Physician Practice Group Executive Council

Meeting Takeaways

Presented by:

Sponsored by:

Washington, DC
October 8, 2014

Overcoming the Challenges of Providing Physicians Actionable Clinical and Financial Data

Sharing Data with Physicians

Physician Scorecards include: collections, days in A/R, coding details, RVU production and other data points. Display as graphically as possible and offer from practice level to individual physician level.

Department Liaisons communicate revenue cycle outcomes to physicians, office staff and central business office. Liaisons serve as a single point of contact for all revenue cycle issues.

Physician Chart Reviews: Practices are spending more resources on coding and documentation, through implementation of CDI programs. Practices are developing open chart policies with financial penalties to physicians if charts are not closed within 21 days,

What are people doing with claims/clinical data?

Merging clinical data with claims data: Many organizations are using vendor technologies to merge data for actionable conversation. Health information exchanges do not yet provide enough data. Difficulty in incorporating psychiatric data as its often carved out, pharmacy data is often a source.

Physician to Physician conversations using data sometimes have more traction than the finance team speaking directly to physicians.

Other discussion items

Limiting/reducing Physician Support and Leakage are focused initiatives. Financial data and understanding downstream revenue is critical, as is improving quality, care coordination and patient satisfaction.

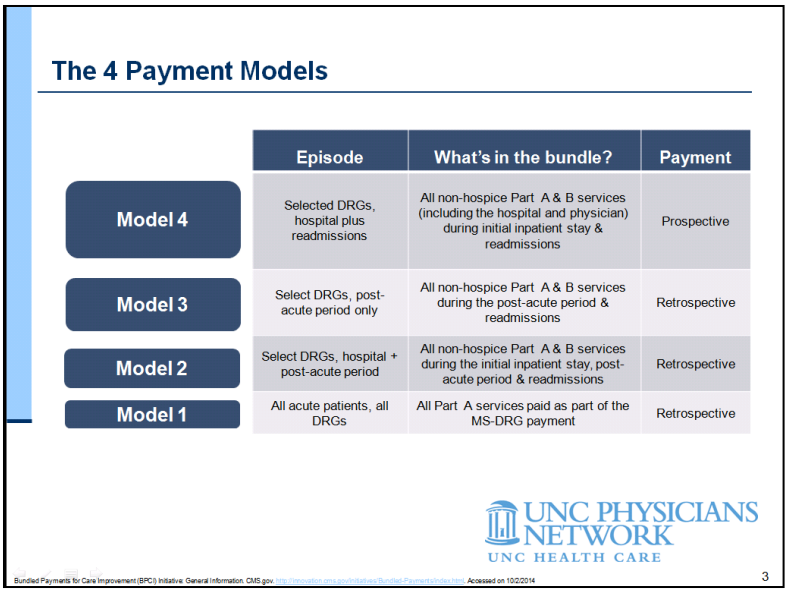
Determining physician compensation through establishment of targets and a compensation gap on a 5-year cycle. Can not look at one point in time as there are fluctuations in specialty care, and it may not be accurate if you look at today's pay.

Managing Bundled/Episodic Payments

Derek Wildman, Executive Finance Director, UNC Physicians

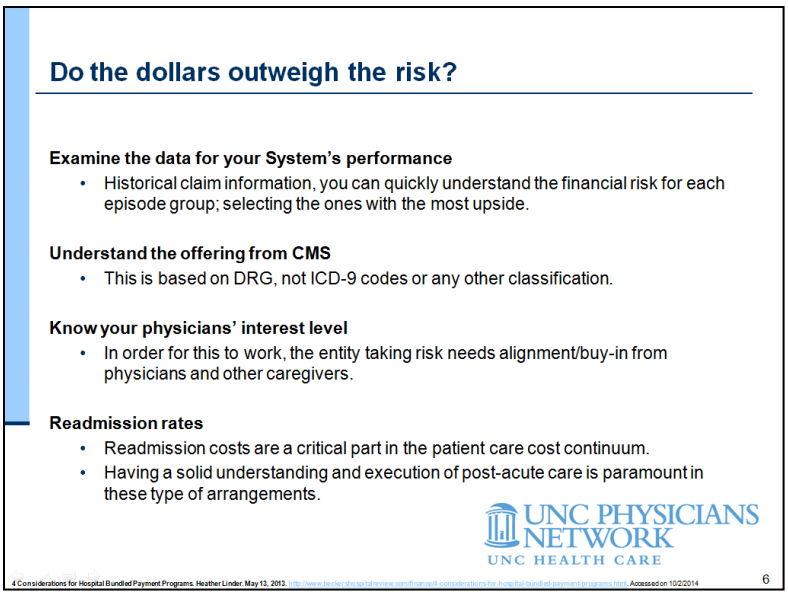
Bundled Payments for Care Improvement (BPCI) Initiative

The CMS Innovation Center set out to align hospitals, post-acute care providers, doctors and other practitioners through common payment. Research suggests that bundled payments can align providers across the continuum of care which can enhance the patient's overall care delivery.



UNC Physicians Weigh the Risk

Derek walked the group through how the UNC Physician Network determined their participation in different bundles, which arrangements were worth taking on, and how to split the risk.



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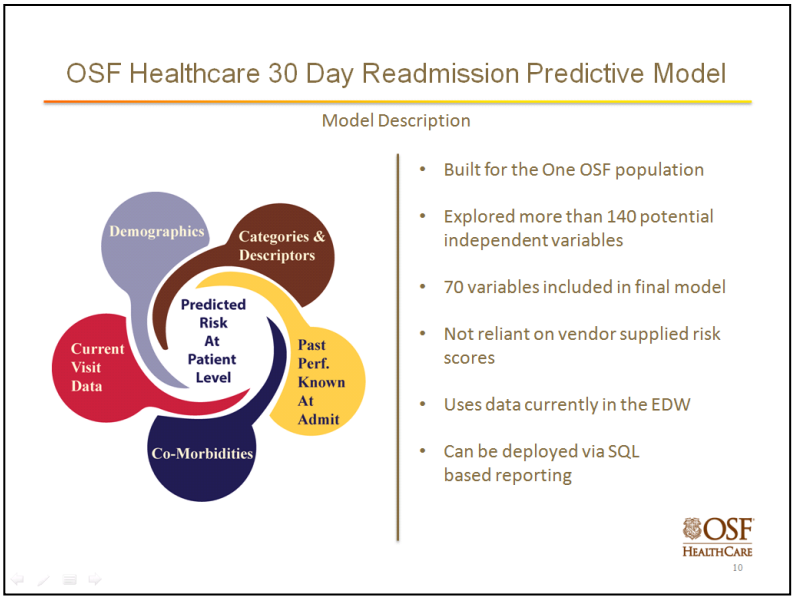
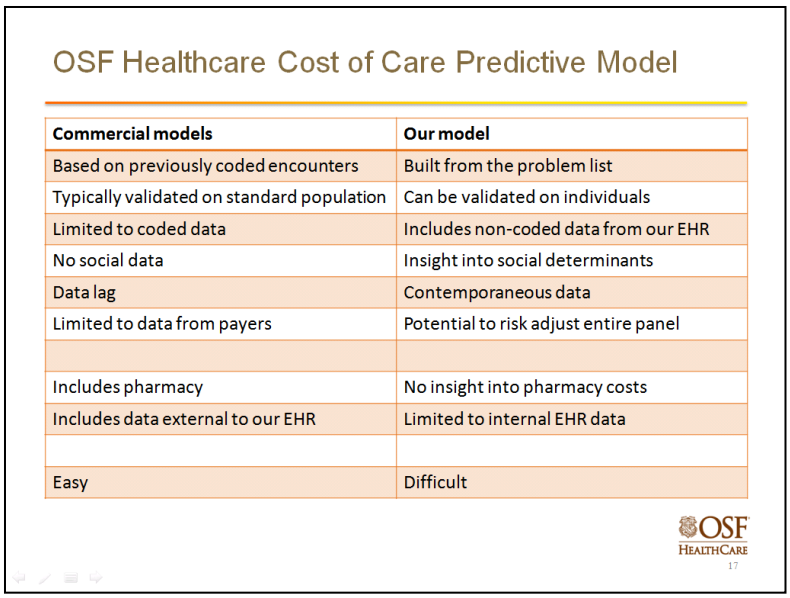
Building Predictive Models to Understand Opportunities to Improve Care Management

Stephen Hippler, MD, Senior Vice-President of Clinical Excellence, OSF Healthcare System
Ralph Velazquez, MD, Senior VP, Care Management, OSF Healthcare System

Building Predictive Models
OSF Healthcare built and implemented a predictive tool to identify and eliminate unnecessary utilization through better care management. They eventually used the tool to devise a health management program that addressed high risk patients through a myriad of avenues, and provided flexibility to address patient specific issues.



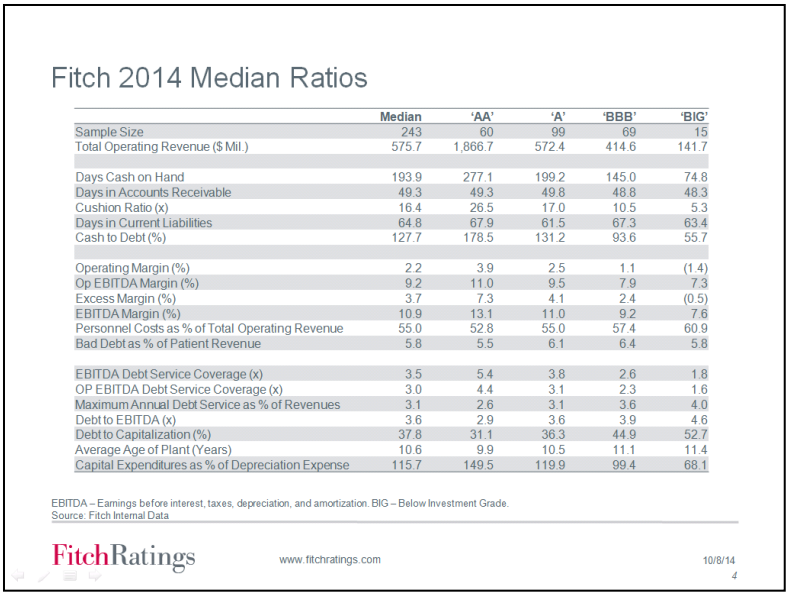
Using Data to Support High Risk Patients
OSF identified patients for their care management program with the help of a data scientist, using over 70 variables to identify their target population. Their health management program covers 100-200 patients at a time. Patients are in the program for 2 years --until they can manage their conditions with less oversight.



The Impact of Employed Physicians on a Health System's Bond Rating

Emily E. Wadhwani, FACHE, Director - Public Finance Healthcare Group, FitchRatings

Changes in Median Ratios
Emily provided an overview of how Fitch determines their ratings, as well as recent trends in ratings
In the last few years, the median ratios have decreased as operating volatility means less revenue. When determining how organizations can absorb cash flow uncertainly it comes down to balance sheet strength.



Fitch 2014 Median Ratios

	Median	'AA'	'A'	'BBB'	'BIG'
Sample Size	243	60	99	69	15
Total Operating Revenue ($ Mil.)	575.7	1,866.7	572.4	414.6	141.7
Days Cash on Hand	193.9	277.1	199.2	145.0	74.8
Days in Accounts Receivable	49.3	49.3	49.8	48.8	48.3
Cushion Ratio (x)	16.4	26.5	17.0	10.5	5.3
Days in Current Liabilities	64.8	67.9	61.5	67.3	63.4
Cash to Debt (%)	127.7	178.5	131.2	93.6	55.7
Operating Margin (%)	2.2	3.9	2.5	1.1	(1.4)
Op EBITDA Margin (%)	9.2	11.0	9.5	7.9	7.3
Excess Margin (%)	3.7	7.3	4.1	2.4	(0.5)
EBITDA Margin (%)	10.9	13.1	11.0	9.2	7.6
Personnel Costs as % of Total Operating Revenue	55.0	52.8	55.0	57.4	60.9
Bad Debt as % of Patient Revenue	5.8	5.5	6.1	6.4	5.8
EBITDA Debt Service Coverage (x)	3.5	5.4	3.8	2.6	1.8
OP EBITDA Debt Service Coverage (x)	3.0	4.4	3.1	2.3	1.6
Maximum Annual Debt Service as % of Revenues	3.1	2.6	3.1	3.6	4.0
Debt to EBITDA (x)	3.6	2.9	3.6	3.9	4.6
Debt to Capitalization (%)	37.8	31.1	36.3	44.9	52.7
Average Age of Plant (Years)	10.6	9.9	10.5	11.1	11.4
Capital Expenditures as % of Depreciation Expense	115.7	149.5	119.9	99.4	68.1

EBITDA – Earnings before interest, taxes, depreciation, and amortization. BIG – Below Investment Grade.
Source: Fitch Internal Data

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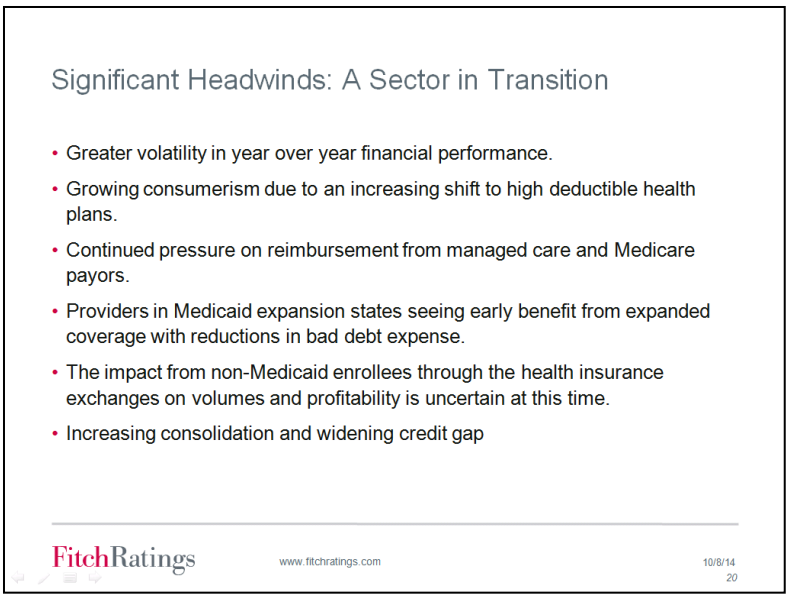
Prediction for the Future
Emily predicts increasing consolidation as organizations find it necessary to grow scale to continue to operate. Small and rural providers will find it increasingly difficult to scale to take risks.



Significant Headwinds: A Sector in Transition

- Greater volatility in year over year financial performance.
- Growing consumerism due to an increasing shift to high deductible health plans.
- Continued pressure on reimbursement from managed care and Medicare payors.
- Providers in Medicaid expansion states seeing early benefit from expanded coverage with reductions in bad debt expense.
- The impact from non-Medicaid enrollees through the health insurance exchanges on volumes and profitability is uncertain at this time.
- Increasing consolidation and widening credit gap

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