HCBS BUSINESS ACUMEN CENTER

GROWTH AND DEVELOPMENT: CAPITALIZE ON NEW BUSINESS OPPORTUNITIES

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NASUAD
National Association of States United for Aging and Disabilities

Welcome and Introductions

HCBS BUSINESS ACUMEN CENTER

Brian O'Reilly, CPA

Partner

New York Office 212.867.4000

Boreilly@BKD.com

Koy Dever

Principal

New York Office 212.867.4000

Kdever@BKD.com

New Business Opportunities and the Changing Environment

1. Is my CBO ready for change?
2. Assessing & Monitoring Fiscal Health
3. Contracting 101

Disrupter or Disruptee

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- Current business environment
  - State of Constant change
  - Organizations cannot simply stand still
  - Disruption is inevitable, even for CBOs
  - Unanticipated Disruption can be life threatening
  - Organizations need to prepare for anticipated and unanticipated changes

Disrupter or Disruptee

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- Disruptions for CBOs
  - Changes in funding streams
  - Changes in funding methodologies
  - Changes in program models
  - Changes in payers
  - Implementation of Value Based Payments
  - Move to Managed Care

Disrupter or Disruptee

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- Organizations should look to be the disrupters
- Looking for new business opportunities
- Looking for potential Collaborative Partners
- Disruption Requires organizations to understand
  - Payer sources and their impacts
  - Their cost to provide services
  - Their current financial position
  - Their value proposition & how to market themselves
- Environmental Scan / SWOT Analysis

Potential Payers and Partners

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- CBOs have an array of potential revenue streams
  - Medicaid
  - State or local Government organizations
  - Private Insurance
  - Health systems
  - Private pay
  - Third party contracts
  - ACOs & Managed Care Organizations
- Multiple Payers
  - Different billing/documentation requirements
  - Delays in payments and potential increase in bad debts

Reimbursement

- Different types of funding
  - Fee for service
  - Contract
  - Pay for performance
  - Capitation
  - Value Based Payments
- Each Impacts how you operate your programs

Determine Cost of Providing Service

- Cost per individual served
  - Fixed and variable cost
  - Acuity levels
- Direct Care and Clinical Staffing
- Support functions
- Occupancy Costs
- Administration
- Other Unique costs of care

Assess Fiscal Health

How is Financial Viability Measured?

- Profitability
- Liquidity
- Financial statement
- Cash versus accrual basis
  - Cash Management
  - Cash Reserves

Profitability

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- Bottom line surplus/losses
  - Includes contributions & invest income
  - Unpredictable nature of these items
- Operating surplus/losses
  - S/L from operating your programs
  - More often losses
- Multi-year review and trend
  - One years loss is not necessarily a problem
  - Multi-year losses and trends downward
- Profit margin
  - Net income as a % of revenue

Liquidity and Cash Reserves

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Liquidity Ratios

- Current Ratio
- Primary Reserve Days
- Days in Reserve
- Days in Account Receivable

Cash Reserves

- Unrestricted cash on hand
- Lines of Credit
  - Minimum of three months of operations

Monitor Fiscal Health

Ongoing Financial Reporting

- Budget vs. Actual
  - Managing within a budget
  - Tracking financial health
  - Cost Accounting
    - Allocations
    - Grant Reporting
- Tracking Key Statistics - Dashboards
  - Staffing
  - Utilization
  - Outcome measures
  - Liquidity ratios

Develop Your Value Proposition & Marketing Your Services

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- Develop your value proposition
  - Organization's Mission
  - Market position
  - What you are good at
  - What is needed
- Getting in the door - Marketing and outreach
  - Network participation
  - Competition
  - Continuum of Care
  - High Quality Performance ratings

Collaborative Partners

- …can add to the value proposition
- Working with others
- Vertical vs. Lateral collaborations
- Back office collaboration
  - Business Services
  - Technology
- Mergers and affiliations

Contracting

- Cover letter explaining the MCO expansion
- Base agreement
  - Definitions
  - Terms & Conditions
  - Regulatory requirements and standard clauses
  - Signature pages
- Appendices
  - Lines of business of MCO
  - Service descriptions
  - Payment / rates
- Credentialing package
- Provider Manual

Key Contract/Provider Manual Provisions

- Provider responsibilities
  - Licensure and compliance
  - Insurance
  - Participation in MCO care management
  - Participation in Quality and Performance Improvement and vendor oversight
  - Compliance with MCO policies and procedures
- Compensation & Billing
  - Prior Authorization requirements
  - Payment terms / prompt payment compliance
  - Coordination of benefits
  - Claims submission timeframes
  - Denial timeframes
  - Appeals & Grievances

Key Contract/Provider Manual Provisions

- Other Terms
  - Contract Term
  - Renewal and termination provisions
  - Arbitration & Dispute resolution
  - Indemnification
- Provider specific
  - Service Description
  - Rates of Payment/Alternative Payment arrangements

Things to Consider

- Contract tracking and administration
- Compliance with contract commitments
- System requirements
  - Coverage and service authorizations
  - Timely billing requirements (including proof of timely billing)
  - Timely AR follow-up
- Potential impact on cash flow
- Impact on potential strategy and partnerships

Payment Model Concepts

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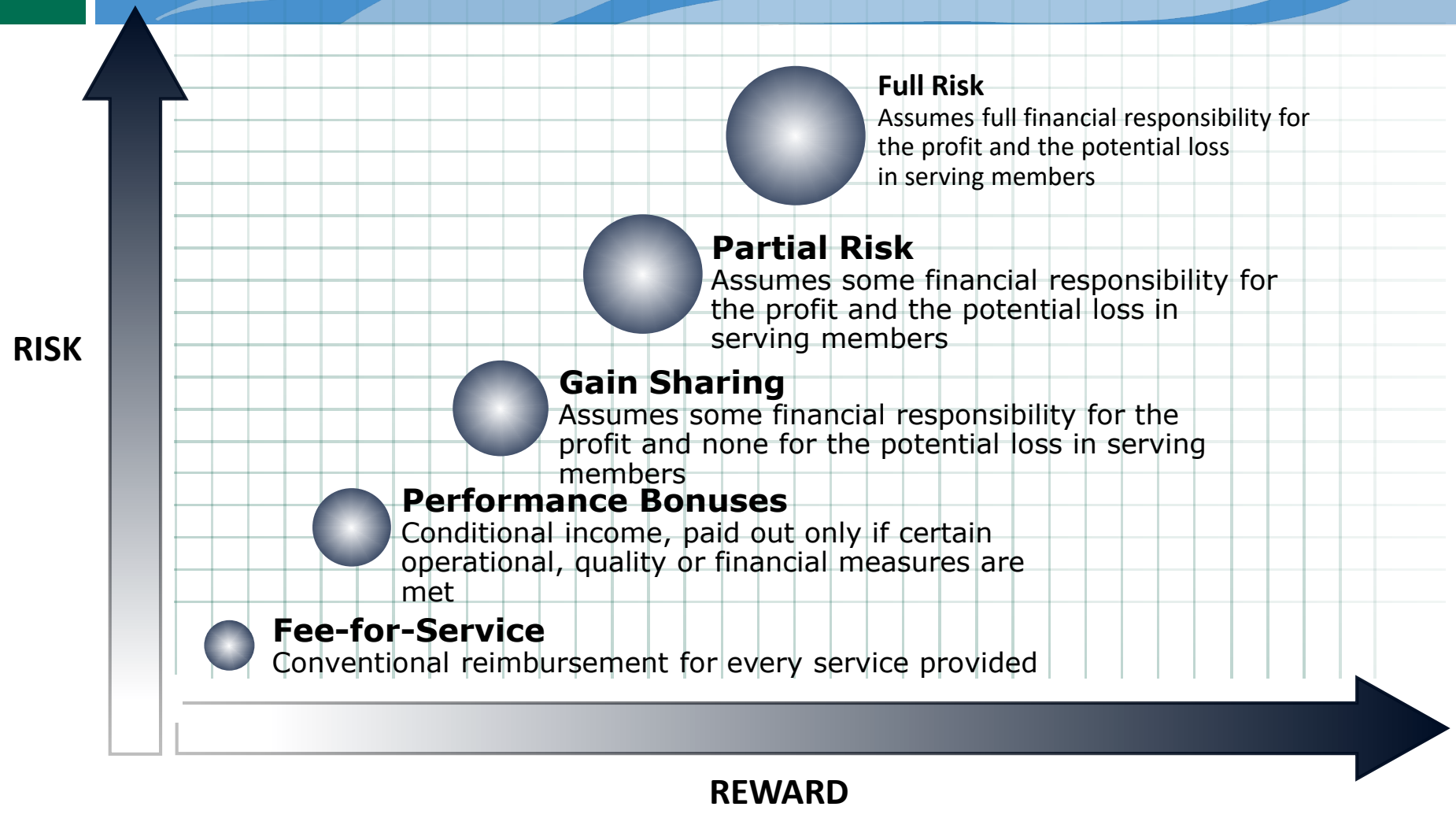

Managed Care Contracting

Managed Care Organizations

- Require State and Federal Licenses
- Are highly regulated and held to financial solvency, operational and administrative, quality and compliance standards according to the applicable contracts with regulators
- Are required to maintain a provider network through written agreements (contracts or single case agreements)
- Must maintain provider networks that meet adequacy and access standards, determined by the regulating agency

Managed Care Contracting

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- As States and CMS "carve-in" benefits into managed care, MCO's will need to expand their provider networks
- For example:
  - Medicare Advantage Plans have the ability to add supplemental benefits
  - States are adding previously excluded populations / benefits into managed care such as:
    - Individuals requiring long term services and supports
    - HCBS waivered services
- CBO contracts will increase in popularity as the impact of "social determinants of heath" are better understood and integrated in health care and managed care
- Typically a fully contracted, credentialed and adequate network is required before final regulatory approval is granted

Things to consider

- Stay informed about payment reform initiatives in your State
- Clarify / designate point people - Who is responsible for contract review at your organization, what are your internal approval procedures, how will the team be informed / educated about contract requirements
- You can provide feedback / ask questions/ request contract changes
  - Make sure the service descriptions are clear and consistent with your program design
  - Clarify service and fee/ rate inclusions and exclusions
  - How will rate updates be handled
- Your state has claims submission timeframes and prompt payment regulations. Usually an MCO has to comply with these unless the provider agrees to different language. Know your State regulations, if the contract has different language that is not in your favor you can request a change consistent with existing protections

Thank You!

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FOR MORE INFORMATION, PLEASE VISIT:

www.hcbsbusinessacumen.org

E-mail: businessacumen@nasuad.org

Or Call: 202.898.2583

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