

Quality in Net Revenue Forecasting

(a VCU Health Acute Hospital Experience)

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September 2023



Topics To Cover

- Whats the End Goal 20 minutes
 - Inpatient, Outpatient Revenue Drivers & Correlations
 - The Solid Net Revenue Base
 - Payers and Methods of Reimbursement
 - Anomolies (Rev cycle projects, write-offs, stop loss/outliers, changed rates, etc)
- Forecasting Net Revenues 10 minutes
 - Math of the forecast
 - Stratajazz as a Tool
 - Precision v. Accuracy
- Revisiting Forecast Assumptions 10 minutes
 - Rate, Volume, Mix
- Observations, Q&A 10 minutes



Where We Are Heading Why VCU Health Does This.



Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct	Nov	Rolling 2024			
									Dec	Jan	Feb	Mar

- Early Identification & Response to Risks
- Cash flow plan
- Predictability
- New Projects Coming Online
- Shifts in Payers, Providers, Volumes Expenses
- Annual Budgets

Income Statement

Hospital CY

	Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
REVENUE:													
Total inpatient revenue	3,709,932	3,382,012	4,052,912	4,198,267	363,697	358,321	324,321	366,378	340,092	341,793	372,695	336,448	344,158
Total outpatient revenue	2,982,004	2,591,287	3,087,887	3,308,993	252,927	287,345	285,585	306,329	321,520	271,245	282,194	266,924	256,612
Gross patient revenue	6,691,936	5,973,299	7,140,799	7,507,260	616,624	645,667	609,907	672,707	661,613	613,038	654,889	603,372	600,770
Provision for uncollectible accounts	62,639	105,431	126,096	132,878	10,914	11,428	10,795	11,907	11,711	10,851	11,592	10,680	10,634
Provision for indigent care	45,510	50,127	59,934	63,061	5,180	5,424	5,123	5,651	5,558	5,150	5,501	5,068	5,046
Provision for administrative adjustments	185,763	197,354	235,881	247,740	20,349	21,307	20,127	22,199	21,833	20,230	21,611	19,911	19,825
Prior year cost settlements	(79,889)	(38,557)	(38,557)	-	-	-	-	-	-	-	-	-	-
Contractual adjustment - conversion	(131,778)	(49,878)	(60,632)	(111,000)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)
Contractual allowances	4,760,408	4,060,304	4,819,188	5,083,832	434,124	437,067	412,573	464,798	444,414	410,773	448,445	408,897	405,290
Other deductions	(88,046)	(16,198)	(19,437)	(19,437)	(1,620)	(1,620)	(1,620)	(1,620)	(1,620)	(1,620)	(1,620)	(1,620)	(1,620)
PBC drugs labs	(148)	(2,509)	(3,009)	(3,000)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Cost of practice contra rev	(1,022)	(1,377)	(1,653)	(1,653)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)
Total deductions	4,753,437	4,304,697	5,117,811	5,392,421	459,309	463,968	437,361	493,298	472,257	435,746	475,891	433,298	429,538
Net patient revenue	1,938,499	1,668,601	2,022,988	2,114,839	157,315	181,699	172,546	179,409	189,355	177,292	178,998	170,073	171,232
Premiums earned	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany contract revenue	1	-	-	-	-	-	-	-	-	-	-	-	-
Other contract revenue	15,419	6,080	7,296	7,296	608	608	608	608	608	608	608	608	608
Supplemental revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating revenue	620	894	1,073	1,073	89	89	89	89	89	89	89	89	89
Medical consultation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other operating revenue	16,039	6,974	8,369	8,369	697	697	697	697	697	697	697	697	697
Total operating revenue	1,954,538	1,675,576	2,031,357	2,123,208	158,012	182,396	173,243	180,107	190,053	177,989	179,695	170,771	171,929
EXPENSES:													
Salaries and wages	444,868	427,117	519,635	563,264	46,259	46,259	46,259	46,259	46,259	47,424	47,424	47,424	47,424
Benefits	95,609	100,620	122,795	135,026	11,012	11,012	11,012	11,012	11,012	11,168	11,466	11,466	11,466
Medical claims expense	2	-	-	-	-	-	-	-	-	-	-	-	-
COSA	66,060	56,968	68,362	70,415	5,868	5,868	5,868	5,868	5,868	5,868	5,868	5,868	5,868
Purchased services	93,059	84,854	101,824	104,320	8,693	8,693	8,693	8,693	8,693	8,693	8,693	8,693	8,693
Medical supplies	279,262	241,899	296,055	310,735	23,634	26,045	24,734	26,010	27,390	25,379	26,676	24,681	24,575
Drugs	237,818	237,852	291,102	305,536	23,238	25,609	24,321	25,575	26,932	24,954	26,229	24,268	24,164
Nonmedical supplies	8,145	6,390	7,668	7,668	639	639	639	639	639	639	639	639	639
Insurance expense	485	124	149	149	12	12	12	12	12	12	12	12	12
Repairs and maintenance	22,140	18,468	22,162	25,554	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130
Utilities	246	159	190	190	16	16	16	16	16	16	16	16	16
Other expenses	11,403	12,752	15,304	15,310	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276
Intercompany expense	369,737	296,430	355,716	356,422	29,702	29,702	29,702	29,702	29,702	29,702	29,702	29,702	29,702
Operating expenses	1,628,833	1,483,634	1,800,961	1,894,589	152,478	157,260	154,661	157,191	159,928	157,262	160,132	156,176	155,966
EBITDA	325,704	191,942	230,396	228,619	5,534	25,137	18,582	22,916	30,125	20,728	19,564	14,594	15,963
Depreciation and amortization	42,330	37,911	45,493	36,836	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070
Income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	25,014	23,340	28,008	28,008	2,334	2,334	2,334	2,334	2,334	2,334	2,334	2,334	2,334
Total operating expense	1,696,177	1,544,885	1,874,462	1,959,434	157,882	162,663	160,065	162,595	165,331	162,666	165,535	161,580	161,370
Total operating excess/(loss)	258,361	130,691	156,895	163,774	130	19,733	13,178	17,512	24,721	15,324	14,160	9,191	10,559
Operating margin	13%	8%	8%	8%	0%	11%	8%	10%	13%	9%	8%	5%	6%

VCU Health's Flow (map IP, OP and By Payer w/ GL to budget)

[Total Revenue](#)
[Payer Ratios](#)
[IP](#)
[OP](#)
[MCVP IP](#)
[MCVP OP](#)

Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct	Nov	Dec	Rolling 2024		
										Jan	Feb	Mar

Total Revenue

Hospital CY

Gross Charges

Medicare	\$ 1,547,751	\$ 1,289,964	\$ 1,542,138	\$ 1,620,147	\$ 137,898	\$ 141,662	\$ 129,959	\$ 151,778	\$ 142,911	\$ 133,103	\$ 137,847	\$ 127,031	\$ 126,440
Medicare Managed Care	\$ 972,283	\$ 1,040,814	\$ 1,244,419	\$ 1,306,686	\$ 109,373	\$ 108,791	\$ 99,524	\$ 107,884	\$ 112,399	\$ 104,849	\$ 119,748	\$ 110,149	\$ 109,905
Medicaid	\$ 217,557	\$ 199,876	\$ 239,377	\$ 248,843	\$ 18,540	\$ 18,130	\$ 18,445	\$ 17,118	\$ 23,337	\$ 22,935	\$ 23,644	\$ 21,401	\$ 21,813
Medicaid Managed Care	\$ 1,357,794	\$ 1,188,512	\$ 1,420,650	\$ 1,493,687	\$ 114,782	\$ 136,126	\$ 123,000	\$ 140,150	\$ 136,668	\$ 126,500	\$ 125,752	\$ 115,950	\$ 115,325
Managed Care	\$ 851,730	\$ 831,990	\$ 994,819	\$ 1,043,975	\$ 89,253	\$ 85,780	\$ 86,512	\$ 85,792	\$ 87,063	\$ 81,101	\$ 95,103	\$ 87,365	\$ 87,324
Anthem	\$ 1,114,243	\$ 915,492	\$ 1,093,764	\$ 1,153,396	\$ 95,166	\$ 96,659	\$ 98,256	\$ 110,392	\$ 98,486	\$ 89,262	\$ 100,521	\$ 93,014	\$ 92,079
Commercial	\$ 192,209	\$ 132,256	\$ 157,735	\$ 168,030	\$ 10,398	\$ 12,973	\$ 12,767	\$ 13,946	\$ 14,342	\$ 12,355	\$ 17,154	\$ 16,091	\$ 15,642
Indigent	\$ 18,563	\$ 9	\$ 10	\$ 11	\$ 4	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 1	\$ 1
Self Pay	\$ 182,211	\$ 160,713	\$ 191,892	\$ 203,002	\$ 9,291	\$ 18,170	\$ 15,355	\$ 19,940	\$ 21,794	\$ 19,920	\$ 17,506	\$ 16,337	\$ 15,991
Other	\$ (19,714)	\$ 809	\$ 1,320	\$ 3,216	\$ 268	\$ 268	\$ 268	\$ 268	\$ 268	\$ 268	\$ 268	\$ 268	\$ 268
Other Payors	\$ 257,311	\$ 212,865	\$ 254,675	\$ 266,268	\$ 31,652	\$ 27,107	\$ 25,820	\$ 25,438	\$ 24,344	\$ 22,743	\$ 17,346	\$ 15,766	\$ 15,982

Total Gross Charges

	\$ 6,691,936	\$ 5,973,299	\$ 7,140,799	\$ 7,507,260	\$ 616,624	\$ 645,667	\$ 609,907	\$ 672,707	\$ 661,613	\$ 613,038	\$ 654,889	\$ 603,372	\$ 600,770
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Contractuals

Medicare	\$ 1,245,920	\$ 1,037,308	\$ 1,232,983	\$ 1,296,303	\$ 112,471	\$ 113,839	\$ 103,032	\$ 122,514	\$ 115,093	\$ 107,062	\$ 111,453	\$ 100,616	\$ 99,803
Medicare Managed Care	\$ 796,758	\$ 818,242	\$ 970,707	\$ 1,011,053	\$ 85,630	\$ 83,250	\$ 76,694	\$ 83,855	\$ 86,517	\$ 80,934	\$ 93,450	\$ 86,363	\$ 86,108
Medicaid	\$ 213,993	\$ 159,762	\$ 190,529	\$ 199,947	\$ 14,216	\$ 13,422	\$ 15,115	\$ 12,773	\$ 18,414	\$ 18,062	\$ 20,353	\$ 17,837	\$ 18,114
Medicaid Managed Care	\$ 662,939	\$ 860,312	\$ 1,023,937	\$ 1,088,725	\$ 85,794	\$ 103,132	\$ 87,331	\$ 104,581	\$ 99,338	\$ 92,602	\$ 83,358	\$ 82,830	\$ 82,830
Managed Care	\$ 1,009,731	\$ 484,338	\$ 573,335	\$ 617,206	\$ 52,632	\$ 46,567	\$ 53,945	\$ 50,521	\$ 52,348	\$ 48,194	\$ 59,017	\$ 52,385	\$ 51,751
Anthem	\$ 663,011	\$ 521,172	\$ 614,668	\$ 643,061	\$ 55,828	\$ 54,698	\$ 55,702	\$ 68,483	\$ 54,243	\$ 47,364	\$ 56,476	\$ 51,443	\$ 49,891
Commercial	\$ 51,313	\$ 45,464	\$ 53,687	\$ 54,467	\$ 3,370	\$ 3,340	\$ 3,817	\$ 4,441	\$ 4,387	\$ 3,671	\$ 5,792	\$ 5,966	\$ 5,787
Indigent	\$ (2,616)	\$ 10	\$ 11	\$ 12	\$ 4	\$ 1	\$ 1	\$ 0	\$ 0	\$ 0	\$ 1	\$ 1	\$ 1
Self Pay	\$ (15,354)	\$ (9,584)	\$ (11,447)	\$ (8,393)	\$ (491)	\$ (703)	\$ (640)	\$ (776)	\$ (840)	\$ (738)	\$ (763)	\$ (717)	\$ (695)
Other	\$ (25,604)	\$ 2,641	\$ 3,800	\$ 6,954	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580	\$ 580
Other Payors	\$ 160,317	\$ 140,640	\$ 166,978	\$ 174,496	\$ 24,089	\$ 18,940	\$ 16,996	\$ 17,825	\$ 14,333	\$ 13,043	\$ 10,031	\$ 11,065	\$ 11,121

Total Contractuals

	\$ 4,760,408	\$ 4,060,304	\$ 4,819,188	\$ 5,083,832	\$ 434,124	\$ 437,067	\$ 412,573	\$ 464,798	\$ 444,414	\$ 410,773	\$ 448,445	\$ 408,897	\$ 405,290
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Net Reimbursement

Medicare	\$ 301,831	\$ 252,656	\$ 309,154	\$ 323,843	\$ 25,427	\$ 27,823	\$ 26,927	\$ 29,264	\$ 27,818	\$ 26,042	\$ 26,394	\$ 26,415	\$ 26,637
Medicare Managed Care	\$ 175,525	\$ 222,572	\$ 273,712	\$ 295,633	\$ 23,743	\$ 25,541	\$ 22,831	\$ 24,030	\$ 25,882	\$ 23,916	\$ 26,298	\$ 23,786	\$ 23,798
Medicaid	\$ 3,564	\$ 40,114	\$ 48,847	\$ 48,896	\$ 4,324	\$ 4,708	\$ 3,330	\$ 4,345	\$ 4,923	\$ 4,873	\$ 3,291	\$ 3,564	\$ 3,698
Medicaid Managed Care	\$ 694,855	\$ 328,200	\$ 396,713	\$ 404,962	\$ 28,988	\$ 32,994	\$ 35,668	\$ 35,569	\$ 37,329	\$ 33,898	\$ 33,696	\$ 32,593	\$ 32,495
Managed Care	\$ (158,002)	\$ 347,652	\$ 421,484	\$ 426,769	\$ 36,621	\$ 39,214	\$ 32,566	\$ 35,270	\$ 34,715	\$ 32,907	\$ 36,087	\$ 34,980	\$ 35,573
Anthem	\$ 451,232	\$ 394,320	\$ 479,096	\$ 510,336	\$ 39,338	\$ 41,961	\$ 42,554	\$ 41,909	\$ 44,244	\$ 41,898	\$ 44,045	\$ 41,570	\$ 42,188
Commercial	\$ 140,896	\$ 86,791	\$ 104,049	\$ 113,563	\$ 7,028	\$ 9,633	\$ 8,950	\$ 9,505	\$ 9,954	\$ 8,685	\$ 11,361	\$ 10,125	\$ 9,856
Indigent	\$ 21,179	\$ (1)	\$ (1)	\$ (1)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Self Pay	\$ 197,564	\$ 170,297	\$ 203,339	\$ 211,394	\$ 9,781	\$ 18,873	\$ 15,995	\$ 20,717	\$ 22,634	\$ 20,658	\$ 18,269	\$ 17,054	\$ 16,686
Other	\$ 5,890	\$ (1,831)	\$ (2,480)	\$ (3,739)	\$ (312)	\$ (312)	\$ (312)	\$ (312)	\$ (312)	\$ (312)	\$ (312)	\$ (312)	\$ (312)
Other Payors	\$ 96,993	\$ 72,225	\$ 87,697	\$ 91,771	\$ 7,562	\$ 8,167	\$ 8,824	\$ 7,613	\$ 10,010	\$ 9,699	\$ 7,315	\$ 4,700	\$ 4,861

Total Net Reimbursement

	\$ 1,931,528	\$ 1,912,994	\$ 2,321,611	\$ 2,423,427	\$ 182,500	\$ 208,600	\$ 197,334	\$ 207,909	\$ 217,199	\$ 202,265	\$ 206,444	\$ 194,475	\$ 195,479
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VCU Health's Flow



Strata Strategic Planning
(net revenue planning) &
Facility Rolling
Forecasting



The Top 6 Reasons the Budget Process is Broken for Hospitals

powered by
Strata Decision

Resource Lift The annual budget process typically takes 4-6 months and requires 20-30% of senior executives and financial managers' overall annual time.	Lack of Relevance Leadership and Finance agree that the budget is more out of sync with completed 87% before the budget is out of date within the 1st month.
Gaming the Process Managers are incentivized to meet budget targets rather than optimize performance, leading to target padding and missing the opportunity to improve.	Sense of Entitlement Managers look to preserve their "slice of the pie," spending all available dollars to keep future budgets from decreasing.
Lack of Agility The plan is updated once per year, resulting in an organization's inability to adjust based on changing business conditions.	Lack of Accountability Managers look to cut costs to meet targets and increase targets rather than driving meaningful improvement.

Advance your planning process by leveraging **StrataJazz OnePlan™**, the only Advanced Planning Platform to deliver **efficiency, accuracy, agility, and accountability** for your healthcare organization.

Learn more about Advanced Planning and the mindset, skillset, and toolset that can help you get there at: www.stratadecision.com/oneplan.

Strata OnePlan
(static dept budgets) &
Mgmt Reporting



Month End Close
Reporting
(also has static dept
variance reporting)

Selecting Solid Forecast Drivers

Inpatient (~50% of Net Revenues):

Discharges (by Financial Class)

CMI (by Financial Class)

ALOS (by Financial Class)

Outpatient (~50% of Net Revenues):

Ambulatory/"Practice" Visits (VCUH leading indicator of downstream) by Financial Class

(some use ER Visits)

(some use Outpatient Registrations)

(some use both)

(some use Outpatient Surgeries)

(some use Outpatient Equivalents based Cleverley model using APC weights – see 2014 HFMA article)

** Both require historical data loads in Strata*

Getting to Discharges (no simple matter)

- Physician Recruitments/Turnover (each Delivers “x” admissions and OP Visits per “y” time)
- Service Line Expansions (Obstetrics, Ortho, Cancer, Behavioral Health, etc)
- Service Line Extensions (Specialty and Subspecialty ie NICU or Peds Surgery)
- Bed Capacities (Constraints on Existing v. Redeployed or New Inpatient Beds)
- ALoS Initiatives (Reducing Bed Days Creating More Capacity, or Less)
- ER Volumes and Admission Rates, Trauma Activations
- Payer Behavior (Obs v Admissions)
- Market Organic Growth of Service Lines (migrancy of population, aging, socioeconomics)

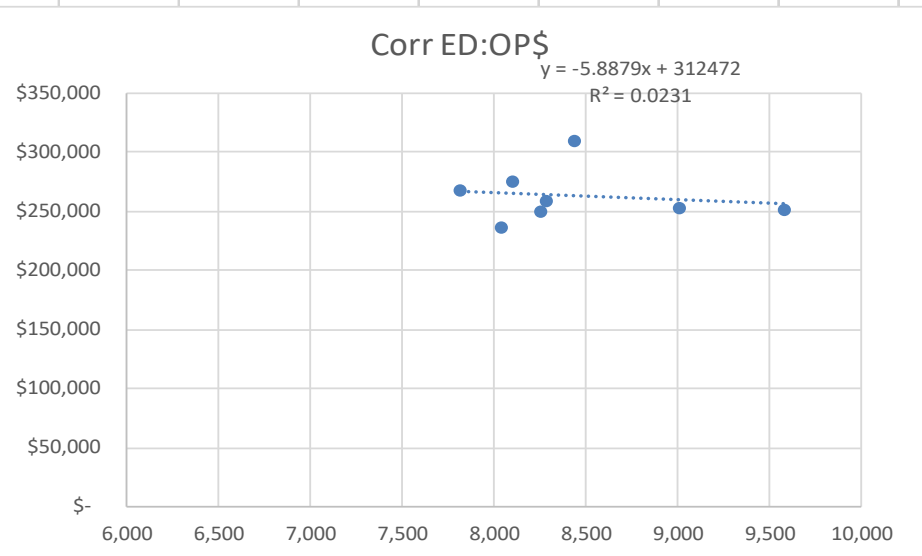
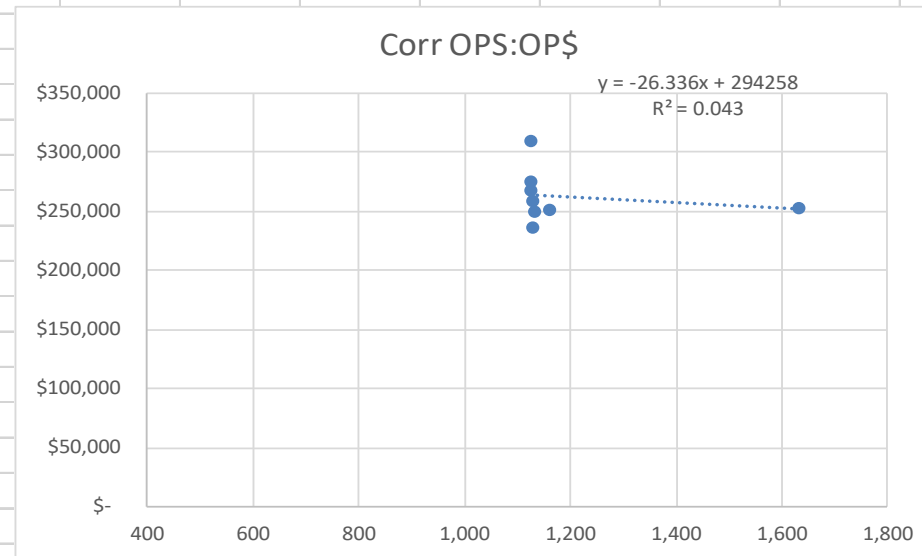
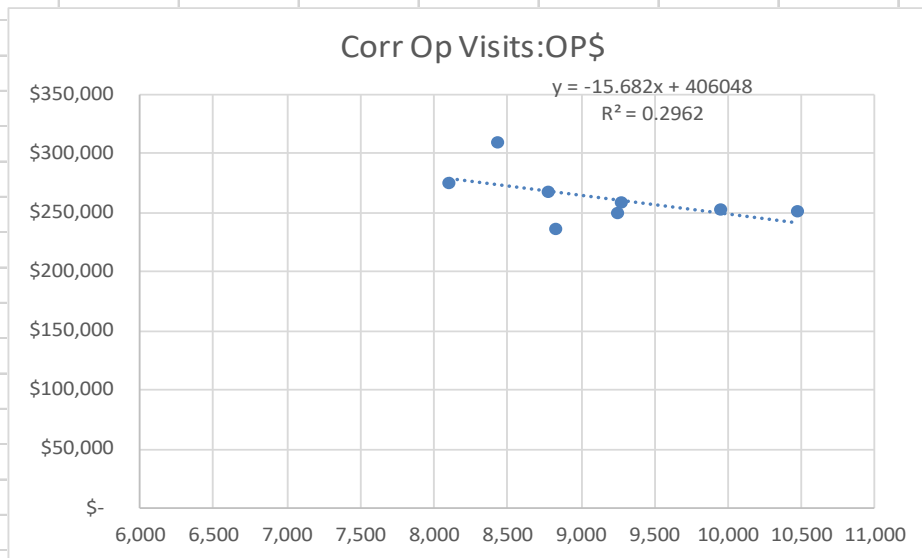
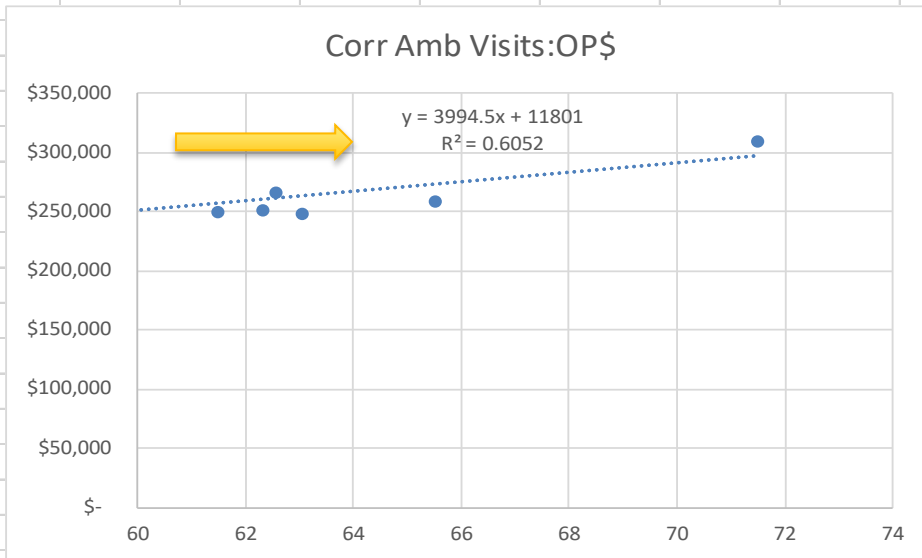
- Leap year and Days of Week/Weekends in a Given Month
- Admissions don't happen evenly during the week (Mon – Wed is higher than rest of week)
- Admissions can be seasonal (elective ortho, Obstetrics)

VCUH works
backwards and
forwards.

Bed capacities limit
discharges/recruitment



Correlating an Outpatient Volume Driver to OP Gross Revenue



Net Revenue Baseline Integrity Considerations

- Are there any re-billings, over charges or charge capture issues in your baseline history? Outliers & Stop Loss Cases?
- Are there any unusual or abnormal contractual adjustments or other write-offs in the baseline?
- Are your financial class mapping tables accurate?
- Are there differences in coding by payer?
- Have you updated your payer rate changes timely?



A clean baseline will drive a more appropriate forecast

What That Looks Like (1 of 3)

Strata will look to payer mix as static or prior year for seasonality

	Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct
Total Discharges	37,958	29,238	35,038	34,550	2,851	2,982	2,794	2,940
Payor Mix								
Medicare	19.91%	17.41%	17.41%	17.41%	17.84%	18.00%	17.27%	18.21%
Medicare Managed Care	13.95%	15.15%	15.15%	15.16%	14.76%	14.70%	13.61%	14.07%
Medicaid	7.43%	4.11%	4.11%	4.11%	4.55%	4.86%	4.60%	3.63%
Medicaid Managed Care	24.92%	30.16%	30.16%	30.16%	29.54%	29.34%	30.25%	30.43%
Managed Care	11.63%	12.16%	12.16%	12.16%	12.92%	13.73%	13.16%	11.98%
Anthem	13.83%	13.86%	13.86%	13.86%	14.21%	12.40%	13.76%	15.00%
Commercial	1.55%	0.90%	0.90%	0.90%	0.64%	1.00%	0.88%	0.82%
Indigent	0.52%	0.86%	0.86%	0.86%	2.69%	0.62%	0.42%	0.33%
Self Pay	3.50%	2.71%	2.71%	2.71%	0.24%	3.09%	3.39%	2.90%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Payors	2.75%	2.68%	2.68%	2.68%	2.60%	2.27%	2.66%	2.63%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Discharges								
Medicare	7,557	5,089	6,099	6,014	509	537	483	535
Medicare Managed Care	5,294	4,431	5,310	5,237	421	438	380	414
Medicaid	2,822	1,202	1,441	1,420	130	145	128	107
Medicaid Managed Care	9,459	8,818	10,568	10,420	842	875	845	895
Managed Care	4,414	3,554	4,259	4,200	368	409	368	352
Anthem	5,251	4,052	4,855	4,789	405	370	385	441
Commercial	589	263	315	310	18	30	25	24
Indigent	199	250	300	296	77	18	12	10
Self Pay	1,328	794	951	937	7	92	95	85
Other	-	-	-	-	-	-	-	-
Other Payors	1,045	785	940	927	74	68	74	77
Total Discharges	37,958	29,238	35,038	34,550	2,851	2,982	2,794	2,940

What That Looks Like (2 of 3)

Strata allows for topside adjustments

	Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct
Average LOS								
Medicare	6.76	6.61	6.61	6.61	7.24	6.51	6.21	7.02
Medicare Managed Care	6.79	7.60	7.60	7.60	8.53	7.49	7.39	7.50
Medicaid	7.06	10.60	10.60	10.62	8.28	7.03	8.18	8.83
Medicaid Managed Care	6.83	5.05	5.05	5.05	4.76	5.70	4.92	5.52
Managed Care	5.14	5.81	5.81	5.81	6.05	4.70	5.32	5.19
Anthem	6.44	5.42	5.42	5.42	5.63	5.51	5.63	5.95
Commercial	9.31	6.16	6.16	6.17	3.63	5.71	6.34	6.72
Indigent	4.76	4.10	4.10	4.10	5.66	4.44	5.07	2.45
Self Pay	5.18	4.02	4.02	4.02	2.07	4.43	2.93	5.17
Other	-	-	-	-	-	-	-	-
Other Payors	7.24	7.99	7.99	7.99	12.59	10.48	8.80	7.88
Total ALOS	6.56	6.13	6.13	6.13	6.42	6.08	5.83	6.27
Patient Days								
Medicare	51,055	33,644	40,318	39,776	3,681	3,496	2,999	3,756
Medicare Managed Care	35,935	33,667	40,345	39,811	3,588	3,282	2,812	3,101
Medicaid	19,930	12,750	15,280	15,072	1,075	1,019	1,050	943
Medicaid Managed Care	64,585	44,493	53,319	52,596	4,013	4,991	4,157	4,934
Managed Care	22,704	20,654	24,751	24,416	2,230	1,926	1,956	1,829
Anthem	33,794	21,949	26,303	25,951	2,282	2,037	2,164	2,624
Commercial	5,483	1,619	1,940	1,916	66	171	155	161
Indigent	946	1,026	1,230	1,214	434	82	60	24
Self Pay	6,886	3,186	3,819	3,764	14	409	278	441
Other	-	-	-	-	-	-	-	-
Other Payors	7,571	6,268	7,511	7,407	932	709	654	610
Total Patient Days	248,890	179,257	214,817	211,924	18,316	18,122	16,286	18,424

What That Looks Like (3 of 3)

	Actual 2022	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct
CMI								
Medicare	2.36	2.38	2.43	2.43	2.31	2.30	2.41	2.44
Medicare Managed Care	2.20	2.16	2.21	2.21	2.35	2.31	2.11	2.06
Medicaid	1.96	2.49	2.53	2.53	2.39	2.30	1.70	2.81
Medicaid Managed Care	1.84	1.70	1.75	1.75	1.36	1.54	1.95	1.61
Managed Care	2.04	2.34	2.39	2.39	2.47	2.31	1.92	2.19
Anthem	2.04	2.00	2.05	2.04	1.85	2.08	2.07	1.71
Commercial	2.49	1.93	2.00	2.00	1.34	2.64	2.41	2.26
Indigent	1.82	1.12	1.01	1.01	0.91	1.61	1.76	1.16
Self Pay	1.82	1.71	1.75	1.75	1.72	1.74	1.69	1.70
Other	-	-	-	-	-	-	-	-
Other Payors	2.56	2.66	2.71	2.71	2.60	3.00	3.03	2.26
Weighted Average CMI	2.08	2.06	2.11	2.11	1.96	2.05	2.08	1.98
Discharges (Case Mix Adjusted)								
Medicare	17,806	12,134	14,837	14,626	1,173	1,232	1,163	1,307
Medicare Managed Care	11,662	9,559	11,713	11,561	989	1,012	802	853
Medicaid	5,526	2,993	3,639	3,587	310	334	218	300
Medicaid Managed Care	17,380	14,976	18,479	18,213	1,149	1,351	1,649	1,443
Managed Care	9,003	8,314	10,160	10,022	909	946	707	772
Anthem	10,704	8,104	9,932	9,792	750	770	797	752
Commercial	1,466	507	629	620	24	79	59	54
Indigent	361	282	303	300	70	30	21	11
Self Pay	2,419	1,353	1,667	1,644	12	160	160	145
Other	-	-	-	-	-	-	-	-
Other Payors	2,672	2,089	2,549	2,515	193	203	225	175
Total Discharges (Case Mix Adjusted)	79,001	60,313	73,908	72,879	5,579	6,116	5,802	5,812

Net Revenue Assumptions

	Actual YTD 2023	Rolling 2023	Rolling 2024	Jul	Aug	Sep	Oct	Nov	Dec
IP Revenue									
Medicaid									
Reimbursement Methodology		Case Rate							
Adjustments to Charge per Diem (%)				3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Adjustments to Charge per Diem (Act)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Charges	\$ 178,153	\$ 213,493	\$ 216,910	\$ 15,473	\$ 14,668	\$ 15,116	\$ 13,567	\$ 19,736	\$ 19,835
Contractuals	\$ 143,977	\$ 171,721	\$ 175,339	\$ 11,880	\$ 10,800	\$ 12,588	\$ 10,091	\$ 15,663	\$ 15,679
Discharges	1,202	1,441	1,420	130	145	128	107	130	132
Patient Days	12,750	15,280	15,072	1,075	1,019	1,050	943	1,371	1,378
CMI	2.489	2.525	2.526	2.388	2.303	1.698	2.811	2.710	2.710
CMI Adjusted Discharges	2,993	3,639	3,587	310	334	218	300	351	359
Charge per Diem	\$ 13,972.30	\$ 13,972.30	\$ 14,391.47	\$ 14,391.47	\$ 14,391.47	\$ 14,391.47	\$ 14,391.47	\$ 14,391.47	\$ 14,391.47
% of Charge	19.18%	19.57%	19.17%	23.22%	26.37%	16.72%	25.62%	20.64%	20.95%
Net Per Diem	\$ 2,680.37	\$ 2,733.85	\$ 2,758.16	\$ 3,341.72	\$ 3,795.24	\$ 2,406.79	\$ 3,687.45	\$ 2,969.81	\$ 3,015.47
Net Per Case	\$ 28,421.36	\$ 28,988.43	\$ 29,277.91	\$ 27,682.05	\$ 26,689.93	\$ 19,679.01	\$ 32,575.44	\$ 31,409.46	\$ 31,409.46
Net Per CMI Adj Discharges	\$ 11,418.92	\$ 11,478.67	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21
Adjustments to Case Rate (%)				-100.00%	-100.00%	-100.00%	-100.00%	-100.00%	-100.00%
Adjustments to Case Rate (Act)				\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21	\$ 11,590.21
Net Reimbursement	\$ 34,176	\$ 41,773	\$ 41,571	\$ 3,593	\$ 3,868	\$ 2,528	\$ 3,476	\$ 4,073	\$ 4,156

Anticipate Gross Rates up by 3% after Strategic Pricing Review.

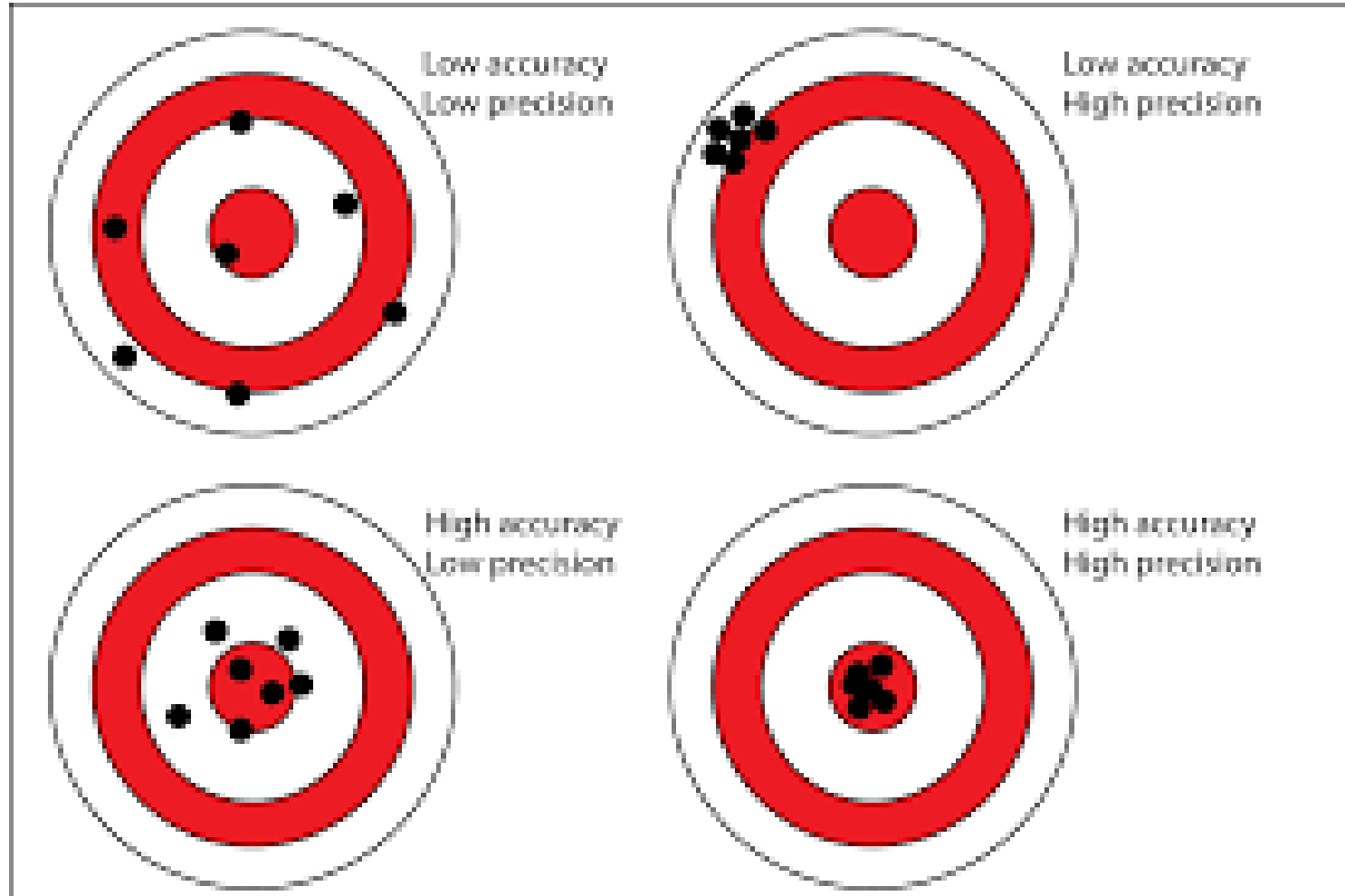
Gross charges based on Discharges x ALoS x Gross Rev/Day

Net Revenue Based on CMI Weighted Discharges (Discharges x CMI) * Baseline Rates

Can select different payment methods in Case Rate drop down (per diem, % charges etc)

July 1 DMAS rates go up. Not inclusive of Supplemental funding.

Would you rather be accurate or precise in forecasting and why?



How did you do with the forecast?

Where did I miss on the forecast?

What will you change for next time?

Discharge Variance = Variance in Discharges x Actual CMI x [Planned Net Revenue / Planned CMI Weighted Discharges]

CMI Variance = Variance in CMI x Actual Discharges x [Planned Net Revenue / Planned CMI Weighted Discharges]

Rate Variance = Solve for "x" (lazy method), or (Change in NNR / CMI Wtd Discharge) x Actual Discharges x Actual CMI

Inpatient:	NNR (thous \$)			Discharges			CMI			Discharge Variance	CMI Variance	\$Rate/Unit Variance
	Month	FC/Plan	Variance	Month	FC/Plan	Variance	Month	FC/Plan	Var			
Medicare	\$ 24,562	\$ 18,764	\$ 5,798	1,034	1,020	14	2.28	2.38	(0.10)	\$ 247	\$ (799)	\$ 6,350
Medicaid	21,669	29,935	(8,266)	1,077	975	102	1.91	1.77	0.14	\$ 3,388	\$ 2,455	\$ (14,107)
Mgd Care/Comm	21,115	17,000	4,115	402	397	5	2.34	2.07	0.26	\$ 241	\$ 2,155	\$ 1,719
Anthem	23,484	25,020	(1,536)	469	417	52	2.10	1.99	0.11	\$ 3,288	\$ 1,346	\$ (6,170)
Other	9,989	12,359	(2,370)	572	690	(118)	1.62	2.18	(0.56)	\$ (1,573)	\$ (3,160)	\$ 2,363
Total	\$ 100,819	\$ 103,078	\$ (2,259)	3,554	3,499	55				\$ 5,591	\$ 1,995	\$ (9,845)

Variations show deviations to plan, but also deviations from actuals

Topics To Cover

- Whats the End Goal 20 minutes
 - Inpatient, Outpatient Revenue Drivers & Correlations
 - The Solid Net Revenue Base
 - Payers and Methods of Reimbursement
 - Anomolies (Rev cycle projects, write-offs, stop loss/outliers, changed rates, etc)
- Forecasting Net Revenues 10 minutes
 - Math of the forecast
 - Stratajazz as a Tool
 - Precision v. Accuracy
- Revisiting Forecast Assumptions 10 minutes
 - Rate, Volume, Mix
- Observations, Q&A 10 minutes





Quality in Net Revenue Forecasting

(a VCU Health Acute Hospital Experience)

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