



HEALTH DIMENSIONS GROUP

CASE STUDY

Operational & Financial Assessment

Background

A client with multiple locations in Texas, ranging in size from 70 to 100 units and offering transitional care, assisted living, and long- and short-term living options, contacted Health Dimensions Group (HDG) for an assessment of its skilled nursing operations to determine performance improvement opportunities in the following revenue and expense areas:

- Revenue/Revenue Cycle Management
- Validate overall revenue cycle/cash collection process, with an emphasis on Medicare and commercial payor billing and collections.

- Assess clinical reimbursement processes to ensure optimization of per diem patient day revenues.
- Review quality of managed care/third party contracts.
- Assess census/occupancy growth opportunities based on market demand.
- Expense Management
- Conduct a robust qualitative review of operational expenses.
- Provide a focused review on staffing plans in correlation to occupancy/patient acuity, overtime, and other premium payment practices.

Solution

In order to address the client's concerns, HDG implemented a four (4) phase approach to fully analyze and assess the potential opportunities.

Phase I - Benchmark Analysis

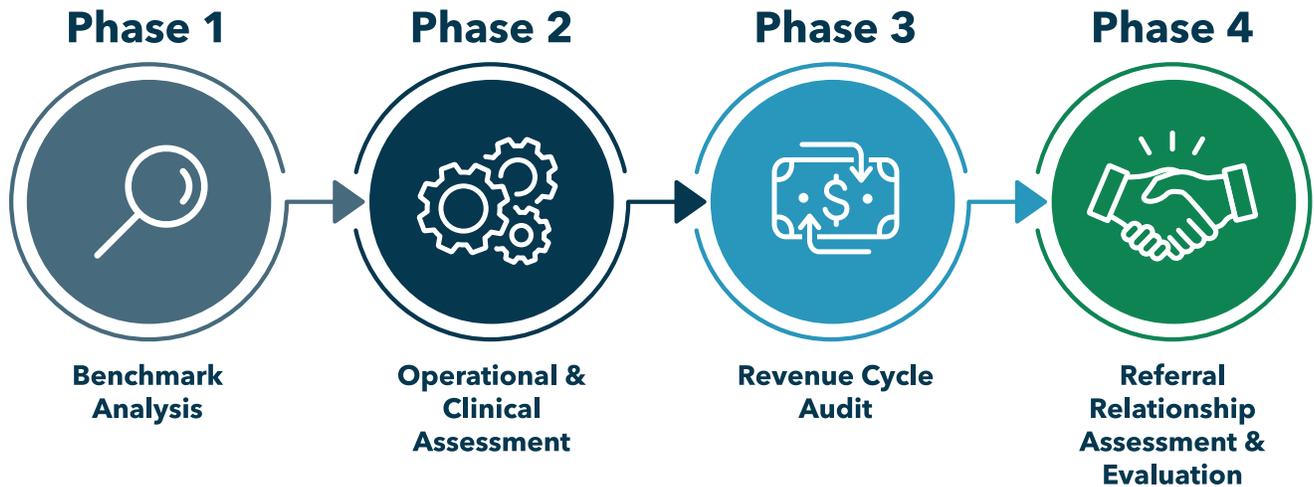
HDG initially conducted a benchmark analysis to help the client understand how they were performing in comparison to other providers providing similar short-term focused rehabilitation services. HDG used a mix of regional and national data to compare the revenue and expense considerations at each of the four communities that were part of the engagement. The benchmark analysis included a few key components, such as:

- Review of historical financial performance of transitional, short-stay services.
- Service components comparison of cost per resident per day and/or staffing hours per resident per day to similar facilities and HDG

proprietary benchmarks; the ancillary and support services assessment included:

- Benchmark operational performance
- Cost per resident per day
- Full-time equivalent (FTE) comparison
- Current service mix, including Medicare, managed care, and commercial insurance.

Based on the information obtained during this phase, HDG evaluated the current care center situation and identified areas of current competency along with any areas for improvement. For each area analyzed, HDG utilized the operational benchmarks, experience in the management of similar facilities, and local marketplace intelligence to determine the potential for care center expense reductions and revenue enhancements. Ultimately, a detailed summary, including recommendations and their potential financial impact on the care center, was advanced to the client.



Phase 2 - Operational and Clinical Assessment

HDG performed an operational assessment and clinical evaluation of each care center by exploring the operational workings of key service areas driving profitability. The assessment looked procedurally at the way in which services were delivered in order to determine the best course of action for desired efficiency. HDG’s assessment approach involved both on-site and off-site components.

The on-site audit included individual and group interviews with key management team members, medical directors, and department directors to verify information and ascertain how operations are impacted by current protocols and systems. In addition, the on-site review allowed the consultants to observe the provision of services and obtain an understanding of care center dynamics.

Within this phase, key factors that were assessed included:

- Historical financial performance for each care center at the overall organizational level and by functional area or department.
- Current organizational structure, operating practices across departments and functional areas, and collective impact of these behavior efficiencies.

- Interviews with key leadership to assess systems, perceived level of competencies, and organizational structure within the department and service line.
- Review of previous six months of quality improvement (QI) and quality measures (QM) reports to determine care center quality metrics.
- Staffing patterns and nursing organizational assessment.
- With respect to current state of health care reform, assess organizational and clinical readiness for value-based payment.
- Evaluation of staff awareness of clinical readiness and outcomes.
- Census, admission process and function, roles and tools to support census development, admission/continued stay criteria and efforts to optimize payor mix.
- Staffing patterns for departments compared with regional averages and HDG proprietary benchmarks; the nursing clinical assessment will include:
 - Clinical staffing patterns
 - Workflow analysis and job functions
 - Pay practice administration compared to best-in-class approaches
 - Administrative clinical support
 - EHR/IT adoption and deployment



- Benchmarking of key cost metrics relative to their transitional care delivery model (staffing, overtime, agency utilization).
- Review of recruitment/retention strategies.
- Relationship between care centers and referral sources, to include review of referring hospital geometric mean lengths of stay (pain points) to determine where additional service needs may exist.

Phase 3 - Revenue Cycle Audit

Concurrent with the operational assessment, HDG conducted a complete revenue cycle audit within each care center, focusing on opportunities for financial and operational improvement.

HDG's activities in the assessment included:

- Managed care contract review.
- Review of centralized billing office operations.
- Exploration of opportunities for rate optimization.
- Staff interviews on processes and understanding of those processes.
- Evaluation of internal changes made for capturing data for proper coding.
- Review of physician certification documentation, or substitute documentation, for compliance.

Phase 4 - Referral Relationship Assessment and Evaluation

HDG conducted interviews with case managers to assess strengths and weaknesses of hospital's current referral relationship with the client and determined if there were any delivery system reform activities (e.g., readmission reduction initiative, bundled payment) that the client could participate in.

Results

Our data analytics team developed a select group of comparable short-stay skilled nursing facilities (SNFs) in Texas to use as a peer group in a departmental cost per day benchmarking analysis. Additionally, HDG created a similar comparative analysis with this peer group focused on revenue and average peer group occupancy opportunities. The analysis revealed revenue and expense opportunity in excess of \$12M across the portfolio.

The HDG consulting team worked in collaboration with senior corporate leadership and on-site leaders on a detailed and comprehensive review of each operation in comparison to these identified benchmark variances. This collaborative approach assisted in clarifying any potential operational nuances, but ultimately it created a unified approach to best determining how to move current operations closer to the peer group benchmark norms.

Once there was alignment on optimizing internal operational opportunities, the focus then shifted to identifying referral and growth opportunities and removing any roadblocks that would impede future census growth recovery. Through the market and referral analysis component of our overall assessment, HDG identified that the client was operating between 15% to 20% below the occupancy thresholds of other like providers. HDG identified both internal and external factors that were contributing to this occupancy variance and outlined a series of key action steps to assist the client in moving their operations towards the occupancy outcomes being realized by their peer groups.

Given the short-term rehabilitation focus of these communities, considerable time and attention went into reviewing all ancillary related considerations. This review included those



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services being provided internally and those being provided in partnership with third-party relationships. Through this analysis, HDG was able to identify contractual and programmatic opportunities that resulted in considerable cost savings opportunities for the client.

In addition to the site-specific analysis, HDG was also asked to conduct an in-depth analysis of the home office and the provision of services being provided to the four communities. HDG worked in unison with current ownership and executive leadership on this in-depth review. Through this effort, HDG advanced a myriad of suggestions and opportunities to reformulate the size and scale of the home office while ensuring the necessary provision of support and services to the managed communities.

This type of project highlighted the total solutions approach and collaborative manner in which HDG goes about projects of this nature. HDG worked in unison with ownership, financial partners, executive, and local leadership to ensure alignment and clarity during this robust and comprehensive undertaking. We were successful in using data and quantifiable metrics to establish the basis for our quantitative review and analysis and assisted the client in understanding the opportunities they had compared to other like organizations. Ultimately, HDG sought to understand any potential reasons for certain variances or operational nuances, focused collaboratively on the specific steps it would take to yield better quantitative outcomes, and ensured the client was able to continue providing high quality care and service.

About Health Dimensions Group

Minneapolis-based HDG is a leading consulting and management firm, providing services to post-acute, long-term care, and senior living providers, as well as hospitals and health systems across the nation. HDG has been serving health care organizations for more than 20 years with a firm commitment to its values of hospitality, stewardship, integrity, respect, and humor.

If you'd like to learn more about our operational and financial performance assessment services, please contact us at info@hdgi1.com or call us at 763.537.5700.