

Session #304-Know Your Costs – Healthcare Reform Demands It!

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Outline

- Know Your Costs Under Value Based Purchasing
- History of Cost Tracking in Long-term Care
- Cost Tracking in Manufacturing
- Are We There?
 - New Cost Tracking Tools and Technologies
- Best Cost Tracking Practices in the Future
- Provider's Perspective on Value Based Purchasing

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Medicare ACO Requirements-Under Value Based Purchasing

Requirements:

- Accountable for quality, cost, and care
- Legal structure to receive/distribute incentives
- Sufficiency of PCPs to accept a minimum of 5,000
- Promote evidence-based medicine and patient engagement
- Patient-centered care processes
- Leadership and management structure
- Report on quality measures and other performance data
- Three-year agreement

Payment Structure = Medicare FFS + Shared Savings

- Per beneficiary **cost benchmark** established annually by CMS
 - Risk adjusted
- Must meet both cost and quality performance goals to be eligible for Shared Savings

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HISTORY OF COST TRACKING

1970'S

- Nursing Homes dominated senior living and there was very little senior housing, home health, and Foundations so we only needed to track costs for one business line and business was not commingled.
- Rule 49 Reimbursement was Based on Historical Costs Plus Budgeted Changes and "Known Cost Increases"

Example: 1978 Property Insurance Expense \$10,000
1979 Increase 10%
Reimbursement for 1979 = \$11,000 and
no Allocation to Other Operations

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HISTORY OF COST TRACKING

1980's

- More Diversification – Medicare Distinct Units, Housing, Day Care, Home Health, Foundations
- Rule 50 Reimbursement was Based on Costs Plus Inflation

Example: 1986 Property Insurance Expense \$10,000
Inflation 3.3%, Reimbursement for 1987 –
1988 = \$10,330


Plus: Direct Identification of Expenses to Other Operations,
Allocations of Costs to Non-Nursing Home Operations, Higher
Costs to MC Distinct Units, Time Studies, Central Office Costs

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HISTORY OF COST TRACKING

1990'S

- Diversified Campuses and Operations, Down-sizing of Nursing Homes (Space Used for Other Purposes)
- Medicare PPS, Alternative Payment System (APS) Frozen Rates Plus Inflation
- Cost Tracking Still Required for Cost Reporting and Internal Purposes, but not Important for Reimbursement

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UNIVERSAL WORKERS

"Care Center of the Future" will have Universal Workers that go beyond today's understanding of Universal workers!

Currently

- No Implications for Medicare Cost Report and very few implications for Medicaid Cost Report (Report any CNA's as CNA on Cost Report for Costs and Retention Data)

- Use Time Studies or Other Historical Basis for any Internal Allocations if Desired.

How will we track universal worker costs by specialty area or patient in the future?

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Manufacturing Cost Tracking

Components of Cost

- Material/Supplies
- Direct Labor to produce item
- Overhead

Tracking Methods

- Actual Cost
- Standard Cost
- Activity-Based Cost

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Manufacturing Cost Tracking

Actual Cost

- Purchase orders placed for specific work order/job
- Labor posted to each work order/job
- Overhead is applied to each work order/job
- Used in "job" shops and small production facilities

Standard Cost

- Material cost based on a standard "static" cost
- Labor is estimated at a standard rate and amount of time
- Overhead is applied at a standard rate based on hours
- Variances tracked
- Used in larger production facilities
- Activity Based Cost
- A hybrid of standard cost
- Material cost based on a standard "static" cost
- Labor is estimated at a standard rate and amount of time
- Overhead is applied using multiple factors
 - Hours
 - Number of purchase orders issued
 - Number of receiving transactions completed
 - Number of work orders issued
- Used in larger production facilities

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Current Situation

Current

- Diversified Campuses and Operations
- Reimbursement Frozen or Decreasing
- Cost Tracking Still Required for Cost Reporting and Internal Purposes, but not Important for Reimbursement

HOW WILL WE TRACK COSTS TO MAKE INFORMED DECISIONS RELATED TO BUNDLED PAYMENTS AND DO MANUFACTURING COST TRACKING PRINCIPLES APPLY?

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What Do We Need to Track Under Payment Reform?

Tracking Systems - Are We There?

<p>Financial Management</p> <ul style="list-style-type: none"> Cost tracking by <ul style="list-style-type: none"> - Specialty Unit - Patient - Payor - Condition 	<p>Clinical Management</p> <ul style="list-style-type: none"> Electronic Health Record Quality Measures <ul style="list-style-type: none"> - Readmissions - Patient Outcomes - Chronic Disease - Acquired Conditions - Medication Errors
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Many Long Term Care Facilities have purchased EHR-based systems in the last 4 years.

What percentage of the providers are using at least 50% of the EHR capability?

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Tracking Costs-Allocation Methods


ALLOCATION BASIS	NCC	Marion	NPV-W	NPV-E	ECL	SVS	CVS	NWP	Total
UNITS	42 22%	0 0%	61 28%	44 23%	12 6%	13 7%	22 11%	10 5%	194 100%
MEALS	30,081 30%	- 0%	7,362 7%	31,338 31%	7,873 8%	3,645 4%	15,063 15%	6,570 6%	101,932 100%
SQ FOOTAGE	56,273 21%	60,312 23%	66,516 25%	48,180 18%	7,095 3%	3,191 1%	10,500 4%	9,916 4%	261,983 100%
EMPLOYEES	74 42%	2 1%	58 33%	- 0%	11 6%	5 3%	22 12%	6 3%	178 100%
VAN TRIPS	52 11%	82 18%	140 31%	138 30%	6 1%	3 1%	28 6%	10 2%	457 100%
RESIDENT REVENUE \$	2,000,000 44%	\$ 500,000 11%	\$ 500,000 11%	\$ 500,000 11%	\$ 200,000 4%	\$ 250,000 6%	\$ 300,000 7%	\$ 250,000 6%	4,500,000 100%
# OF COMPUTERS	19 49%	1 3%	13 33%	0 0%	1 3%	1 3%	2 5%	2 5%	39 100%

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Tracking Costs-Allocation Methods

Allocations of Management Fee


CEO, Administration	Resident revenue
Cont Ed, Board, Future Develop, Dues, Employee, misc off	Units
Finance Department	Resident revenue
Human Resources	Employees
Chaplain	Units
Parish Nurse	Units
Volunteer	Units
Maintenance	SQ footage
IT Services	Computers
Food Service Provider	Meals
Grounds Upkeep	SQ footage
Van	Van trips

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Tools and Technology Used to Track Costs


Technology

- iPad - bedside assessments
- Skype
- Satellite based tracking - Home Health Providers
- Physician/specialist consult/diagnosis (like remote ICU)
- Barcode and scanner devices-supplies
- Timeclocks that use proximity cards located in each specialty unit or patient location
- Web-based clinical software-remote access for discharge planners, physicians, nurse practitioners, case managers
- Resident sensor technology-change in condition
- Portable Handheld (e.g., Blackberry, Palm, iPhone) track and communicate resident condition

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Where Are Costs First identified ?

- Nursing Units
- Patient
- Resident Rooms
- Kitchens and Dining Areas
- Central Supply/Supply Closets/Receiving Docks
- Point of Service - Home Health
- Other Ideas?

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Things to Consider

- Staff Skills
 - Technologically Savvy
 - Responsive and Creative
 - Ability to Convert Data to Knowledge
 - Ability to Combine and Sort Large Amounts of Data
- Network Capability
- Limited Capital Resources

Do we convert existing positions and re-train staff or is there an entirely new organizational structure with different skill sets and positions?

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Best Practices

- Cost data captured at occurrence (not commingled and allocated)
- Single source of cost data
- Easily shared and understood
- Simplicity in Tracking Tools
- Credible and Reliable

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How do Providers See Cost Tracking Requirements Today and in the Future?

- Costs Today
 - Campus-wide measurements
 - ◊ Per resident day identified by department
 - ◊ Per square foot
 - ◊ Per Meal
 - ◊ Per Hour
- Costs in the Future
 - Seamless integrated systems that track labor, supplies, meals, and other direct costs by patient, specialty unit, care level or location shared through health networks.


What will it take to make this happen?

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Provider Perspective

- Stand Alone and No ACO Affiliation

- ACO Affiliated

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Questions?

Thank You!

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