Seven Steps to take to Improve Profits

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Overview

- Today's presentation will be a "holistic shotgun" approach to provide ideas for improving your center's financial performance
- We'll discuss four main areas
  - Corporate formation / Ownership
  - Top Line Revenue Management
  - Business Office / RCM functions
  - Expense Management

Corporate Formation

- Operating Agreement
  - You can't do a good deal with a bad person; you can't do a good deal with a poor operating agreement
  - Critical Components
    - Non Compete
    - Defined buy in, buy out unit pricing (we prefer a multiple of earnings or EBITDA)
    - Well defined "triggering" events
    - Equitable board structure
  - Step One to improved / Sustained Profits: Clean up your Operating Agreement

Corporate Formation: Ownership

- What We've Seen on the Road
  - A small ASC is created by an individual surgeon; the surgeon recruits 3-4 additional surgeons---however, the ownership structure is 90% founder, 10%, all others; Occasionally, surgeons don't like to share---but that's a deal killer
  - SoCal metro market: Six small surgery centers in one strip mall complex; none are making money
- Step Two: Learn to share; consider a merger (or recapitalized partnership). Pigs get fed, Hogs get slaughtered

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Top Line Revenue Management

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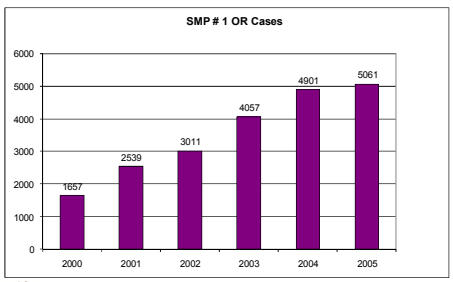
The Good Ole Days: A trip down memory lane



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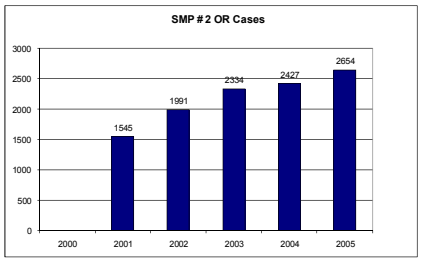
Memories: Like the corner of my mind



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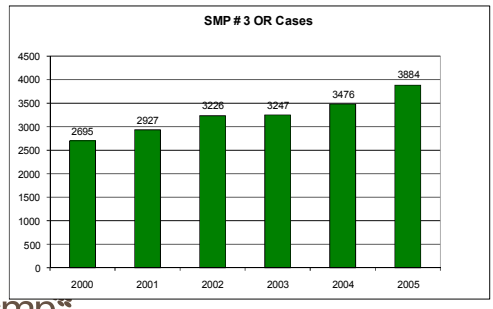
If dreams are like movies then memories are films about ghosts…..



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Here's a not so pleasant memory

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Interesting Times

- The "Great Recession" and Healthcare Reform have caused a nationwide decrease in physician visits and elective surgeries
- For the first time in my career, healthcare has NOT been recession proof…

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Interesting Times

- "The Republicans are not happy about the new healthcare bill. Senator John McCain told a radio show yesterday that there will be no cooperation from Republicans for the rest of the year. What a shame to see all that cooperating end." --Jimmy Kimmel

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The Present: Dark and Foreboding

SSH	Jan- Jun 2010	Jan – Jun 2009	Percent Change
1	787	817	(4%)
2	1,471	1,617	(9%)
3	4,863	4,777	2%
4	3,609	4,039	(11%)
TOTAL	10,730	11,250	(4.6%)

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The Present: Dark and Foreboding

ASC's	Jan- Jul 2010	Jan – Jul 2009	Percent Change
1	2,051	2,136	(4%)
2	2,651	2,452	12%
3	2,786	2,732	2%
4	2,423	2,090	16%
5	2,727	2,514	8%
6	1,417	1,608	(12%)
7	1,802	1,740	4%
TOTAL	15,857	15,272	3.6%

Interesting Times

- "I have been thinking about the healthcare problem and how to pay for healthcare. If you took all the money the Republicans have spent trying to stop healthcare and all the money Democrats have spent trying to get healthcare, we could afford healthcare." -- Jay Leno

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The best defense is a good offense?

- Volumes cure almost all woes
- Almost all businesses are a volume business
- Increased volumes equals increased profitability
- How do we increase volumes?
  - Relentless marketing attacks on surgeons!
    - New Docs
    - Are existing surgeons bringing EVERYTHING they can
    - Wine and dine the clinic schedulers (they're the ones in charge)
- Step 3: Do everything possible to increase volumes

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Revenue Cycle Management

- Components
  - Process and flow
  - Chargemaster
  - Coding
  - Managed Care Contracts

Process and Flow

- Many bottlenecks in the process
  - Docs don't dictate immediately
  - Transcription is behind
  - T&M ("implant") sheets not completed in a timely fashion
  - Poor documentation causing coding delays
  - Charts not assembled quickly

Benchmarks for RCM

- Days in A/R
- Days from discharge to dropped bill
- Percent A/R greater than 90 days
- Days from insurance payment to statement sent for self pay
- Denial rates

Chargemaster

- When was the last line by line review of the chargemaster performed?
  - Tales from the road
    - A center opened in 2004 and the chargemaster was not updated for five years
    - Certain charges were below Medicare rates
    - Charges below the Blue Cross reimbursement rates
    - No methodology for charges ("random"); we recommend a cost based or a multiple of Medicare reimbursement for charges

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Coding

- Most compliance plans recommend one internal and one external coding audit per year
  - What you may find
    - Incorrect modifiers
    - Incorrect CPT codes
    - Improper unbundling
    - Missing diagnosis codes
    - Overbilling, Underbilling
    - Lack of documentation
- We've only done one coding audit that received a score of 100%; and in that case, all 25 charts were incorrect

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Managed Care Contracts

- If you're a de novo center, you only have one chance to negotiate a good contract
- Out of Network vs. In Network analysis (volume vs. decreased reimbursement)
- Must have accurate case cost projections to help determine rates
- Negotiate the base rate plus:
  - Multiple Procedure Payments
  - Implant / high cost supply carve outs
  - Favorable claim lag denial provision (180 days vs 90)
- Sell your story; more efficient, less cost to pt., etc

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Revenue Cycle Mgmt Summary

- Step 3: Manage the process and flow of your business office (or your third party RCM Co.)
- Step 4: Engage one of the 50 firms at this conference to perform a chargemaster review and coding audit
- Step 5: Perform a detailed review of your managed care contracts

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Interesting Times

- "Well, today, President Obama signed the landmark health care reform bill into law, or as President Obama refers to it, 'The Rush Limbaugh Deportation Act.'" –Jay Leno

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Expense Management

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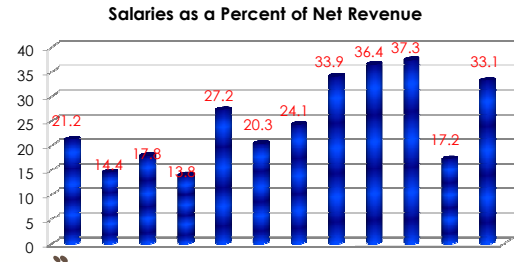
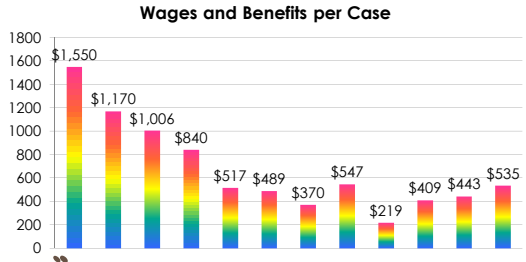
Staff (Salaries) Management



Staff (Salary) Management



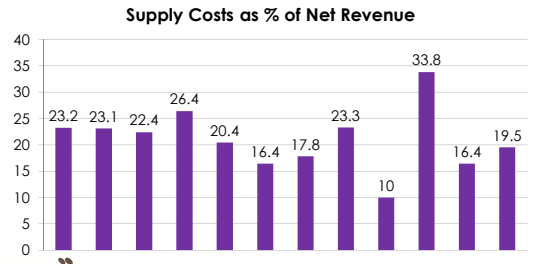
Wages and Benefit Strategies

- Step 6a: Pain Free Strategies
  - Shop your benefits
  - Consider offering an HSA
  - Micro Manage staffing every day
- Step 6b: No Pain No Gain
  - When staff are done for the day, move em on out!
  - Watch your ratios (hours per case, $ per case) and decrease staffing if necessary

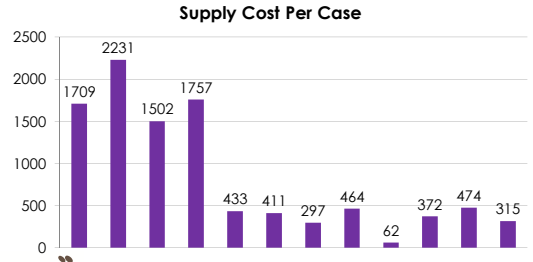
Interesting Times

- "President Obama says that Congress is very close to getting a new health care plan, but due to compromises, it 'won't include everything that everybody wants.' For instance, it covers everything except trips to the doctor or the hospital." –Conan O'Brien

Supply Costs



Supply Costs



Supply Cost Management

- Supply costs are a larger expense than salaries at several SMP facilities
- Concentrate on "low hanging fruit"; negotiate with the vendors you currently use to preserve surgeon choice
- If you're not in a GPO, join one
- Holy Grail? Standardization of hips, knees, shoulders, spine---won't happen everywhere
- Step 7: Ruthlessly negotiate your supply contracts

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Bonus Step: Step 8

- Preserve the culture
  - ASC's and Specialty Hospital's have traditionally been the best setting for surgery; lower costs, lower infection rates, higher patient satisfaction
- Why?
  - The "Three Legged Stool" culture
    - Staff is dedicated to improving the patient and surgeon experience
    - Surgeon's view staff as part of the team
    - The end result is satisfied surgeon's, satisfied employees, which leads to satisfied patients
- The most important step to success is Step 8

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Thank You!

- Questions?

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