

FORVIS™



Margin Transformation: Identification & Implementation of Best Value Opportunities

**Lone Star HFMA
2023 Summer Conference**

August 25, 2023

Agenda

- Meet the Panel
- Impact and Approach to Margin Improvement
- Val Verde Story and Case Examples
- Q & A

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Meet the Panel



Dan Clark
Moderator
Managing Director- Revenue Cycle
FORVIS



Claudia Falcon
Chief Financial Officer
Val Verde Regional Medical Center



Kevin Rash
Managing Director
Operations and Expense Management
FORVIS



Ryan Rozwat
Director
Revenue Cycle
FORVIS

Renewed Focus on Margin AND Strategy



- Headwinds for healthcare executives:
 - Strategic plans non-existent or limited
 - Supply costs at all time high
 - Revenue cycle metrics off track
 - Labor shortages, contractors, and employee benefit rates unprecedented
 - Inflation driving increases in non-supply areas (e.g., Utilities)
 - Remote workforce
 - “The right” volumes sluggish to return

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Regulatory Mandates Impacting Operations

1. Price Transparency

2. No Surprises Act

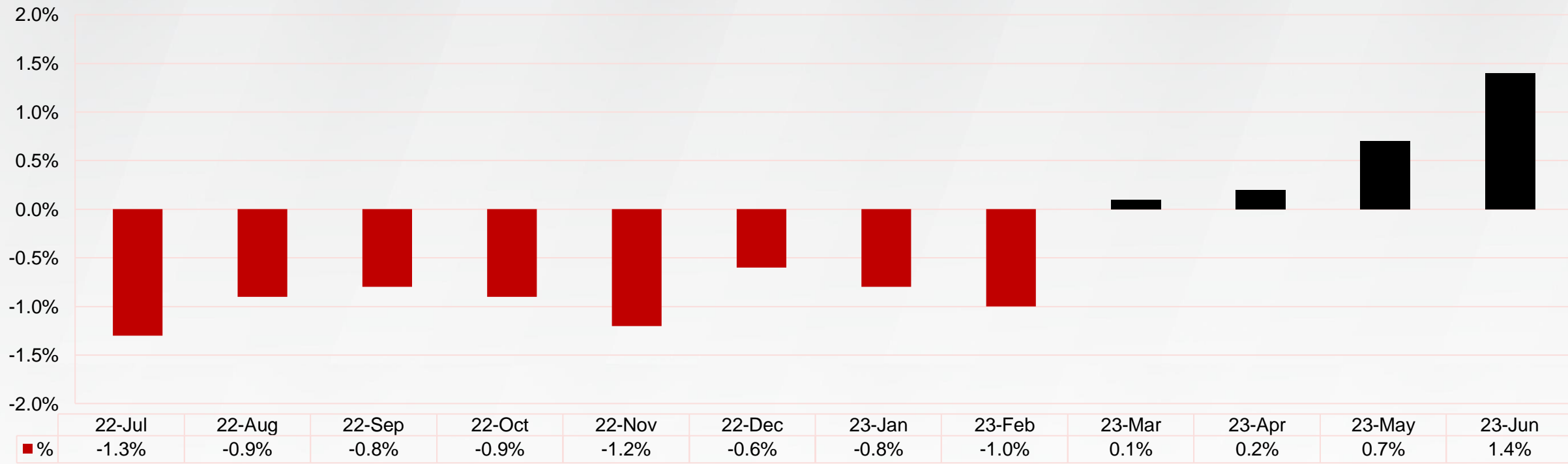
3. Senate Bill 490 (Texas Itemized Billing Law)

When does the new law go into effect?	<ul style="list-style-type: none"> • September, 1 2023
Who does the new law apply to?	<ul style="list-style-type: none"> • Hospitals, Ambulatory surgical centers, Birthing centers, freestanding emergency and any other state licensed facility provide healthcare services *Excludes FQHC, individual physicians/practices
When does an itemized bill need to be provided?	<ul style="list-style-type: none"> • Hospitals must provide an itemized bill requesting payment after services and NO later than 30th day from the date hospital receives final payment from a third party (i.e insurance) *No requirement to provide IB at time of co-pay/cost share collections
What hospital visits does this new law apply to?	<ul style="list-style-type: none"> • Hospitals are only required to provide an itemized bill to patient visits where they are seeking to collect patient payment using extraordinary collections activities
What needs to be included in the “itemized statement”	<ul style="list-style-type: none"> • Plan-language description of each health care service provided to the patient • Billing codes hospital submitted to a third party (if applicable) • Amounts billed to and paid by a third party (if applicable) • The amount the hospital is seeking from the patient for each service and supply provided *Requirements from current itemized statement laws will not change due to SB 490
What is the penalty for failure to adhere and potential margin impact/risk?	<ul style="list-style-type: none"> • Patient will likely be able to successfully argue that the debt collection action is illegal and cannot be pursued by the third-party debt collector if unable to comply

National Margin Results

Hospital Margin Trends Are Improving (Q2-Q3 2023) but Inflation, Expenses, and Workforce Challenges continue to Put Pressure on Many Hospital Organizations

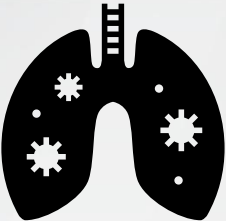
Operating Margin Index* YTD by Month (without CARES subsidy)



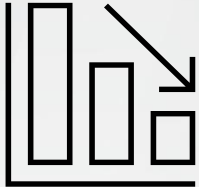
* Comprised of national median results adjusted for allocations to hospitals from corporate, physician and other entities. National Hospital Flashreport, Jun 2023 Koffman Hall



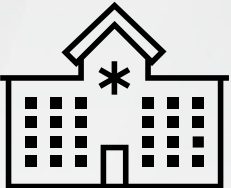
Short and long-term challenges remain



Manage Capacity, staff resiliency through Covid-19 surges



Stabilize financials post PRF and recover volumes



Adjust to new consumer behaviors and regulatory demands



Strategize for future HC delivery systems, prepare digital transformation and sustainable staffing models

Past

Present

Planning

Question #1

Many healthcare organization are experiencing financial strain. Which is impacting your organization the greatest?

- A** / Reimbursement and Managed Care
- B** / Expense Management – Labor, Staffing, Wage Escalation, Material Price Inflation
- C** / Shifting Consumer Utilization/Market Volumes
- D** / Revenue Cycle / Insurance Denials

Opportunities within a Margin Improvement Plan

Labor



- Organizational KPIs
- Organizational Structure
- Span of Control
- Departmental Efficiency Benchmarking and Monitoring
- Premium Pay Code Alignment
- Contract Staff Cost & Utilization

NonLabor Expense Management



- Expense Benchmarking
- GPO Performance
- Purchased Services
- Benefit Plan
- Physician Preference Items
- Utilities
- MedSurg Supplies
- Pharmacy
- Technology
- Support Services

Reimbursement & 340B



- Payor Strategies & Solutions
- Cost Reporting
- DSH, DRG & UC
- Medicare Bad Debt
- Managed Care Strategy
- 340B
- Provider Based Clinics
- Pharmacy

Physician Enterprise



- Population-Based Models
- Medicare at-risk Modeling
- Compensation Plan
- Office Performance Optimization

Revenue Cycle & Revenue Integrity



- Patient Liability
- Denials Management
- System Optimization
- Vendor Management
- Charge Capture
- Pricing Strategy
- Status Determination
- KPI Monitoring

Question #2

On the topic of Revenue Cycle, where do you see the greatest area of revenue risk or financial opportunity within your organization?

- A** / Increasing Denials
- B** / Vendor Management & outsourced services
- C** / Patient Liability
- D** / Payers attempting to adjust/down code services

Revenue Cycle Trends Impacting Hospital Margins

1

Increased Insurance Denials

Denial rates increased from 8-12%

Claim Denial Rate increased 33% over last 6 years and not slowing down

2

Rev Cycle Cost-to-Collect

National Avg. Cost-to-Collect 3.4% of Revenue

Technology, labor, and staffing costs to support collection of services continues to rise

3

Missed Patient Revenue

10-30 cents from every patient dollar

Patient liability collections a continued high loss revenue area for most organizations

Val Verde Regional Medical Center

- Del Rio, Texas (Southwest border)
- Acute-care hospital licensed for 96 beds
- not-for-profit rural community hospital
- Acute care, emergency medicine, surgical and related ancillary services
- Community centric organization with mission to continually improve services, quality, technology, and cost-effectiveness for community members



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Val Verde Medical Center- Challenges

Q1 2020

- E.H.R and Patient Accounting System Go-Live
- New Clearinghouse

Late Q1 2020

- COVID 2 weeks after formal “go-live” limits optimization
- Significant decline in net revenue

2020-2021

- Unexpected key revenue cycle leadership and management turnover

Early 2022

- FORVIS Assessments
- Strategic Initiatives to improve performance and margin

Late 2022-2023

- Improved Financial Performance and Collections

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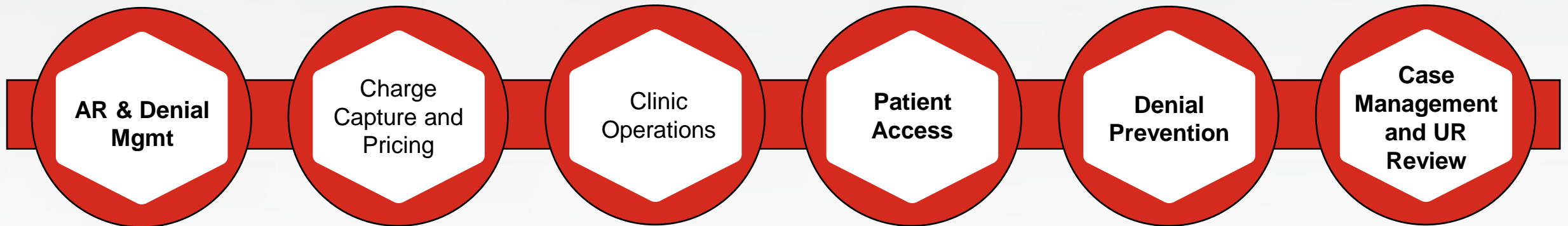
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Case Example - Revenue Cycle and Integrity

Val Verde Regional Medical Center: Val Verde desired to further optimize their revenue cycle after experiencing setbacks from COVID including a limited post go-live optimization period on a new E.H.R. The goal was to not only improve revenue and accelerate cash but also enhance the patient experience. FORVIS is serving as trusted advisors with proven experience and expertise.

FORVIS was engaged to assess revenue cycle and revenue integrity opportunities, assist with optimizing AR denials management, and cash posting workflows, and support establishing improved denial prevention and patient access procedures.



Case Example - Val Verde Rev Cycle Update



Cash and Remittance Posting

- Cash and Remittance Posting Automation
- Cash Reconciliation Enhancement



Denial & AR Management

- Re-Design A/R Management and Denial Workflows
- Appeal Templates & Training



Patient Access- Financial Clearance

- Targeted Denial and Patient Liability Training
- Improved Financial Clearance Monitoring



Sustainability & Denial Prevention

- Sustainable Structure for Denials Prevention

Key Financial Success To Date

Denial Mgmt and Posting

- ✓ **19%** improvement in monthly hospital collections
- ✓ **10% increase** in Net Revenue
- ✓ Decreased Medical Necessity Denials

Clinic Operations

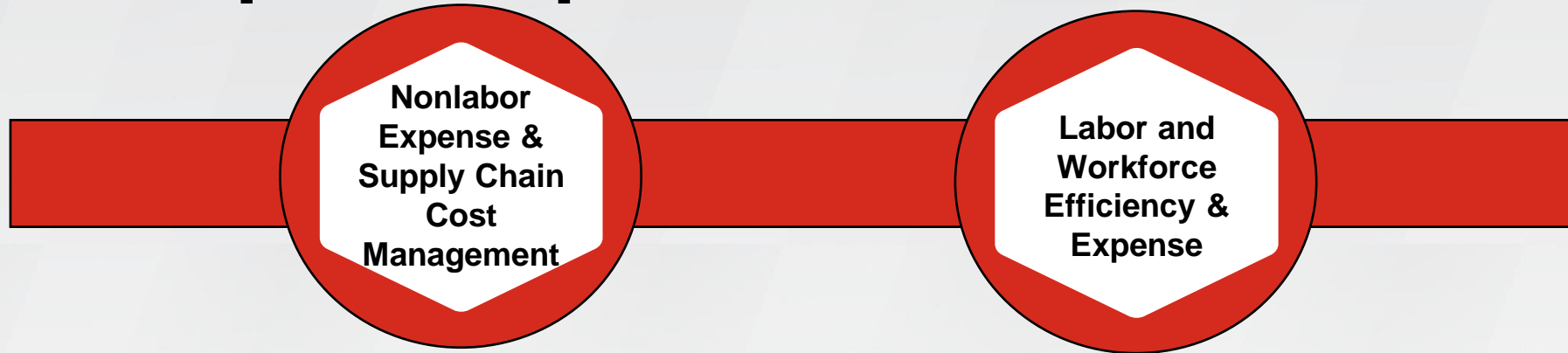
- ✓ **37%** increase in monthly clinic collections
- ✓ **Decrease** in unbilled coding days

Question #3

Which current expense is impacting your organization the greatest?

- A** / Cost of employee benefits (ie. PBM, High Cost Claimants)
- B** / Employee Staffing cost (ie. Rebased Wages, contract labor, efficiencies)
- C** / Supply & Implant Cost
- D** / Physician/APP cost

Case Example – Expense Assessment - VVRMC



Expense Management	Estimated Net Benefit	
	Low	High
Labor Productivity Initiatives	\$1,600,000	\$ 3,200,000
Nonlabor Initiatives	\$ 800,000	\$ 1,800,000
Estimated Annual Net Benefit	\$2,400,000	\$ 5,000,000



FORV/S



Q & A Time

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Thank You!

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