

WINNING WEDNESDAY WEBINAR

Assessing Cash Flow Impact From PDGM and COVID-19



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Webinar in partnership with
Strategic Healthcare Programs (SHP)

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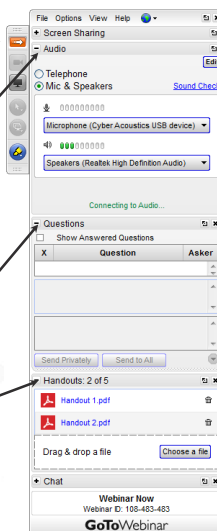
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Presenters



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bkd.com/PDPM**BKD**

PDGM Impacts on Cash

Revenue, Expense & Cash Flow Impacts

- Reduction of RAP payments to 20%
 - Complete elimination of RAPs in 2021
- Requirements for accumulation of pre-billing documentation
- Potential pressures on profit margins
 - Possible reduction in payment rates
 - Increased costs of doing business

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COVID-19 Impacts on Cash

Decrease in Revenues & Cash Flow

- Decreases in visits due to refusal by patients or staff
- Increase in Medicare LUPAs
- Decrease in elective procedures
- Distracted referral sources
- Difficulty in getting required documentation for billing

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COVID-19 Impacts on Cash

Increase in Costs

- Costs of PPE
- Investments in telemonitoring
- Costs of crisis management efforts
- Investments in technology for remote workers
- General disruption of everyday operations

*Have To Accurately Plan For Your Cash
Needs – Short Term & Long Term*

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Cash Flow – Cash Receipts

Operating - Patient service revenue

- Medicare – RAPs & finals
- Other PPS/PDGM payers – RAPs & finals
- All other payers

Nonoperating

- Investment income
- Other nonoperating sources (e.g., rental income, vending, etc.)

Financing/Investing

- Draws on lines of credit or other debt
- Owner equity contributions

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Cash Flow – Cash Disbursements

Operating

- Payroll & payroll related
- Vendor payments

Financing

- Payments on lines of credit or other debt
- Lease payments
- Distributions/dividends to owners

Investing

- Purchase of equipment
- Other business investments

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Sample Short Term Cash Needs Analysis

April 20 - May 1		
04/20/20 Cash Balance		\$ 15,180
Cash Receipts - Operating		
Medicare		
04/13/20 RAP filings	\$ 10,350	
04/20/20 RAP filings	12,892	
04/06/20 Final claims	154,178	
Medicare HMO Episodic		
04/13/20 RAP filings	6,997	
04/20/20 RAP filings	7,240	
04/06/20 Final claims	33,396	
Other Payers		
04/06/20 Final claims	48,746	273,799
Cash Disbursements - Operating		
Payroll and payroll related		
04/30/20 ADP disbursement	(165,417)	
Vendor Payments		
04/20/20 Invoices due	(40,104)	
04/27/20 Invoices due	(72,399)	(277,920)
Cash Receipts/Disbursements - Financing		
Automobile Leases		
04/27/20 Payments due	(15,982)	
Office equipment leases		
04/27/20 Payments due	(6,230)	
Interest on line of credit	(1,261)	(23,473)
5/1/2020 Estimated Cash Surplus (Deficit)		(12,414)
Deficit Funding Sources		
Draw on line of credit		
		40,000
Owner capital contribution		
		-
		<u>\$ 27,586</u>

Other Short Term Considerations

- What should you consider doing immediately?
 - Determine the cash burn rate to keep business open & break even
 - Identify variable & fixed-cost components & eliminate all nonessential expenditures
 - Realign organization & cost structure to support realistic sales volumes in the foreseeable future
 - Get up to speed on employee rights that are part of the *Families First Coronavirus Response Act*
 - Evaluate your options for additional capital

Access to Capital

Reserves &
investments

Traditional
financing

Owner
contributions
or loans

COVID-19
specific
options

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Long Term Considerations

- What should you consider when doing cash flow planning?
 - Construct a 13-week cash flow projection to identify critical liquidity gaps
 - Develop a service delivery plan to protect & serve patients and reduce collection risks
 - Formulate a vendor payment plan to protect the supply chain & minimize cash flows
 - Create an employee plan to protect critical employee resources

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Long Term Considerations

- What assumptions do you need to consider with your source data?
 - Cash flow plan, summarizing estimated days sales outstanding by payer, reassessing collection sensitivity
 - Vendor payment plan defining critical versus noncritical vendors, alternate vendors & sensitivity to days payables outstanding assumptions
 - Employee model, measure costs per FTE, including sensitivity to changes in headcount
 - Forecasted income statement, monthly balance sheet & net working capital requirements
 - **Your efforts should be concentrated around controlling the cash burn rate to bridge the short-term storm (< 3 months) to the long-term future steady state**

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PDGM
predictions

PDGM
realities

COVID-19
impact

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Who's yours?

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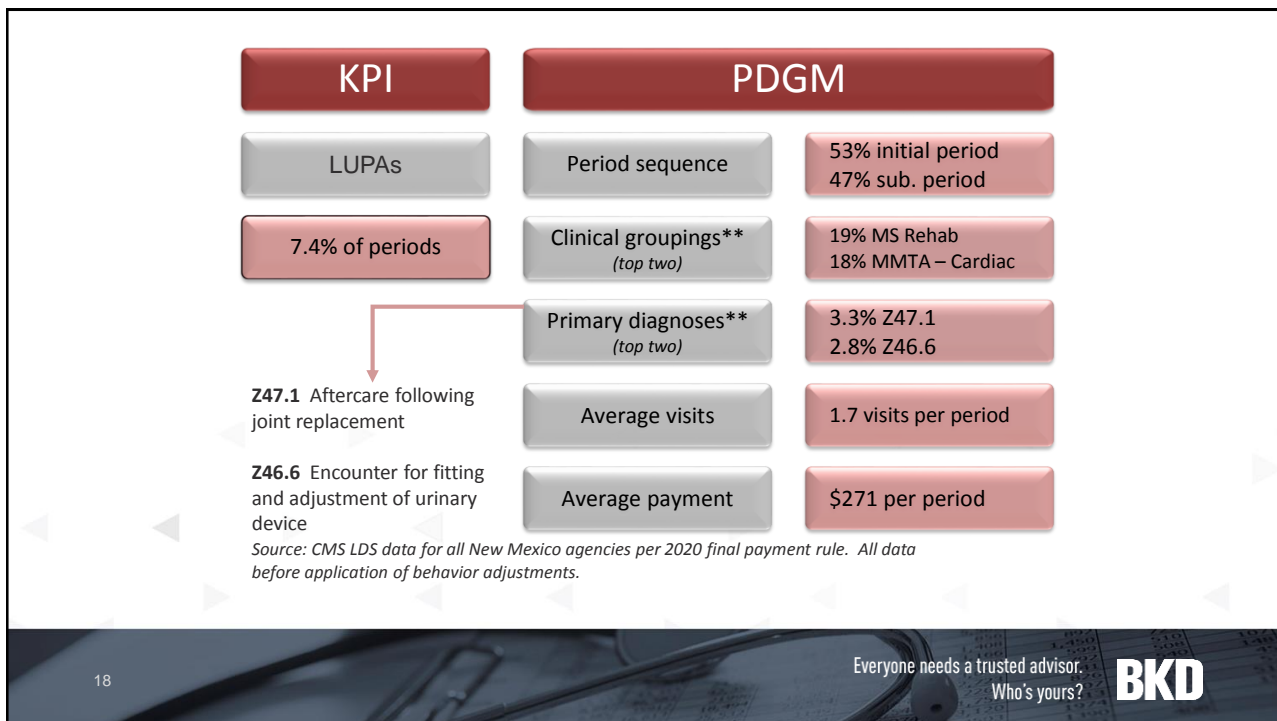
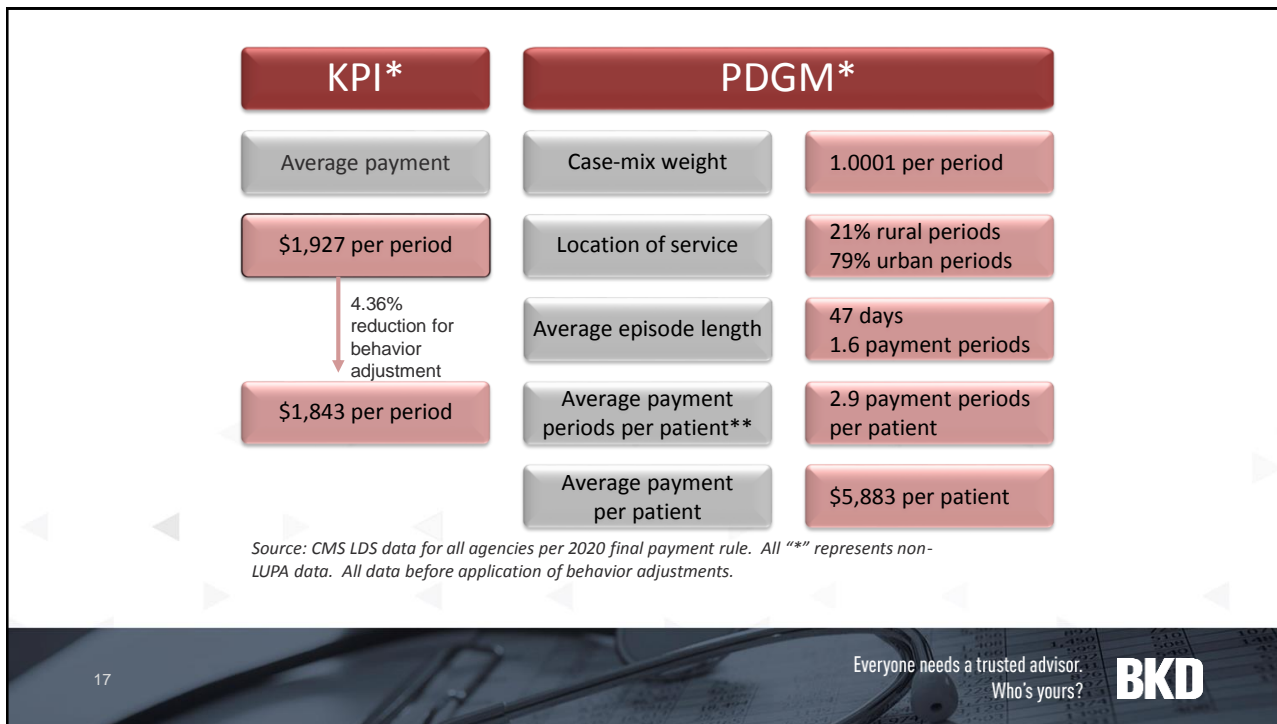
KPI	PPS	PDGM
Average margin*	16.4% per episode*	16.4% per period*
Average case-mix weight*	1.0322 per episode*	1.0001 per period*
Average payment*	\$3,313 per episode*	\$1,927 per period*
Average cost*	\$2,769 per episode*	\$1,610 per period*
LUPAs	8.1% of episodes	7.4% of periods

Source: CMS LDS data for all agencies per 2020 final payment rule. All "*" represents non-LUPA data. All data before application of behavior adjustments.

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PDGM Realities

- Cash flow
- Coding & OASIS accuracy
- Therapy utilization
- Physician orders
- LUPAs
- EMR

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PDGM Realities

Cash Flow

Cash Flow Predictions

- January – 15% decrease
- February – 30% decrease
- March – Rebound
- April – New normal

Cash Flow Realities

- ✓ January
- ✓ February
- ✗ March
- ✗ April

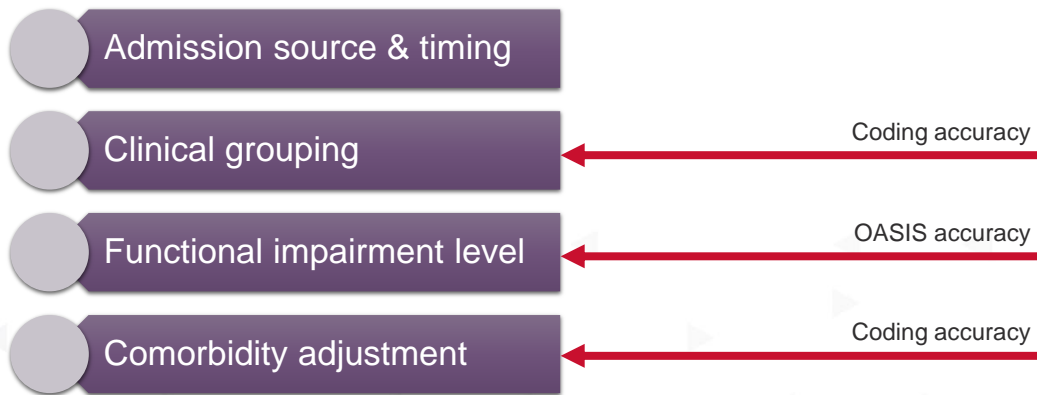
PDGM Realities

Cash Flow

Significantly decreased RAP payments	Claims processing interface errors with iQIES	EMR claim coding user &/or system errors
MA claim coding inconsistencies	PDGM revenue impact	COVID-19

PDGM Realities

Coding & OASIS Accuracy



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PDGM Realities

Coding & OASIS Accuracy

ROC vs. Discharge/Readmit

-  Patient admitted to HH 01/01/20 with no prior inpatient stays
-  Patient admitted to hospital 01/10/20 & discharged to SNF 01/13/20
-  Patient returns to HH 01/20/20 after discharge from SNF 01/18/20
-  Operational policy?

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PDGM Realities Coding & OASIS Accuracy

- Option 1 – ROC
 - \$3,232 total payment for two payment periods
 - Cost considerations
 - Episode & payment periods proceed as planned
 - Possible additional costs due to change in care
 - Process & policy considerations
 - Are clinical personnel clear on expectations?
- Option 2 – Discharge & readmit
 - \$2,547 total payment for two payment periods
 - Cost considerations
 - New SOC, OASIS, POC & possibly new FTF encounter documentation
 - Possible additional costs due to change in care
 - Process & policy considerations
 - Are clinical personnel clear on expectations

PDGM Realities Therapy Utilization

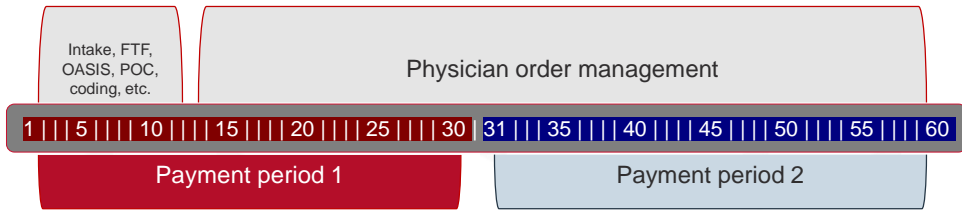


*Per CMS LDS non-LUPA data for all New Mexico agencies per 2020 final payment rule

**Per SHP national database period start dates in 2020 – 3,510,127 periods (as of April 15, 2020)

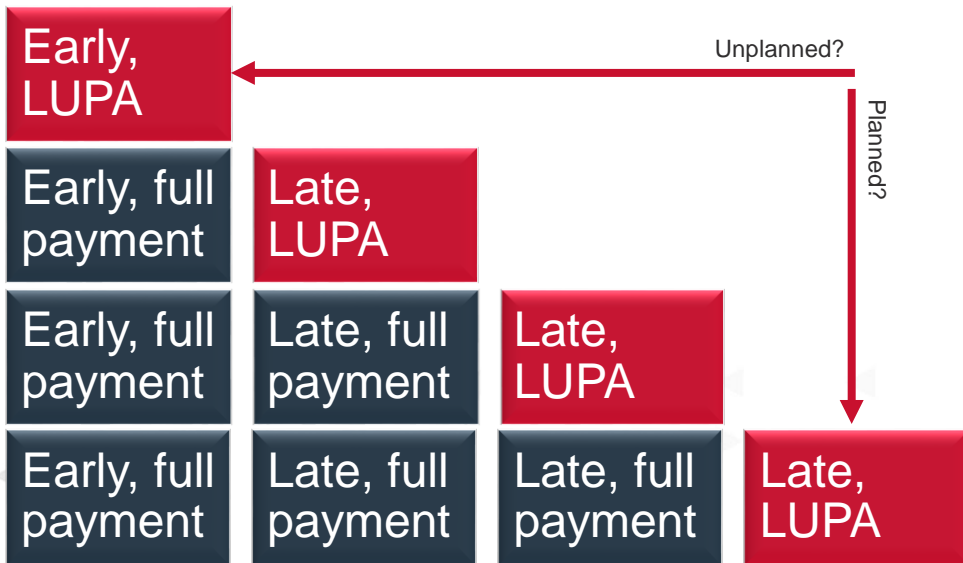
PDGM Realities

Physician Orders



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PDGM Realities

EMR

User input errors

Claim coding errors

Calculation errors

Reporting errors

PDGM Realities

Case-study

PDGM Realities

Case-study

Agency Characteristic	Agency A	Agency B
CMS star rating – quality	3.5	4.5
CMS star rating – patient experience	4.0	N/A
CMS estimated PDGM impact <i>(after behavior adjustments)</i>	(3.6%)	8.8
Coding & OASIS review functions	Outsourced	Outsourced
Billing & revenue cycle functions	Outsourced	Outsourced
Physical location designation	Urban	Urban
Primary clinician compensation basis	Salary	Salary
Turnover trend in full-time skilled nursing (appx.)	14%	11%
Average length of stay–discharged/on service (in days)	91/215	83/131
Number of payment periods opened during period	609	527

Other notes: Both agencies are for-profit with common ownership operating in different markets within the same state using the same EMR. All data presented based on PDGM payment periods beginning in 2020 as of April 10, 2020.

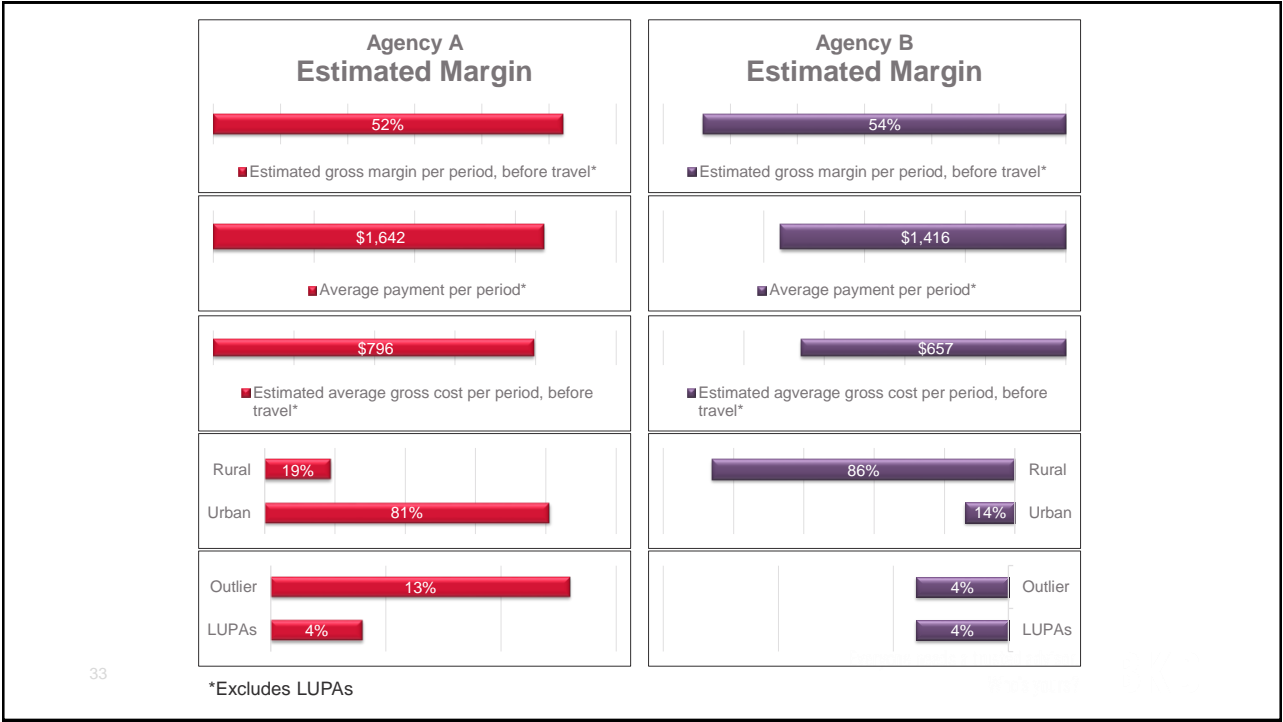
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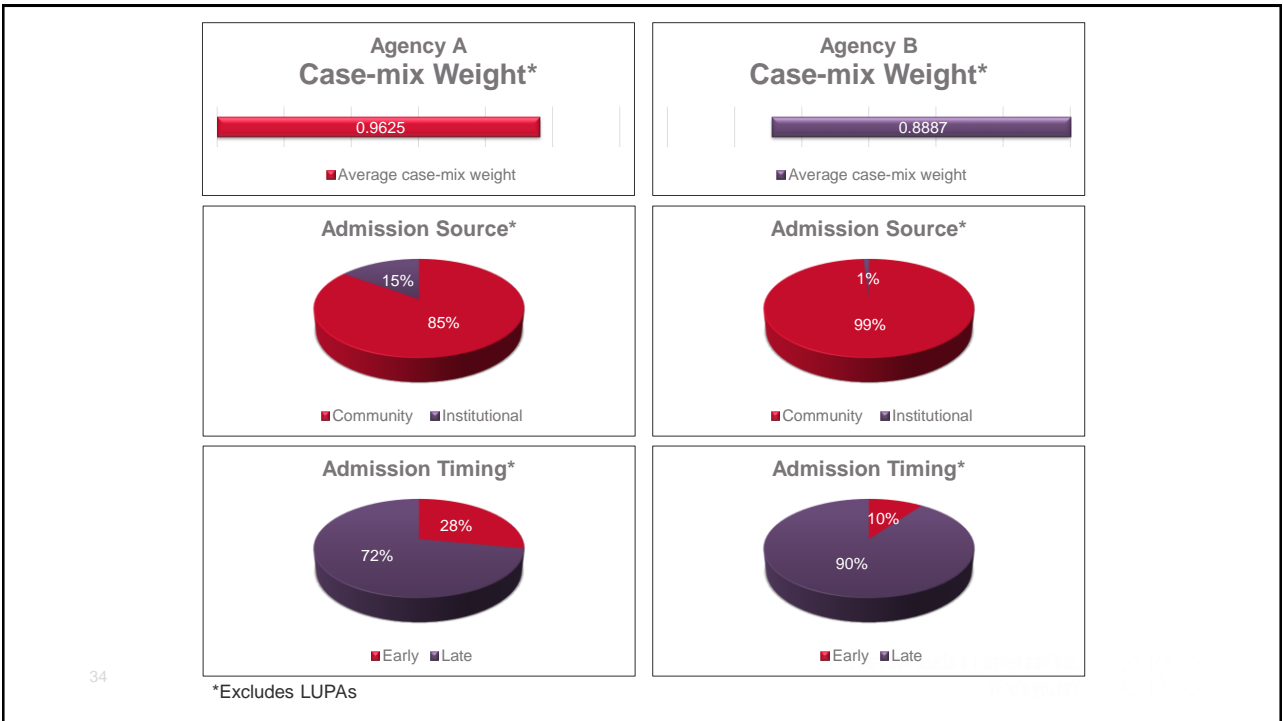
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Agency A	PDGM Trends	Agency B
52%	Estimated gross margin per patient, before travel	54%
\$3,147	Average payment per patient	\$3,394
\$1,495	Estimated average gross cost per patient, before travel	\$1,554
67 days (since 01/01/20)	Average number of days on service	77 days (since 01/01/20)
21.3 visits	Average visits per patient, total	22.3 visits
9.9 visits	Average visits per patient, therapy	9.3 visits

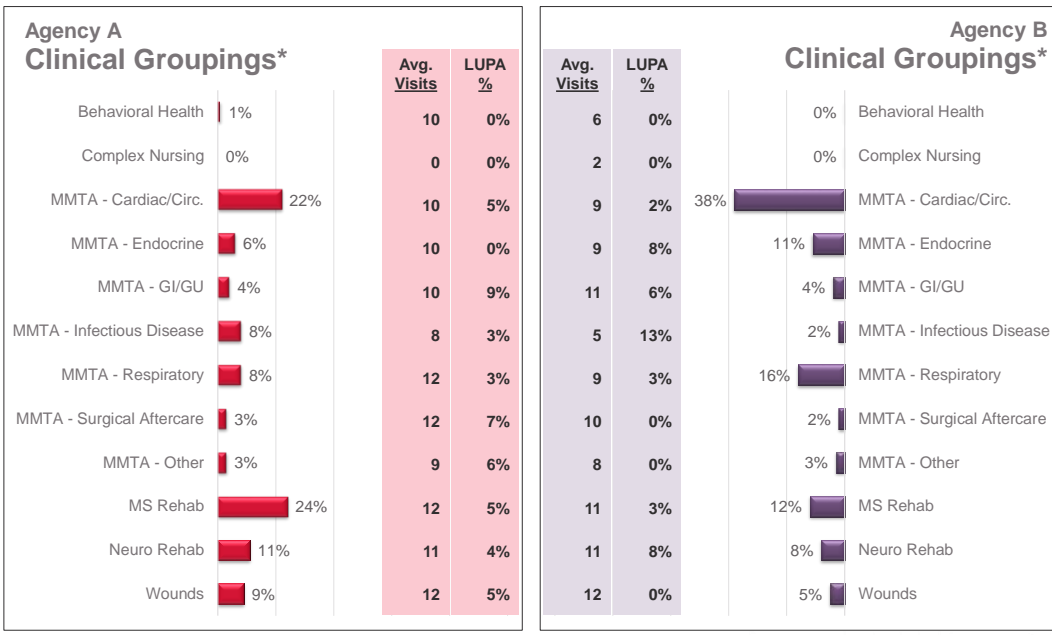
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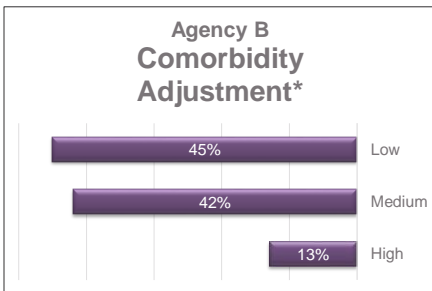
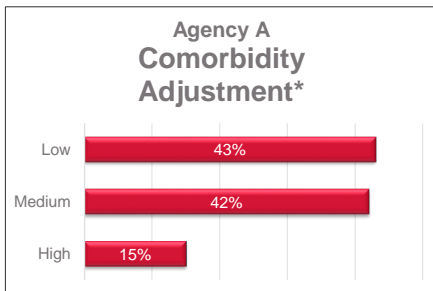
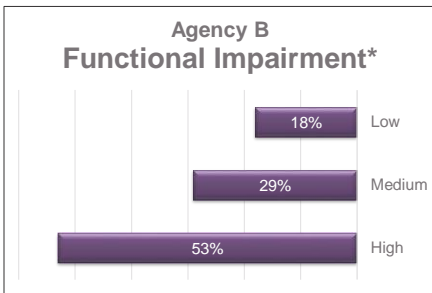
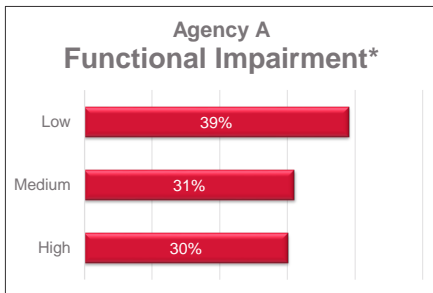


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*Excludes LUPAs



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*Excludes LUPAs

PDGM Realities

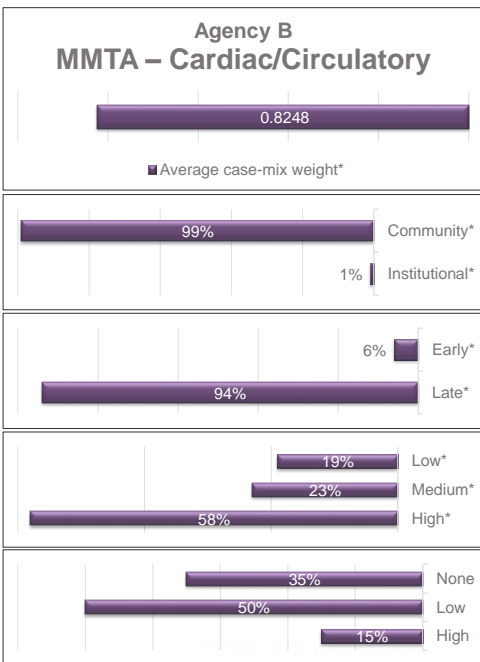
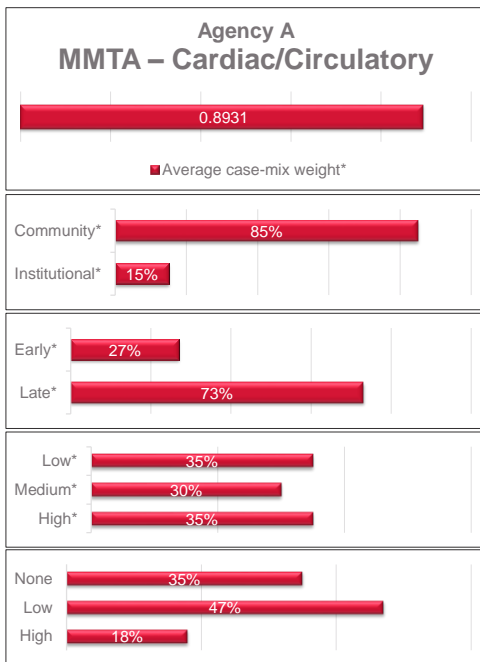
Case-study – Clinical Grouping Drill-down

MMTA –
Cardiac/Circulatory

MS Rehab

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*Excludes LUPAs



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PDGM predictions

PDGM realities

COVID-19 impact

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COVID-19 Impact

Volume & cash flow

Orders

Utilization & LUPAs

Telehealth

Non-physician practitioners

Stimulus money

COVID-19 Impact

Accelerated/
advance
payments

PPP loan

CARES Act
distributions

COVID-19 Impact

Accelerated/ advance payments

- Available upon request from MAC
- Payment advance of up to three months of Medicare revenues
- Recouped against claims automatically after 120 days
- New requests no longer being accepted as of April 26

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COVID-19 Impact

PPP Loan

- Loan available by application through SBA lenders
- Loan targeted at 8-week period of expenses for payroll, rent, mortgage interest & utilities
- Loan maturity of two years & interest rate of 1%
- Loan forgiveness available under certain terms

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COVID-19 Impact

CARES Act distributions

- Established \$100 billion relief fund for health care providers
- \$50 billion general distribution issued by HHS in two waves
 - April 10/17 & 24
- Requires acceptance of terms & conditions

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COVID-19 Impact

CARES Act distributions

(continued)

- Distributions available to offset COVID-19-related lost revenues & expenses
 - Must be documented
 - Subject to potential audit
 - Distributions over \$150,000 subject to quarterly HHS reporting requirements

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PDGM predictions

PDGM realities

COVID-19 impact

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SHP Tools for PDGM and COVID-19



The visibility you need to thrive in our ever changing landscape

- ✓ Monitor performance, increase efficiency, and maximize margin under the PDGM

- ✓ Understand the impact of COVID-19 on your organization
Identify risk and take appropriate action

Robust alerts help you make better decisions and capture revenue

	Current	With SHP Alerts Resolved	Difference
HHRG	2CB1	2CD1	-
Case Mix Weight	1.5712	1.6239	0.1000
Total Revenue	\$3,826.66	\$4,026.66	\$200.00

SHP PDGM Scorecard Overview

Aggregate Scores	Avg Risk of Hosp	Avg Period Case Wt	Avg LOS	Quality Performance				Avg Stay Rev	Total Potential Rev	Total Realized Rev	Avg Stay Margin	Avg Period Rev	Avg Period Margin	Avg Payment Adj	Stays w/ LUPA	Periods w/ LUPA
				RFI	Risk-Adj Outcomes	30-Day Reop	60-Day Hosp									
High/Low Better (+/-)																
SHP National	2.4	1.156	27.0	0.272	87%	6%	6%	7%	95%	\$2,824	-	\$1,994	-	(\$1,433)	11.3%	9.8%
SHP Multistate	2.4	1.097	27.1	0.284	88%	6%	7%	8%	94%	\$2,658	-	\$1,785	-	(\$1,388)	11.6%	7.8%
Your Org	2.7	1.134	31.1	0.323	87%	5%	7%	7%	94%	\$2,676	\$11K	\$95K	-	(\$1,505)	10.8%	7.9%
Primary Dx																
(No Dx)																
Blood / Blood-Forming Organs	3.6	0.872	29.8	0.361	81%	0%	14%	13%	88%	\$2,448	\$0	\$226	-	\$1,235	-	-
Circulatory - CVD	2.8	1.335	32.1	0.271	79%	3%	5%	6%	93%	\$2,991	\$79	\$2,887	-	\$2,043	-	-
Circulatory - Heart Failure	3.5	1.128	23.5	0.336	87%	14%	14%	12%	81%	\$1,920	\$323	\$236	-	\$1,741	-	-
Circulatory - Hypertension	3.4	1.021	36.6	0.296	91%	10%	8%	8%	91%	\$2,747	\$1,415	\$7,995	-	\$1,588	-	-
Circulatory (not HTN, HF or CVD)	3.5	1.065	34.3	0.312	89%	6%	8%	10%	93%	\$2,720	\$80	\$8,070	-	\$1,627	-	-
COVID-19	6.2	1.350	32.0	0.261	91%	13%	9%	10%	95%	\$2,629	\$346	\$3,818	-	\$2,040	-	-
Diabetes	3.7	1.168	35.6	0.278	88%	11%	12%	15%	94%	\$2,950	\$802	\$7,549	-	\$1,762	-	-
Digestive	3.4	1.096	30.0	0.360	85%	3%	7%	8%	91%	\$2,413	\$156	\$905	-	\$1,676	-	-

Join us for a webinar next week,
WEDNESDAY, MAY 20TH

New SHP Dashboard Tools for
PDGM Revenue & Alert Management

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Questions?

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Thank You!

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Acronyms

- **CMS** Centers for Medicare & Medicaid Services
- **COVID-19** Coronavirus disease 2019
- **EMR** Electronic medical record
- **FTE** Full time equivalent
- **FTF** Face-to-face
- **HHS** United States Department of Health & Human Services
- **iQIES** Internet Quality Improvement & Evaluation System
- **KPI** Key performance indicators
- **LDS** Limited data set
- **LUPA** Low Utilization Payment Adjustment
- **MA** Medicare Advantage
- **MAC** Medicare Administrative Contractor
- **OASIS** Outcome & Assessment Information Set
- **OT** Occupational therapy

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Acronyms

- **PDGM** Patient Driven Groupings Model
- **PPE** Personal protective equipment
- **PPP** Paycheck Protection Program
- **PT** Physical therapy
- **POC** Plan of care
- **PPS** Prospective Payment System
- **RAP** Request for anticipated payment
- **SBA** Small Business Administration
- **SHP** Strategic Healthcare Programs
- **SLP** Speech language pathology

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