

WINNING WEDNESDAY WEBINAR

## Assessing Cash Flow Impact From PDGM and COVID-19

**Mark P. Sharp, CPA**  
Partner, BKD, LLP  
msharp@bkd.com

**M. Aaron Little, CPA**  
Managing Director, BKD, LLP  
mlittle@bkd.com

Webinar in partnership with Strategic Healthcare Programs (SHP)

May 13, 2020




---

---

---

---

---

---

---

---

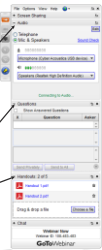
---

---


### Enhancing your webinar experience

- The red arrow on the upper left hides the GoToWebinar control panel
- To listen you may use your computer speakers or call the number shown in the "Audio" section of the GoToWebinar control panel. Make sure the volume on your speakers or phone is turned up as high as necessary. If you call in to the webinar and experience poor audio quality, please try hanging up and calling in again.
- Use the "Questions" section of the GoToWebinar Control Panel to submit any questions you have during the webinar.
- Expand the "Handouts" section to download a pdf of the webinar slides.

*This presentation will be recorded, so if you have technical problems, all is not lost!*



2




---

---

---

---

---

---


---

---


---

---


### Presenters



**Mark P. Sharp, CPA**  
Partner  
BKD, LLP  
msharp@bkd.com



**M. Aaron Little, CPA**  
Managing Director  
BKD, LLP  
mlittle@bkd.com




---

---

---

---

---

---

---

---

---

---

### 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

BKD

---

---

---

---

---

---

---

---

### 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

BKD

---

---

---

---

---

---

---

---

### 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**

BKD

---

---

---

---

---

---

---

---

### 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

BKD

---

---

---

---

---

---

---

---

---

---

### 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

BKD

---

---

---

---

---

---

---

---

---

---

### Sample Short Term Cash Needs Analysis

April 20 - May 1		
04/20/20	Cash Balance	\$ 15,180
<b>Cash Receipts - Operating</b>		
Medicare		
04/13/20	RAP Filings	\$ 10,350
04/20/20	RAP Filings	12,892
04/06/20	Final claims	194,176
Medicare HMO Episodic		
04/13/20	RAP Filings	9,997
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
<b>Cash Disbursements - Operating</b>		
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)
<b>Cash Receipts/Disbursements - Financing</b>		
Automatic Loans		
04/27/20	Payments due	(15,982)
Office equipment lease		
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)
<b>Deficit Funding Sources</b>		
	Draw on line of credit	40,000
	Owner capital contribution	-
		\$ 27,586

---

---

---

---

---

---

---

---

---

---

### 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

10 **BKD**

---

---

---

---

---

---

---

---

### Access to Capital

Reserves & investments	Traditional financing
Owner contributions or loans	COVID-19 specific options

11 **BKD**

---

---

---

---

---

---

---

---

### 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

12 **BKD**

---

---

---

---

---


---

---

---

## 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**

13 

---

---

---

---

---

---

---

---



14 Everyone needs a trusted advisor. Who's yours? 

---

---

---

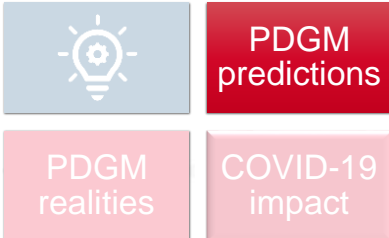
---


---

---

---

---



15 Everyone needs a trusted advisor. Who's yours? 

---

---

---

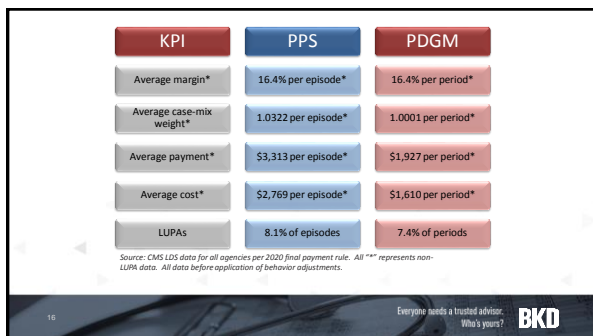
---

---

---

---

---




---

---

---

---

---

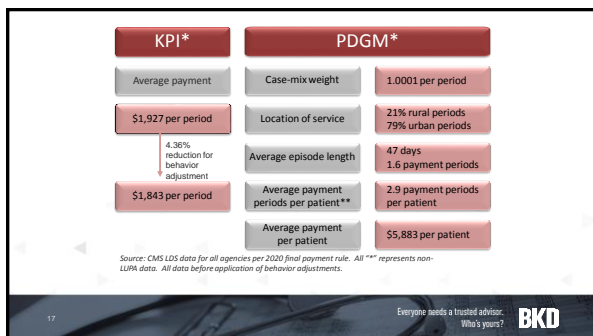
---

---

---

---

---




---

---

---

---

---

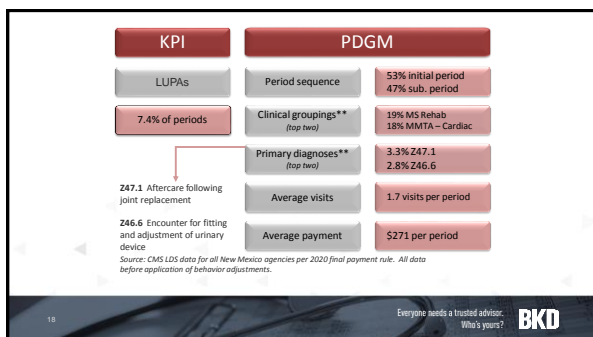
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

19

Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### PDGM Realities

20

Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### PDGM Realities

#### Cash Flow

Cash Flow Predictions	Cash Flow Realities
January – 15% decrease	✓ January
February – 30% decrease	✓ February
March – Rebound	✗ March
April – New normal	✗ April

21

Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### 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

22 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

---

---

### PDGM Realities

#### Coding & OASIS Accuracy

- Admission source & timing
- Clinical grouping Coding accuracy
- Functional impairment level OASIS accuracy
- Comorbidity adjustment Coding accuracy

23 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

---

---

### 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?

24 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

---

---



### 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

25

Everyone needs a trusted advisor.  
Who's yours?




---

---

---

---

---

---

---

---

---

---

### 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)

26

Everyone needs a trusted advisor.  
Who's yours?




---

---

---

---

---

---

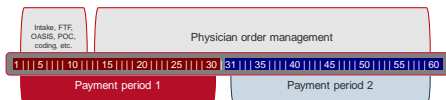
---

---

---

---

### PDGM Realities Physician Orders



27

Everyone needs a trusted advisor.  
Who's yours?




---

---

---

---

---

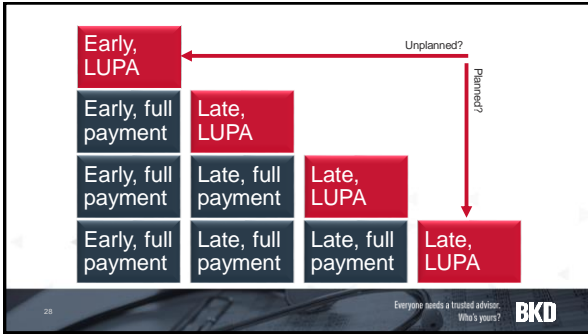
---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

## 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 (star behavior adjustments)	(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 CRR. All data presented based on PDGM payment periods beginning in 2020 as of April 10, 2020.

Everyone needs a trusted advisor. Who's yours?



31

---

---

---

---

---

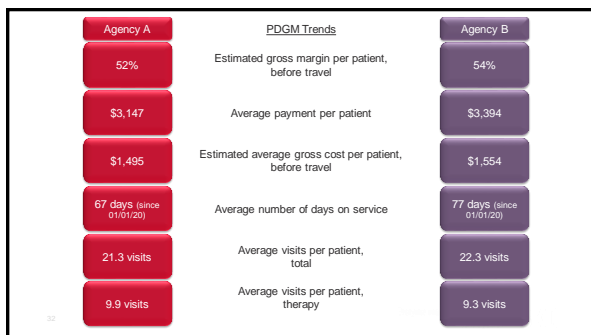
---

---

---

---

---



32

---

---

---

---

---

---

---

---

---

---



33

---

---

---

---

---

---

---

---

---

---



### PDGM Realities

#### Case-study – Clinical Grouping Drill-down

MMTA –  
Cardiac/Circulatory

MS Rehab

Everyone needs a trusted advisor.  
Who's yours? **BKD**

---

---

---

---

---

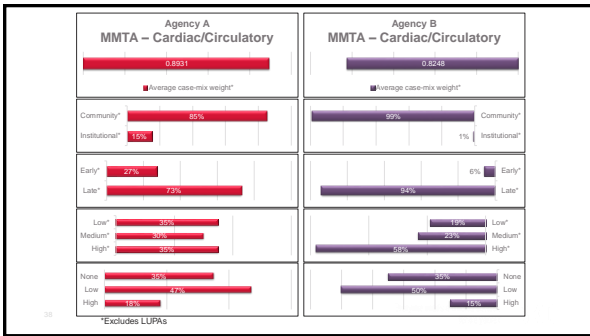
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

40 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### COVID-19 Impact

41 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### COVID-19 Impact

42 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### 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

43 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### 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

44 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

### 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

45 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

## 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

46 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

---

---

**PDGM predictions**

**PDGM realities**

**COVID-19 impact**

47 Everyone needs a trusted advisor. Who's yours? **BKD**

---

---

---

---

---

---

---

---

---

---

## 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.

SHP PDGM Scorecard Overview														
Aggregate Score	Q1	Q2	Q3	Q4	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
Aggregate Score	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Healthcare Services	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Services	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Pharmacy	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Billing	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Coding	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Compliance	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Revenue	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Billing	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Coding	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Compliance	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Medical Revenue	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

Join us for a webinar next week, **WEDNESDAY, MAY 20<sup>TH</sup>**

**New SHP Dashboard Tools for PDGM Revenue & Alert Management**

[www.shpdata.com/events](http://www.shpdata.com/events)

48

---

---

---

---

---

---

---

---

---

---



# Questions?

49

---

---

---

---

---

---

---

---

# Thank You!

bkd.com/HC | @bkdHC



Mark P. Sharp, CPA  
Partner  
BKD, LLP  
msharp@bkd.com



M. Aaron Little, CPA  
Managing Director  
BKD, LLP  
mlittle@bkd.com



50

---

---

---

---

---

---

---

---

## 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

51

Everyone needs a trusted advisor.  
Who's yours?




---

---

---

---

---

---

---

---

## 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

52

Everyone needs a trusted advisor.  
Who's yours?

**BKD**

---

---

---

---

---

---

---

---