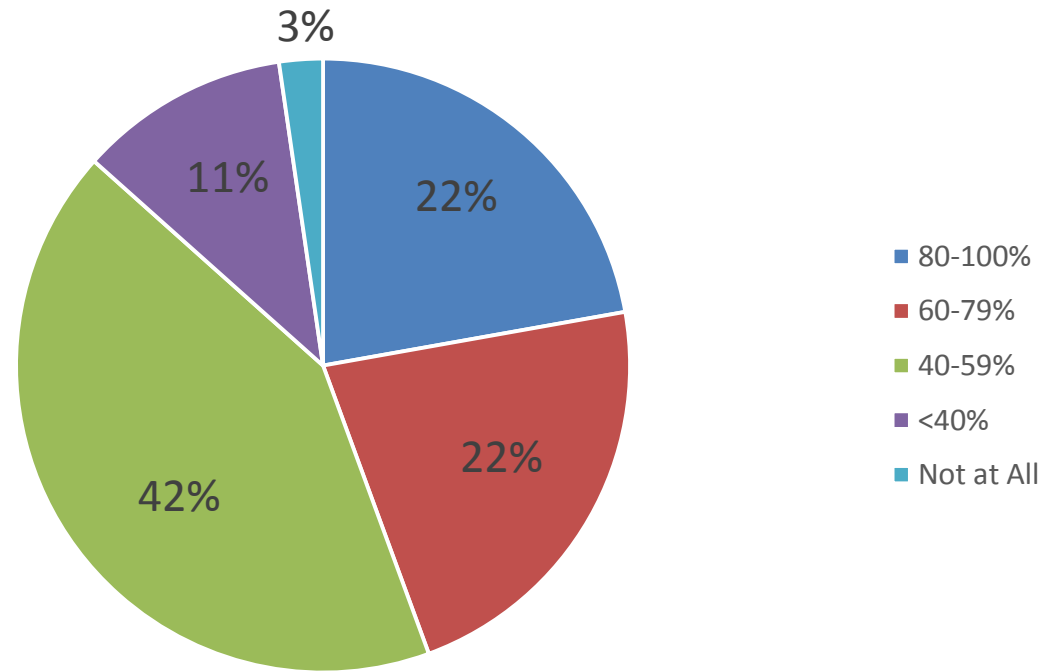
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Capital and plant	2.3%	1.8%	2.8%	1.7%





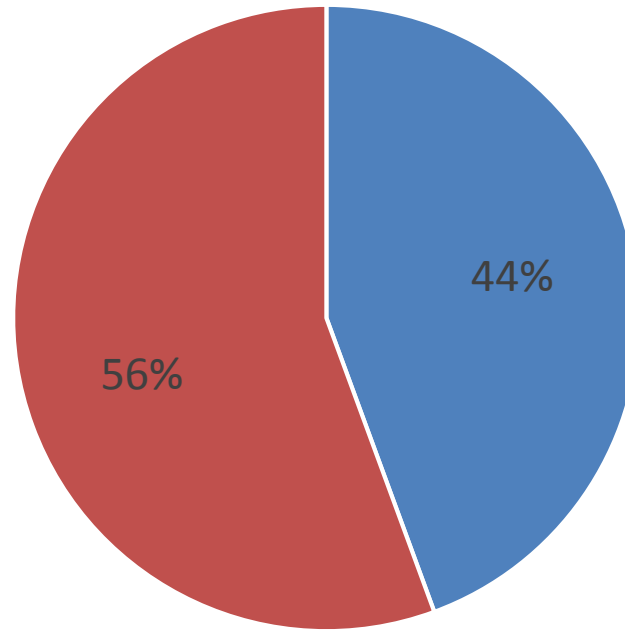
# Investing in Technology – Point of Care

Estimated % of Time Documenting at Point of Care





# Investing in Technology – Remote Monitoring



■ Use Remote Patient Monitoring

■ Don't Use Remote Patient Monitoring

# Cash Flow

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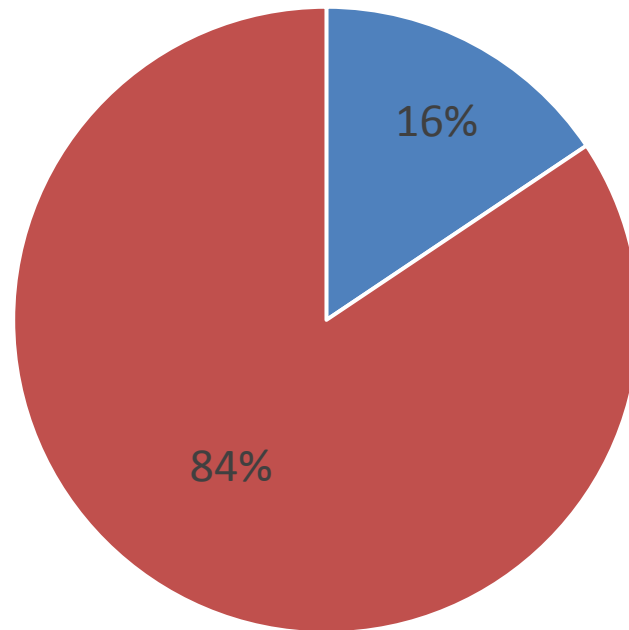
	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Days Sales Outstanding	43.9	35.7	56.5	38.7

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# Revenue Cycle Management



# Revenue Cycle Management - Outsourcing

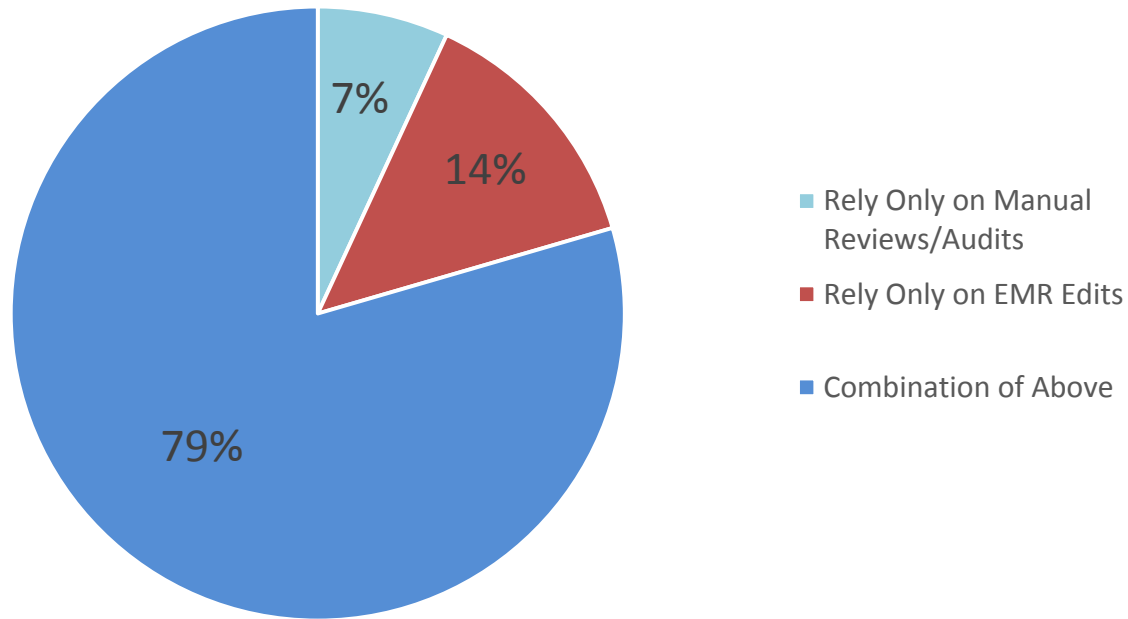


■ Outsource Billing ■ Perform Billing In-House



# Revenue Cycle Management – Claims Release

Process for Releasing Claims

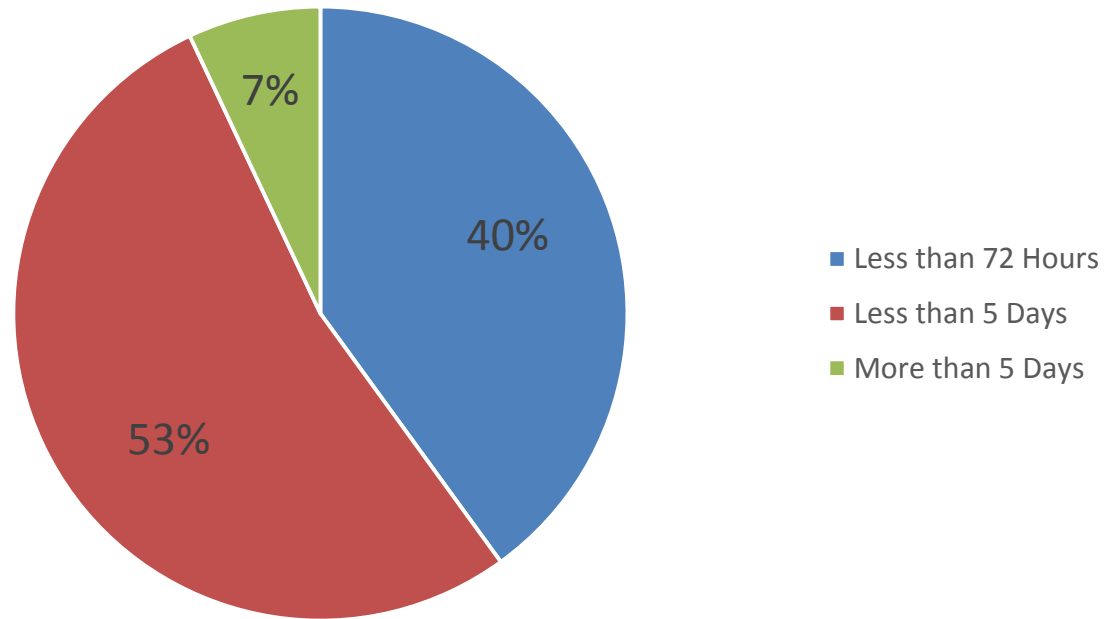






# Revenue Cycle Management – OASIS Timing

Completion of OASIS





Thank you

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