

Managing Financial Operations

- 1. Regulatory Requirements**
- 2. Reliability**
- 3. Responsibility**
- 4. Reporting Requirements**
- 5. Revenues / Reimbursements**

1. Regulatory Requirements

Regulatory Requirements

- HRSA
- Policy Information Notice PIN 98-23
- Federal, State, and Local Laws
- Articles of Incorporation
- Bylaws
- Funding Sources –Medicare and Medicaid
- IRS Regulations
- GAAP
- Mission Statement
- Policies and Procedures

BPHC PIN 98-23

- Fiscal Management Statement- The Governing Board is responsible for the efficient, effective, and financially sound operations of the health center. Policies for the fiscal management should be established to provide for the safe administration of funds and the accurate recording of financial activity.

BPHC Program Expectation

- Institution of Long-Range Financial Planning
- Establishing of Center's Financial Policies
- Review and Approval of Annual Budget
- Determination of Services and Eligibility
- Internal Controls
- Billing and Collections
- Annual Independent Financial Audit
- Effective Monitoring and Evaluation

Long Range Financial Planning

- Health center must engage in active, ongoing planning processes.
- Planning should include both long-term strategic planning and annual operational planning.
- Collect and analyze data with input from governing board members, staff, community members, and other involved parties.

Policies and Procedures

- Board and senior management affirm commitment to processes
- Identify goals and implementation date
- Develop internal committee
- Develop appropriate policies and procedures
- Gain approval policies from Board of Directors
- Implement, distribute written policies and procedures
- Have staff sign-off on new policies and procedures
- Reinforcing compliance with policies and procedures is central to health center mission
- Reinforce through regular education and training
- Monitor and take action against violators



2. Reliability



Reliability

- Information Technology Infrastructure
- Accounting System
- Practice Management System
- Rate Setting
- Staff

Information Infrastructure

- Do your homework in choosing systems
- Identify needed data
- Develop an implementation plan and team before installing your system
- Post-implementation plan
- Plan for future growth
- Make sure you have method for backing up data. Test method periodically.

IT Investment

- Making a major change in IT will have a temporary impact on productivity and revenues
- EMR can reduce provider productivity by 50% in the first month
- Installing a new practice management system can impact the productivity of the health center by 30% in the first month.

Rate Setting

- Section 330 statute requires that CHC have a “schedule of fees or payments for the provision of its services consistent with locally prevailing rates or charges and designed to cover its reasonable cost of operations” and have “a corresponding schedule of discounts to be applied to the payments of such fees or payments, which discounts are adjusted on the basis of the patient’s ability to pay”

Staff

- Hire qualified and competent staff
- Make sure you do primary source verification and check new hire credentials
- Have a well-defined organization structure
- Assess each position's responsibilities
- Maintain defined job descriptions
- Train and cross-train staff
- Emphasize communication
- Supervise and promote teamwork
- Maintain routine, structured evaluation process
- Hold everyone accountable



3. Responsibility

Responsibility

- Competent staff
- Organizational chart
- Job descriptions
- Departmental goals
- Authority
- Accountability
- Evaluations – Feedback

Scheduling Staff's Responsibilities

- Collect the correct patient demographic and insurance information
- Verify insurance coverage(s), ensuring that coverage extends through the appointed visit date.
- In a managed care environment, ALWAYS ensure that the patient is assigned to your health center.
- Identify the need for required pre-authorizations/referrals. Secure them before the visit.
- Inform new patients about your payment policies. Instruct uninsured patients to bring documentation to qualify for discounted charges.
- Screen all self-pay patients on an ongoing basis for eligibility for Medicaid and other health insurance.

Registration Staff's Responsibilities

- Greet patients to health center by acknowledging them and make them feel welcome.
- Staff should have a written checklist to ensure completion of required patient registration functions
- Look for ways to decrease wait time and improve efficiencies

4. Reporting Requirements

Reporting Requirements

- Federal, State, and Local Funding Sources
- Board of Directors
- Management and departmental scorecards
- Review financial statements
- UDS
- ARRA reports
- FSR reports
- Annual audits
- Medicare and Medicaid cost reports
- Ensure internal controls

ARRA Funds Accountability

- Requires two types of quarterly reports:
 - Government-wide reporting which is congressionally mandated by statute
 - Program-specific reporting requirements developed by HRSA that are specific to each type of ARRA funding awarded.

Financial Statements

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Statement of Cash Flows
- Accounts Payable Aging Summary
- Accounts Receivable Aging Summary
- Provider Productivity Report
- Summary of Encounters by Payer Mix
- Claims Denial Report

Key Management Reports

- Open encounters
- Visits by providers
- Cash receipts by site and provider
- End of the day report
- Unposted batch report
- Unfiled claims report

5. Revenues

Revenues

- Maximize revenue from all sources
- Manage the revenue cycles
- Understand the billing cycle
- Accounts receivable
- Manage denials
- Productivity expectations
- Credentialing / Linking providers – Medicare, Medicaid, & Commercial carriers
- Budgets
- Safe guard assets and cash collections

Revenue Cycle

- Factors that affect the health center's ability to turn service into cash includes functions handled by the appointment desk, registration, information technology, personnel, and providers, as well as billing and collections.

Revenue Cycle

Understanding and Monitoring

- Patients enter the facility- front desk
- Patients register or check-in process
- Nurse interacts with patient
- Provider sees patient
- Provider completes encounter form-daily
- Patient released at front desk
- Encounter forms processed
- Claim report prepared
- Claims sent to payor
- Remittance received with payment
- Billing department reconciles and posts
- Denials investigated and corrected
- Resubmission of denied claims
- Month end journal entries posted

Revenues Analyzing

- Understand payer mix
- Monitor fluctuations in traditional sources of revenues and patients
- Consider shifts in provider productivity
- Manage care

Billing and Collection- A/R

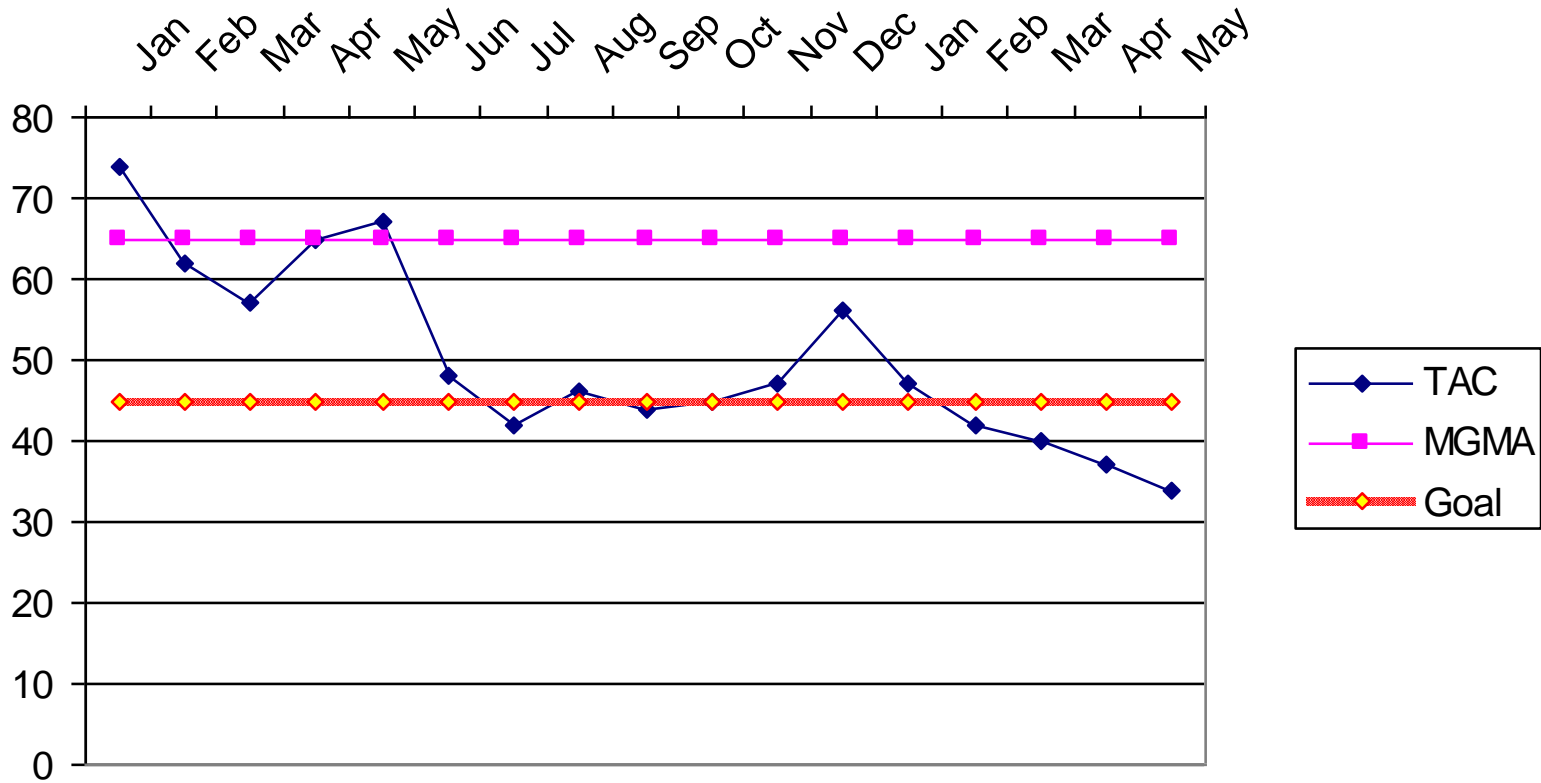
- A/R represents the amount of money that is owed to a center at a certain point in time.
- Depending on whether it is collectable or not, patient receivables impact the center's cash flow and the availability of financial resources for day-to-day operating expenses.
- It is imperative to understand the many components that drive patient receivables, in order to manage it on a day-to-day basis.

Components of Patients Receivable

- Gross Patient Accounts Receivable - represents the uncollected patient services balance at any point in time as indicated on the center's aged A/R subsidiary ledger.
- Allowance for Contractual Adjustments – the contractual adjustment represents the difference between the amount the center charges and the amount they have agreed to accept for payment.

Days in A/R

TAC Days in A/R 2005-2006



Analyzing Patient Receivables

- Amounts outstanding for current billing
- Billing Lags – Payments Lags
- Retroactive rate adjustments/ Final settlements
- Pending claims
- Re-billed / denied claims
- Accounting errors

Denial Management

- Understand why claims are being denied
- Develop monthly reports on common reasons for denials
- Look for trends by site, provider, and reception
- Give staff feedback on reasons for denials
- Provide training or in-service
- Establish minimal thresholds

Review & Approval of Annual Budget

- The board must approve the annual budget and grant application. The intent is not that the board simply sign-off on the documentations, but that it understands the substance and implications of the budget and grant application.
- Ensuring the financial health of the organization and aligning the goals of the project application with the strategic direction of the health center are critical functions of the board.

The Budget

- The budget is documentation itemizing anticipated receipts and expenditures over a period of time, most commonly a year.
- A budget is both a planning and a control instrument.
- Budget is based solely on the center's mission.
- Actual income and expenses should be compared with the approved budget.

Budget Factors to Consider-Expenses

- Center's growth
- Inflation or salary increases (60-75%)
- Fringe Benefits changes
- Fixed vs. variable expense
- Identify capital and equipment needs

Budget Factors to Consider- Revenues

- Providers productivity
- Payer mix
- Billing and Collections-A/R
- Grant funds
- Contract revenues
- Medicaid – PPS rate

Impact of Provider Productivity

Providers	Encounters	Ave. Revenue	Gross Revenue
Provider A	4,200	\$85.00	\$357,000
Provider B	3,500	\$85.00	\$297,500
Provider C	2,100	\$85.00	\$178,500
Provider D	5,000	\$85.00	\$425,000
Provider E	1,800	\$85.00	\$153,000

Analyzing Trends in Patient Mix

- As part of the monthly financial statement every finance department should begin to analyze even the smallest fluctuations in patient services revenue and receivable.
- Even though the changes may be minimal, it may indicate the start of a downward trend or a negative shift in payor mix.
- Recognizing a trend before it becomes a dramatic shift can help avoid unnecessary cash flow problems.

Payer Mix Monitoring

Patient service revenue	Site A 10,000 visits	Site B 10,000 visits	Site C 10,000 visits	Site D 10,000 visits
Medicare \$70.00	25%- \$175,000	10%- \$70,000	10%- \$70,000	5%- \$35,000
Medicaid \$118.00	25%- \$295,000	60%- 708,000	45%- \$531,000	20% \$236,000
Private Insurance \$75.00	25%- \$187,500	15%- \$112,500	10%- \$75,000	15%- \$112,500
Self-pay \$25.00	25%- 62,500	15%- \$37,500	35%- \$87,500	50%- 125,000
	\$720,000	\$928,000	\$763,500	\$508,500