Indiana Rural Health Association
Rural Health Clinic Workshop

RHC Financial Management

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Session Agenda

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- Rural Health Clinic (RHC) Financial Performance - An Overview
- Opportunities for RHC improvement:
  - Medicare/Medicaid Reimbursement
  - RHC volumes and Productivity
  - Service Expansion
- Summary

RHC Financial Performance

An Overview

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RHC Financial Performance

Indiana RHC Profile

- The state of Indiana has 75 certified RHCs.
- Indiana RHCs increased from 64 facilities in 2010 (a 17% increase); nationally RHCs increased 10% during the same period.
- 57% of Indiana RHCs considered "nonprofit corporations," generally hospital owned (compared to 44% nationally).
- Indiana "nonprofit corporations" RHCs increased from 30 facilities in 2010 to 43 facilities today, or a 43% increase. (Nationally the increase was 27%.)

Source: CMS Quality, Certification & Oversight Reports, July 2018.

RHC Financial Performance

Indiana RHC Profile

Total RHCs per CMS *Quality, Certification and Oversight Report*

Region	Active Providers and Suppliers								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
(I) Boston	68	70	68	71	71	69	67	66	66
(II) New York	7	7	9	9	9	9	9	10	8
(III) Philadelphia	169	166	161	165	166	163	166	157	157
(IV) Atlanta	890	909	955	994	1,001	1,025	1,019	1,040	1,063
(V) Chicago	591	630	643	667	663	699	718	725	729
Illinois	221	226	225	228	217	229	236	232	239
Indiana	64	66	63	67	70	73	73	72	75
Michigan	164	176	181	184	186	190	194	197	188
Minnesota	79	82	86	89	87	89	92	91	93
Ohio	14	24	25	28	33	40	46	52	52
Wisconsin	49	56	63	71	70	78	77	81	82
(VI) Dallas	564	573	568	575	578	581	586	623	646
(VII) Kansas City	861	881	898	912	912	890	906	892	890
(VIII) Denver	266	264	273	269	258	257	257	261	267
(IX) San Francisco	315	325	333	333	327	328	332	334	328
(X) Seattle	244	249	238	236	242	240	245	244	253
National Total	**3,975**	**4,074**	**4,146**	**4,231**	**4,227**	**4,261**	**4,305**	**4,352**	**4,407**

RHC Financial Performance

Indiana RHC Profile

Indiana RHCs are not exceptionally cost effective:

- Average allowable cost per encounter for Indiana provider-based RHCs was $209 compared to $210 nationally (no difference).
- Average allowable cost per encounter for Indiana independent RHCs was $148 compared to $125 nationally (18% difference).

Source: RHC Benchmark Report, Wipfli LLP, 2016 data.

RHC Financial Performance

Indiana RHC Profile

Indiana provider-based RHCs appear to utilize non-physician practitioners more readily than independent RHCs:

- Average midlevel staffing ratio for Indiana provider-based RHCs was 57% (compared to 53% nationally).
- Average midlevel staffing ratio for Indiana independent RHCs was 54% (compared to 57% nationally).

Source: RHC Benchmark Report, Wipfli LLP, 2016 data.

RHC Financial Performance

Indiana RHC Profile

Indiana RHC physicians appear to be less productive:

- Average encounters per FTE physician for Indiana provider-based RHCs was 3,568 compared to 4,283 nationally (17% difference).
- Average encounters per FTE physician for Indiana independent RHCs was 3,946 compared to 4,651 nationally (15% difference).

Source: RHC Benchmark Report, Wipfli LLP, 2016 data.

RHC Financial Performance

Indiana RHC Profile

Indiana RHCs practitioners appear to be compensated slightly below average:

- Average cost per FTE physician for Indiana provider-based RHCs was $274,000 compared to $307,000 nationally (11% difference).
- Average cost per FTE physician for Indiana independent RHCs was $255,000 compared to $277,000 nationally (8% difference).

Source: RHC Benchmark Report, Wipfli LLP, 2016 data.

RHC Financial Performance

Indiana RHC Profile

Indiana RHCs are impacted by the Medicare productivity penalty:

- Average reduction in allowable cost per encounter for Indiana provider-based RHCs was $26.98 compared to $16.04 nationally (68% difference).

  (In aggregate, Indiana provider-based RHCs lost nearly $800,000 in Medicare reimbursement.)

- Average reduction in allowable cost per encounter for Indiana independent RHCs was $10.56 compared to $5.57 nationally (90% difference).

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Source: RHC Benchmark Report, Wipfli LLP, 2016 data.

RHC Financial Performance

The Flex Program recently provided the following observations related to CAH financial performance:

- Larger CAHs were more profitable and could carry more debt
- CAHs that provided long-term care were less profitable
- CAHs that were owned by the government were less profitable but more liquid
- CAHs that operated a RHC were less profitable

Source: A Primer on Financial Ratio Analysis and CAHMPAS April 2018.

RHC Financial Performance

This sample CAH illustrates the financial performance challenges faced by many CAH-owned RHCs:

Sample CAH Financial Performance by Service											
Operational Summary	Hospital	Ambulance	DME	ER/PBC Professional	RHC	Swing Bed	Hospice	Long-Term Care	Assisted Living	Non-Allowable	Total
Net reimbursement	$9,098,531	$517,029	$263,317	$451,125	$2,588,745	$1,992,563	$239,047	$5,108,850	$1,960,538	$0	$22,219,744
Operating expenses	8,535,105	1,078,025	221,407	882,434	4,162,527	1,999,156	247,377	6,042,010	2,115,170	1,438,158	26,721,369
Operating income (loss)	563,426	(560,996)	41,910	(431,309)	(1,573,782)	(6,593)	(8,330)	(933,160)	(154,632)	(1,438,158)	(4,501,625)
Other revenue	979,286	29,506	9,521	0	0	0	0	8,110	542,641	876,029	2,445,093
Net income (loss)	$1,542,712	($531,490)	$51,431	($431,309)	($1,573,782)	($6,593)	($8,330)	($925,050)	$388,009	($562,129)	($2,056,532)

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RHC Financial Performance

How does this financial report align with your RHC?

- RHC "net reimbursement" is substantially lower than operating expenses?
- Significant "net loss" (greater than $100,000 per provider)?
- Hospital profits used to subsidize RHC operating losses?
- How can the RHC financial results be improved?

Improving RHC Reimbursement

Proper Payment for RHC Services

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Improving RHC Reimbursement

How is reimbursement for RHC services determined?

- Traditional Medicare: All Inclusive Rate (AIR) per billable encounter, reconciled with annual Medicare cost report.
- Medicare Managed Care: AIR per billable encounter, prospective rate not reconciled with annual Medicare cost report.
- Indiana Medicaid: Prospective AIR determined on base-year costs (indexed) per billable encounter; prospective rate not reconciled with annual cost report.

Improving RHC Reimbursement

What opportunities might be available for improving RHC reimbursement?

- Billable Encounters: Verify that all billable encounters are being billed on a timely basis and payments received. *Denied, rejected, or delayed claims are not eligible for RHC reimbursement.*
- Medicare Managed Care: Verify that Medicare replacement plans are reimbursing on the AIR.
- Indiana Medicaid: Compare the Medicaid PPS rate with current costs; determine if a scope change is appropriate.

Improving RHC Reimbursement

What opportunities might be available for improving RHC reimbursement?

- All-Inclusive Rate: Confirm that the total visit statistic on the Medicare cost report is accurate.
  An overstatement of "total encounters" results in a lower AIR.
- Commercial Insurance: Compare/contrast current insurance reimbursement with actual costs.
  Is the RHC losing money on commercial insurance patients?

RHC Volume and Productivity

Leveraging Key Resources

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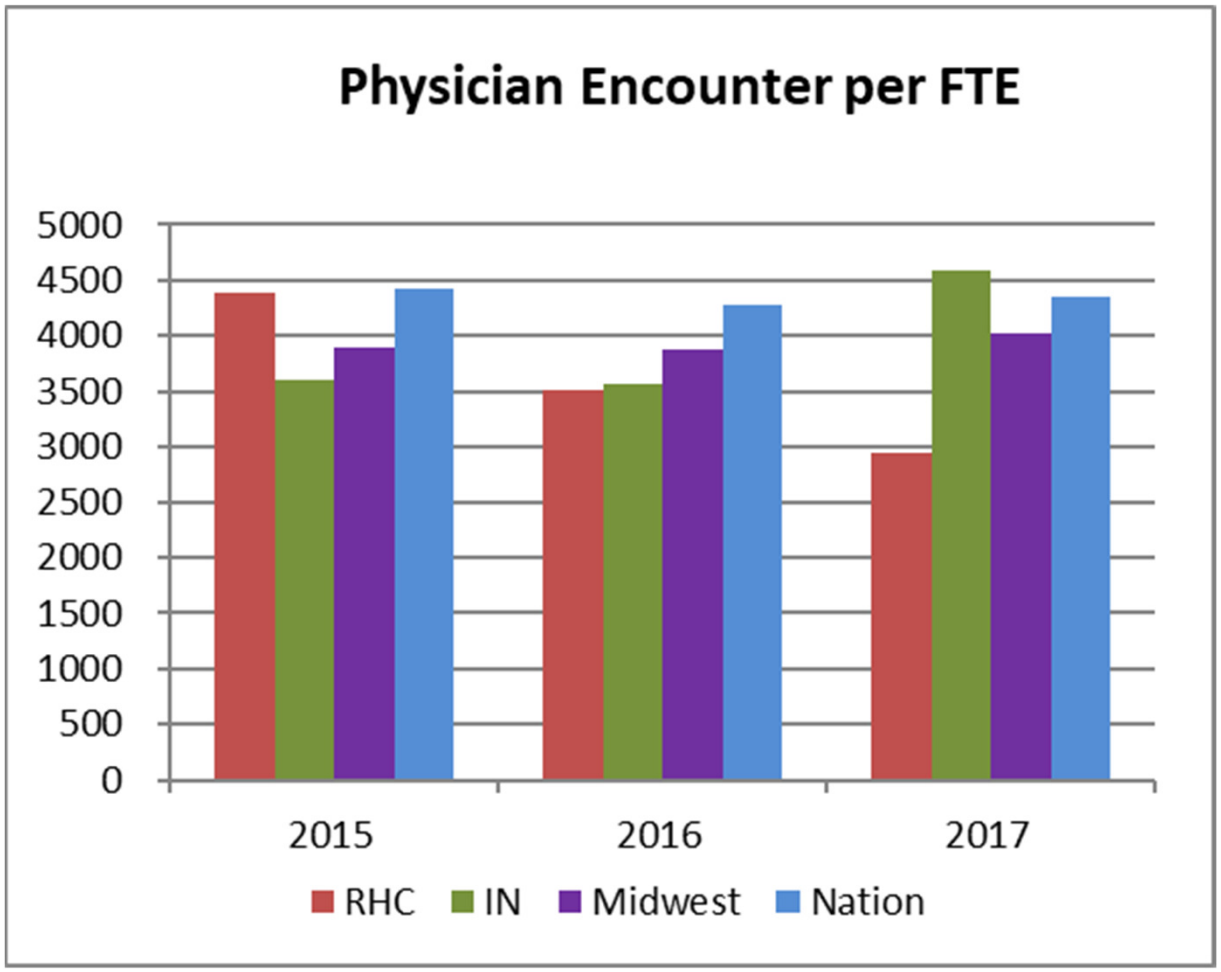
RHC Volume and Productivity



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RHC Volume and Productivity

Evaluate RHC Productivity

- Are RHC practitioners being appropriately utilized?
  - *At least 20 patients per day for physicians and 10 patients per day for APCs is common.*
- Has productivity per provider changed dramatically in the last three years?
  - *Common causes include the implementation of electronic health records, turnover, support staffing?*
- Are providers incentivized and rewarded?

RHC Volume and Productivity

Evaluate RHC Productivity

- Is RHC reimbursement negatively impacted by Medicare productivity standards?
  - *Medicare productivity standards are 4,200 encounters per physician FTE and 2,100 encounters per NP/PA FTE.*
- Is unusually high productivity contributing to "burn out"?

Expanding Services to RHC Patients

New Revenue Streams

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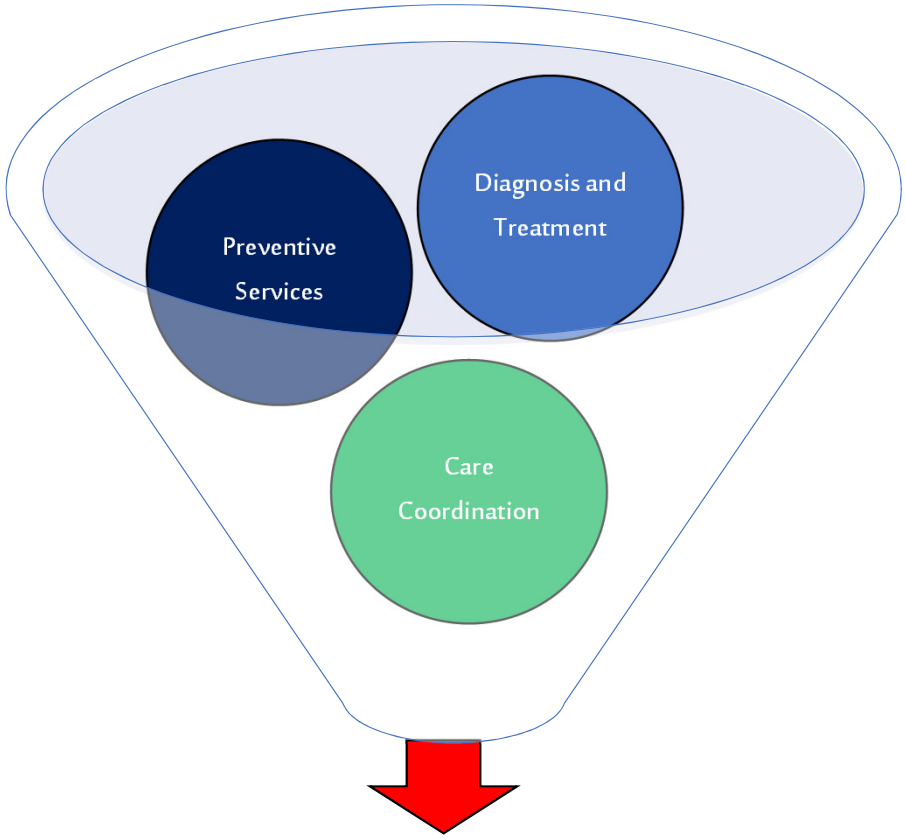
Expanding Services to RHC Patients

Can expanded Medicare coverage create opportunities for health care providers?



Lower Future Costs

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Expanding Preventive Services in the RHC

Influenza Vaccine

"Take advantage of each office visit as an opportunity to encourage your patients to protect themselves from the flu and serious complications by getting a flu shot. (Medicare provides coverage of the flu vaccine without any out-of-pocket costs to the Medicare patient. No deductible or copayment/coinsurance applies.)"

MLN Matters SE17026

Influenza (and pneumococcal) vaccines and their administration are paid at 100% of reasonable cost:

- 2016 national average for provider-based RHCs was $74.69.
- 2016 national average for independent RHCs was $51.21.

Expanding Preventive Services in the RHC

Influenza Vaccine

- How many Medicare patients are in your RHC?
- What percentage of your Medicare patients receive annual flu vaccines?

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Expanding Preventive Services in the RHC

Influenza Vaccine

RHC #	Total Encounters	Medicare Encounters	Medicare Pts. % of Total Patients	Estimated Medicare Patients (Medicare Visits / 4)	Medicare Flu Vaccines	Medicare Flu % of Medicare Patients
1	7,153	2,397	34%	600	114	19%
2	7,476	1,870	25%	500	127	25%
3	9,067	2,424	27%	600	171	29%
4	11,957	1,732	14%	400	164	41%
5	13,358	4,488	34%	1,100	351	32%
6	14,882	6,742	45%	1,700	-	0%
7	37,518	5,888	16%	1,500	435	29%
8	16,053	1,624	10%	400	28	7%
9	3,595	372	10%	100	91	91%
10	10,427	4,943	47%	1,200	193	16%
	131,486	32,480	25%	8,100	1,674	21%

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Expanding Preventive Services in the RHC

Influenza Vaccine

- Medicare patients received 1,674 flu vaccines; about 21% of Medicare patients were vaccinated at the RHCs.
- If 75% of the Medicare patients were vaccinated at the RHC (about 6,075 flu vaccines), an additional 4,401 vaccines would have been administered.
- At a reimbursement rate of $75 each, an additional $330,000 of Medicare reimbursement would be realized among the 10 RHCs in our analysis.

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Expanding Preventive Services in the RHC

Initial Preventive Physical Exam and Annual Wellness Visit

"These preventive benefits allow you to assess your patients' health on an annual basis to help you determine if they have any risk factors and if they are eligible for other preventive services and screenings that Medicare covers. These preventive benefits are a great way for you to detect illnesses in their earliest stages when treatment works best. The average reimbursement level for the AWV is about $107 and about $150 for the IPPE with no patient deductible or co-pay."

MLN Matters SE1338

The IPPE and AWV are paid at 100 percent of the All-Inclusive Rate.

- 2016 National Average for Provider-Based RHCs was $193.
- 2016 National Average for Independent RHCs was $81.

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Expanding Preventive Services in the RHC

Initial Preventive Physical Exam and Annual Wellness Visit

- How many Medicare patients are in your RHC?
- What percentage of your Medicare patients receive annual wellness visits?

Expanding Preventive Services in the RHC

Initial Preventive Physical Exam and Annual Wellness Visit

RHC #	Total Encounters	Medicare Encounters	Medicare Pts. % of Total Patients	Estimated Medicare Patients (Medicare Visits / 4)	Medicare Prevent Visits	Medicare Prevent Visits % of Medicare Patients
1	7,153	2,397	34%	600	233	39%
2	7,476	1,870	25%	500	261	52%
3	9,067	2,424	27%	600	423	71%
4	11,957	1,732	14%	400	35	9%
5	13,358	4,488	34%	1,100	18	2%
6	14,882	6,742	45%	1,700	110	6%
7	37,518	5,888	16%	1,500	1	0%
8	16,053	1,624	10%	400	-	0%
9	3,595	372	10%	100	-	0%
10	10,427	4,943	47%	1,200	14	1%
	131,486	32,480	25%	8,100	1,095	14%

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Expanding Preventive Services in the RHC

Initial Preventive Physical Exam and Annual Wellness Visit

- Medicare patients received 1,095 annual preventive visits (IPPEs + AWV); about 14% of Medicare patients were billed preventive visits at the RHCs analyzed.
- If 75% of the Medicare patients were provided preventive visits at the RHC (about 6,075 visits), an additional 4,908 visits would have been provided.
- At a reimbursement rate of $193 each, an additional $920,000 of Medicare reimbursement could be realized among the
  10 RHCs in our analysis.

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Expanding Preventive Services in the RHC

See Medicare Learning Matters MM7079

- G0438/G0439 are paid under the RHC all-inclusive rate.
- G0438 (initial visit) is a once-in-a-lifetime benefit; cannot be billed within 12 months after effective date of Medicare coverage (should be preceded by IPPE).
- G0438 cannot be submitted within 12 months of IPPE (Welcome to Medicare Visit, G0402) or G0439 (AWV, subsequent visit).

Expanding Preventive Services in the RHC

Additional Preventive Services

• Pneumococcal vaccine	• Alcohol screening/behavioral counseling (HCPCS G0442/G0443)
• Screening pelvic exams (HCPCS G0101)	• Screening for sexually transmitted infections (HCPCS G0445)
• Prostate cancer screening (HCPCS G0102)	• Intensive behavioral therapy for cardiovascular disease (HCPCS G0446)
• Glaucoma screening (HCPCS G0117/G0118)	• Intensive behavioral therapy for obesity (HCPCS G0447)
• Screening pap test (HCPCS Q0091)	• Smoking and tobacco cessation counseling (CPT 99406/99407)
• Screening for depression (HCPCS G0444)	• Lung cancer screening with low dose CT (HCPCS G0296)

Expanding Behavioral Health Services in the RHC

Based on Medicare RHC cost report data:

- Nationally clinical psychologists and clinical social workers average approximately 1,500 annual patient encounters per FTE provider.
- No Indiana provider-based RHCs reported clinical psychologist or clinical social worker services.
- No Indiana independent RHCs reported clinical psychologist or clinical social worker services.

Expanding Behavioral Health Services in the RHC

Benefits of Integrating BH

- Improves medical productivity
- Offers “one-stop shop”
- Improves patient satisfaction
- Increases likelihood of BH treatment (“warm handoffs”)
- Increased revenue/billable services

Summarized from Eaton Rapids Medical Center (MI) presentation at 2018 Michigan Rural Health Conference.

Expanding Behavioral Health Services in the RHC

Identifying patients

- Primary care provider referrals
- Screenings
- EHR reviews

Health issues impacted by BH

- Tobacco cessation
- Weight loss/management
- Diabetes
- Hypertension
- Insomnia
- Alcohol/drug abuse/misuse
- Goal setting/motivation

Summarized from Eaton Rapids Medical Center (MI) presentation at 2018 Michigan Rural Health Conference.

Expanding Services to RHC Patients

Additional Care Management Services

- Care management (HCPCS G0511)
- Transitional care management (CPT 99495 or 99496)
- Psychiatric collaborative care model (HCPCS G0512)

Summary

Where are the opportunities for improvement in your RHC?

- ✓ Reimbursement enhancement
- ✓ Cost reporting improvement
- ✓ Provider/clinic productivity gains
- ✓ Service expansion
  - Preventive Services
  - Behavioral Health Services
  - Care Management Services
  - Other

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Today's Presenter

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