

Michigan Great Lakes HFMA

CHFP Exam Prep Session #5

February 2, 2023



Certified Healthcare Financial Professional

Module I - The Business of Healthcare

Course 5: Managing Financial Resources

Learning Objectives

- Identify the components of the revenue cycle
- Compare how healthcare providers are reimbursed for services
- Determine the processes by which a hospital or clinic bills and collects for services
- Identify the various metrics used to manage the revenue cycle
- Determine the methods used by organizations to fund capital expenditures
- Define the terms compliance, fraud, and abuse

Polling Question 1

Do you know the difference between a deductible, coinsurance, and copayment?

- a) Yes
- b) No
- c) Of course, they are all the same!
- d) I think I picked the wrong profession

The Patient Portion

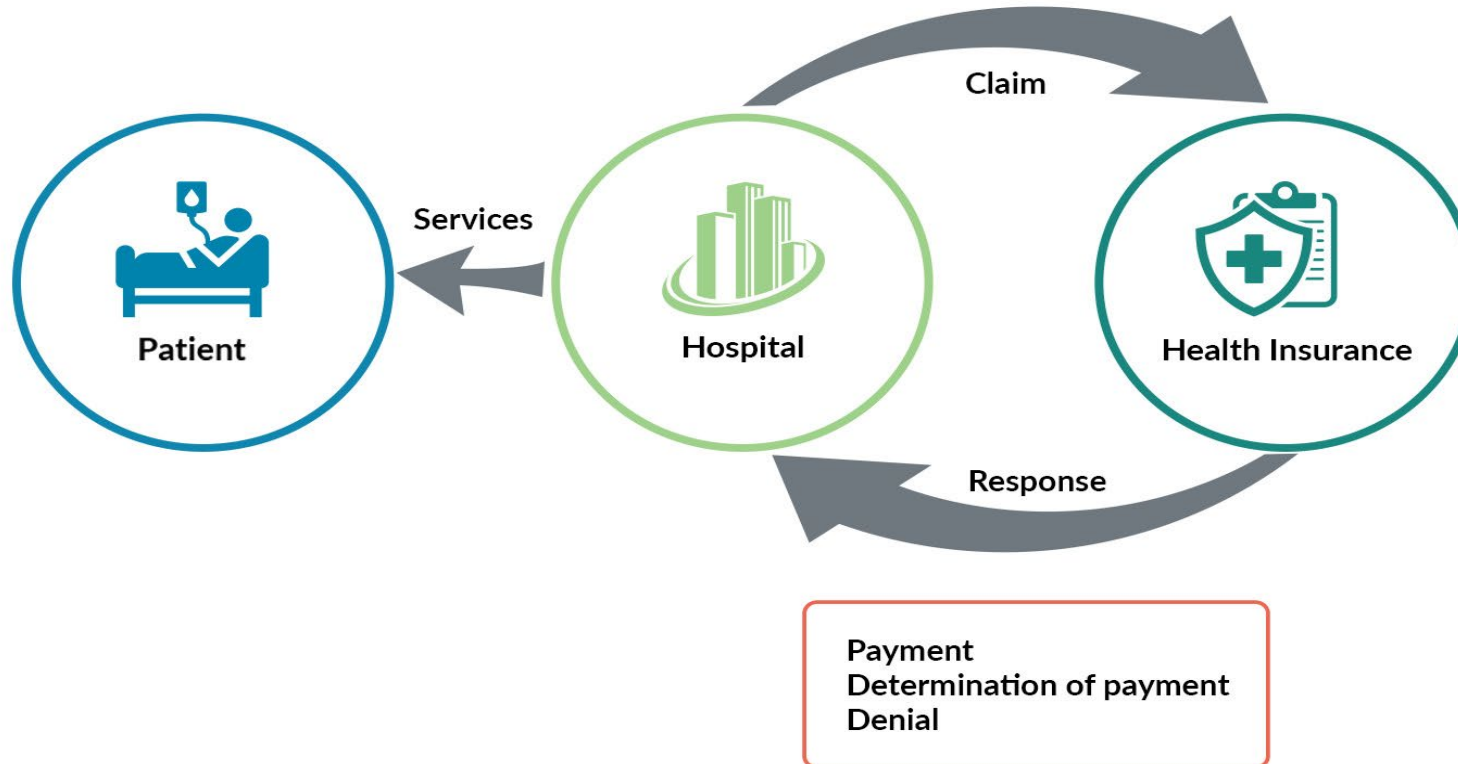
- Insurers generally require some **out-of-pocket** payment by the patient to supplement the insurance payment

Deductible

Coinsurance

Copayment

Paying Physicians or Healthcare Facilities for Services



A/R

Net patient service accounts receivable

Net patient service (revenue) / number of days in the period

Chargemaster

Hospital Charge Master

Payment Code	Admission Fee
Description	Admission Fee
Sign	1
Amount	100.00
Tax Rate	2.2500
Account	
Sub Account	
Active	<input checked="" type="checkbox"/> Activate?
Special Charge	<input type="checkbox"/> Yes
Long Description	
Created By	
Updated By	

[Back To Top](#)

[None](#)
[0](#)
[1](#)
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Hospital Charge Master List

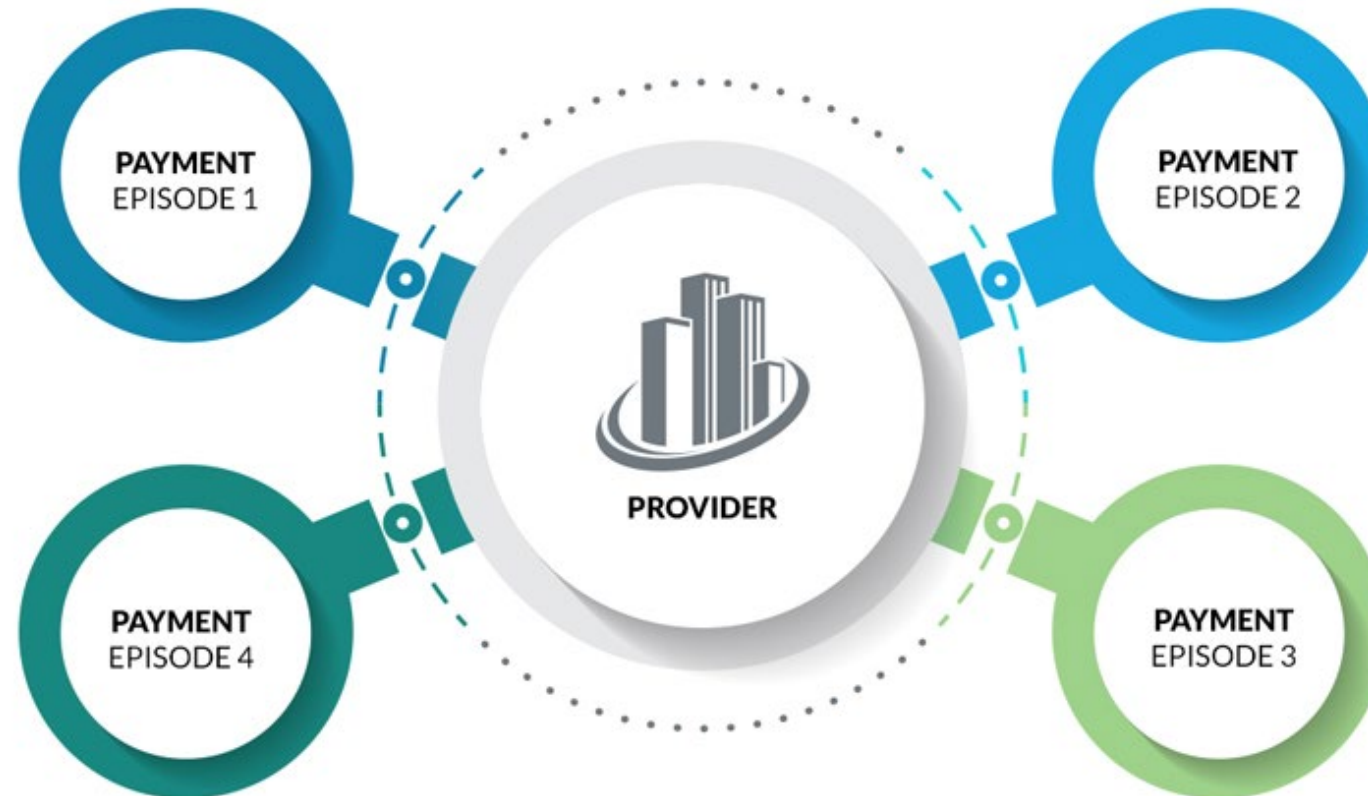
Payment Code	Description	Sign	Active	S.C.
Admission Fee	Admission Fee	1	<input checked="" type="checkbox"/>	
Advance	Advance	-1	<input checked="" type="checkbox"/>	
Anaesthetist	Anaesthetist	1	<input checked="" type="checkbox"/>	
Assistant	Assistant	1	<input checked="" type="checkbox"/>	
Bed Charge	Bed Charge	1	<input checked="" type="checkbox"/>	
Consultant Fee	Consultant Fee	1	<input checked="" type="checkbox"/>	
Discount	Discount	-1	<input checked="" type="checkbox"/>	
Dressing Charge	Dressing Charge	1	<input checked="" type="checkbox"/>	
Final Payment	Final Payment	-1	<input checked="" type="checkbox"/>	
Gas Charge	Gas Charge	1	<input checked="" type="checkbox"/>	
Medicine Charge	Medicine Charge	1	<input checked="" type="checkbox"/>	
Medicine Charge (Ot & others)	Due Medicine	1	<input checked="" type="checkbox"/>	
Misc	other income	1	<input checked="" type="checkbox"/>	
Nebulization	Nebulization	1	<input checked="" type="checkbox"/>	
OT Charge	OT Charge	1	<input checked="" type="checkbox"/>	
OT, Surgeon & Total Charge	Total Expenditure	1	<input checked="" type="checkbox"/>	

Payment for Healthcare Receivables

- Fee-for-service
- Per diem
- Per case
- Episodic
- Capitation
- Risk-based contracts



Fee-for-Service



Prospective Payment Systems (PPS)

- DRG (Diagnostic Related Group)
- Per Procedure
- Case Rate
- Per Diem
- Bundled Payment

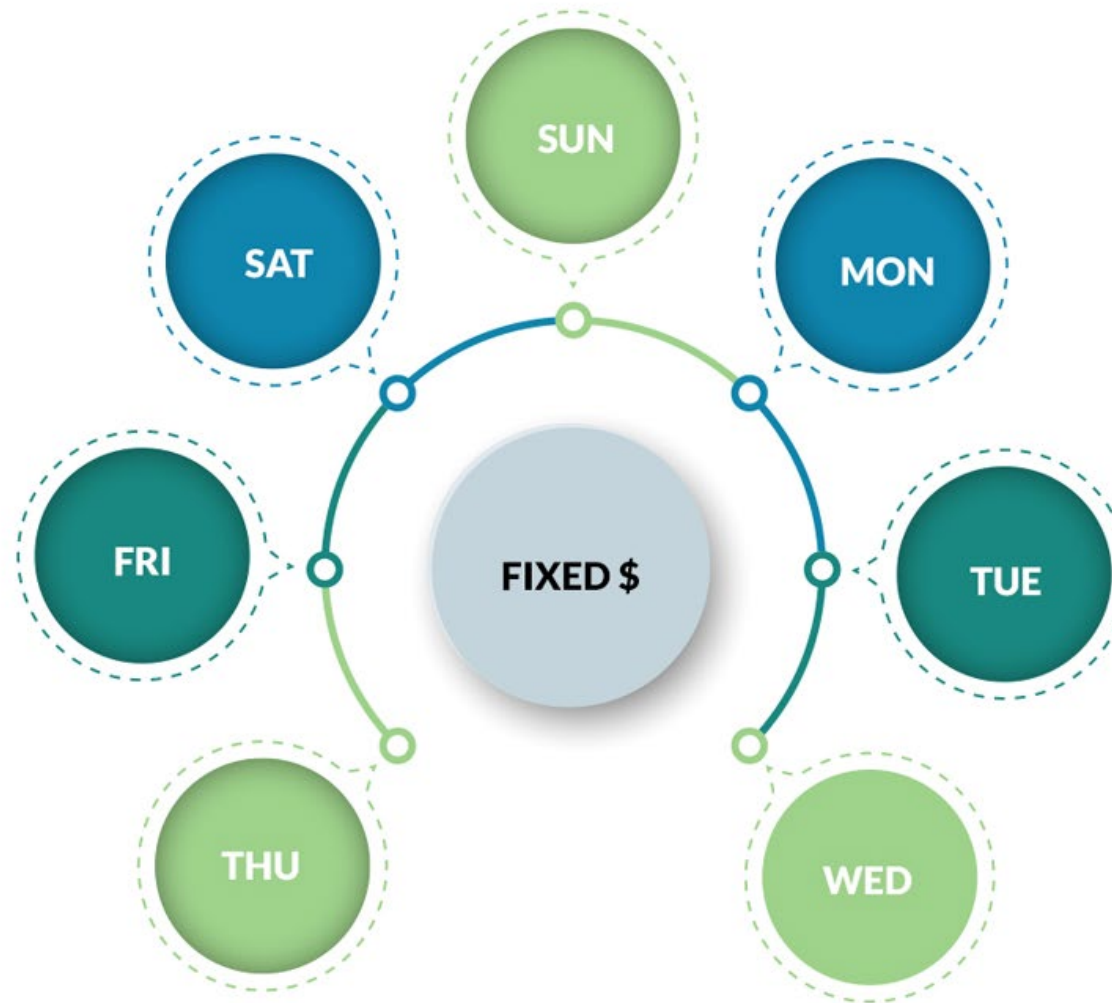
Polling Question 2

Which of the following would benefit the most from a cost-based payment method?

Select the best response.

- A. The healthcare provider
- B. The insurer
- C. The patient
- D. The government

Per Diem Payment



Capitation

Capitation Effects on Providers

- Provides incentive to decrease utilization of services - may adversely impact quality of care
- Provides Incentive to keep patients healthy
- Provides incentive to keep operating expenses under control

Polling Question 3

Inland Medical Center is contemplating a per diem payment contract for inpatient services with a local health plan. Which of the following mechanisms must be in place in order for the hospital and the payer to have acceptable financial results from this contractual relationship?

Select the best response.

- A. Concurrent review
- B. Periodic charge master increases
- C. Additional resources to improve charge capture
- D. Improvement in DRG coding to identify higher severity services

Summary of Reimbursement Risks and Incentives

	Provider incentive to increase volume of services				Provider incentive to decrease volume of services		
	Provider incentive to maximize costs				Provider incentive to minimize costs		
	Cost Based	Charge Based	DRG	Per-Procedure	Per Diem	Bundled Payment	Capitation
Providers	<i>Lowest financial risk</i>				<i>Highest financial risk</i>		
Payers	<i>Highest financial risk</i>				<i>Lowest financial risk</i>		
Consumers	<i>Risk of overtreatment</i>				<i>Risk of under treatment</i>		
Employers	<i>Risk of high costs from inefficiency</i>				<i>Risk of high costs from under treatment</i>		

Billing and Collecting Processes in Health Care



Pre-Visit Revenue Cycle Activities

Pre-Visit Activities

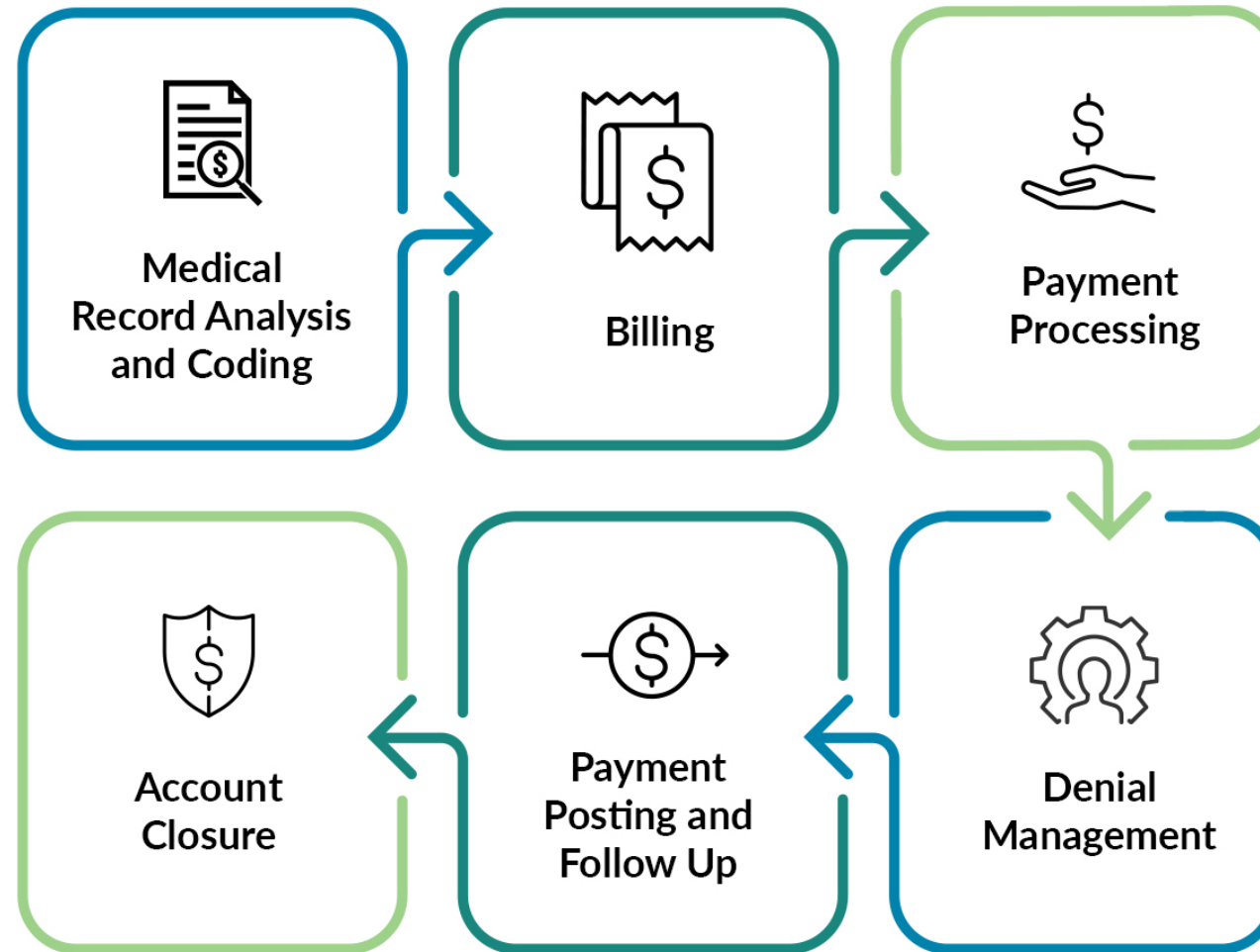
- Patient scheduling
- Eligibility verification & Pre-certification
- Registration
- Point-of-service collections

Revenue Cycle Activities During the Patient Visit

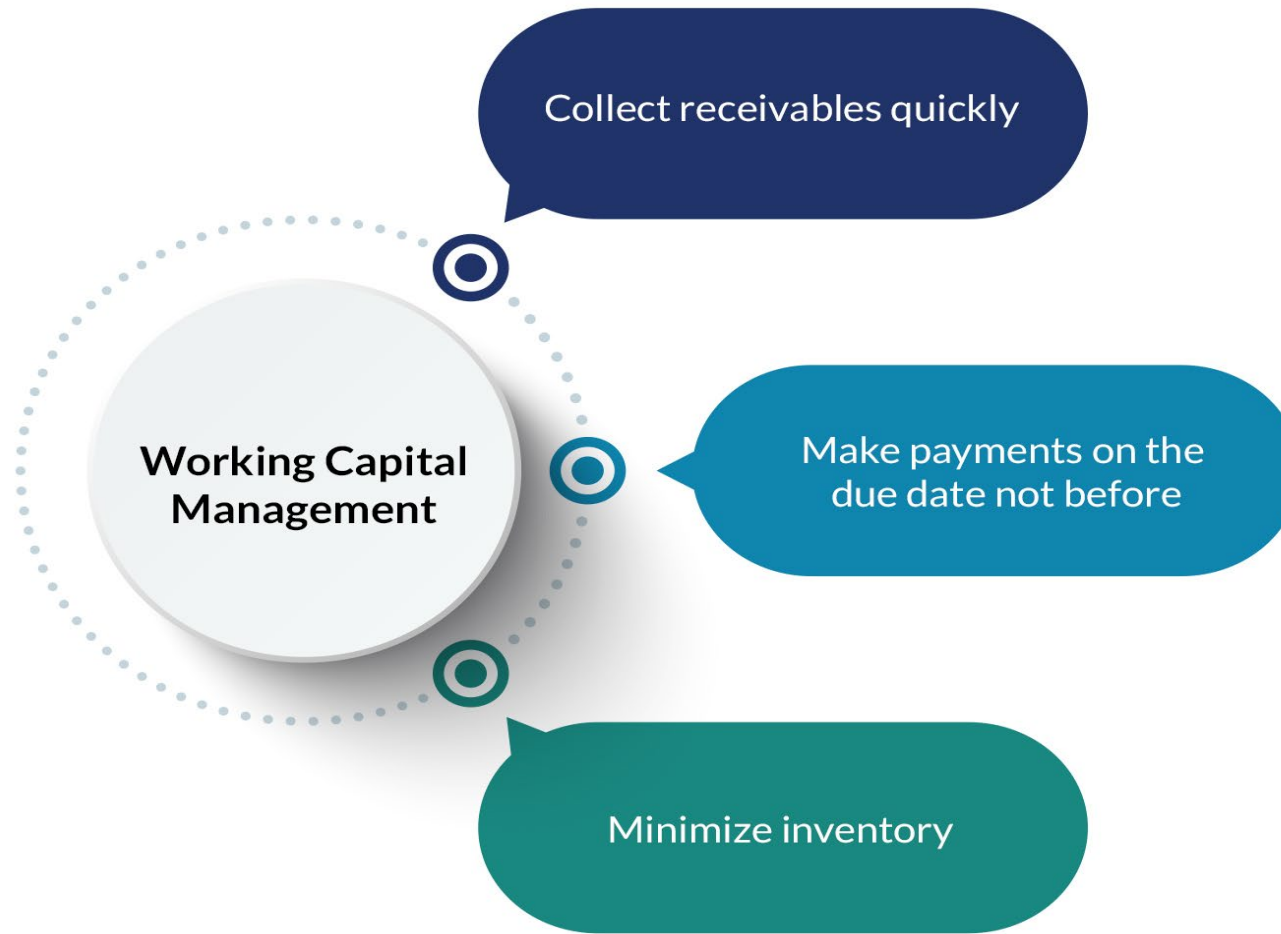
During the Patient Visit

- Provide care to patient
- Document care to patient
- Utilization review
- Charge capture
- Discharge
- Medical record completion

Post-Patient Visit Revenue Cycle Activities



Working Capital Management



Polling Question 4

Working capital management involves three parts: collecting receivables, making payments only on the due date and minimizing inventory. Of these three, which is the most difficult to manage?

Select the best response.

- A. Collecting receivables
- B. Making payments on the due date
- C. Minimizing inventory

Debt Financing

Short-Term

- Accounts payable
- Line of credit

Longer Term

- Mortgage or bond issuance
- Lease

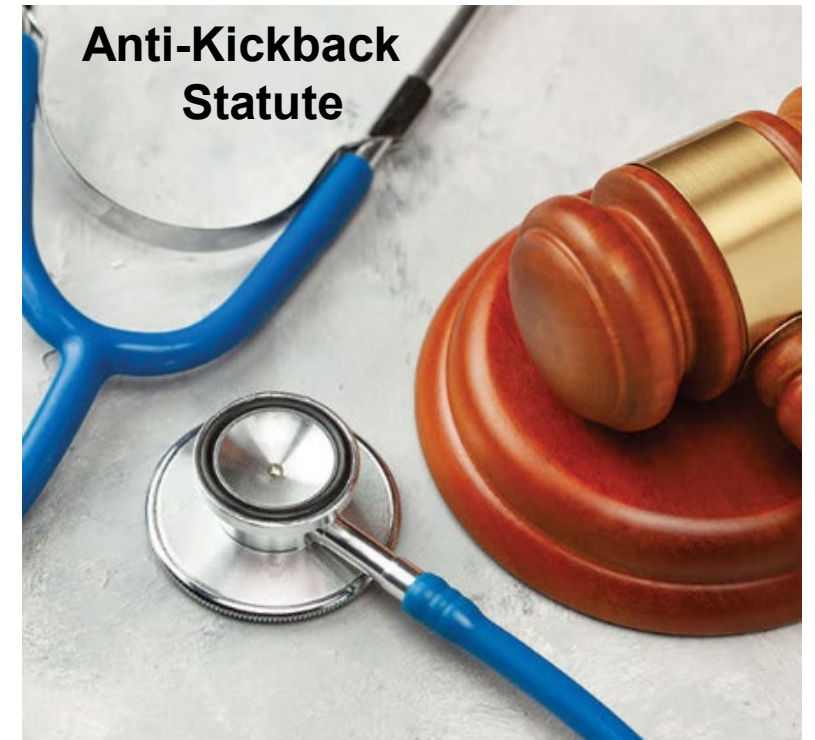
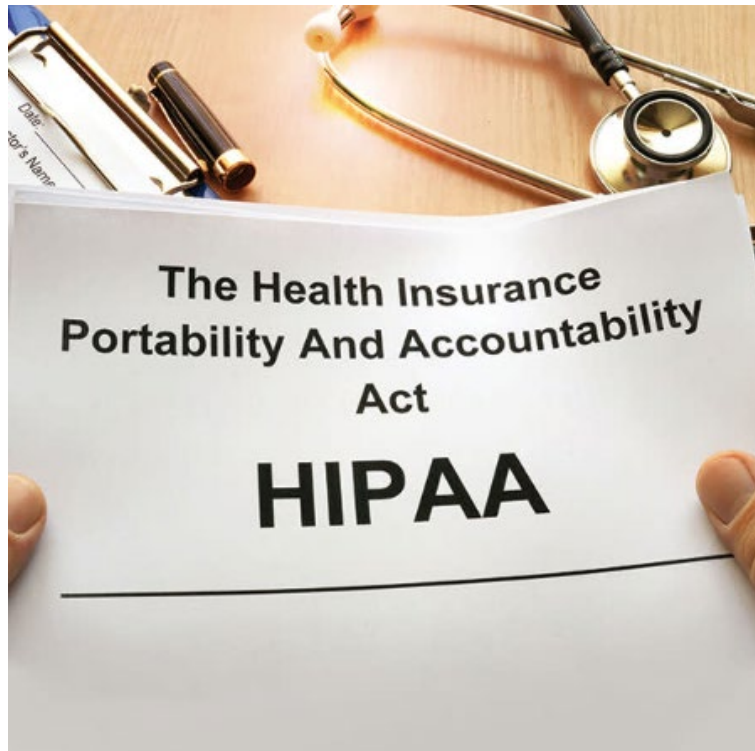
Compliance

Compliance = Conformity with applicable laws and regulations

Fraud is the **intentional deception or misrepresentation** of facts for gain. Fraud carries **criminal penalties**. The burden of proof is high (beyond reasonable doubt).

Abuse involves **unintentional actions (errors)** that are **inconsistent** with accepted, sound medical, business or fiscal practices. Abuse carries **civil monetary penalties**. The burden of proof is lower (preponderance of evidence).

Compliance



In Summary

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Questions?

Supplemental Questions

Mountainside Health Plan is evaluating its payment of hospitals in its current service area. It is looking to reduce its costs per patient and stabilize its overall payments to hospitals. Which of the following payment methods would be *least* effective for the health plan to meet these objectives?:

- a) Prospective Payment
- b) Cost-based Payment
- c) Charge-based Payment

Supplemental Questions

Paul is reviewing a claim that was denied for payment by an insurer to the physician clinic where he is employed. Which of the following items might have been an error that resulted in the claim not being paid by the insurer?

- a) Medical records were compiled
- b) E&M charges were included with the procedure charge
- c) There were duplicate E&M charges on the claim
- d) The medical record was completed by the treating physician

Supplemental Questions

Which of the items below is NOT an advantage for a not-for-profit entity?:

- a) Interest rates for lenders
- b) Donations
- c) Stock sales

Supplemental Questions

The difference between current assets and current liabilities is called:

- a) Net assets available
- b) Uncovered reserves
- c) Working capital
- d) Profit