Development of a Service Line Strategy and the Role of the CFO

Financial Managers Conference

Agenda

1. Introductions
2. Today's Health Care Landscape & LTC
3. Strategic Thinking and Planning
4. Actionable Tools
5. Wrap Up - Discussion
Presenters

- **Christopher Eckert, CPA, Director** - Chris serves as the primary client contact and is responsible for the overall planning, supervision and completing of client engagements. Chris works exclusively in Healthcare, and focuses on audits and consulting engagements with a concentration on post-acute providers, integrated healthcare delivery systems and hospitals. Chris’ areas of expertise include: in-depth financial reviews, financial feasibility reviews, business line profitability reviews, business valuation services, annual financial statement audits, preparation and filing of annual cost reports, rate maximization review, business process improvement review, due diligence projects on behalf of both selling and acquiring entities and compliance testing of internal accounting control systems.

- **Wendy Wilts, Senior Advisor** - Wendy is a Senior Advisor with Freed Maxick’s Transformation and Strategy practice. She was most recently the EVP and Chief Strategy Officer for a $2 Billion NYS Health System which included multiple acute care hospitals, post-acute facilities, long term care and aging services and housing sites for the elderly. In her role with that system and its predecessor organizations, Wendy directed the development of its key programs by service line, including Neuroscience, Cardiovascular Services, Orthopedics, Behavioral Health, and Women’s Services. Service Lines included the entire continuum of care, including acute inpatient & outpatient, physician practices and long-term care. Throughout her career, Wendy has worked extensively in strategic planning, program identification and development, forecasting and startup operations.

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2. **Today’s Health Care Landscape & LTC**

3. **Strategic Thinking and Planning**

4. **Actionable Tools**

5. **Wrap Up - Discussion**
Health Care Reform has all of us “re-forming” how and where health care is delivered

Changing Demand
- Changing coverage
- High deductibles

Shift in Place of Service
- Moderate inpatient demand
- Increased outpatient demand

New Rules & Accountability
- 3 day rules
- Observation status
- Bundled payments

Decreasing Reimbursement
- National budget deficit
- Medicare & Medicaid reduction

LTC is not exempt to changing landscape

Changing hospital discharge patterns
- Shorter length of stays
- Increased medically complex patients being discharged

Increased competition for patients
- LTC, home care, hospice/palliative care, etc.

Maintaining census = profitability
- Right patient mix, right payor mix, right timing
Understanding the Care Continuum

Shift in place of service requires partnerships, collaboration, and connectivity

Hospital Forecasts – Shift in place of service

Adult Inpatient Forecast 2012–2022

Adult Outpatient Forecast 2012–2022

Note: Forecast excludes 0–17 age group, psychiatry and obstetrics service lines, Unity Primary and Secondary Service Areas. IP = inpatient; OP = outpatient.

Sources: Impact of Change® v13.0; NIS; PharMetrics; CMS; Sg2 Analysis, 2015.
Rising Patient Acuity Poses Quality Challenges

Post-Acute Patients Increasingly Complex, High-Need

Proportion of PAC Admissions with MCC\textsuperscript{1}  
2010-2013

- Average SNF resident ADL\textsuperscript{2} needs in 2015, an increase from 3.92 in 2005
- Increase in number of counties where at least 75% of seniors\textsuperscript{3} have multiple chronic conditions, from 2008 to 2012
- Increase in Medicare home health patients with 2 or more ADL needs, from 2010 to 2013

Changes in Acute Care are affecting you

• Shift in service designation
  – IP now requires a 3 day stay
  – Observation status = highest cost, lowest reimbursement

• Discharge planning starts now at the time of admission
  – What is the potential discharge date and discharge location?
  – More social worker/discharge planners have been added
  – More options for placement, like home care with assistance, palliative care

• Reimbursement changes and penalties
  – Penalties for 30 day readmissions & post discharge ED visits
  – 30,60,90 day post operative bundled payments options
  – Capitated pilots – incentives to move patients to lowest cost post acute option

Shifting Volumes Across Service Lines

Change in Number of Medicare Beneficiaries Referred to SNF After Hospital Stay, by Service Line
2010-2013

Now is the time to ask, what is your strategy?

Which would you prefer?

**Proactive**
- Helps protect you from drowning.

**Reactive**
- Thrown to you after you’re already drowning.
Proactive Focus – start asking questions today

Are there opportunities for you as a post-acute partner?

Adjusting your focus
– Straight acute care to subacute rehab
– Long term to short term stays
– Best of service offerings

Finding partners who want win-win
– What do they need
– What do we have to offer

Finding the right tools can help
– Knowing your costs and data
– Knowing your potential partners

Win-Win: What do you bring to the table?
Creating your strategic position

Current business strengths:
– Where are your current patients coming from?
  • Mapping referral sources and volumes
– What is your capacity to take on more patients – and in what areas?
  • Efficient of your placement process
– What is your quality rating?
  • Comparison to your competitors
– What are your costs per stay?
  • How specific can you get on these?
– Do you have any special areas of expertise or designations?
  • Wound Care, Rehab, Diabetic coordinators, In-house medical staff
  • Specialty designations in your nursing or therapy
– Facilities and services
Win-Win: What does your partner need?
Creating your strategic position

Acute Care business needs:
- What areas are they at risk for penalties?
  - Readmissions, return to ED
- Where are the high length of stays, what specialties?
  - Do those areas match with their capabilities or interests?
- Any Centers of Excellence areas designated by Medicare or BCBS?
- What is their quality score? HAC, VAP, Star Rating
- Any areas where post-acute placement is difficult?

Future business interests:
- Do they have any interests in bundled or capitated payments?
- What Service Lines are they known for – and want to expand?
FreedMaxick tools
Creating your strategic position

Strategy:
– Facilitation service with leadership and Board
– Assistance with market evaluation
– SWOT analysis & current business outlook
– Defining best potential Service Line program options to pursue
– Facilitated discussions with future potential partners

Data driven tools for partner review:
– Utilization of SPARCS and other publicly reported data on hospitals in your area:
  • Length of Stay data and areas of opportunity
  • Discharge disposition and trending
  • Forecasted CMS P4P data

Sample – publicly reported data

Albany Medical Center Hospital

Provider Information
Provider ID: 330013
Provider Name: ALBANY MEDICAL CENTER HOSPITAL
State: NY
Zip Code: 12208

Inpatient Medicare Revenue: $161,050,115
Base Operating Payment: $91,273,469

Estimated P4P Net Impact
FY17 Net Impact (%): -0.52%
FY17 Revenue Impact ($): $-842,283

Adjustments
Readmissions Adjustment Factor: 0.9948
Readmissions Penalty ($): $-474,622
VBP Adjustment Factor: 0.9960
VBP Adjustment ($): $-367,671
HAC Penalty Flag: No
HAC Penalty ($): $0
Final FY 2017 payment adjustments reflecting performance in the Hospital Readmissions Reduction Program, Hospital Inpatient Value Based Purchasing Program and Hospital Acquired Condition Reduction Program – Jan 23, 2017 Health Advisory Board publication tool

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<tr>
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SNF with Medicare Certification in Anticipation of Skilled Care

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Freed Maxick is here to help you!

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