OREGON OFFICE of RURAL HEALTH

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CAH Finance and Operations Webinars

June 19, 2024

Small Hospital Improvement Program (SHIP)
FY23 Capstone and FY24 Program Options

The mission of the Oregon Office of Rural Health is to improve the quality, availability and accessibility of health care for rural Oregonians.

The Oregon Office of Rural Health's vision statement is to serve as a state leader in providing resources, developing innovative strategies and cultivating collaborative partnerships to support Oregon rural communities in achieving optimal health and well-being

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Webinar Logistics

- Select to populate the ··· to populate the chat feature on the bottom right of your screen. Please use either the chat function or raise your hand on the bottom of your screen to ask your question live.
- Presentation slides and recordings will be posted shortly after the session at: https://www.ohsu.edu/oregon-office-of-rural-health/resources-and-technical-assistance-cahs.

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Jonathan Pantenburg is a Principal at Wintergreen. He is an accomplished, results-driven senior executive with nearly 20 years of progressively responsible experience advising profit, nonprofit, and governmental entities. Over the past six years, Jonathan has worked with entities ranging from independent practices to multi-state health care systems on how to leverage rural opportunities to improve financial and operational performance. Prior to that, Jonathan served as chief financial officer and chief operating officer for a 21-bed nonprofit critical access hospital.

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Oregon
SHIP Capstone Presentation

June 19, 2024

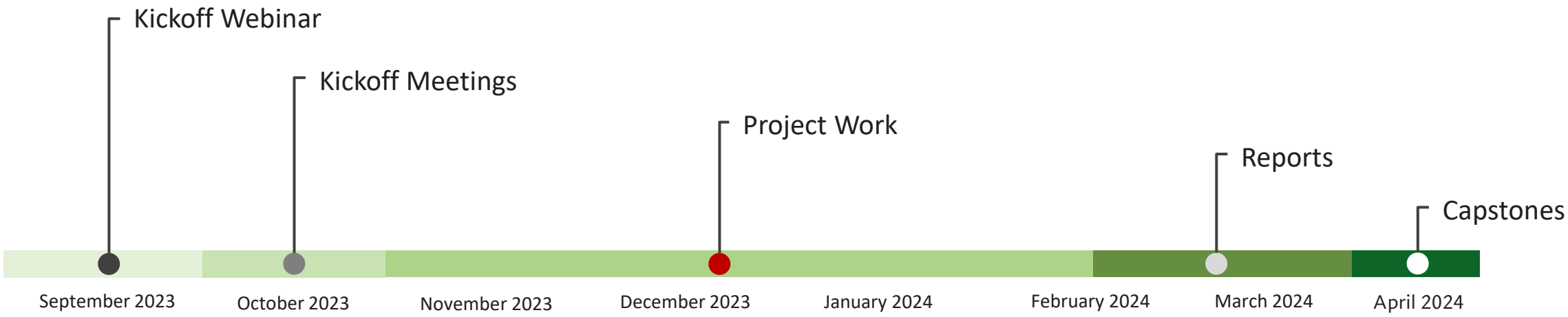
WINTERGREEN

SHIP Overview

- Overview: The Small Rural Hospital Improvement Program (SHIP) helps rural hospitals of 49 beds or less in meeting value-based payment and care goals for their respective organizations, through:
  - Purchases of hardware, software, and training
  - Join the Medicare Shared Savings Program or become accountable care organizations, and/or participate in other shared savings programs
  - Purchase health information technology, equipment, and/or training to comply with quality improvement activities, such as advancing patient care information, promoting interoperability, and payment bundling

- Fiscal Year 2023 – 2024 SHIP Offerings:
  - Provider Practice Improvement
  - Swing Bed Growth
  - Hospital Financial and Operational Assessment
  - Emergency Department Operations
  - Cost Report Optimization

Project Timeline

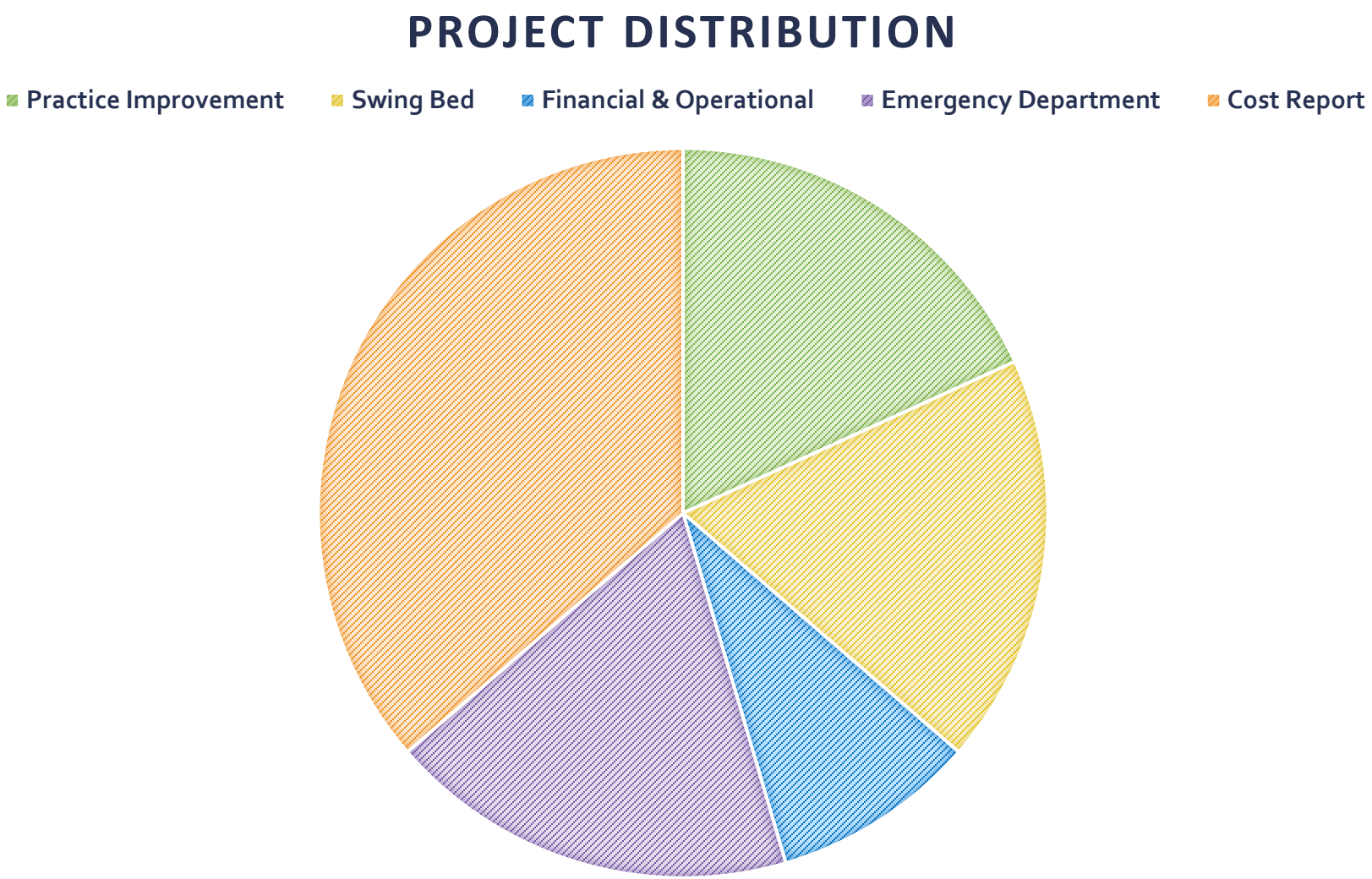


Hospitals that have yet to select a project will do so during this phase

Projects may include the review of data, onsite visits, interviews, and other things necessary to effectively engage hospitals around each of the selected projects

All hospitals will have the opportunity to attend the capstone presentations

SHIP Overview



Operational Considerations

Hospital Financial & Operational Improvement

- **Objective:**
  - To identify opportunities to improve the financial and operational performance of the evaluated hospital

- **Opportunities:**
  - Evaluate the deployment of services based upon available reimbursement methodologies (CAH, RHC, etc.) to ensure hospital receives optimal reimbursement for the services provided
  - Create a surgical strategy that leverages the available surgical suites to increase revenue and access to care, while reducing surgical congestion throughout region
  - Evaluate additional revenue opportunities that leverage the CAH reimbursement methodology, including provider-based designations and 340B, and other rural opportunities such as Rural Health Clinics (RHC)
  - Establish a swing bed scope of service to drive delivery efforts, patient outcomes, and admissions to the swing beds
  - Implement a Performance Improvement Executive Collaborative that drives performance improvement by breaking down the barriers between quality and finance to create a single performance improvement initiative

Swing Bed Growth and Optimization

- **Objective:**
  - To identify opportunities to increase reliance on the Swing Bed program and to improve net financial performance

- **Opportunities:**
  - Implement policies and procedures that establish an active approach towards the recruitment of patients instead of waiting for other facilities to send referrals
  - Solidify the admissions process to remove variability among service professionals and reduce the time necessary to decide on accepting a patient
  - Establish a niche market, such as wound care or surgical recovery, based upon staff capabilities, patient demand, and available equipment
  - Prioritize the growth of the swing bed program to increase service delivery opportunities at AHT and to improve the net position of the hospital
  - Negotiate directly with non-Medicare and Medicare Advantage payors to increase swing bed utilization
  - Create a formalized staffing plan that addresses current patient demand, while putting the organization in the position to increase utilization as needed
  - Engage providers around the appropriate use of the Swing Bed program while also implementing systems that allow staff to operate at the top of their license

Provider Practice Improvement

- **Objective:**
  - To identify opportunities to improve operational, financial, and outcomes for the evaluated provider practice

- **Opportunities:**
  - Revamp revenue cycle functions while conducting a CDM and coding review to evaluate the integrity of the CDM to ensure a defensible pricing strategy and that patients are charged appropriately
  - Increase financial, operational, and regulatory knowledge with staff about the CAH and RHCs to further leverage the designations and improve financial performance
  - Increase provider productivity by solidifying the scope of practice and leveraging available providers while reducing systemic barriers
  - Evaluate additional revenue opportunities that leverage the RHC reimbursement methodology while improving the net financial position of the RHC and system
  - Formalize the scope of services and practice workflows for the RHC to drive delivery efforts, improve patient outcomes, marketing efforts, and reduce variation among the providers
  - Further integrate the RHC into broader initiatives so the RHC operates as a component of the hospital and not a siloed unit

Cost Report Opportunities

CAH Financial and Operational Best Practices

- **Method II Billing**
  - On Row 106.00, hospital selected “N” for the all-inclusive method of payment for outpatient services
    - Method II allows the CAH to receive a cost-based payment for facility services, plus 115% of fee schedule payment for professional services for outpatient services
    - Under Method II, professional services are billed to and reimbursed by Part A
  - Action Item: If the hospital has elected Method II, the cost report should be updated to reflect that election
    - If not currently Method II, evaluate implementing Method II realizing that the transition to Method II does require MAC approval
- **Observation Days**
  - Observation Days were greater than the 30% benchmark set when evaluating the distribution of beds between the Observation and Acute levels of care
  - Action Item: Evaluate the scope of practice driving inpatient admissions and leverage available solutions to ensure the appropriate care setting for patients requiring inpatient care

CAH Financial and Operational Best Practices

- **Rural Health Clinic Cost Report Consolidation**
  - Although the hospital operates multiple RHCs, the hospital failed to consolidate the RHC cost reports which would allow the hospital to establish a single Upper Payment Limit (UPL), blend the productivity across the collective RHCs, and reduce the administrative burden associated with competing multiple cost reports
  - Action Item: Engage Cost Report preparer around whether the hospital can pursue the consolidation of the RHC Cost Reports
    - Due to the Consolidated Appropriations Act of 2021, restrictions are now in place that limit the ability to consolidate RHC Cost Reports going forward for new and established RHCs
- **Hospitalist Coverage**
  - The hospital removed a material amount of provider compensation from Adult & Pediatrics associated with the professional services provided in that unit
  - Action Item: Evaluate the integration of the inpatient providers into the Rural Health Clinic (RHC) to leverage the RHC reimbursement rate for Swing Bed patients
    - When integrating the providers, the hospital must keep track of costs applicable for acute/observation services to remove as an unallowable cost.

CAH Financial and Operational Best Practices

- **Emergency Department Professional Coverage**
  - The hospital reported greater than 20 minutes per patient visit in the Emergency Department which reduced reimbursements received from cost-based payors
    - Overstating the professional time unnecessarily reduces allowable provider cost from the cost report
  - Action Item: Evaluate the distribution of provider compensation between professional versus provider component to determine if the hospital is overstating the time allocated as professional time
    - The hospital can also leverage technology to more effectively track provider professional time
- **Adult & Pediatrics Room Square Footage**
  - The hospital reported less than 250 square feet per patient room which likely does not include patient support areas such as the nurses' stations and dedicated hallways within the unit
  - Action Item: Evaluate reported square footages, at least annually, to ensure the hospital has appropriated allocated square footage to each revenue and non-revenue generating department

CAH Financial and Operational Best Practices

- **Nursing Administration**
  - The hospital allocates Nursing Administration cost to departments that do not require direct nursing supervision such as Physical Therapy, Diagnostic Imaging, and the Laboratory
    - Some organizations will often use the Nursing Administration cost report category to allocate charge nurses and floor supervisors instead of directly allocating the cost to appropriate departments
  - Action Item: Evaluate organizational charts and operational oversight to ensure Nursing Administration is only allocated to those departments requiring direct nursing supervision
- **Swing Bed NF Rate**
  - The hospital failed to report a Swing Bed NF rate on Worksheet D-1 which may have led to an overstatement of allowable costs used for establishing the daily routine rate
  - Action Item: Evaluate the Medicare cost report and work with the cost report preparer to ensure the inpatient routine service cost per diem is accurate and based on allowable cost

CAH Financial and Operational Best Practices

- **Physician Private Offices**
  - The hospital operates at least one free-standing provider-based practice as a non-reimbursable cost center which does not leverage any of the available reimbursement opportunities afforded to rural providers
  - Action Item: Evaluate the integration of specialty practices into a Rural Health Clinic, or establish as a provider-based clinic, to leverage reimbursement advantages
    - This is particularly important for CAHs due to the dilutive impact of operating non-reimbursable cost centers under a CAH.
- **Rehabilitation Services**
  - The hospital experienced a negative cost adjustment for rehabilitation services since the costs associated with those services were in excess of what is allowable
  - Action Item: Since CAHs receive cost-based reimbursement from Medicare for rehabilitation services, the hospital must evaluate the costs associated with outsourced rehabilitation services based on staff availability and the services provided

CAH Financial and Operational Best Practices

- **Rural Health Clinic Minimum Productivity Threshold**
  - The RHC(s) failed to meet the minimum productivity threshold which reduced the amount of reimbursements received from cost-based payors
    - Some of the RHCs failed to pursue a waiver to the minimum productivity threshold in 2020 which was the year used to establish the Upper Payment Limit (UPL) for grandfathered RHCs
  - Action Item: Evaluate the reported FTEs in the RHC to ensure they are an accurate representation of the time providers were scheduled to provide care in the RHC
    - In addition, compare RHC providers to industry benchmarks and ensure a threshold of 4,200 patients seen for each 1.0 FTE physician and 2,100 patients seen for each 1.0 FTE advanced practice provider.
- **Charge Description Master**
  - Due to the charge structure, the hospital passed on greater than 40% of the total Medicare cost to the beneficiaries in the way of co-insurance and deductibles
    - In addition, several hospitals had ratios of cost-to-charge which were outside peer benchmark hospitals
  - Action Item: Conduct a charge description master (CDM) review to ensure is appropriate based on the services offered and to ensure the hospital is not at a competitive disadvantage when compared to others

CAH Financial and Operational Best Practices

- **Interest Income**
  - The hospital experienced an interest income offset against interest expense due to treasury functions currently applied at the hospital
  - Action Item: Evaluate creation of a Board-designated funded depreciation account to mitigate or reduce the interest income offset experienced

2023 – 2024 SHIP Projects

2024 – 2025 SHIP Offerings

- Based on feedback received and the potential for opportunities across the state, the following are potential SHIP offerings in the 2024 – 2025 fiscal year:
  - Provider Practice Improvement
  - Swing Bed Growth
  - Hospital Financial and Operational Assessment
  - Emergency Department Operations
  - Cost Report Optimization
  - Revenue Cycle Assessment
  - Pricing Transparency Compliance
  - Staff Engagement, Recruitment, and Retention

- The ORH and Wintergreen will conduct a kickoff webinar to go into further details as to the service offerings to ensure each hospital has a comprehensive understanding of each offering

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ORH Announcements

- **SHIP FY23 program year ended May 31, 2024**
  - You should have received an email from Sarah with survey instructions. Please respond by June 28, 2024.
  - Wintergreen will provide a final report on your behalf

- **SHIP FY24 program year began June 1, 2024**

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Thank you!

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