1. SWOT analysis of the Hospice Program
2. Value Based Capability Sets
3. How to Succeed in the New Environment
4. Ingredients for Success
5. Hospice Benchmarks
6. Revenue Enhancement Case Study
5. Questions
HOSPICE LANDSCAPE

Hospital & Payers

Sequestration

CMS Final Rule

HOSPICE

ACA

Aging Workforce

Regulatory Scrutiny
STRENGTHS

• Low Cost Solution to End Of Life Care
• Bundled Payment System
• Dedicated/Caring Providers of Care
• Reduce Hospital Death Rate
• Prevent both Hospitalizations and re–hospitalizations
• Take Care the Acute Care Population
• Pain Management
WEAKNESSES

• Lack of Capital for Expansion
• Succession Planning
• Physician Understanding and Involvement
• Minimum Reimbursement for Palliative Care
• Length of Stay
• Marketing/Sales
THREATS

• Unbundled Current Payment Model
• Financial Stability
• Aging Workforce
• Being Independent
• Regulatory Scrutiny
• Competition
  → Large Chains
  → ACO’S
  → Long Term Care
  → Payers
“Vision is not the ability to foretell the future - no one can. Vision is to see an opportunity in the current circumstances and jump on it.”

Rick Warren
OPPORTUNITIES

• Palliative Care
  → Non Regulated
  → Case Management Model

• Alliances
  → Contract vs. Owned
  → Long Term Care
  → ACO’S
    • Health Systems
    • Physician Groups
    • Payers

• Growth
  → Aging Population
OPPORTUNITIES

• New Payment Model
  → Short versus Long Length of Stays
  → Modeling Impact on Hospice
VALUE BASED CAPABILITY SETS
FOR PRE & POST ACUTE CARE

• Quality, Quality, Quality
• Financial Stability & Reporting
• Care Coordination
• Community Provider Collaboration
• Advanced IT Solutions
• Valued Based Purchasing
• Population Health Management
• Chronic Care Management
SELF ASSESSMENT OF YOUR HOSPICE AGENCY WHEN LOOKING INTO THE FUTURE
SELF ASSESSMENT OF YOUR AGENCY

• STEPS THAT SHOULD BE TAKEN IN ASSESSING YOUR AGENCY:

1. LOOK INTO THE FUTURE (5 YEARS) ON BOTH A FEDERAL AND STATE LEVEL
2. DETERMINE THE IMPACT BOTH OPERATIONALLY AND FINANCIALLY ON THE AGENCY
3. ASSESS YOUR POSITION IN THE MARKET PLACE
   ✓ COMPETITION
   ✓ REFERRAL SOURCES
   ✓ MARKET SHARE
4. DEVELOP A BUSINESS PLAN TO ACHIEVE BEST PRACTICES AND POSITION THE AGENCY FOR THE FUTURE
ASSESSMENT OF YOUR AGENCY

• STEPS THAT SHOULD BE TAKEN IN ASSESSING THEIR AGENCY:

5. INCLUDE BOARD OF DIRECTORS OR INVESTORS IN THE PLANNING PROCESS
6. DETERMINE SHORT TERM VS. LONG TERM OBJECTIVES (PRIORITIZE)
7. DETERMINE AMOUNT AND SOURCE OF CAPITAL REQUIRED TO MEET YOUR OBJECTIVES
8. CALCULATE RETURN ON INVESTMENT
THE NEXT FIVE YEARS

COST EFFICIENT Hospice PROGRAMS

—It is anticipated that Operating costs will need to be reduced by up to 10 to 20 percent in most organizations in the next 3 to 5 years

• YOU MAY NEED TO MAKE SOME HARD DECISIONS

• THINK OUT OF THE BOX AND BE OPEN MINDED
THE FUTURE

FINANCIAL VIABILITY
INGREDIENTS FOR SUCCESS

• STRATEGIC INITIATIVES FOR SURVIVAL:
  → Develop Key Performance Indicators that drive Best Practices.
    ❖ ALOS, Cost Per Day, ADC ETC.
  → Demonstrate and Measure Value that Hospice bring to the Health System and or Payers.
    ❖ Re-hospitalizations, Death Rate, Hospitalizations
  → Capture data necessary to quantify value added and to effectively manage the Agency.
    ❖ Cost Savings
INGREDIENTS FOR SUCCESS

• STRATEGIC INITIATIVES FOR SURVIVAL:

→ Access to Capital to invest in technology, expansion of services and growth.
  ❖ Fund Development – Non Profits

→ Strong Quality Measures and Outcomes.

→ Smart Growth - Increase Volume that produces a positive Gross Profit Margin and contributes to Overhead.

→ Grow Market Share through Strategic Alliances or Acquisitions.

→ Measuring Return on Investment from new services and programs.
INGREDIENTS FOR SUCCESS

•  STRATEGIC INITIATIVES FOR SURVIVAL :

  → Willingness to enter into risk sharing arrangements.
  → You must know your costs.
  → Evaluate Infrastructure and service delivery systems to reduce costs.
  → Generate or Maintain profits from Medicare.
INGREDIENTS FOR SUCCESS

• The Key Attributes for Hospice are the ability to increase overall quality, to streamline access, demonstrate efficiency and effectiveness and the willingness to collaborate during the formative stages.
The future depends on what we do in the present.

Mahatma Gandhi
QUESTIONS YOU NEED TO ASK YOURSELF

1. Am I as a provider going to be Inside Looking out or Outside Looking in?

2. Will I be part of the team and be a player in the Post Acute Care Continuum?

3. What are my options:
   - Stay Independent
   - Preferred Provider
   - Affiliate with the system
   - Niche Provider
   - Independent outside Contractor
4. What are the Risks Either Way?:

- Do nothing and watch my revenue/census drop and cannot support overhead. Need to downsize.
- Become part of the system but are not paid appropriately for the value you bring. And therefore have negative margins in a bundled/risk based system. Need to quantify that value.

5. Can I partner with other Providers?

6. What are the ACO’s and Payers looking for?
7. What do I need to do as an Agency to demonstrate that I bring value?

8. Do I have the resources and business plan to succeed?
THEN COUNT YOUR MONEY
FINANCIAL BENCHMARKING: MAKING DOLLARS OUT OF CENTS
• Benchmarks/ Competitor Comparisons

→ Location
  • National
  • Medicare Region
  • State
  • Rural or Urban

→ Agency Types
  • Profit Status
  • Affiliation (Hospital Based/Free Standing)
  • Inpatient Facilities
BENCHMARK SELECTION

• FIRST...PRIORITIZE what you are evaluating
  → There must be a significant business reason for each metric and benchmark you use.
  → Your data should not be one person's responsibility but a group effort!
  → Get consensus from:
    • Executive Management
    • Financial Directors
    • Clinical Directors
    • Board of Directors
  → Address question and concerns ahead of time.
  → Plan to prepared!
WHAT ARE MY DRIVERS?

• What drives your processes?

→ Revenue
  • Hospice- Census, Length of Stay, Level of Care

→ Costs
  • Productivity, Staffing, Visits, Days

→ Cash
  • Intake, Documentation, Billing, Investments
TEAM STRUCTURE – HOSPICE

• **Staffing Metrics**
  - **Hospice Manager**
    - 1 FTE/hospice provider
  - **Team Leader**
    - 1 FTE/team (70-125 patients)
  - **Scheduler/Office Assistant**
    - 1 FTE/team
  - **Volunteer Coordinator**
    - 0.5 FTE/60-80 patients
  - **Skilled Services**
    - SN: 1 FTE/10-13 patients
    - MSW: 1 FTE/25-30 patients
    - Chaplain: 1 FTE/25-50 patients
• What makes us different?
  → Geography?
  → Payer Mix?
  → Acuity?
  → Cost Structure?
  → Revenue Size?
  → Profit Status?
  → Business Lines?
  → Staffing?
  → Operations?
  → Inpatient Facility
• Financial Monitor Data as of June 30th 2015:
  → National Gross Margin – 45%
  → Gross Margin by Payer

- Medicare: 44%
- Medicaid (any): 50%
- Other: 40%
### HOSPICE COST PER DAY BY LEVEL OF CARE

<table>
<thead>
<tr>
<th>Discipline</th>
<th>National</th>
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</thead>
<tbody>
<tr>
<td>Total Direct</td>
<td>$98</td>
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<tr>
<td>Routine Day</td>
<td>$85</td>
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<tr>
<td>General Inpatient</td>
<td>$669</td>
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<tr>
<td>Respite Inpatient</td>
<td>$160</td>
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<tr>
<td>Continuous Care (Hour)</td>
<td>$170</td>
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<tr>
<td>Indirect Cost Per Day</td>
<td>$66</td>
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</table>
# DIRECT COST PER VISIT - HOSPICE

<table>
<thead>
<tr>
<th>Discipline</th>
<th>National</th>
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<tbody>
<tr>
<td>Registered Nurse</td>
<td>$129</td>
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<tr>
<td>Licensed Practicing Nurse</td>
<td>$112</td>
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<tr>
<td>Therapy</td>
<td>$115</td>
</tr>
<tr>
<td>Medical Social Worker</td>
<td>$127</td>
</tr>
<tr>
<td>Home Health Aide</td>
<td>$36</td>
</tr>
<tr>
<td>Spiritual</td>
<td>$101</td>
</tr>
<tr>
<td>Volunteer Coordinator (Per Day)</td>
<td>$1.95</td>
</tr>
<tr>
<td>Bereavement (Per Day)</td>
<td>$2.95</td>
</tr>
<tr>
<td>Physician Fees as % of Revenue</td>
<td>2.86%</td>
</tr>
</tbody>
</table>
# CASE LOAD - HOSPICE

<table>
<thead>
<tr>
<th>Discipline</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Nurse</td>
<td>12 patients per RN Case Manager</td>
</tr>
<tr>
<td>Medical Social Worker</td>
<td>29 Patients per MSW</td>
</tr>
<tr>
<td>Home Health Aide</td>
<td>17 Patients per HHA</td>
</tr>
</tbody>
</table>
EXAMPLE OF COST SAVINGS USING METRICS

• Adjust Current Caseload to National Benchmark of 12:

• Current Case Manager staffing:

  → ADC 150
  → RN Case manager FTE’s 16
  → Average Caseload 9.4

  Current Caseload 16 – (ADC 150/12=12.5) =

  3.5 decrease in FTE’S.

  3.5X $75,000 = 262,500 X 1.22 = $320,250 cost savings.

  OR
Using the same scenario this hospice would have the opportunity to increase their Average Daily Census from 150 to 192.

\[\text{Caseload } 12 \times 16 \text{ FTE’S } = 192 \text{ ADC}\]

This would be the better of the two alternatives if it can be achieved.
## ANCILLARY COST PER DAY - HOSPICE

<table>
<thead>
<tr>
<th>Ancillary</th>
<th>National</th>
</tr>
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<tbody>
<tr>
<td>Total In Home Cost Per Day</td>
<td>$22</td>
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<tr>
<td>Medical Supplies</td>
<td>$4.32</td>
</tr>
<tr>
<td>DME</td>
<td>$7.92</td>
</tr>
<tr>
<td>Drugs &amp; Infusion</td>
<td>$8.28</td>
</tr>
<tr>
<td>Other</td>
<td>$1.48</td>
</tr>
</tbody>
</table>
HOSPICE

• Length of Stay
  → Average – 47
  → Median -15

• Percentage of Live Discharges
  → 18%

• Days by Level of Care
  → Routine – 96%
  → Respite – 1%
  → GIP -2%
  → Continuous – 1%
**NET MARGIN**

- **Hospice**
  - **National – Overall – 8.16%**
  - **By Payer:**

![Graph showing margin by payer]

- Medicare: 9.12%
- Medicaid: 4%
- Other: 4%
TOTAL INDIRECT COSTS

- Hospice

- Cost as a % of Total Revenue

- Total = 36% of Revenue
  - Salaries – 15%
  - Benefits – 3%
  - Other Admin – 18%
• National Benchmark – 7.79% of Total Revenue
  → Supervisors must hold clinicians accountable to productivity standards
  → Coordinators must schedule staff to be efficient to achieve productivity measures
  → Support staff must assist with any field issues
  → QI must ensure that clinicians and staff are compliant with all rules and regulations.
→ Billing/Finance Department
  – National – 2.01%
    • Review days sales outstanding
      – Hospice DSO – 48
        – Review bad debt as a % of revenue (.50%)
    • Ensure all claims are sent electronically (non-Medicare as well)
    • Evaluate staff – do you have the right person for the job?
    • No other task – just collections
HOSPICE REVENUE GROWTH
CASE STUDY
CONVERSION RATES

- Conversion Rates by Referral Source:

<table>
<thead>
<tr>
<th></th>
<th>Hospitals</th>
<th>Physicians</th>
<th>SKNF</th>
<th>HH</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>80%</td>
<td>83%</td>
<td>87%</td>
<td>85%</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>80%</td>
<td>82%</td>
<td>91%</td>
<td>85%</td>
</tr>
<tr>
<td>Regional</td>
<td>81%</td>
<td>87%</td>
<td>100%</td>
<td>93%</td>
</tr>
</tbody>
</table>
HOSPICE REVENUE OPPORTUNITIES
CASE STUDY

• Hospice: Revenue Assumptions
  • Referrals Internal & External
  • Referral to Admission Conversion Rate
  • Assumptions:
    • Internal:
      • 75% Conversion Rate
      • 40 referrals/30 admits per month
      • Existing VNA Admissions – 8 Net Increase 22
    • External:
      • Improve conversion rate 5% every 6 months from 60% to 75%
      • 18 Months = 701 new admits
    • RN Case Managers Caseload = 12.5
    • Hospice overstaffed had capacity to take on additional census
    • Included all direct cost related to new revenue (direct salaries, ancillaries, mileage, etc.)
    • ALOS 35
    • Average Revenue per day $170.32 (net of sequestration)
### Hospice Revenue Opportunities

#### 18 Month Revenue Growth

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Census</strong></td>
<td>115</td>
<td>115</td>
<td>115</td>
<td>115</td>
<td>115</td>
<td>115</td>
<td>46</td>
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<tr>
<td><strong>Existing VNA Admissions</strong></td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>46</td>
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<tr>
<td><strong>New VNA Referrals</strong></td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>172</td>
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<tr>
<td><strong>Projected Conversion Ratio</strong></td>
<td></td>
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<tr>
<td><strong>New Admits from VNA</strong></td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>129</td>
</tr>
<tr>
<td><strong>Total New Days</strong></td>
<td>753</td>
<td>753</td>
<td>753</td>
<td>753</td>
<td>753</td>
<td>753</td>
<td>4515</td>
</tr>
<tr>
<td><strong>New Daily Census</strong></td>
<td>137</td>
<td>137</td>
<td>137</td>
<td>137</td>
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</tr>
<tr>
<td><strong>Case Load Per RN Manager</strong></td>
<td>11.4</td>
<td>11.4</td>
<td>11.4</td>
<td>11.4</td>
<td>11.4</td>
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<tr>
<td><strong>Total New VNA Revenue</strong></td>
<td>$ 128,165.80</td>
<td>$ 128,165.80</td>
<td>$ 128,165.80</td>
<td>$ 128,165.80</td>
<td>$ 128,165.80</td>
<td>$ 128,165.80</td>
<td>$ 768,994.80</td>
</tr>
<tr>
<td><strong>Total New Ancillary Cost</strong></td>
<td>$ 19,632.73</td>
<td>$ 19,632.73</td>
<td>$ 19,632.73</td>
<td>$ 19,632.73</td>
<td>$ 19,632.73</td>
<td>$ 19,632.73</td>
<td>$ 117,796.35</td>
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<tr>
<td><strong>Total New Mileage Costs</strong></td>
<td>$ 1,655.50</td>
<td>$ 1,655.50</td>
<td>$ 1,655.50</td>
<td>$ 1,655.50</td>
<td>$ 1,655.50</td>
<td>$ 1,655.50</td>
<td>$ 9,933.00</td>
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<tr>
<td><strong>New Days</strong></td>
<td>753</td>
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<td>4515</td>
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<td>April</td>
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<td>June</td>
<td>July</td>
<td>August</td>
<td>September</td>
<td>Total 2015</td>
</tr>
<tr>
<td>Current Census</td>
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<tr>
<td>New Admits Other Sources</td>
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<tr>
<td>Case Load Per RN Manager</td>
<td>12.1</td>
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<td>12.1</td>
<td>12.1</td>
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<tr>
<td>Total New Other Ref. Source Rev</td>
<td>$125,284.55</td>
<td>$125,284.55</td>
<td>$125,284.55</td>
<td>$125,284.55</td>
<td>$125,284.55</td>
<td>$125,284.55</td>
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<tr>
<td>Total New Mileage Costs</td>
<td>$1,618.28</td>
<td>$1,618.28</td>
<td>$1,618.28</td>
<td>$1,618.28</td>
<td>$1,618.28</td>
<td>$1,618.28</td>
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<td>New Nursing Staff Cost</td>
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<td>New Clergy Costs</td>
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<td>$4,893.20</td>
<td>$4,893.20</td>
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<tr>
<td>Total Profit Margin</td>
<td>$97,808.23</td>
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<td>$97,808.23</td>
<td>$97,808.23</td>
<td>$97,808.23</td>
<td>$97,808.23</td>
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<tr>
<td>New Hospice Revenue Opportunity</td>
<td>2015</td>
<td>2016</td>
<td></td>
<td></td>
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<tr>
<td>VNA New Revenue</td>
<td>$ 768,994.80</td>
<td>$ 1,537,989.60</td>
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<tr>
<td>Other Referral New Revenue</td>
<td>$ 751,707.32</td>
<td>$ 3,429,478.36</td>
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<td>Total New Referral Revenue</td>
<td>$ 1,520,702.12</td>
<td>$ 4,967,467.96</td>
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<td>Total New Referral Source Cost</td>
<td>$ 321,946.47</td>
<td>$ 1,169,514.28</td>
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<tr>
<td>Impact on Gross Margin</td>
<td>$ 1,198,755.66</td>
<td>$ 3,797,953.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thank You for Joining me Today!

• Robert Simione

→ rsimione@simione.com

→ (800) 949-0388