Using Metrics to Manage Your Hospice

Rob Simione, CPA, VP
Simione Financial Monitor

Kim Skehan, RN, MSN, Senior Manager
Simione Healthcare Consultants, LLC
Agenda

- Overview of important financial and clinical metrics
- Identifying and prioritizing important KPIs for organization performance measurement and reporting
- Utilizing industry trends and benchmarking data
- Strategies for utilization reporting and sustaining staff engagement and accountability
Why is Data Important?

- Where do I stand?
- How can I grow?
- What are my opportunities?
- What is the future of Hospice care?
Types of Data

• Types
  – Statistical
  – Financial
  – Operational
  – Clinical
• Your Agency Data
• Competitor Data
• State Data
• National Data
Key Financial Indicators

• Gross Profit Margin
• Net Profit Margin
• Days Cash on Hand
• Current Ratio
• Return on Equity
• Days Sales Outstanding
• Cost per Day
• Cost per Visit
• Revenue by Level of Care
• Ancillary Cost per Day
• Administrative and General Costs
Key Clinical & Operational Indicators

• Average Length of Stay
• Median Length of Stay
• Average Daily Census
• Visits per Day
• Days by Level of Care
• Discharges
• Deaths
• Referrals to Admission Conversion Ratios
• Patients by Diagnosis
• Staffing Ratios
• Quality Measures/QAPI
Analyzing Data: Key Considerations

• FIRST…PRIORITIZE what you are evaluating
  – What do you want to look at and WHY?
  – Get consensus from:
    • Executive Management
    • Financial Directors
    • Clinical Directors
  – Cooperation is KEY
• Accuracy of Information
• Timeliness of Information
• How and Where to Obtain Data
Establish Your Reporting Process

• What Drives Your Processes?
  – Financial – Revenue & Costs
  – Operational – Census, Productivity & Compliance

• Determine Responsibilities
  – Management, Directors & Staff

• Determine Frequency
  – Daily, Weekly, Monthly, Quarterly
Establish Your Reporting Process

• Know Your Technology
  – Health Information System
  – Point of Care Technology
  – Accounting Software
  – Industry Statistical Tools
  – Microsoft Products
Establish Your Reporting Process

- Internal Information: Data must be relevant, accurate and timely to drive performance
  - Low/no technology
    - Reliance on manual processes / system
    - Vulnerable to inconsistent staff / formula errors / miscalculations
  - Point of Care technology in use
    - Staff using in a consistent way
    - All users well trained
    - Report parameters correct
Establish Your Reporting Process

• Trending Data
  – Historical trends within your data
  – Comparisons to budget projections
  – Comparison to industry benchmarks
Establish Your Reporting Process

• REMINDER:
  – Compare all Operational and Clinical Measures
    • Year to Date (YTD)
    • Year to Year at YTD and Year/Year
Establish Your Reporting Process

- Internal Comparisons
  - Teams or Locations

<table>
<thead>
<tr>
<th>Location</th>
<th>Days Sales Outstanding</th>
<th>Average LOS</th>
<th>Average Daily Census</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>55</td>
<td>21</td>
<td>61</td>
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<td>Massachusetts</td>
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<td>Vermont</td>
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<td>Maine</td>
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</tr>
<tr>
<td>New Hampshire</td>
<td>59</td>
<td>31</td>
<td>44</td>
</tr>
</tbody>
</table>
Establish Your Reporting Process

- Benchmarks/Competitor Comparisons
  - Location
    - National
    - Medicare Region
    - State
    - Rural or Urban
  - Agency Types
    - Profit Status
    - Affiliation (Hospital Based/Free Standing)
    - Inpatient Facilities
Benchmarking

• Benchmark Sources
  – CMS Cost Report Database
  – CMS Quality Measures
  – National/State Surveys
  – NHPCO Website
  – Benchmarking Software
    • SHP, OCS, Hospice Analytics, MVI
Understand the Details

- We are just different!
- Why are my margins/measures different?
- What drives my margins/measures?
- Ask these questions:
  - Who am I comparing to?
  - What data elements are used?
  - What is the calculation?
- Conduct Root Cause Analysis to determine reasons
Industry Challenges/Opportunities

• Industry Changes
  – Reimbursement – U Shaped Payment Model
  – Accountable care models
  – New cost report classification requirements
  – Regulatory changes
  – Integration of service lines
    • Home Health
    • Palliative Care
    • Private Duty
Identify Levels of Reporting

- **BOD / Owners / Hospital**
  - Overview of key financial measurements for Hospice
  - Provides comparison to industry trends

- **Agency Management:**
  - Provides context
  - Identifies strengths and weaknesses
  - Assists with decision-making
  - Helps appropriately prioritize

- **Staff**
  - Feedback on performance
  - Possible incentives programs
    - Establish benchmarks as goals
  - Track performance against budget
  - Demonstrate quality of care

- **Industry:**
  - Accurate and timely information
  - Information informs discussions, decisions, policy, and practices
  - Advocacy efforts
  - Understanding the data that is being used to make decisions
Reporting Prioritization - BOD

• BOD/Owners/Hospital
  – Do I have a health balance sheet?
    • Cash and Equity
  – What are my profit margins?
    • Gross and Net Profit Margin
  – What is my census?
  – Referral information
  – Overall Quality Measures and Length of Stay
  – How do I compare?
Reporting Prioritization - BOD

• Cash is King!
  – Can we meet our expenses?
  – Can we invest in growth?
    • New staff
    • New Technology
    • New Locations
    • Acquisitions
Reporting Prioritization - BOD

- Days Cash on Hand
  - Days it will take to deplete my cash balance
- Current Ratio
  - Liquidity ratio to measure ability to cover short term debt
- Net Revenue to Working Capital
  - Does our revenue cover our current assets and liabilities
Reporting Prioritization - BOD

• Owners/Investors investment in the agency
  – Does our equity cover our debt?
    • Debt to Equity Ratio
  – Are we getting a return on our investment
    • Return on Equity (Net Income to Equity)
Reporting Prioritization - BOD

- Gross Margin
- Net Revenue minus direct costs.
  - Direct costs include cost for direct staff:
    - Salaries
    - Benefits, Payroll Taxes, Workers Comp
    - Contract Employees
    - Mileage
    - Ancillary Cost: Medical Supplies, DME, Drugs & Infusion
    - Inpatient contract and facility costs
Reporting Prioritization - BOD

• Net Margin
• Net Revenue minus direct costs & indirect costs.
  – Direct Expenses
  – Indirect Expenses
    • Overheard and Administrative Costs
      – Salaries
      – Benefits
      – Rent, Office Supplies, Professional Fees, etc.
Reporting Prioritization - BOD

  Benchmarks
– New England Benchmarks
  • Gross Profit Margin – 38%
  • Net Profit Margin – 5%
  • Days Cash on Hand – 30 days
  • Current Ratio – 2.7
  • Return on Equity – 6%
Gross Profit Margin

- “Operating Margin” operations
- Measures the profit from direct
- Everyone touches Gross Margin
  - Marketing – Admissions
  - Billing – Collections
  - Clinical – Productivity
  - Finance – Cost Control
  - Management – Staffing
  - Intake – Census
  - Technology – Work flow efficiencies
Net Profit Margin

- Net Profit Margin is Management responsibility:
  - How to staff my organization?
  - Are my staff and technology efficient?
  - Should I look into my contract or leases for a cost cutting?
Reporting Prioritization - Management

• Management
  – What makes my organization different?
    • Drill down into revenue and cost drivers
    • Where can I become more cost efficient?
    • Review benchmarks to see where can improve
    • What opportunities are there for my organization
Reporting Prioritization - Management

• Revenue Drivers
  – Revenue by Level of Care
  – Daily Average Census
  – What’s my payer mix?
    • Margins by Payer
    • Days Sales Outstanding by Payer
    • Patients & Revenue by Payer
  – Length of Stay
    • ALOS
    • MLOS
Reporting Prioritization - Management

- Cost Drivers
  - Days by Level of Care
    - Cost per Day by Level of Care
    - Ancillary Cost per Day
    - Cost per Visit by Discipline
  - Productivity
  - Length of Stay
  - Average Daily Census
  - Staffing
• Break out data by payer source
  – Medicare
  – Medicaid
  – Other
• Which payers are profitable?
• Which payers take longer to collect?
Reporting Prioritization - Management

• Break out data by level of care:
  – Needed for cost report purposes
  – Revenue per Day vs. Cost per Day
• Cost Analysis
  – Staffing Costs
  – Ancillary Costs
  – Inpatient Facility/Contract Costs
Reporting Prioritization - Management

• Benchmark Comparisons
  – Help management priorities weaknesses and turn them into strengths
  – Find opportunities within the industry
    • New business lines
    • New referral sources/marketing campaigns
    • Own inpatient facility or contract?
    • Cost efficiencies – technology & staffing
Reporting Prioritization - Management

• Benchmarks
  – Payer Mix - Revenue
    • Medicare - 84%
    • Medicaid – 3%
    • Other – 13%
  – Payer Mix - Patients
    • Medicare - 86%
    • Medicaid –2%
    • Other – 12%
Reporting Prioritization - Management

• Benchmarks
  – Gross Profit Margin
    • Medicare - 47%
    • Medicaid - 23%
    • Other – 36%
  – Net Profit Margin
    • Medicare - 4%
    • Medicaid – (4)%
    • Other – 2%
Reporting Prioritization - Management

• Benchmarks
  – Days Sales Outstanding
    • Overall - 47 Days
      – Medicare – 36 Days
      – Medicaid – 102 Days
      – Other – 94 days
Reporting Prioritization - Management

- Cost per Day
  - Total Direct - $126
  - Routine - $118
  - General Inpatient - $247
  - Ancillary - $20.32
  - Indirect - $75
Reporting Prioritization - Management

– Ancillary Cost Per Day
  • Drugs/Infusion - $7.43
  • DME/Oxygen - $10.09
  • Labs and Diagnostics - $.52

– Discipline Direct Cost Per Visit
  • SN - $135
  • LPN - $61
  • MSW - $133
  • HHA - $45
Reporting Prioritization - Management

• Benchmarks –
  – Length of Stay
    • Average -33.5
    • Median – 29.5
Reporting Prioritization - Management

• Benchmarks - Staffing
  – Indirect Cost as a % of Revenue
    • Total Indirect – 38%
      – Marketing - 1.8%
      – Technology – 1.3%
      – Clinical Supervision, QI & Support - 10.1%
      – Intake -2.6%
      – Finance/Accounting - 2.1%
      – HR, Recruiting & Education - .53%
Reporting Prioritization - Management

- Average Daily Census
  - If low where should I look?
    - Referral Sources
    - Marketing Campaigns
    - Intake Process
- Average and Median Length of Stay
  - Will affect Reimbursement and cost per patient
Reporting Priorities—Clinical Management

• Regulatory Compliance:
  – Completion and submission of documentation
    • MD Orders, NOE, CTI, F2F, ABN, Billing/Data Requirements, etc.
  – Compliance with Medicare CoPs
  – Top 10 CMS Survey Deficiencies
  – OIG Work Plan Priorities
  – State Licensure Regulations/Data Requirements
  – Hospice Quality Reporting Measures/QAPI
  – Agency Specific Process Measures
Reporting Priorities-Clinical Management

• Service Utilization:
  – Number of Visits/Productivity (Weekly or Per Pay Period)
  – Number of Visits per Patient by Discipline
  – On call-Number of visits/calls
  – Staffing (by number, by discipline for each location and level of care)
    • Acuity based or volume based??
  – Supplies/DME
  – Pharmacy
  – Other Ancillary
Reporting Priorities - Clinical Management

• Caseload
  – Patients per Caregiver by Discipline (MD, RN, HHA, MSW, Chaplain, Other)
  – Supervisors per Case Managers
  – Case Managers per Patient
  – Medical Director per Patient
  – Others

• Basic Census Metrics
  – Admission/Referral Data
  – Location
  – % home
  – % facility
Reporting Priorities—Clinical Management

- Level of Care
- Diagnosis Groups/LCDs/CA vs. Non-CA Diagnoses
- Deaths/Discharges
- Length of Stay (Discharged Patients)
  - Average
  - Median
- Total Hospice Days
- Separate statistics for Residence/IP Unit
Reporting Priorities—Clinical Management

Management Trending and Benchmarking

Hospice Marketing Analysis
Distribution of Admissions

2012 Q2

- Hospitals: 40%
- Physicians: 20%
- Rehab Facilities: 1%
- Community: 1%
- Family/Self: 1%
- Assisted Living: 1%
- SNF: 1%
- Wound Clinic: 1%
- Other Home Health: 17%
- Other:

Note:

- Hospitals: 31%
- Physicians: 18%
- Rehab Facilities: 7%
- Community: 7%
- Family/Self: 7%
- Assisted Living: 7%
- SNF: 7%
- Wound Clinic: 7%
- Other Home Health: 7%
- Other:

PA

Non-Profit
Reporting Priorities-Clinical Management Benchmarking

- NHIC Region 1 Data Comparison
### Hospice Level of Care Analysis

#### Distribution by Level of Care

<table>
<thead>
<tr>
<th>Level of Care</th>
<th>Revenue</th>
<th>Days</th>
<th>Visits</th>
<th>Patients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous Care</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>General Inpatient</td>
<td>16%</td>
<td>4%</td>
<td>4%</td>
<td>12%</td>
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<tr>
<td>Respite Inpatient</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Routine Home Care</td>
<td>84%</td>
<td>95%</td>
<td>95%</td>
<td>85%</td>
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#### Visits per Day

<table>
<thead>
<tr>
<th>Year</th>
<th>2011Q1</th>
<th>2011Q2</th>
<th>2012Q1</th>
<th>2012Q2</th>
<th>2013Q1</th>
<th>2013Q2</th>
<th>2014Q1</th>
<th>2014Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td>0.74</td>
<td>0.69</td>
<td>0.71</td>
<td>0.68</td>
<td>0.53</td>
<td>0.51</td>
<td>0.69</td>
<td>0.46</td>
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<tr>
<td>DAYS</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
</tr>
<tr>
<td>VISITS</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
<td>0.63</td>
</tr>
<tr>
<td>PATIENTS</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
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</tbody>
</table>

#### Number of Discharged Patients

<table>
<thead>
<tr>
<th>Year</th>
<th>2011Q1</th>
<th>2011Q2</th>
<th>2012Q1</th>
<th>2012Q2</th>
<th>2013Q1</th>
<th>2013Q2</th>
<th>2014Q1</th>
<th>2014Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>57</td>
<td>54</td>
<td>52</td>
<td>50</td>
<td>48</td>
<td>46</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>Number Live</td>
<td>32</td>
<td>30</td>
<td>28</td>
<td>26</td>
<td>24</td>
<td>22</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

#### Length of Stay (days)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011Q1</th>
<th>2011Q2</th>
<th>2012Q1</th>
<th>2012Q2</th>
<th>2013Q1</th>
<th>2013Q2</th>
<th>2014Q1</th>
<th>2014Q2</th>
</tr>
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<tbody>
<tr>
<td>Arranged</td>
<td>34</td>
<td>30</td>
<td>29</td>
<td>26</td>
<td>18</td>
<td>17</td>
<td>16</td>
<td>15</td>
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<tr>
<td>Median</td>
<td>18</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>21</td>
<td>18</td>
<td>17</td>
<td>16</td>
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</table>

The way is in sight.
Benchmarking: Operational

Internal

- Average Visits Per Week - Top 5 Admitting Diagnosis

- Breast CA
- Prostate CA
- Alzheimer's & Dementia
- CHF
- Lung CA

The way is in sight™
Reporting Priorities-Clinical Management

- Quality Assessment/Performance Improvement
  - Clinical Record Review Results
  - Look at Timeliness of Documentation
  - Use of LCDs-Compliance with Documentation
  - FEHC/FEBS
  - QAPI Measures and benchmarking
  - GIP Utilization
  - SNF Coordination
  - Pre Billing Audit Measures
  - Compliance Audits
  - Risk Management
Reporting Priorities-Clinical Management

• Process Measures:
  – What would your Agency like to look at?
    • Pain Measurement/Management
    • Falls Prevention
    • Multi-Factor Fall Risk Assessment
    • Heart Failure symptoms
    • Medication Reconciliation
    • Bowel Management
    • Other?
Management Trending and Benchmarking

- Visits Within 48 Hours of Change in Level of Care
Process Measure Reporting Example

Percent of Patients with Pain Managed within 48 hours
(National Comparison=74.2% -2012 NHPCO)

Percent of Patients with Pain Managed within 48 hours
(National Comparison=74.2% -2012 NHPCO)
Reporting Priorities – Inpatient Unit/Facility/Residence

- Inpatient Unit-Clinical Data Analysis
  - Revenue per day, include level of care
  - Payer Mix
  - Referrals/Admissions/Conversion Rate
  - Average length of stay
  - Costs per day-direct/indirect/total
- Contracted Services:
  - Pharmacy/Supplies/DME/Physician
  - Dietary/Housekeeping/Ambulance/Others
  - Staffing utilization-regular and OT
Reporting Priorities-Staff

• Why is it important and/or useful?
  – Demonstrate quality of care
  – Feedback on performance
  – Possible incentive programs if benchmarks/goals are reached
  – Track performance against budget
Reporting Priorities-Staff

- Clinical Measures (examples):
  - Pain Management
  - Falls
  - Diagnosis/LCD specific measures
  - Visit Utilization
  - Ancillary Service Utilization
  - Volunteer Utilization
  - Bereavement Services Utilization/FEBS
  - Contracted Services Oversight
  - Coordination of Care (SNF/IP and Community)
Reporting Priorities - Staff

• Benchmarks/Trending*:
  – Census (Actual and ADC) by Level of Care
  – ALOS/MLOS (ALOS: 69.1; MLOS:19.1) (>7 Days: 35.8%)
  – Admissions
    • By Referral Source (Hosp: 39.8%; MD: 23.8%; NH:9.8%)
    • By Diagnosis (CA 37.7%/Non CA 62.3%)
    • By Location (Pt. Residence: 49.2)
    • By Level of Care and Payer
  – Conversion Rate (75.6%)

*NHPCO 2012 National Data Set
Reporting Priorities - Staff

- Benchmarks/Trending*:
  - Deaths/Discharges (Deaths-CA 39.5%/Non CA 60.5%)
  - QAPI/Quality Measures (74.2%)
  - Family Satisfaction (FEHC: 86.2% Composite)
  - Risk Management/Compliance Measures
    - Infection Control
    - Complaints
    - Incidents/Occurrences
    - Corporate Compliance
  - Process Measures
  - Other??

*NHPCO 2012 National Data Set
Staff Engagement and Accountability

Quality
Patient Care
& Successful
Operations

Administration

Finance/Reimbursement

Clinical Practice
Standards

Regulatory Compliance
Reporting Prioritization

• #1 – Basics First
• #2 – Start with the big picture
• #3 – Understand how money flows
• #4 – Focus on what’s most controllable
• #5 – Dig into the details for a deeper understanding
Analyzing Data-Key Considerations

• Clinical Data Analysis:
  – Patterns of Care:
    • Overall
    • By Discipline
    • By Program
    • By Team
    • By Location/Branch
  – Look at parameters further and look at patients over a long period of time
  – What can we celebrate?
  – Are there concerns about how care is provided?
Tips for Using the Reports

• Accountability
  – Make sure reports are obtained according to schedule

• Review Reports
  – Interpret findings
  – Ask questions
  – Share with staff
  – Praise good performance
  – Identify concerns
  – Take action
Tips for Using the Reports

- Designate a Report Coordinator
- Identify reports critical to your agency and for your responsibilities
- Determine where the report can be found
- Develop a schedule to review reports
- Develop a team approach to reviewing reports (i.e. team meetings, etc.).
- Train and provide resources as necessary
- Stick to your schedule
Empower Employees

• Clear definitions create more empowerment
• Creates behavior that looks for quick solutions and creative ways to achieve goal
• Visibility allows employees to work on same goals as management
• Empowered Staff
  – Informed
  – Experienced
  – Team Players
• Rewards? Performance Incentives? Lets Discuss…
Summary

• Identify indicators which are important to YOUR agency—statistical, operational, clinical and financial
• Focus on results – daily, weekly, monthly and how these results relate to the clinical operational and financial performance of your organization and the ability to serve your community
• Know where and how to compare data
• Provide reports that are USEFUL, CONCISE and INFORMATIVE, TIMELY AND ACCURATE
• Use this information to determine what future opportunities for service are important and how to best prepare for them
Simione™ Healthcare Consultants provides solutions for your core home care and hospice challenges – organizational, financial, sales & marketing, technology, and mergers & acquisitions. Over 1000 organizations use our practical insight and tools to reduce costs, mitigate risk and improve efficiencies to steward the way they conduct business.

Rob Simione, CPA
Vice President of Simione Financial Monitor
robsimione@simione.com
Simione Financial Monitor
White Plains, NY
800-653-4043 (toll free)
800-949-0388 (main office)
203-415-7193 (cell)

Kimberly Skehan, RN, MSN
Senior Manager
kskehan@simione.com
Simione Healthcare Consultants, LLC
4130 Whitney Avenue
Hamden, CT 06518
203-287-9288 (office)
800-949-0388 (main office)
203-287-1309 (fax)