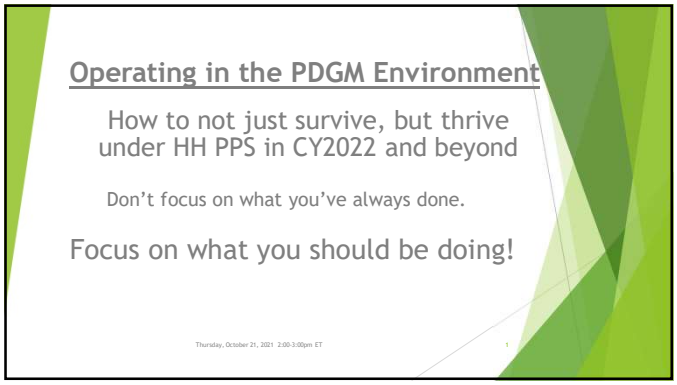
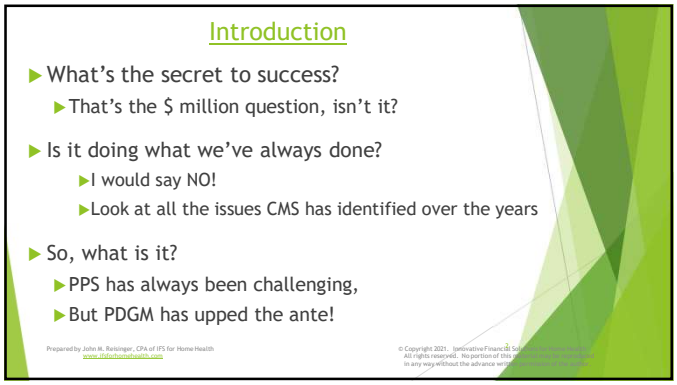
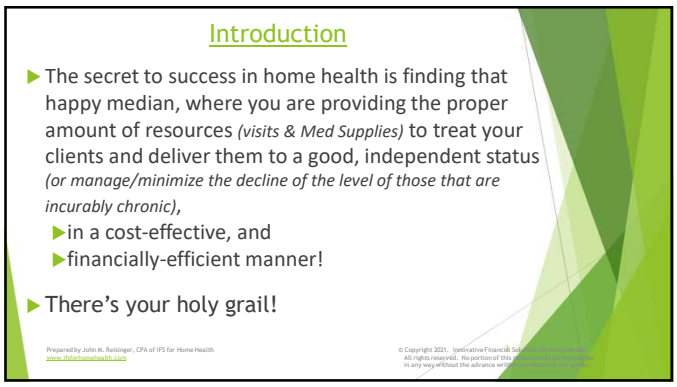

Operating in the PDGM Environment
How to not just survive, but thrive under HH PPS in CY2022 and beyond
Don't focus on what you've always done.
Focus on what you should be doing!
Thursday, October 21, 2021 2:00-3:00pm ET
1

1


Introduction
What's the secret to success?
That's the $ million question, isn't it?
Is it doing what we've always done?
I would say NO!
Look at all the issues CMS has identified over the years
So, what is it?
PPS has always been challenging,
But PDGM has upped the ante!
Prepared by John M. Reisinger, CPA of IFS for Home Health
www.ifsforhomehealth.com
© Copyright 2021. Innovative Financial Solutions for Home Health
All rights reserved. No portion of this [illegible] for Home Health
in any way without the advance written permission of the author.

2


Introduction
The secret to success in home health is finding that happy median, where you are providing the proper amount of resources (visits & Med Supplies) to treat your clients and deliver them to a good, independent status (or manage/minimize the decline of the level of those that are incurably chronic),
in a cost-effective, and
financially-efficient manner!
There's your holy grail!
Prepared by John M. Reisinger, CPA of IFS for Home Health
www.ifsforhomehealth.com
© Copyright 2021. Innovative Financial Solutions for Home Health
All rights reserved. No portion of this [illegible] for Home Health
in any way without the advance written permission of the author.

3

Introduction

- Consider the following:
  - Being an extremely profitable HHA but generating poor Home Health Compare Scores and Bad Star Ratings will eventually mean that you were a very-profitable agency on a per-encounter basis that closed because you could not obtain any business/any referrals!
  - Conversely, being a 5-Star agency primarily because you throw way too many resources at every given patient encounter will eventually mean that you were a 5-Star agency that went bankrupt, because your costs were just way too high!

4

Introduction

- Now, '*efficient*' and '*effective*' are just as important in your clinical operations
- As they are to your financial operations
- But, as a CPA working in home health and hospice, my focus is on the financial-operational side of the business
- And with what I have seen,
  - Most agencies are not nearly as effective or efficient as they think that they are!

5

Introduction

- And, having worked with 100s of organizations over the last 25+ years, a few things I've identified:
  - Very few HHAs have a fairly good understanding of the mechanics & nuances of PPS
    - And PDGM has only exacerbated that!
  - Yet, as previously noted, most think that they do!
  - And more or less continue to do things the way they always have
    - In spite of all the changes

6

Introduction

- In fact, since the inception of PPS, what do you think has been the biggest cause of agency closures throughout the HH industry?
  - Clinical-operational issues

    or
  - Financial-operational issues
- It's not even close!
- Most closures have been due to financial-ops issues!

7

Introduction

- Most HHAs have a reasonable grasp of, and control over their clinical operations
- The stumbling block for most HHAs is that they do not have that over their financial operations
- Just because someone has a good grasp of health care in general does not make them knowledgeable of home health
- HH is like a foreign language, and you better learn how to speak it!
  - Or find someone that does!

8

Introduction

- So, what I will be talking about today will be financial and operational fundamentals
  - In the aggregate known as business fundamentals,
- That all agencies should be utilizing to help improve their overall '*efficiency*' *and* '*effectiveness*'
- Most of these you are not going to be able to rely on your Electronic Medical Record *(EMR)* or your financial solutions package/software *(QuickBooks, Quicken, Sage, etc…)* to identify for you!
  - Or even help you with!

9

Introduction

- You will either need to know how to do on your own,
- Or engage with someone/some organization that does
- Now many, if not most agencies have been able to succeed *(to some degree)* without incorporating many, if not most of these business fundamentals historically,
- But the environment is changing rapidly
- More so than at any time over the last 30+ years

10

Introduction

- And, it's getting even more competitive,
- And with the proposed expansion of the Home Health Value-Based Purchasing Model *(HH VBPM)* nationally, competition is going to ramp up even more.
- The implications of being in the bottom-tier of HH VBPM will cause a continual reduction in the # of HHAs operating in the industry
- Thru attrition *(i.e., closures)* or consolidations
  - How?

11

Introduction

- So, long-term survival and success will be contingent on the agency's ability to become clinically, financially and operationally '*effective*' and '*efficient*'
- The best way to ensure that is by becoming fundamentally sound in all aspects of your operations!
- Today, I will be identifying numerous financial and/or operational fundamentals
- To help you achieve that long-term success

12

Operating in the PPS/PDGM Environment

- IMO, good financial-operational management will require someone that has lived the day-to-day life of a HH Exec and has successfully managed the financial and operational aspects of an agency,
  - that can simultaneously focus and consider both the 'Big Picture' and
  - the 'Detailed Results'
  - when analyzing and reviewing the financial and operational results of the agency.
- If significant decisions are made based on one perspective *(e.g., the Details)* without also considering the other perspective *(e.g., the Big Picture)*, those decisions may come back and prove very detrimental to the agency *(I've seen it before, and I am sure that I will see it again)*.

13

Operating in the PPS/PDGM Environment

- Remember, under PPS/PDGM, we are paid based on the CMW generated for the encounter, so there is a fixed level of revenue available *(talking FULL pmt periods: not LUPA, PEP or Outlier encounters)*, but the cost of the encounter is variable and is totally contingent on the volume of visits by discipline and Chargeable Medical Supplies that are provided.
  - You have some, but limited control over the Revenue for the Encounter:
    - The better your Coding services are, the better
    - But remember, everything needs to be supported and documented in the Medical Record

14

Operating in the PPS/PDGM Environment

- And, you have significant control over the Cost of the encounter:
  - Patient needs will be the biggest driver of costs
  - But you'd be surprised how many agencies incur costs fairly-consistently over and above what the patient needs would seem to indicate
  - Remember, Patient needs are driven by the OASIS and are substantiated by the Medical Record

15

Operating in the PPS/PDGM Environment

- The OASIS gives us:
  - The HIPPS Code, and
  - The Case-Mix Weight
  - And there are 432 of each
  - And these identify the revenue for the encounter
  - So how do the costs correspond?
    - The question is:
      - How well do you track and manage these costs?
      - Again, most think they do better than they really do!

16

Operating in the PPS/PDGM Environment

- Consider the Medicare Margins reported by MedPac over the last handful of years:
  - CY2021: 14.0%
  - CY2020: 17.0%
  - CY2019: 18.0%
  - CY2018: 18.0%
  - CY2017: 17.5% … 2010: 19.4% … 2001: 23.0%
- And these are industry averages, so there are 1,000s of HHAs well above these rates!

17

Operating in the PPS/PDGM Environment

- Therefore, Coding is of paramount importance,
  - Because it establishes the revenue for the encounter
    - So, you want to get every $ of revenue that you are legally entitled to!
    - And NOT under-score the OASIS and leave money on the table
      - Yet, this happens all the time!
  - Just be sure that the Medical Record supports what was coded

18

Operating in the PPS/PDGM Environment

- Do you code 'in-house' or do you 'out-source'?
  - That depends
  - Can you get and retain top-level coders for your org?
    - If yes, 'in house' is probably the way to go
    - If no, you need to 'out-source'
      - Just understand that all 'out-sourced' coders are not equal
      - Do your homework
      - Because they will be instrumental in your revenue-generation process
- And the same can be said for Billing!

19

Operating in the PPS/PDGM Environment

- So that conceptually covers revenue generation
- But revenue generation is only part of Revenue Cycle Management (RCM)
- Afterall, the revenue generated is of very limited value until it's collected and changes from Accts Receivable to Cash
- Therefore, you need to have effective policies and procedures for you're A/R collection process!

20

Operating in the PPS/PDGM Environment

- You need to have a good Aging schedule for A/R and have specific collection targets for your billers
- To help with this, you also need to use A/R-specific Key Performance Indicators (KPIs), such as:
  - Days of Accts Rec
    - This should be tracked and trended monthly
  - Accts Rec as a % of Revenue
  - Accts Rec as a % of Accts Payable

21

Operating in the PPS/PDGM Environment

- So far, we've just been looking at revenue's generation and management
- And things that most everyone should know
- But before we get too into the details,
- A question is:

  "How do we track and organize our financial info?"
- It all starts here
- Including, what we've already discussed

22

Operating in the PPS/PDGM Environment

- The Chart of Accounts (CoA)
- The CoA *(aka, the G/L or General Ledger)* is the journal in which all our financial transactions are logged
- The better your CoA, the better your chances are to succeed
- Unfortunately, most HHAs tend to have an inadequate CoA
  - Not detailed enough
  - Or plenty detailed, just the wrong detail

23

Operating in the PPS/PDGM Environment

- The CoA is something that you want to try to have developed that will handle your growth for years,
- Not something that will require additions to it every time you do something different
  - But I see that all the time
- The problem I have found with most HHAs that have an inadequate CoA is that they engaged with an accountant *(maybe even a CPA)*, but one that does not know the HH industry
  - So, the CoA is built solely from a Tax perspective

24

Operating in the PPS/PDGM Environment

- So much of what you do *(or, at least, should do)* is based on the layout/detail of your CoA, and
  - If your CoA is insufficient,
  - So will be most of what you build off of it!
- As everyone here is Medicare Certified, suffice it to say that you can use the Medicare Cost Report (MCR) as a good starting point for your CoA
  - Include all the Cost Centers in your CoA,
  - And all the categories thereof as a start

25

Operating in the PPS/PDGM Environment

- Now, assuming we have a strong CoA, what should we do going forward?
- This is where I will be addressing the various business fundamentals that I believe all HHAs should be employing
- Before the start of the year *(but late is better than no)*, an HHA should create an operational Budget for the upcoming year
  - This identifies key metrics/KPIs that will be managed during the budgeted year

26

Operating in the PPS/PDGM Environment

- Annual Operating Budget
  - Less than ½ of all HHAs do
  - 80+% of those that do, do so poorly
  - Driver-Based Budgeting: NOT Revenue-Based Budgeting
  - If it doesn't help manage the business during the budgeted period, your budget is not worthwhile
  - *Forecasting – the Forecaster is the living budget*
- Patient-Level Per-Admission/Pay Period
  - All significant payors
  - NOT Just Medicare
  - Should periodically compare budgeted services w/the actual services provided
  - Should strengthen the correlation between Revs & Exps

27

Operating in the PPS/PDGM Environment

- Monthly Financial-Operational Reviews *(FOA Reviews)*
  - CPVs by Discipline
    - Direct vs Total
    - Medicare vs Operational
  - Rev per Visit
    - Total
    - By Discipline
  - Visit Utilization by Avg Patient
    - By Discipline
    - By Payor
    - By Month
    - How strong is the correlation with the patient needs *(i.e., the CMW)*?
  - Identifying the strength of the correlation between Revs & Exps

28

Operating in the PPS/PDGM Environment

- Monthly FOA Reviews *(continued)*
  - We' previously talked about A/R - but it would be here
  - Accts Pay
    - A/P Days – are we timely payors to our vendors?
      - Aging of Payables
    - A/P as a % of Revenue
    - A/P as a % of A/R
    - *Basically, anything you do with A/R, you should also do with A/P*
    - *This is too often overlooked until it's too late!*

29

Operating in the PPS/PDGM Environment

- Monthly FOA Reviews *(continued)*
  - Medicare vs non-Medicare Utilization
    - Generally Speaking:
      - The greater your Medicare Utilization is, the greater your profit potential
      - The lower your Medicare Utilization is, the lower your profit potential
      - Why?
    - Do you know your profitability for:
      - Medicare?
        - Actual Medicare Profitability vs your Medicare Margins?
      - Your non-Medicare payors?
        - Broken out by your more significant non-Medicare payors
  - You should!

30

Operating in the PPS/PDGM Environment

- Monthly FOA Reviews *(continued)*
  - Identifying Financial & Operational Trends
    - these become internal benchmarks
    - which are a whole lot more important than external benchmarks!
    - Your internal benchmarks become what you budget and manage your organization by
    - But should they be based on:
      - Daily
      - Weekly
      - Monthly
      - Quarterly
      - or
      - Annual info?
    - All have value,
    - But the time-period would be based on the benchmark *(aka: Key Performance Indicator or KPI)*

31

Operating in the PPS/PDGM Environment

- So, all this can be done based on having a good, detailed CoA to work with
- Other issues to consider:
  - NOA Requirements – the no-Pay RAP ends in 2021
    - Develop strategies to avoid the late-submission Penalty
    - Know the exceptions to the 5-day billing rules to avoid the payment penalty
  - Managing Chargeable Med Supplies
    - No-longer on a fee schedule

32

Operating in the PPS/PDGM Environment

- Understanding Like-Kind vs non-Like-Kind visits and services, and know how to track/record
  - This is a very misunderstood issue!
  - Private Duty Aides is a non-Like-Kind service
  - Should be separately identified from HHA visits
    - Revenues should be separately identified
    - As well as the costs *(i.e., Salaries/Wages, P/R Taxes, Emp Benes, Worker's Comp, Mileage, etc…)*

33

Operating in the PPS/PDGM Environment

- Every year since the inception of PPS *(except for 1)*, our Medicare payment rates have changed, as identified in the Proposed/FINAL Rule
  - Identify the Projected Revenue Impact for Changes
    - Per the Proposed Rule each year
    - Per the FINAL Rule, if necessary
    - frequently, coincident with next item
  - 30-Day Payment Period Analysis –
    - Comparing 30-day payment rates to resource utilization

34

Operating in the PPS/PDGM Environment

- Look at resource utilization
  - Over utilization of resources erodes the bottom-line
- Review/Trend your agency's 30-Day Payment Period Stats:
  - % at FULL
  - % w/an Outlier
  - % at LUPA
  - % at PEP

35

Operating in the PPS/PDGM Environment

- Breakdown of the payment periods by the Clinical Groupings *(the 12)*
  - % patient-encounters by Clinical Grouping
  - Average visit frequency by CG *(by Total & Discipline)*
  - Avg of Revenue per CG
  - Avg Costs per CG
  - Avg Profit/Loss per CG
- Review the impact Outliers have on your agency
  - It may not be what you think!

36

Operating in the PPS/PDGM Environment

- Of course, there are more issues to consider,
- But these are most of the bigger issues that could have a significant impact on your agency
  - And if you learn to use/implement them properly, that impact could be positive
  - In a significant way!
- What do these things all have in common?

37

Operating in the PPS/PDGM Environment

- They are what are called Financial and/or Operational Fundamentals; or in general
  - Business fundamentals
  - So, most of these are germane to any type of business
  - While several, are home health-specific business fundamentals
- As in most activities, the more fundamentally sound your operation is, the greater the likelihood for continued long-term success
- Meaning, IMO, you should employ most, if not all of these business fundamentals at your agency(s)

38

Operating in the PPS/PDGM Environment

- Table 5 information was from the CY2022 Proposed Rule
- I have included here so you can compare your CPVs with those identified here
- These are industry averages and for comparative purposes should be adjusted for your Service Areas.

TABLE 5: ESTIMATED COSTS FOR 30-DAY PERIODS OF CARE IN CY 2020

Discipline	2019 Average Costs per visit with NRS	2020 Average Number of Visits	2020 Market Basket Update	2020 Estimated 30-Day Period Costs
Skilled Nursing	$142.75	4.66	1.026	$682.51
Physical Therapy	$160.85	2.92	1.026	$481.89
Occupational Therapy	$160.14	0.85	1.026	$139.66
Speech Pathology	$181.27	0.17	1.026	$31.62
Medical Social Services	$238.66	0.06	1.026	$14.69
Home Health Aides	$73.20	0.59	1.026	$44.31
Total				$1,394.68

Source: 2019 Medicare cost report data obtained on January 26, 2021. Home health visit information came from episodes ending on or before December 31, 2019 (obtained from the CCW VRDC on July 13, 2020).
Note: The 2020 average number of visits excludes LUPAs and PEPs.

The CY 2020 national, standardized 30-day period payment rate was $1,864.03, which is approximately 34 percent more than the estimated CY 2020 30-day period cost of $1,394.68. Note that in the CY 2020 HH PPS final rule with comment period (84 FR 60484), the estimated average number of visits for a 30-day period of care in 2017 was estimated to be 10.5 visits. Using actual CY 2020 claims data, the average number of visits in a 30-day period was 9.25 visits—a decrease of approximately 12 percent. We recognize that with the COVID-19 PHE, the 2019 data on

39

Operating in the PPS/PDGM Environment

- Good-Luck out there!
- Thank-you for your time
  - Q&A

40

Contact Information

John M. Reisinger, CPA *(TN Licensed)*
Innovative Financial Solutions for Home Health
Your financial solutions partner in home care!

Publisher of the Home Health Care Resource Planner: to better manage your limited resources for each and every admission; regardless of payer.
Empower your case managers to become the front-line for protecting your bottom-line.

www.ifsforhomehealth.com
http://www.linkedin.com/in/johnmreisingercpa
mailto:jreisinger@ifsforhomehealth.com

Tampa, FL
Ph. # (813) 994-1147
Fax # (866) 547-8553

41