

Breakfast, Networking & Registration



8:30-9:30

Value-Based Strategies

May 20, 2019

Oakland, CA

Today's agenda

8:30am	Breakfast, Networking & Registration
9:30am	Addressing Cost Through 2020 & Beyond
10:15am	The Medical Home Network Experience
11:45am	Lunch
12:30pm	Mapping Cost Drivers and Identifying Cost Savings Opportunities
1:30pm	Kern Medical: Cost of Care Update
2:00pm	Cost Containment After 2020
3:00pm	Adjourn

Logistics

- Materials on [SNI Link/Value Based Strategies](#)



PACKET RESOURCES

- **Evaluations!!**
- Restrooms
- Wifi
- See Abby at front desk
 - Parking validation
 - Reimbursement form



Addressing Cost Through 2020 & Beyond

Giovanna Giuliani

Executive Director

California Health Care Safety Net Institute (SNI)

Rich Rubinstein

Vice President & General Counsel

California Association of Public Hospitals and Health Systems (CAPH)

Why are we here?

- DPH method of self-financing → cost growth
- Changes to cost-based reimbursement
 - 30-40% of costs tied to FFS
 - Opportunity to increase revenue
- Potential incentive program to bring in revenue & build capacity to address cost
- Timing is right
 - Moving waiver into managed care and evaluating all payment streams
 - State wants control over costs – CHA working on it but PHS can get in front of that work

Why are we here?

Even if PHS core revenues grow at a similar pace as our costs, the overall size of our uncompensated costs would still continue to grow at that same trend

\$m	Year 1	Year 2	Year 3	Year 4	Year 5
1. Costs	10,000	10,400	10,816	11,249	11,699
2. Revenues	9,000	9,360	9,734	10,124	10,529
3. Shortfalls	(1,000)	(1,040)	(1,082)	(1,125)	(1,170)

- Medi-Cal costs trend at 4%
- Medi-Cal revenues (from all programs) trend at the same rate
- Over a five year period, PHS would see an increase (17% in this example) in uncompensated costs, worth hundreds of millions of dollars

Why are we here?

If base or supplemental revenues fall behind cost growth by even a small amount, shortfalls grow rapidly

\$m, net	Year 1	Year 2	Year 3	Year 4	Year 5
1. Costs	10,000	10,400	10,816	11,249	11,699
2. Base payments	2,500	2,575	2,652	2,732	2,814
5. Payment-to-cost ratio	90%	89%	88%	87%	87%
6. Shortfalls	(1,000)	(1,130)	(1,268)	(1,414)	(1,569)

- Medi-Cal costs trend at 4%
- Medi-Cal revenues (from all programs) trend at 3%
- Shortfalls that increase by 50% over just 4 years

Why are we here?

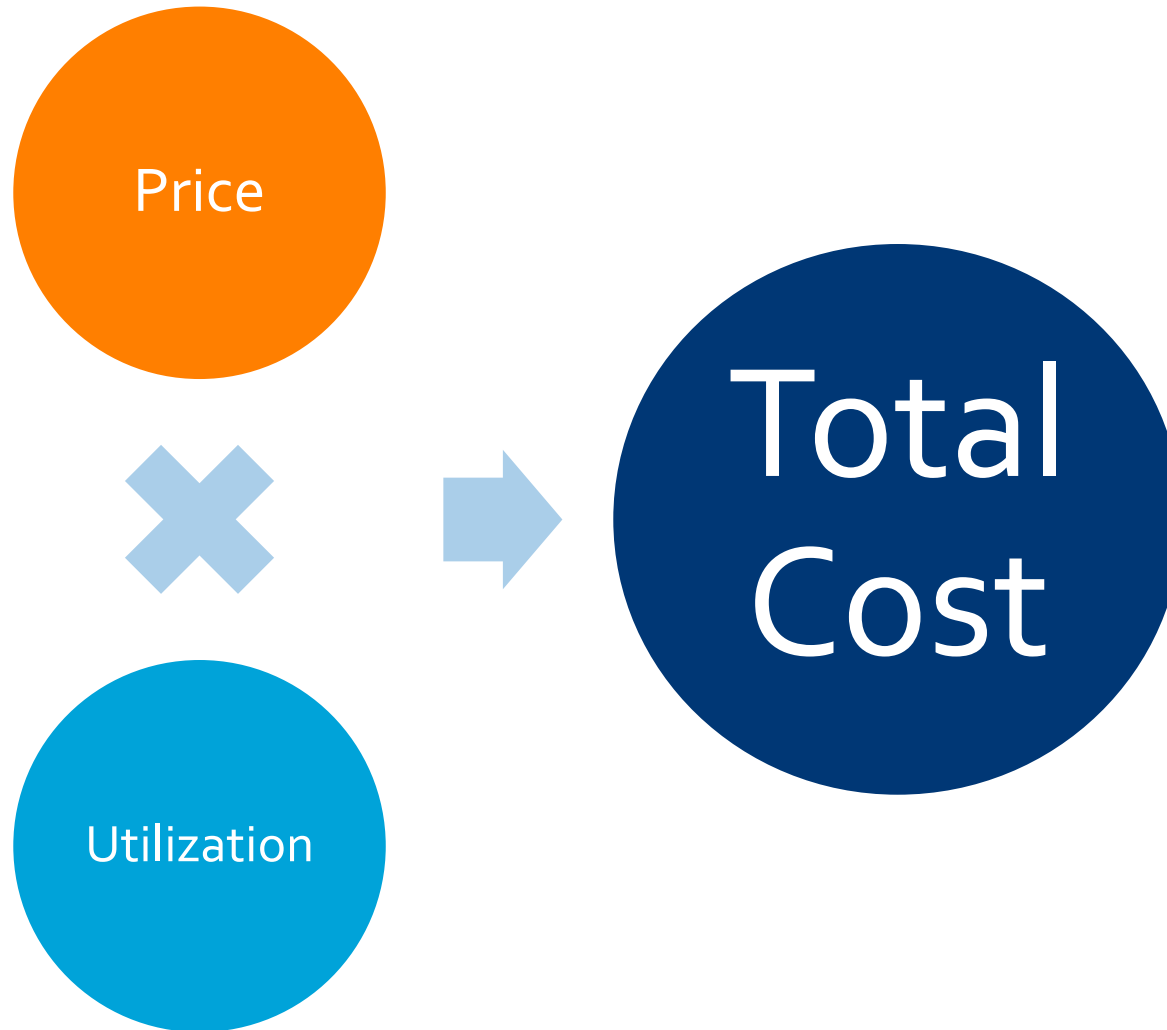
5 years trending costs <u>and</u> revenues at 4.5% annually (2017 base year)			5 years trending costs at 5.5% revenues at 4.5%, (2017 base year)		
Costs	Revenues	Shortfalls	Costs	Revenues	Shortfalls
15,353.3	13,839.9	(1,513.4)	16,102.1	13,839.9	(2,262.2)

Cost Containment

Early internal discussions touched on the following ideas...

- High-level program structure
 - Tied to overall goal of cost containment
 - System measured against self, with improvement over time
 - Potentially measured against index/benchmark as well
 - Milestone payments dependent on achievement of interim measures or completion of certain types of activities
 - Identifying cost driver domains, activities
 - Earn more funding over time
- Study to compare publics vs. privates

Cost Containment Framework



Components of Price

Waste

- Contract rationalization
- Redundancy of service lines, facilities, supplies or equipment

Productivity

- Visit volume
- OR throughput

Partnerships

- Strategic partnerships with other systems, providers
- Centers of excellence

Unit cost of supplies

- Pharmacy
- Devices
- Group purchasing

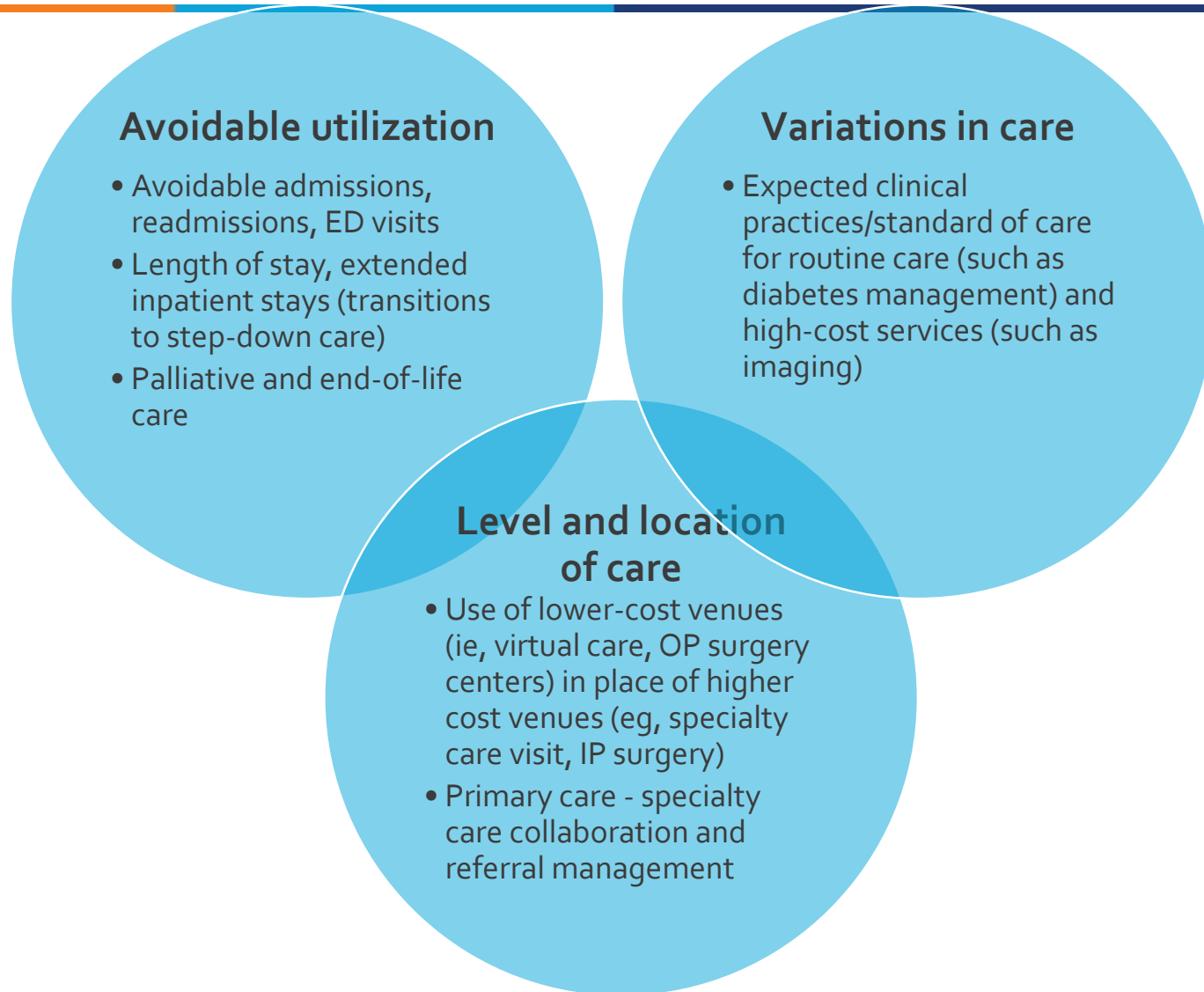
Labor

- In-house vs. contracted services
- Staffing ratios (clinical and administrative)

Innovation and Investment

- EHRs, IT, leading edge care (eg, robotics)
- System transformation efforts

Components of Utilization



The Medical Home Network Experience

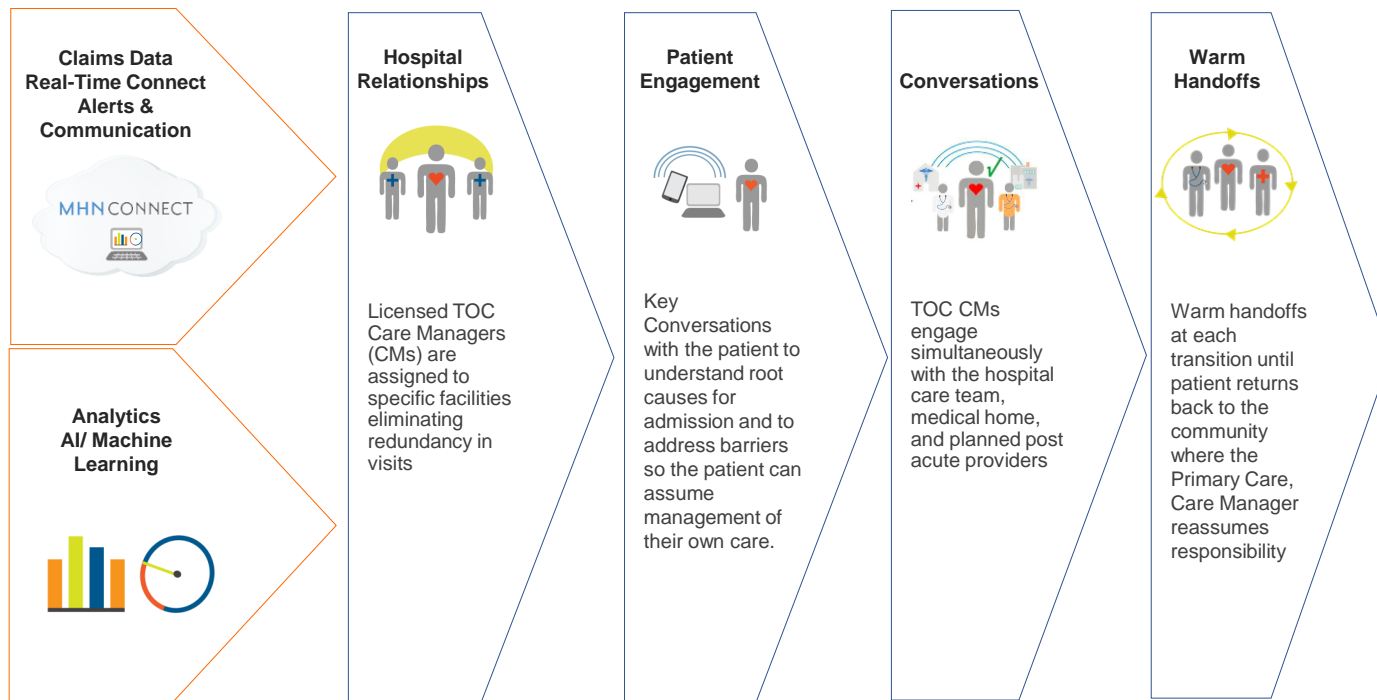
Art Jones, MD

**Chief Medical Officer, Medical Home Network
Principal, Health Management Associates**

Chuck Weis

Principal, Health Management Associates

MHN's APPROACH TO TRANSITIONS OF CARE



HEALTH MANAGEMENT ASSOCIATES

Medical Home Network Integrating Safety Net Providers to Successfully Pursue Value-based Payment

Art Jones, MD, CMO MHN, Principal HMA
Chuck Weiss, Principal, HMA
March 20, 2019



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Medical Home Network: *Enhances Patient Care, Drives Value & Improves Outcomes*

- Medical Home Network (MHN) was founded in 2009 by the Comer Family Foundation with the vision to **transform healthcare delivery for the Medicaid population of Greater Chicago.**
- MHN ACO, LLC established in 2014, in partnership with MHN
 - Wholly provider-owned entity
 - High performing multi-organizational ACO
 - 9 FQHCs and 3 Hospital systems
 - Unique egalitarian governance model
- Cook County Health and Hospital System (CCHHS) creates CountyCare in 2014
- CCHHS and MHN partner to create MoreCare (MAPD, ISNP and CSNP) that will begin enrollment 1/1/2020

MHN Membership

	Medicaid Members	ACO % of Total
ACA	22,245	19%
FHP	87,586	75%
ICP	6,569	6%
Total	116,400	100%

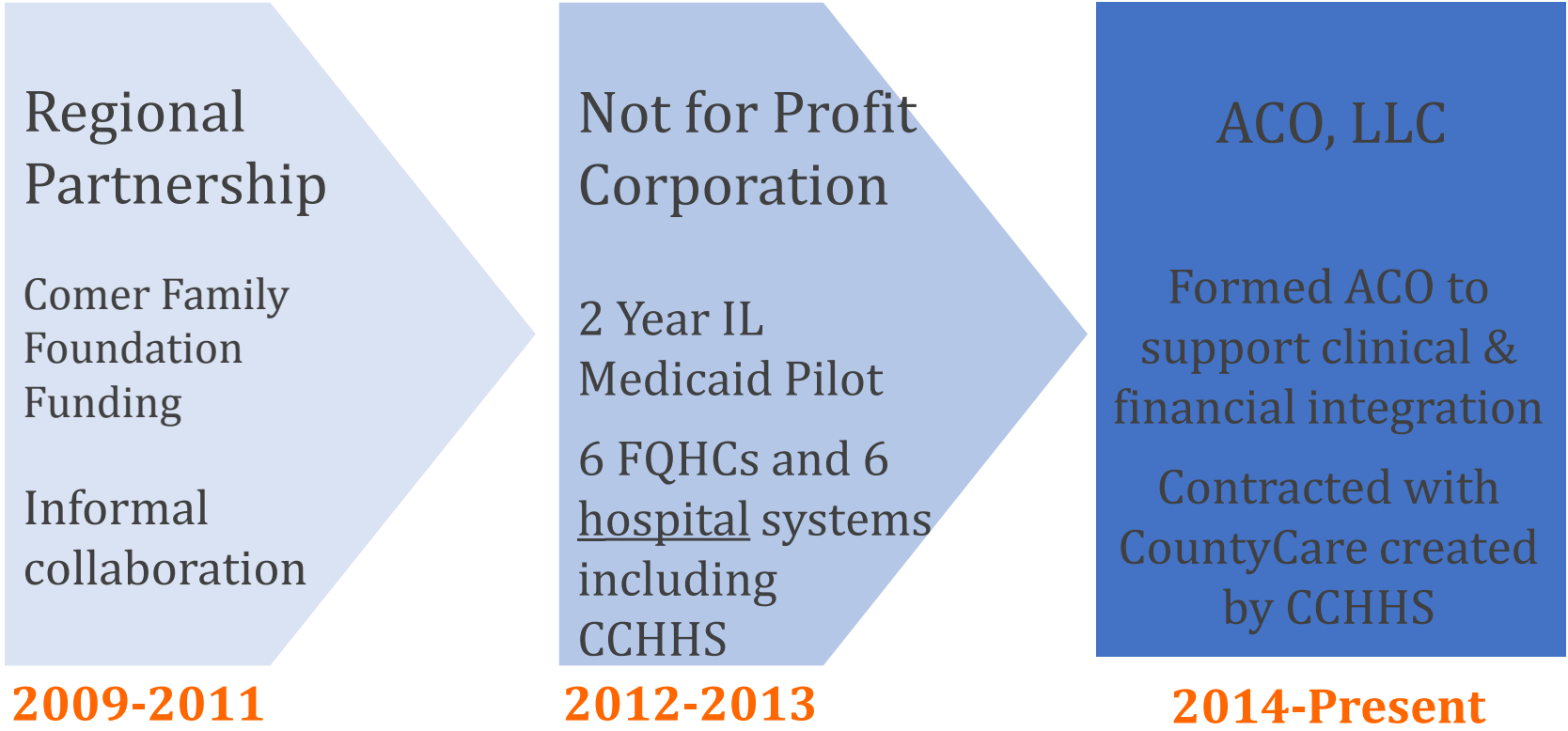
Total CountyCare population: **~314,000 patients**
As of 2.11.19

MHN ACO CountyCare Members, June 2018



Medical Home Network: Organizational Success Traditional Competitors as Collaborators

Organizational Evolution

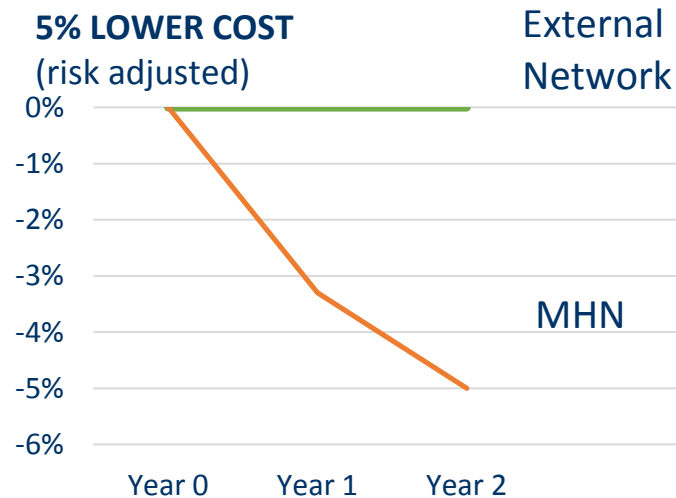


MHN Impact on Cost, Outcomes and Engagement

Total Cost of Care – State Medicaid Pilot

6 FQHCs and 6 Health Systems including CCHHS

The difference in cost of care for MHN versus other Medicaid patients in IL is 3.5% in Year 1 and 5% in Year 2



Difference is MHN risk adjusted cohort vs Non-MHN risk adjusted cohort percent change in cost of care

Source: Findings of the MHN HFS Care Coordination Pilot for the Illinois Health Connect population

Funding Model

3 funding streams:

1. **Delegated Care Management Fees**
2. **Shared Savings**
3. **Pay for Performance**

CountyCare

MEDICAL HOME NETWORK

Care Management

- Upfront Delegated CM Fees (Monthly)
 - Used to fund CM Staffing and Infrastructure
- Complex Care and Transplant Included

Shared Savings to Shared Risk

- 50/50 sharing of savings between ACO and Plan
- Transitioned to **Shared Risk** after 3 years
- Stop-loss for high dollar cases from Plan

Pay for Performance

- Key Measures Associated with Plan Withhold or Quality Goals

Medical Home Network: Reducing Cost & Utilization

July 2016 – June 2017 Incurred Claims
Paid Through January 2019

The Takeaway



MHN outperforms the external health plan network on cost and utilization metrics



MHN achieved shared savings of **\$36.8M+**

MHN ACO vs Health Plan Network Risk Adjusted Cost % Difference

Claims Cost

	<u>ACA</u>	<u>FHP</u>	<u>ICP</u>
Inpatient Facility	-13%	-53%	-7%
Outpatient Facility	-13%	-7%	3%
Professional	-7%	-4%	-4%
Medical Total	-11%	-28%	-4%
Total Cost*	-9%	-19%	10%

MHN ACO vs Health Plan Network Risk Adjusted Utilization % Difference

Utilization

	<u>ACA</u>	<u>FHP</u>	<u>ICP</u>
ER/1000	-13%	-10%	-12%
PCP Visits/1000	10%	7%	1%
Admits/1000	-18%	-38%	4%
Days/1000	-17%	-45%	7%

*Includes Medical, Rx, Ancillary, and Care Management Expenses

ACA = Affordable Care Act (Medicaid expansion population)

FHP = Family Health Plan (families with dependent children)

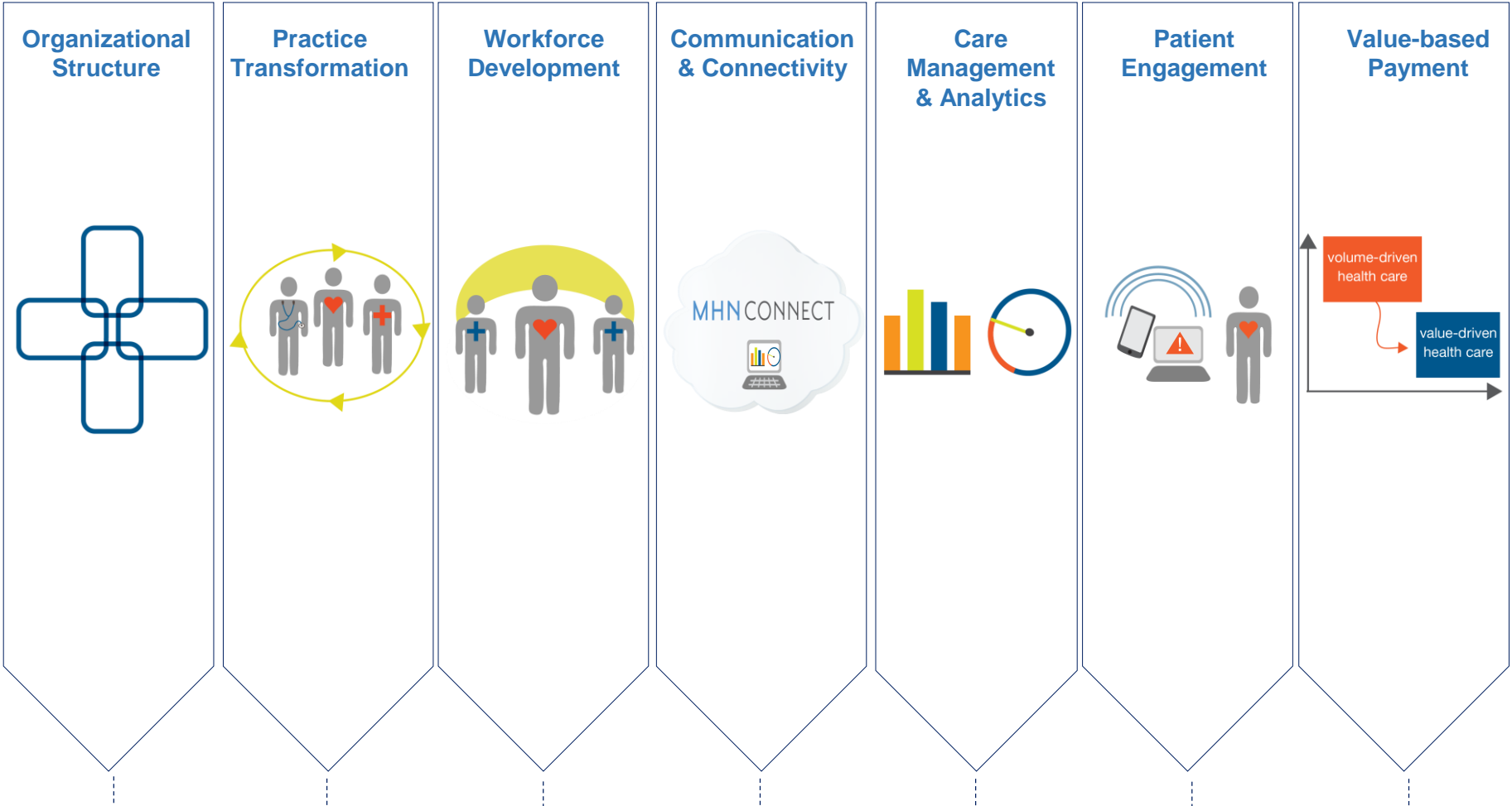
ICP = Integrated Health Plan (adults with disabilities)

Medical Home Network: Drives Delivery Transformation Through Key Approaches

MHN GOAL: MHN aimed to create sustainable value for patients and providers through a model of care that responded to a full view of patient health and social risk.

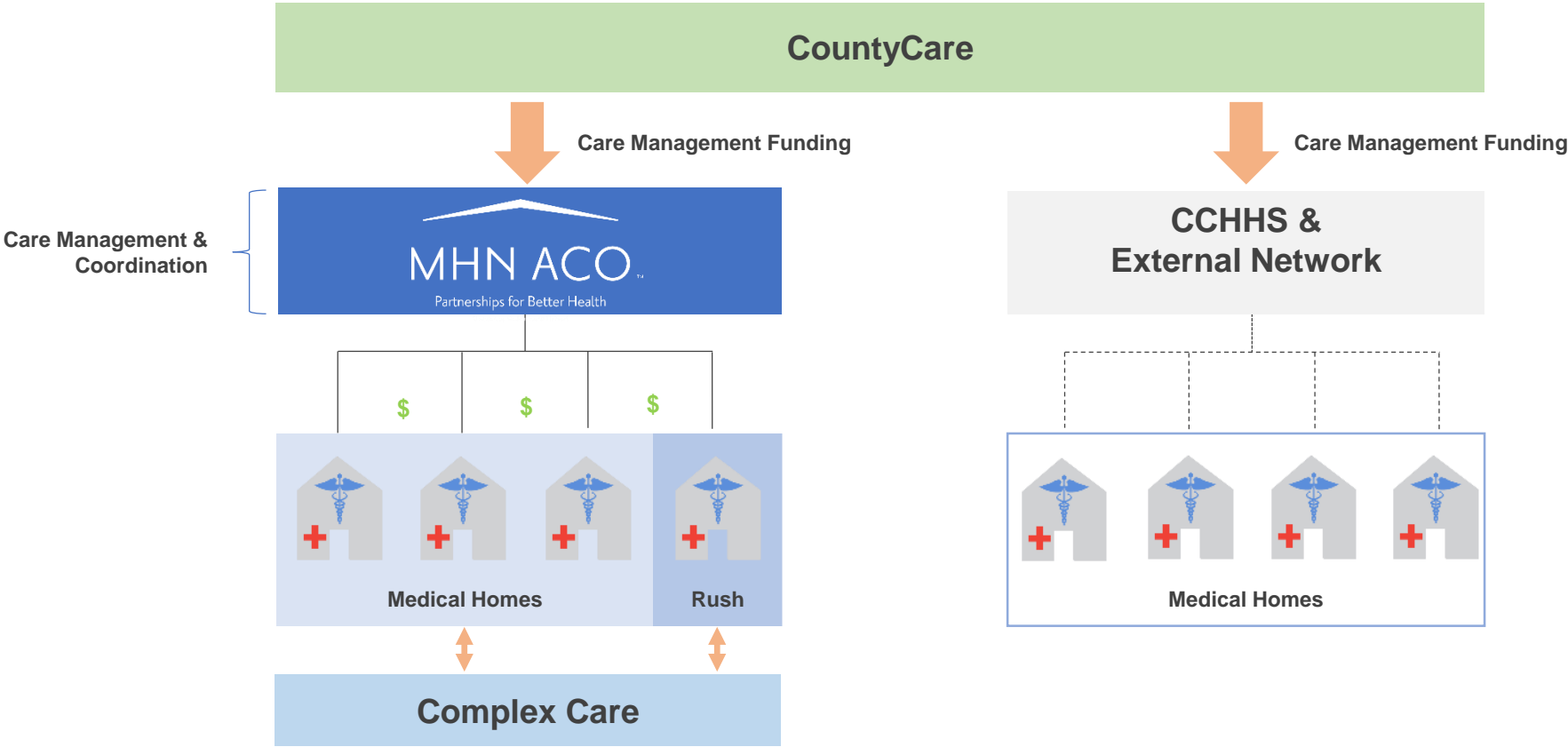
OUR INTERVENTION: MHN integrates seven key care management elements into a unified program operable across multiple stakeholder partners.

THE OUTCOME: MHN has created a sustainable and scalable value-based care model, currently in operation for 120,000 Medicaid patients. The program has achieved better health outcomes, reduced costs, and improved patient-reported health; out-performing other Medicaid programs.



A scalable and replicable approach to population health & value based care

Practice-Level vs. Centralized Care Management



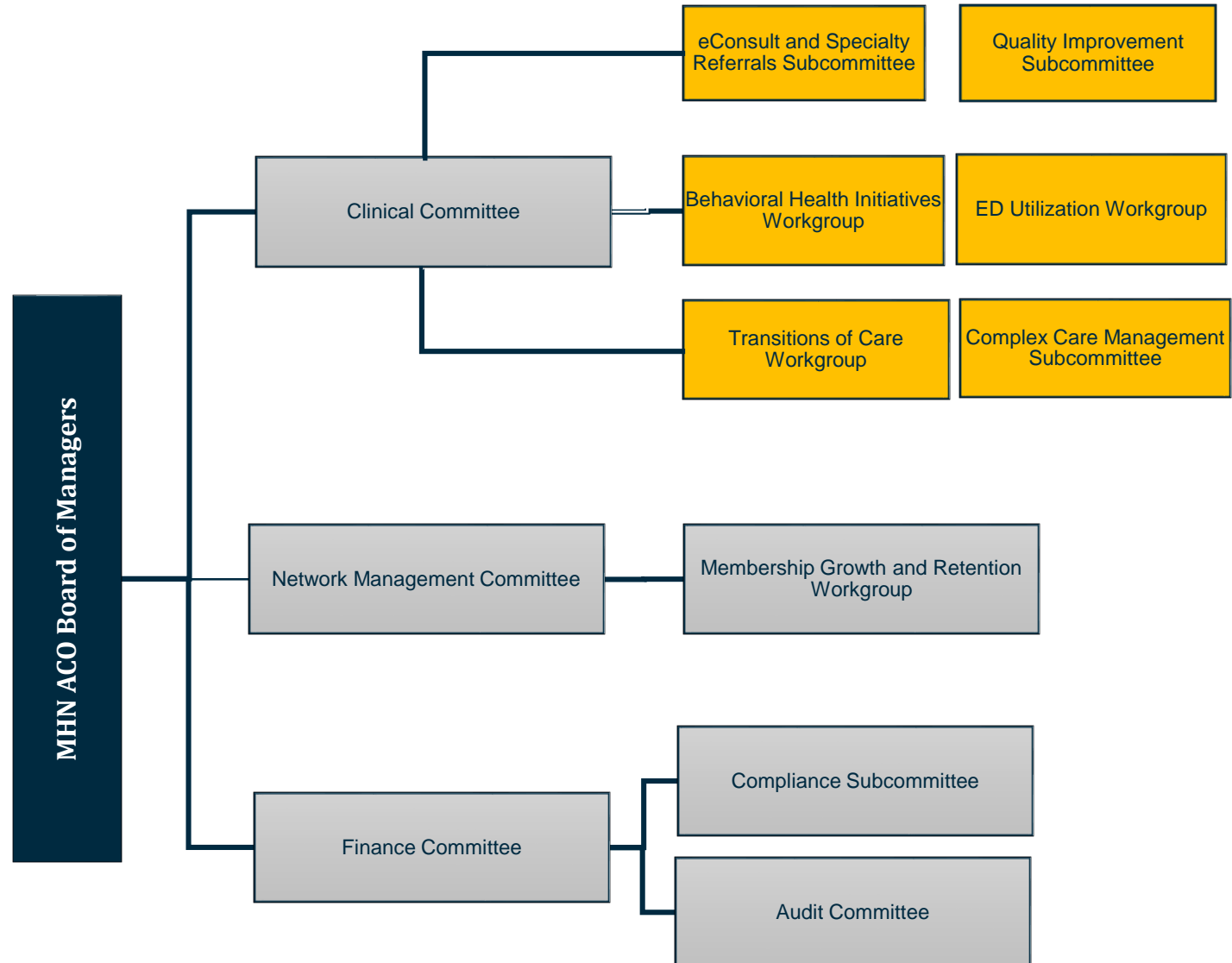
Practice-level Care Management

- Builds on established patient relationships
- Requires structure and oversight
- Drives shared incentives and alignment

Centralized Care Management

- Challenged engaging patients
- Challenged engaging PCPs
- Limited access to EMR data

MHN ACO Governance Structure, Subcommittees & Current Workgroups

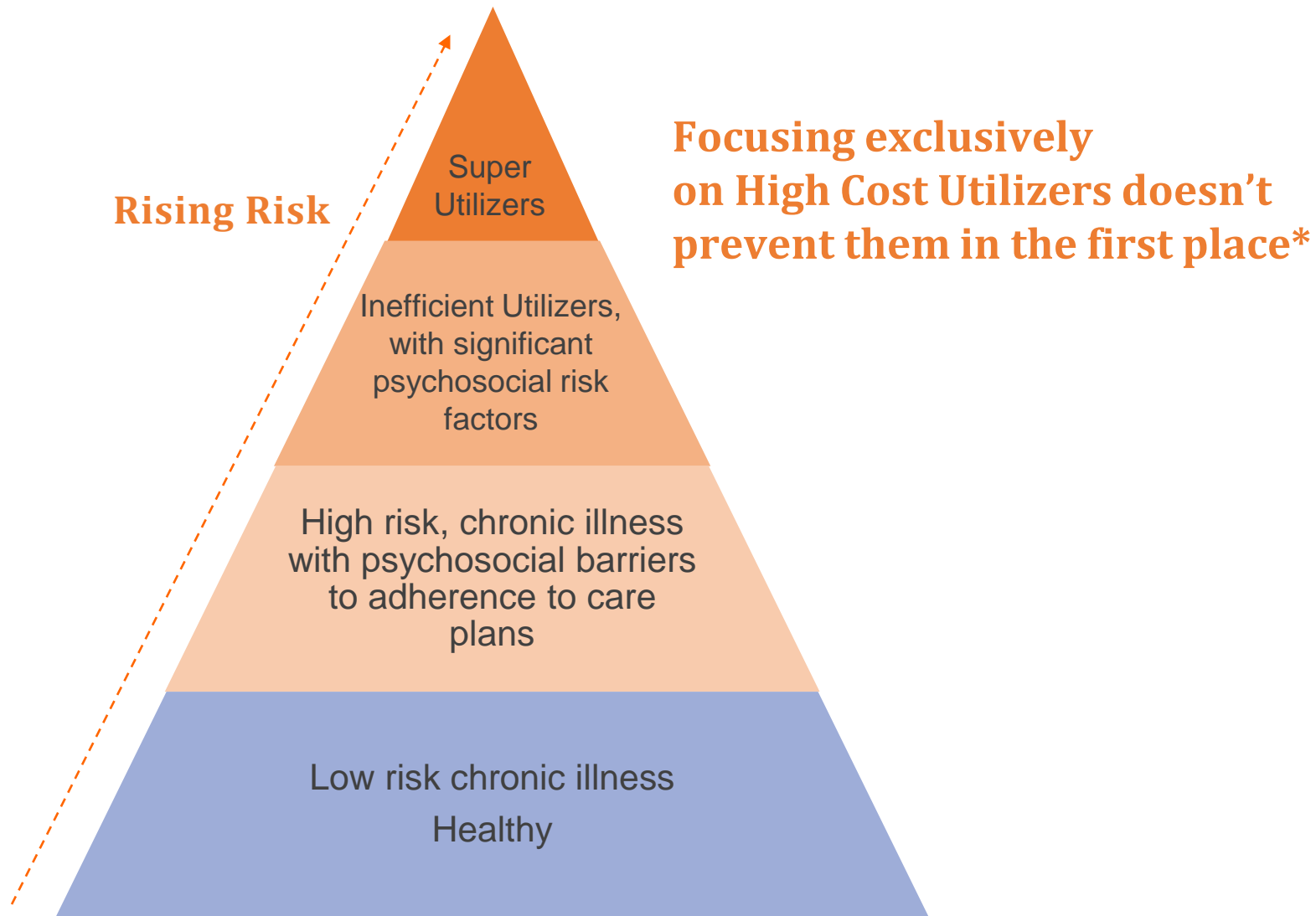


Clinical Subcommittee Approach to Planning

Charge Overview

- Monitor utilization across the ACO
- Establish a standing set of reports and metrics across the ACO and at the level of the medical home
- Complete literature reviews to identify best practices and to inform the identification of metrics and benchmarks/goals
- Analyze results
 - Identify trends across the ACO
 - Identify opportunities for improvement such as:
- Formulate/present findings and recommendations to Clinical Committee
 - ACO overall and specific medical homes
 - Response to trends/opportunities for improvement

MHN: Identify Rising Risk Through Addressable Medical, Behavioral & Social Factors



*Denver Health Health Affairs, 34, no.8 (2015):1312-1319

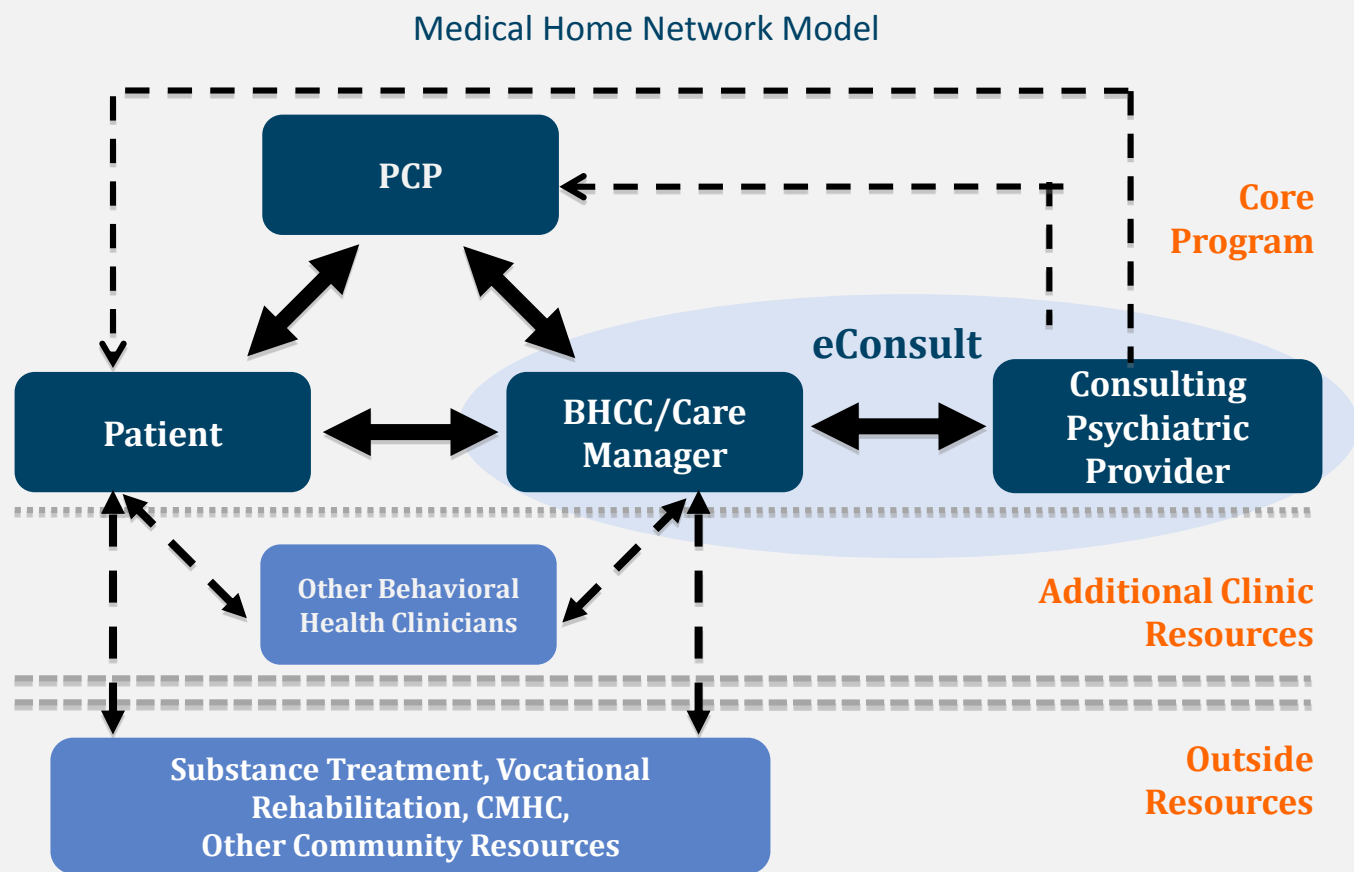
MHN: Predictive Value of the HRA Screening for Social Determinants of Health

Table 2.1 Member, Cost, and Utilization by Risk Level – Medicaid Expansion

HRA Risk Profile	Member Count	% Members Total	ER Visits / 1000	Inpatient Admits / 1000	Medical + Rx Cost PMPM	Relative Cost
Low	1,606	21%	415.3	56.66	\$217.1	100%
Low-CHW	4,181	54%	620.2	96.39	\$349.4	161%
Medium by Social Factors	663	9%	742.1	143.29	\$423.3	195%
Medium by Utilization	320	4%	1,856.3	281.25	\$479.9	221%
High by Social Factors	127	2%	834.6	125.98	\$404.7	186%
High by Utilization	865	11%	1,653.2	679.77	\$821.4	378%
Total	7,762	100%	757.8	165.29	\$387.2	178%

- Note: This analysis includes ACA adults who were continuously enrolled for twelve months post Health Risk Assessment (7,762 observations) and their associated claims cost during that period.
- Jones A, et al., Predictive Value of Screening for Addressable Social Risk Factors. J Community Med Public Health Care 2017, 4: 030.

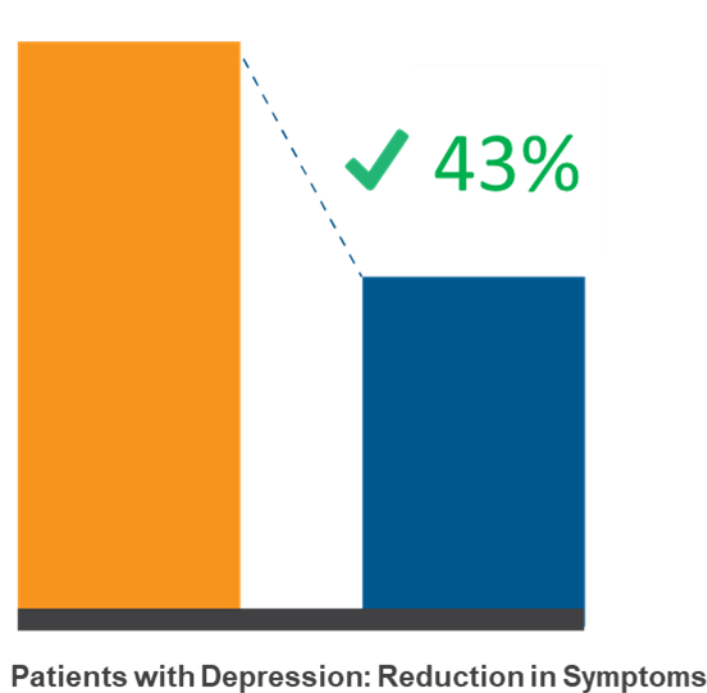
Behavioral Health Use Case: Leveraging eConsult to Improve Upon the Collaborative Care Model



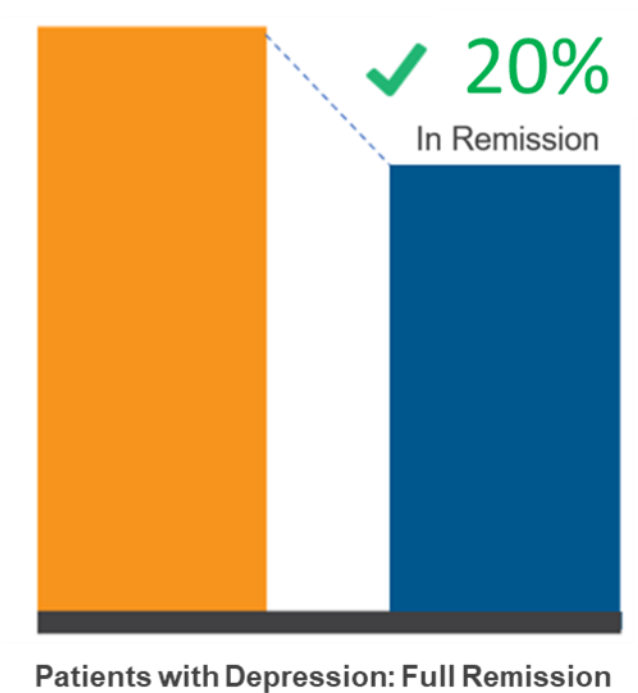
- Supports PCPs in depression *at the primary care level*
- Practices can use eConsult to speak with Psychiatrist to escalate a case
- Promotes the *train-the-trainer* model

Medical Home Network Integrates Behavioral Health

43% of engaged patients achieved a clinical response to treatment







20% of engaged patients achieved a full remission from depression



Medical Home Network: Driving Health Outcomes by Reducing Social Determinants

MHN OUTCOME 37.4% reduction in total social risk factors impacting health

Social Risk Factor Reduction of High Risk and Medium Risk Adults in Care Management 3,315 members, July 2014 – June 2018				
Social Risk Factor	Initial HRA	Latest HRA	% Change	Predictive of Future Cost and/or Utilization*
Total Social Factors	11,124	6,963	-37.4%	
Rates overall health as Fair or Poor	2,019	1,578	-21.8%	✓ 
Difficulty making appointments	685	396	-42.2%	✓
Difficulty getting to appointments or filling prescriptions	1,396	885	-36.6%	✓ 
Untreated Depression	1,172	511	-56.4%	
Untreated Drug/Alcohol Use	304	156	-48.7%	✓ 
Difficulty securing food, clothing, or housing	1,717	868	-49.4%	✓
Currently homeless or living in a shelter	126	68	-46.0%	✓
Difficulty paying for meds	1,000	270	-73.0%	✓
Does not feel physically or emotionally safe at home	213	143	-32.9%	
Refused Smoking Cessation program	607	226	-62.8%	

The Impact of Social Risk

The presence of even one social risk factor dramatically increases a patient's cost & utilization*

*Source: Jones A, et al., J Community Med Public Health Care 2017, 4: 030

Evaluation criteria: Most recent HRAs for ACO members with 12+ months continuous enrollment and minimum of 2 HRAs at least 30 days apart.

ACO PCP Utilization Per 1,000 vs. ED Utilization Per 1,000 *ACA Population*

Medical Home	ED Utilization	PCP Utilization
Clinic F	720	4607
Clinic L	442	4528
Clinic D	658	4178
Clinic E	801	4138
Clinic H	650	3967
Clinic I	669	3917
Clinic B	941	3906
Clinic G	924	3871
Clinic A	408	3372
Clinic C	790	3058
Clinic J	853	2771
ACO Overall	751	3880

Highest PCP utilization

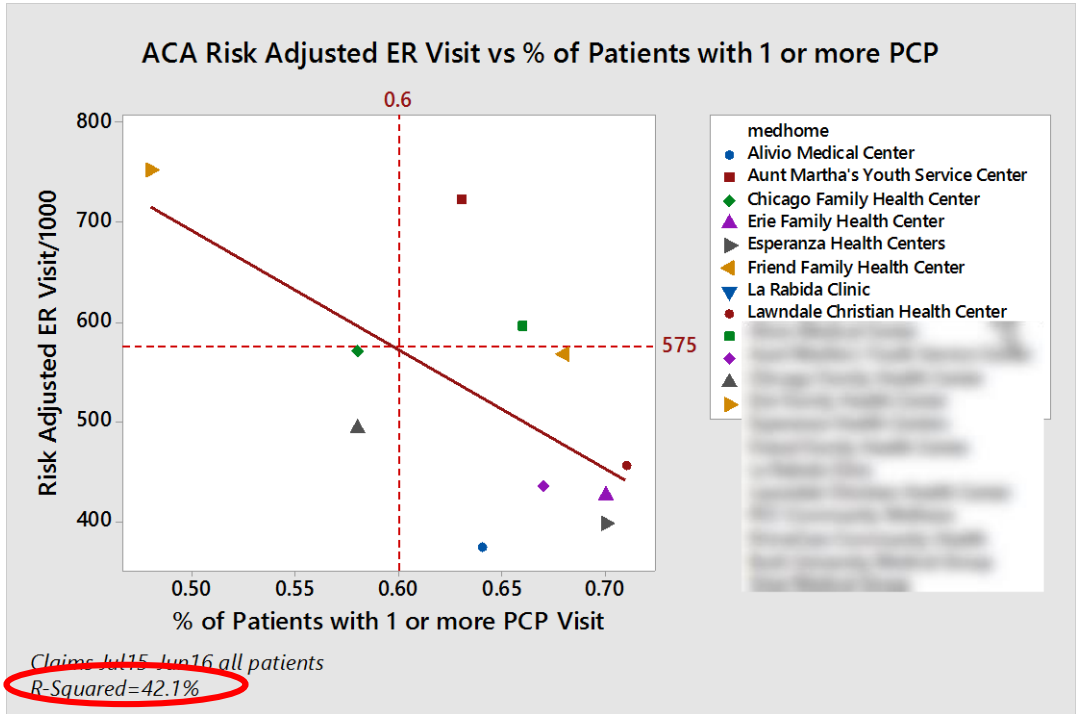
Lowest PCP utilization

Red = above ACO average

Green = below ACO average

Data Source: Paid Claims
March 2016 – May 2017

PCP Engagement: % patients with **ONE** or more PCP visits in last year vs. ED utilization rates



Data Source: Paid Claims
March 2016 – May 2017

ED Visit Diagnoses % of ED Visits Attributed to Low Acuity Diagnoses

Medical Home	# Low Acuity ED Visits	% Total ED Visits
Clinic A	771	36.5%
Clinic B	1495	36.0%
Clinic C	2158	29.5%
Clinic D	1259	32.1%
Clinic L	500	35.9%
Clinic E	3345	35.7%
Clinic F	149	45.3%
Clinic G	1626	30.8%
Clinic H	1641	31.3%
Clinic I	915	36.0%
Clinic J	3081	37.4%
Clinic K	831	35.0%
ACO	18,131	35.8%

 Above ACO Average

*Data Source: Paid Claims
March 2016 – May 2017*

ED Super Utilizers % of ED Utilizers that Qualify as a Super Utilizers

ED Visits Attributed to Super Utilizers					
Super ED utilizers (≥ 4 visits) comprise 21-28% of all ED visits across payers: ACO Goal is 22%					
Medical Homes	# ER Visits from Super Utilizers	Total ER Visits	% Total ED Visits	Goal	Decrease in # ED Visits to Reach 22% Goal
Clinic B	1330	4120	32.3%	22%	424
Clinic H	1596	5198	30.7%	22%	452
Clinic I	690	2422	28.5%	22%	157
Clinic K	585	2054	28.5%	22%	133
Clinic C	1946	7230	26.9%	22%	355
Clinic F	1345	5085	26.5%	22%	226
Clinic G	70	285	24.6%	22%	7
Clinic D	945	3913	24.2%	22%	84
Clinic J	1670	7683	21.7%	22%	-
Clinic E	1941	9043	21.5%	22%	-
Clinic A	403	2237	18.0%	22%	-
Clinic L	228	1380	16.5%	22%	-
ACO	12749	50650	25.2%	22%	1606

LaCalle et al. 2010. Frequent users of emergency departments: The myths, the data and the policy implications. *Ann Emerg Med*. 56:42-48

The Centers for Medicare & Medicaid Services, January 16, 2014

Data Source: Paid Claims
March 2016 – May 2017

Overall Findings

ED utilization rates per 1,000

- ED utilization rates vary by clinic across the ACO; even when risk adjusted
- Esperanza had the lowest ED utilization rates both risk adjusted and not

PCP utilization rates per 1,000

- In general, the clinics with higher PCP utilization have lower ED utilization
- How much PCP utilization is too much?

PCP engagement and it's association with ED utilization rates

- An association is shown with one or more PCP visit and lower ED utilization rates. This is not the case with new patient PCP visits within 90 days

Super utilizers

- 8% of ED patients are super utilizer when literature shows it should be closer to 6%
- 25% of ED visits are attributed to super utilizers when literature shows it should be closer to 22%

ED visit diagnoses

- Almost 36% of ED visits are attributed to low acuity diagnoses

Understanding Complex, High Cost Members

Behavioral Health Illness Admissions: 1 to 30 Days Pre-admit and Post-admit

Patients with BH admission	1 to 30 Days Pre-Admit Costs			Admission Cost \$	1 to 30 Days Post-Admit Costs			Pre - Post Costs
	Pct With*	Mean	Median	Mean	Pct With*	Mean	Median	Mean
Total 434	74.7%	\$1,377	\$399	\$3,993	83.9%	\$2,494	\$565	-\$1,117

Behavioral Health Illness Admissions: 1 to 90 Days Pre-admit and Post-admit

Patients with BH admission	1 to 90 Days Pre-Admit Costs			SMI Admission \$	1 to 90 Days Post-Admit Costs			Pre - Post Costs
	Pct With*	Mean	Median	Mean	Pct With*	Mean	Median	Mean
Total 304	84.9%	\$3,628	\$1,170	\$4,004	92.8%	\$6,365	\$2,489	-\$2,737

Behavioral Health Illness Admission: 1 to 180 Days Pre-admit and Post-admit

Patients with BH admission	1 to 180 Days Pre-Admit Costs			SMI Admission \$	1 to 180 Days Post-Admit Costs			Pre - Post Costs
	Pct With*	Mean	Median	Mean	Pct With*	Mean	Median	Mean
Total 205	95.1%	\$8,212	\$3,436	\$3,932	97.1%	\$11,463	\$5,039	-\$3,251

Analyzing by Subgroups

Behavioral Health Illness Admissions: 1 to 30 Days Pre-admit and Post-admit

		1 to 30 Days Pre-Admit Costs			SMI Admission \$	1 to 30 Days Post-Admit Costs			Pre - Post Costs
CDPS_Description	Variable	Pct With*	Mean	Median	Mean	Pct With*	Mean	Median	Mean
Psychiatric High									
Number of Patients = 48	Total Cost	87.5%	\$1,589	\$476	\$5,330	85.4%	\$3,118	\$629	-\$1,529
Psychiatric Medium									
Number of Patients = 48	Total Cost	81.3%	\$1,923	\$369	\$4,400	77.1%	\$3,035	\$489	-\$1,113
Psychiatric Medium-Low									
Number of Patients = 147	Total Cost	76.9%	\$1,101	\$431	\$4,814	89.1%	\$1,917	\$668	-\$816
Psychiatric Low									
Number of Patients = 24	Total Cost	75.0%	\$1,540	\$481	\$3,290	83.3%	\$1,692	\$393	-\$152
Substance Abuse Low									
Number of Patients = 128	Total Cost	62.5%	\$1,317	\$209	\$2,679	76.6%	\$2,975	\$456	-\$1,659
Substance Abuse Very Low									
Number of Patients = 39	Total Cost	82.1%	\$1,588	\$669	\$3,499	94.9%	\$2,150	\$860	-\$562

Analyzing by Service Categories

Behavioral Health Illness Admissions: 1 to 30 Days Pre-Admit and Post-Admit

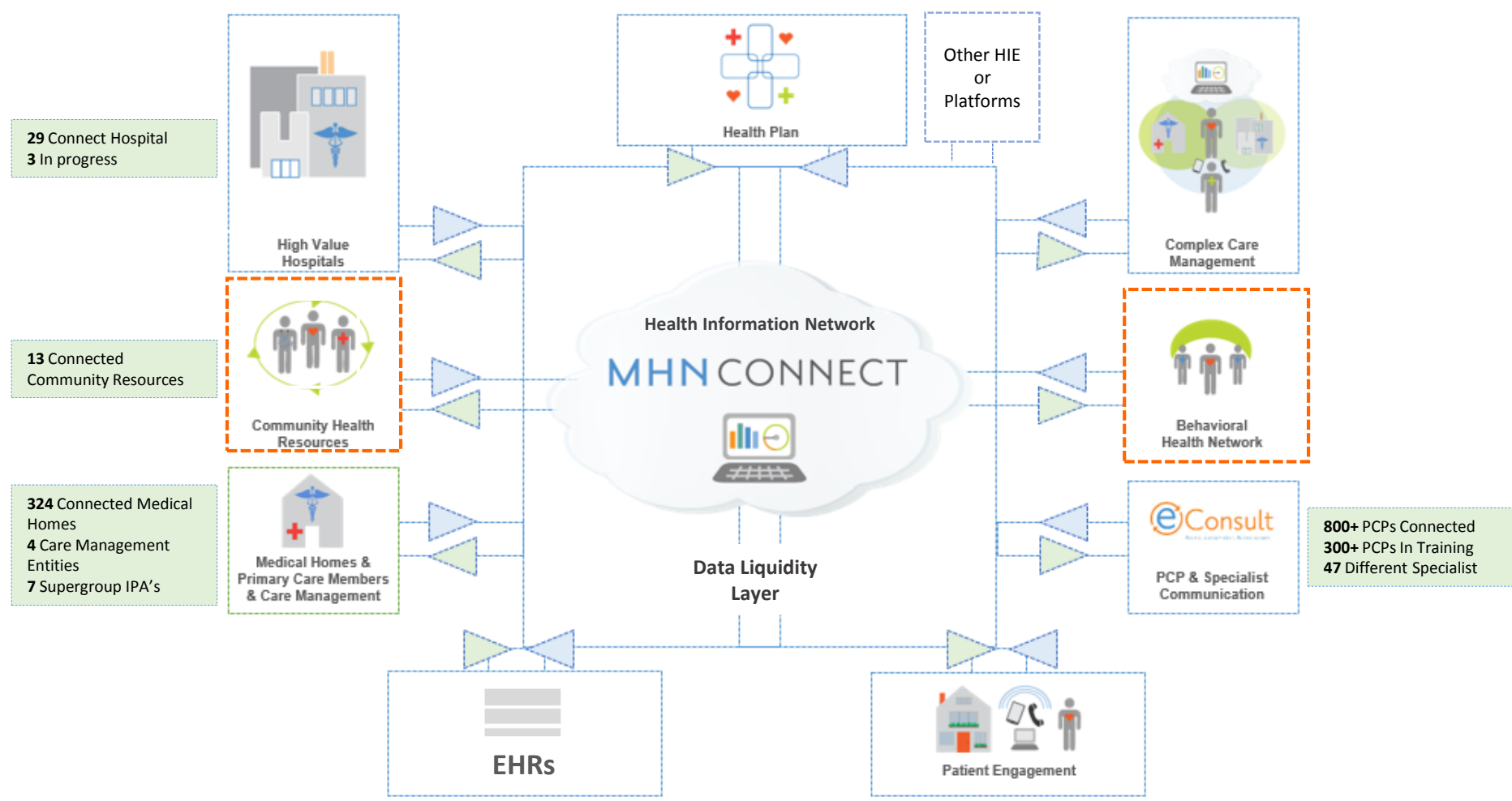
		1 to 30 Days Pre-Admit Costs			SMI Admission \$	1 to 30 Days Post-Admit Costs			Pre - Post Costs
CDPS_Description	Variable	Pct With*	Mean	Median	Mean	Pct With*	Mean	Median	Mean
Grand Total	Rx - Psych/Sub	30.4%	\$60	\$0		47.5%	\$69	\$0	-\$9
Number of Patients = 434	Rx - Other	41.2%	\$143	\$0		52.8%	\$161	\$2	-\$18
	Ambulatory - Psych/Sub	52.8%	\$341	\$52		61.8%	\$550	\$134	-\$209
	Ambulatory - Other	53.2%	\$289	\$69		54.8%	\$288	\$47	\$1
	Med Inpatient - Psych/Sub	5.5%	\$290	\$0		14.3%	\$888	\$0	-\$599
	Med Inpatient - Other	3.5%	\$254	\$0		3.0%	\$538	\$0	-\$284
	Total	74.7%	\$1,377	\$399	\$3,993	83.9%	\$2,494	\$565	-\$1,117
Psychiatric High	Rx - Psych/Sub	47.9%	\$196	\$0		68.8%	\$159	\$12	\$37
Number of Patients = 48	Rx - Other	50.0%	\$113	\$2		58.3%	\$105	\$5	\$8
	Ambulatory - Psych/Sub	83.3%	\$675	\$292		70.8%	\$628	\$206	\$47
	Ambulatory - Other	54.2%	\$239	\$59		60.4%	\$240	\$132	-\$1
	Med Inpatient - Psych/Sub	8.3%	\$326	\$0		27.1%	\$1,986	\$0	-\$1,660
	Med Inpatient - Other	2.1%	\$40	\$0		0.0%	\$0	\$0	\$40
	Total	87.5%	\$1,589	\$476	\$5,330	85.4%	\$3,118	\$629	-\$1,529

Understanding Complex, High-Cost Members

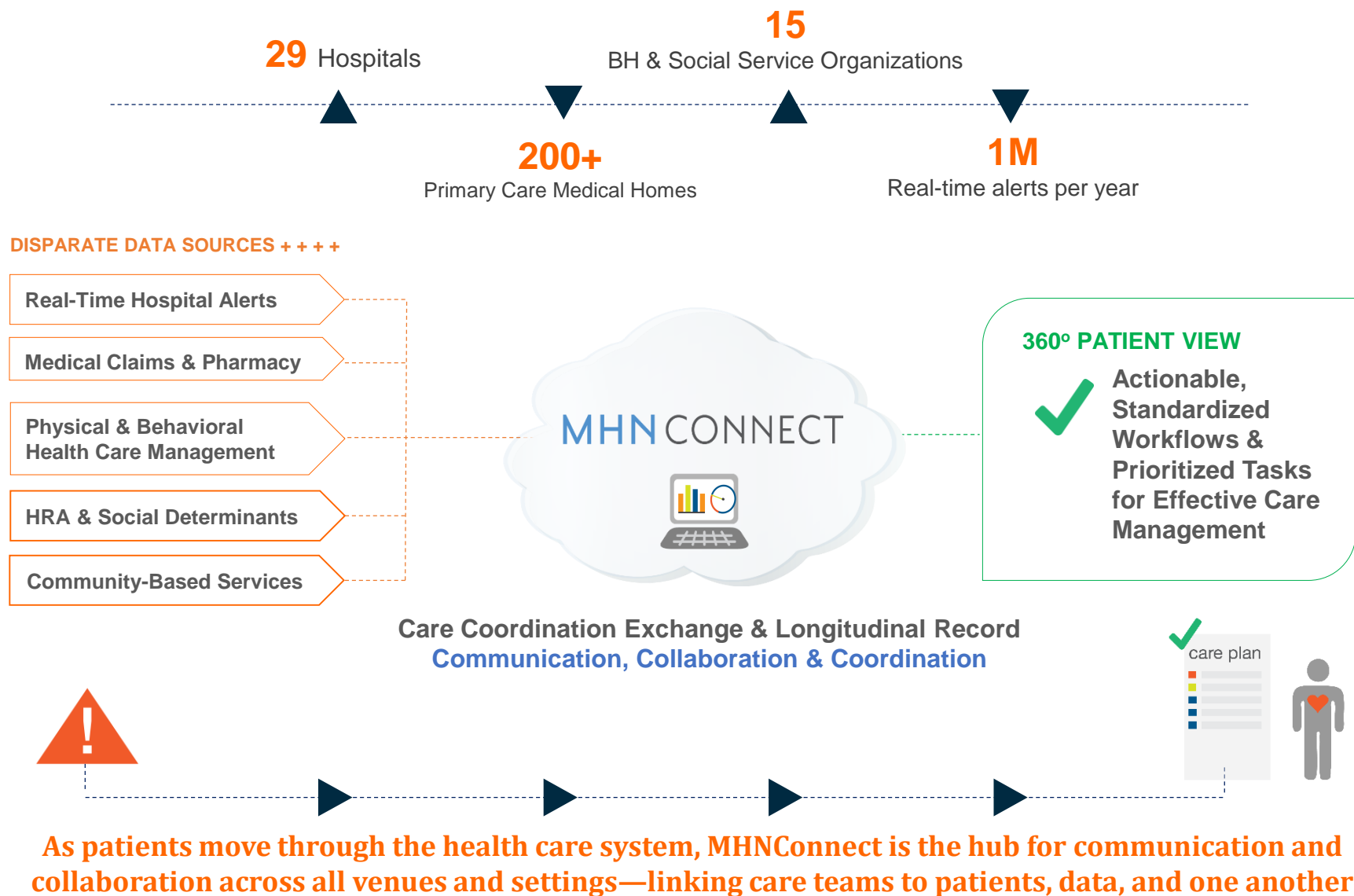
Interdisciplinary Care Team Case Review

Category	SvcDt	BillProvName	Diag1	DiagDsc1	ProcCd	PrcDsc	Paid
Med-Inpatient-Psych/Sub	2018-01-02	AAA MEDICAL CENTER	F10230	ALCOHOL DEPENDENCE WITH WITHDRAWAL, UNCOMPLICATED			\$2,625.27
Med-Other-Psych/Sub	2018-01-09	BBB MEDICAL CENTER	F259	SCHIZOAFFECTIVE DISORDER, UNSPECIFIED	99285	EMERGENCY DEPT VISIT	\$398.58
Med-Inpatient-Psych/Sub	2018-01-10	RUSH UNIVERSITY BBB	F259	SCHIZOAFFECTIVE DISORDER, UNSPECIFIED			\$2,140.42
Med-Other-Other	2018-01-16	AAA MEDICAL CENTER	M25571	PAIN IN RIGHT ANKLE AND JOINTS OF RIGHT FOOT	99283	EMERGENCY DEPT VISIT	\$131.51
Med-Other-Psych/Sub	2018-01-17	CCC HEALTH SYSTEM	R45851	SUICIDAL IDEATIONS	99285	EMERGENCY DEPT VISIT	\$623.63
Med-Inpatient-Psych/Sub	2018-01-18	DDD HOSPITAL	F251	SCHIZOAFFECTIVE DISORDER, DEPRESSIVE TYPE			\$3,870.81
Med-Other-Other	2018-01-23	AAA MEDICAL CENTER	M79604	PAIN IN RIGHT LEG	99283	EMERGENCY DEPT VISIT	\$131.51
Med-Other-Psych/Sub	2018-01-24	EEE HEALTH SYSTEM	F259	SCHIZOAFFECTIVE DISORDER, UNSPECIFIED	99285	EMERGENCY DEPT VISIT	\$443.19
Med-Inpatient-Psych/Sub	2018-01-25	EEE HEALTH SYSTEM	F259	SCHIZOAFFECTIVE DISORDER, UNSPECIFIED			\$3,960.66
Med-Other-Psych/Sub	2018-01-29	CCC HEALTH SYSTEM	R45851	SUICIDAL IDEATIONS	99285	EMERGENCY DEPT VISIT	\$548.72
Med-Inpatient-Psych/Sub	2018-01-30	FFF HOSPITAL	F250	SCHIZOAFFECTIVE DISORDER, BIPOLAR TYPE			\$3,147.33
Med-Inpatient-Psych/Sub	2018-02-03	GGG HOSPITAL	F10239	ALCOHOL DEPENDENCE WITH WITHDRAWAL, UNSPECIFIED			\$1,981.48
Med-Other-Psych/Sub	2018-02-09	HHH HOSPITAL & MEDICAL CENTER	R45851	SUICIDAL IDEATIONS	99285	EMERGENCY DEPT VISIT	\$244.87

MHNConnect: Enabling Connectivity and Intelligent Care Coordination Across the Continuum



Medical Home Network: Real Time Communication in Context



- ✓ **Innovative patient-centered, team-based model of care**
- ✓ **Identifying risk through addressable medical, social and behavioral barriers to compliance**
- ✓ **Virtual connectivity across provider settings**
- ✓ **Robust care management and patient engagement platform with integrated analytics to optimize interventions**
- ✓ **Value-based financing and shared incentives**

Keys to Successful Pursuit of Advanced APMs

Developing trust,
common purpose
and accountability

Consensus on a
model of care
with a ROI

Advanced
analytics shared
in a timely and
actionable
manner

Real time
connectivity across
the full continuum
of care

Agreement on
Value-based
metrics and
targets

Reward structure
commensurate to
contribution in
generating payer-
incentivized
outcomes

HEALTH MANAGEMENT ASSOCIATES

Lunch



Mapping Cost Drivers & Identifying Cost Savings Opportunities

Group Activity

Group Activity – Team Discussion

- With your team
- For each component of price and utilization, identify:
 - Early progress/successes (PURPLE post-its)
 - Opportunities to improve (YELLOW post-its)
- On each post-it write one idea + system name → add to flipchart
- Worksheet in packet (CAPH/SNI will record and share, too)

Components of Price	Components of Utilization
Waste	Avoidable Utilization
Productivity	Variations in Care
Partnerships	Level and Location of Care
Unit Cost of Supplies	
Labor	
Innovation and Investment	

Group Activity – Gallery Walk

- Circulate to each flip-chart and review the post-its
- Note:
 - Promising ideas
 - Clarifying questions
 - Which systems to follow-up with

- Choose which cost driver you'd like to discuss further
- Stand by that flip-chart
- Bring your notes!

Kern Medical Cost of Care Update

Marko Horvat

Director of Financial Planning, Kern Medical



Finding Your True Cost

One Year Later

Cost Accounting in a Hospital Context

Costing Methodologies & Algorithms



**Financial
Data**



- Standard Costs
- Adjusted CCR
- RVU
- ABC
- RCC
- % Markup
- Supply Cost
- Time-Driven ABC



**Clinical
Data**



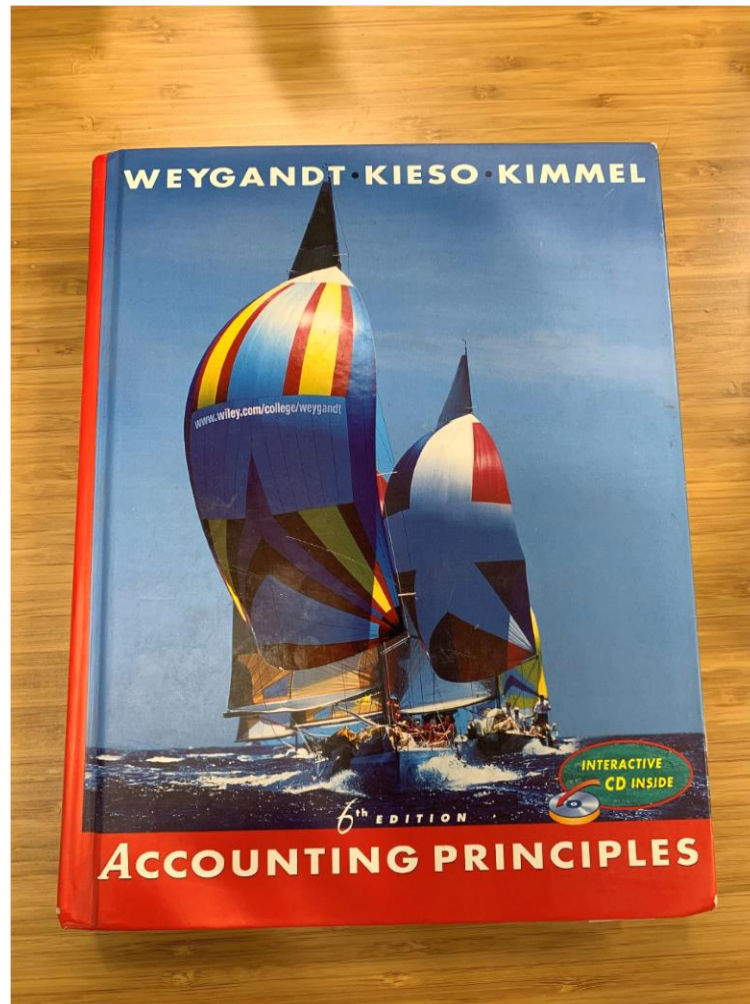
Cost Across the Continuum

- Hospital
- Professional Fees
- Outpatient
- Home Health
- SNF/Rehab
- LTAC
- 340B pharmacy
- Hospice
- Reference Labs



Cost Reduction & Better Decision Making

- Cost margins by service line
- Ability to benchmark MD performance
- Negotiate for better reimbursement
- Improve operational efficiencies





“For internal users, accounting provides **internal reports**. Examples are financial comparisons of operating alternatives, projections of income from new sales campaigns, and forecasts of cash needs for the next year. In addition, summarized financial information is presented in the form of financial statements.”

Kern County Hospital Authority Financial Statements

Kern County Hospital Authority Statements of Net Position

	JUNE 30,	
	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash (Note 3)	\$ 1,706,389	\$ 25,777,320
Invested cash and investments (Note 3)	73,107,453	41,531,186
Revolving fund cash (Note 3)	10,950	10,950
Patient accounts receivable, net of provisions for doubtful accounts of \$9,055,009 in 2018 and \$19,614,255 in 2017 (Note 5)	43,128,667	39,712,617
Other receivables	3,520,522	3,954,219
Interest receivable	185,600	167,700
Inventories	5,347,216	4,458,031
Prepaid expenses	4,124,544	3,528,433
Total current assets	<u>131,099,871</u>	<u>119,189,775</u>
CASH AND INVESTMENTS DEPOSITED WITH TRUSTEE (Notes 3 and 4)	922,330	912,973
CAPITAL ASSETS, net (Note 6)	62,555,432	52,936,227
OTHER ASSETS	<u>753,600</u>	<u>-</u>
Total assets	195,331,453	173,038,970
DEFERRED OUTFLOWS OF RESOURCES (Notes 13 and 15)	<u>70,856,581</u>	<u>71,752,646</u>
Total assets and deferred outflows of resources	<u>\$ 266,227,134</u>	<u>\$ 244,791,616</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,478,497	\$ 28,808,010
Due to governmental agencies (Note 11)	27,775,884	45,451,277
Salaries and employee benefits payable	11,227,330	6,796,940
Interest payable, current portion (Note 8)	4,853,434	4,503,453
Current portion of compensated absences payable (Note 7)	10,547,145	11,492,255
Current portion of capital leases (Note 9)	2,500,320	537,347
Current portion of estimate for professional liability (Note 15)	3,079,000	2,420,000
Current portion of estimate for workers' compensation liability (Note 15)	1,459,000	1,200,000
Current portion of long-term debt (Note 9)	3,974,194	3,727,921
Total current liabilities	<u>80,850,517</u>	<u>104,708,923</u>
NONCURRENT LIABILITIES		
Interest payable, non-current portion (Note 8)	15,919,907	15,636,954
Capital lease, non-current portion (Note 9)	3,482,609	3,387,154
Compensated absences payable, non-current portion (Note 7)	3,930,056	3,930,056
Net pension liability (Note 13)	293,255,458	329,936,445
Net other post-employment benefits (Note 15)	4,356,044	-
Net other post-employment benefits (Note 17)	-	4,201,203
Estimate for professional liability (Note 15)	4,354,300	3,473,000
Estimate for workers' compensation liability (Note 15)	8,511,000	6,773,000
Long-term debt, net of current portion (Note 9)	<u>24,046,760</u>	<u>28,043,967</u>
Total liabilities	<u>447,829,490</u>	<u>601,044,731</u>
DEFERRED INFLOWS OF RESOURCES (Notes 13 and 16)	<u>69,247,055</u>	<u>22,256,905</u>
NET POSITION		
Net investment in capital assets	60,138,021	49,696,149
Restricted for:		
Debt service	922,330	912,973
Capital assets	14,322	6,786,998
Unrestricted	<u>(312,223,984)</u>	<u>(334,861,152)</u>
Total net position	<u>(200,949,321)</u>	<u>(278,450,042)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 266,227,134</u>	<u>\$ 244,791,616</u>

See accompanying notes.

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Kern County Hospital Authority Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2018	2017
OPERATING REVENUES		
Net patient service revenue, net of provisions for uncollectible accounts of \$12,999,515 in 2018 and \$472,077 in 2017	\$ 221,934,113	\$ 199,855,392
Indigent patient care funding	149,837,320	119,734,851
County funding	27,381,718	29,237,877
Other operating revenue	<u>11,745,450</u>	<u>11,734,643</u>
Total operating revenues	<u>410,899,631</u>	<u>360,563,063</u>
OPERATING EXPENSES		
Salaries and employee benefits	228,141,835	204,445,450
Services and supplies	143,728,498	132,550,710
Other expenses	1,451,990	3,884,620
Depreciation and amortization	<u>6,863,279</u>	<u>5,994,671</u>
Total operating expenses	<u>379,185,372</u>	<u>346,875,051</u>
OPERATING INCOME	<u>33,714,259</u>	<u>13,687,002</u>
NONOPERATING REVENUE (EXPENSES)		
Interest on bank deposits and investments, net	844,062	812,220
Aid from other governmental agencies	29,349	58,598
Other nonoperating revenues	143,258	71,993
Other nonoperating expenses	<u>(20,000)</u>	<u>-</u>
Interest expense	<u>(3,070,913)</u>	<u>(3,226,481)</u>
Total nonoperating expenses, net	<u>(2,073,344)</u>	<u>(2,283,670)</u>
Net income before capital contribution and transfers	30,642,915	11,403,332
SPECIAL ITEM - TRANSFER OF OPERATIONS (Note 1)	<u>-</u>	<u>(289,895,374)</u>
Change in net position	<u>30,642,915</u>	<u>(278,492,042)</u>
NET POSITION, Beginning of year	<u>(278,492,042)</u>	<u>-</u>
CUMULATIVE EFFECT ADJUSTMENT (Note 16)	<u>(3,100,194)</u>	<u>-</u>
NET POSITION, Beginning of year as adjusted	<u>(281,592,236)</u>	<u>-</u>
NET POSITION, End of year	<u>\$ (250,949,321)</u>	<u>\$ (278,492,042)</u>

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See accompanying notes.

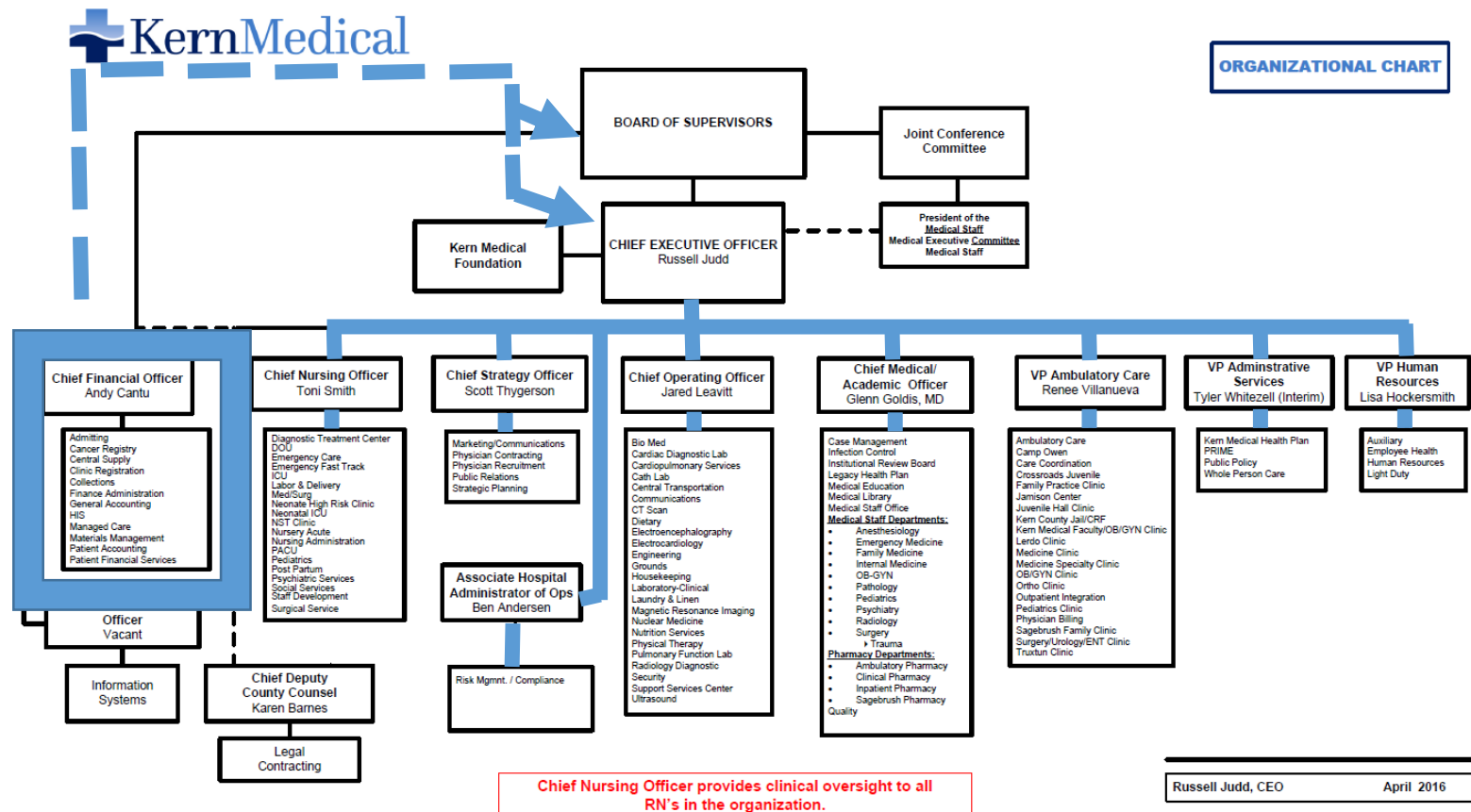
Kern County Hospital Authority Statements of Cash Flows

	Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for patient/current services	\$ 219,516,083	\$ 187,176,807
Cash received for other operations	189,440,215	186,262,563
Cash paid for salaries and benefits	(214,483,699)	(200,774,849)
Cash paid for services and supplies	<u>(164,786,475)</u>	<u>(122,076,019)</u>
Net cash provided by operating activities	<u>28,886,109</u>	<u>52,617,706</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from various County funds	259,515	130,591
Cash received for advances	-	379,720,810
Cash repayments of advances	-	(379,720,810)
Interest paid - pension obligation bond	(5,136,681)	(4,823,018)
Principal paid - pension obligation bond	<u>(2,888,478)</u>	<u>(2,481,787)</u>
Net cash used in noncapital financing activities	<u>(7,767,822)</u>	<u>(7,179,194)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(10,229,396)	(9,762,728)
Proceeds from sale of surplus assets	-	13,976
Payment of long-term debt - capital lease	(2,054,680)	(527,672)
Capital lease interest paid	(41,591)	(41,591)
Payment of long-term debt - Certificates of Participation (COP)	(1,085,719)	(988,054)
COP interest paid	<u>(125,373)</u>	<u>(164,232)</u>
Net cash used in capital and related financing activities	<u>(13,547,055)</u>	<u>(11,469,242)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on bank deposits and investments	131,930	744,194
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,505,362	34,713,464
CASH AND CASH EQUIVALENTS, Beginning of year	<u>67,316,460</u>	<u>32,605,996</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 74,824,822</u>	<u>\$ 67,319,460</u>

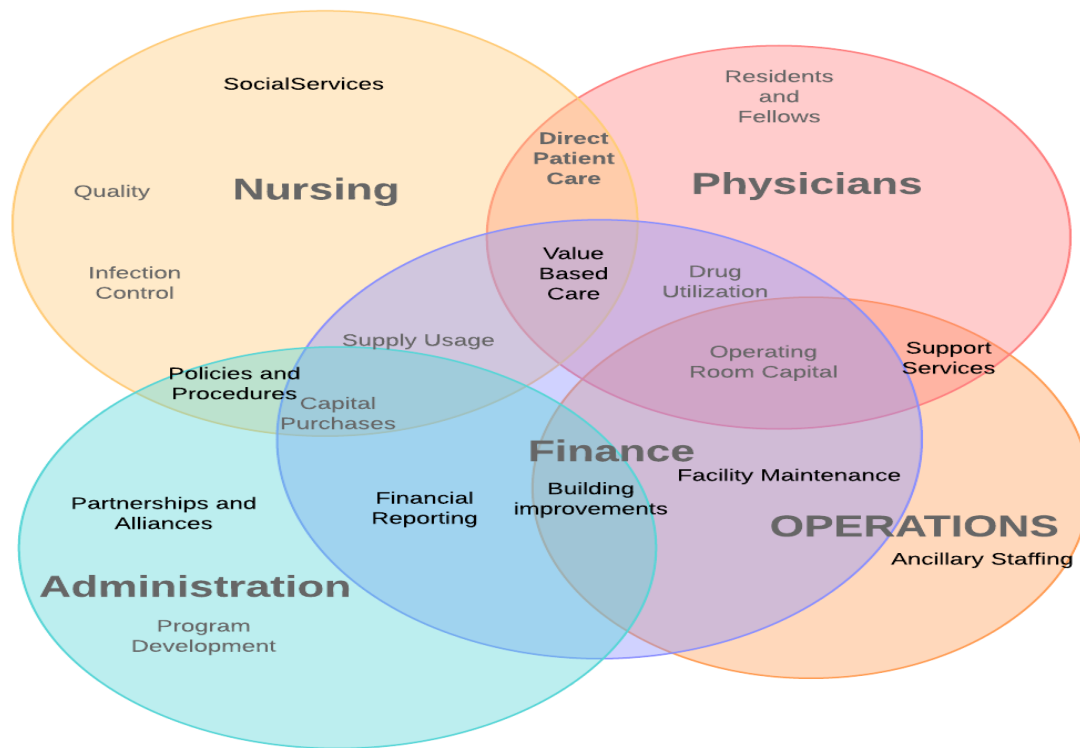
See accompanying notes.

11

Classic Flow of Financial Information



Current Information Flow



Evolution of Information Flow

Past

- Information prepared by financial people for people trained to read it
- Relevant financial data disseminated from the top down

Present and future

- Information prepared by financial people for direct use throughout the organization by financially lay people
- Financial data directly communicated throughout the organization

The Evolution of Data Collection and Distribution

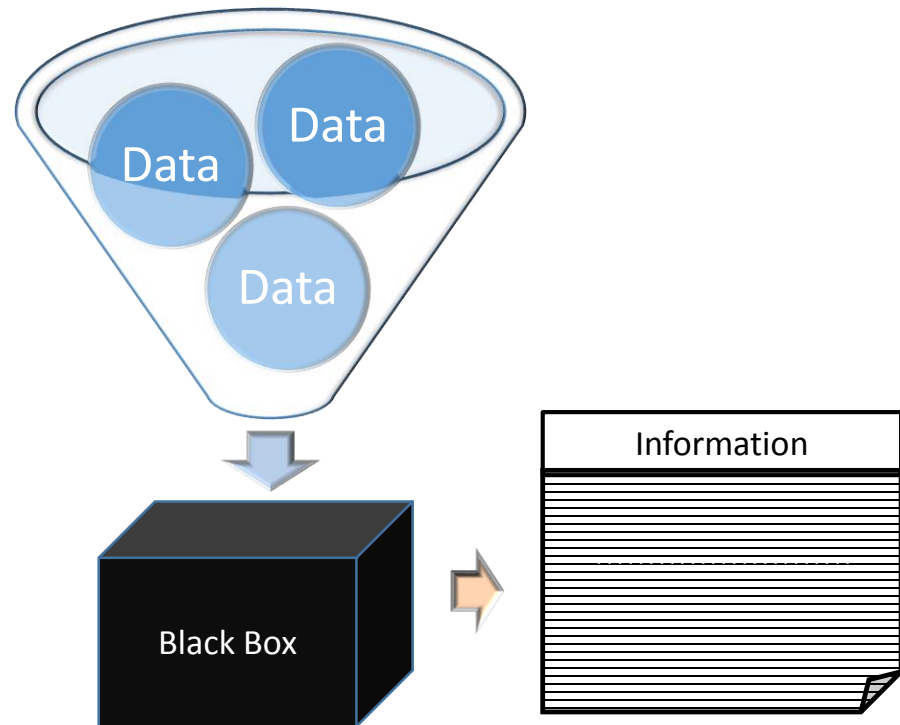
Previous Financial Reporting Model

PROCESS

- Data is carefully gathered
- Data is then processed and organized
- Information is pushed out to end users

LIMITATIONS

- Time consuming
- Expensive
- Not on demand



Previous Reporting Model Output



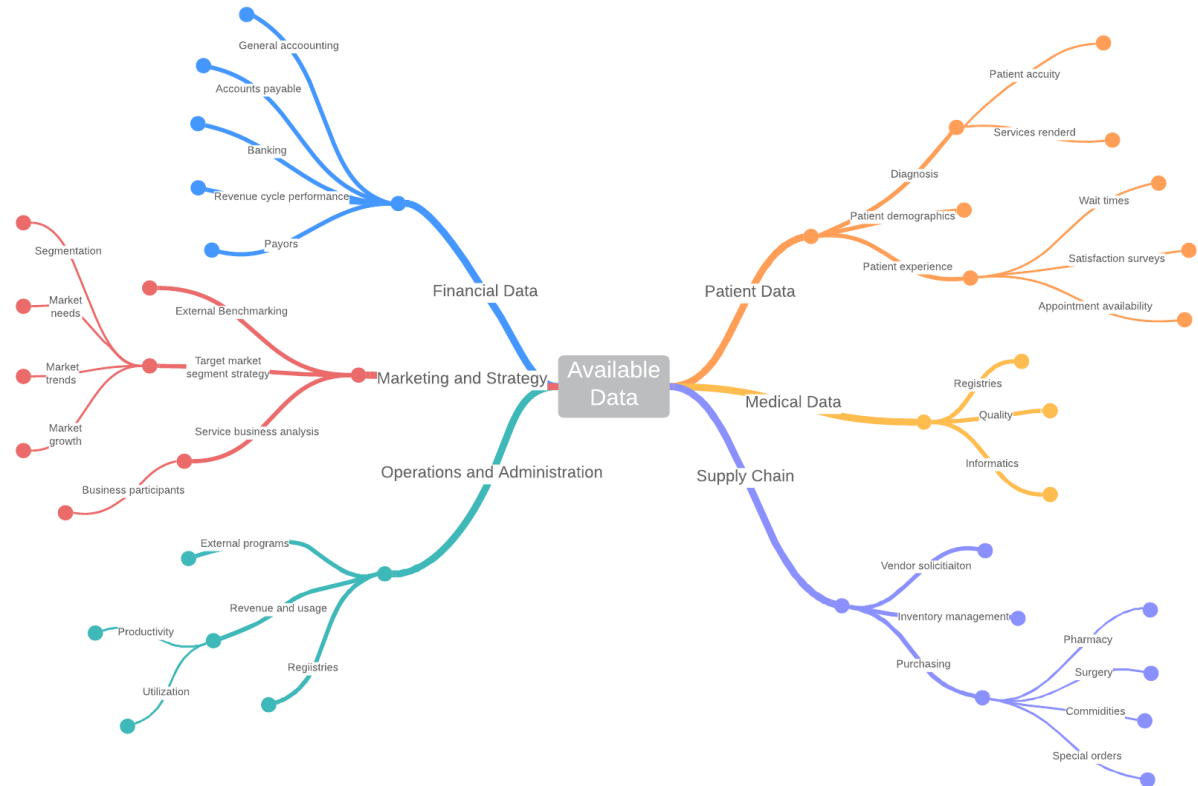
Current Financial Reporting Model

PROCESS

- Data is continually gathered
- Data is processed and organized on demand
- Information is requested by end users

LIMITATIONS

- Information overload
- Data can be noisy
- Overabundance of choices can lead to frustration



Current reporting model output



Last time we talked...

- The need for cost accounting
- Productivity
- Management reporting

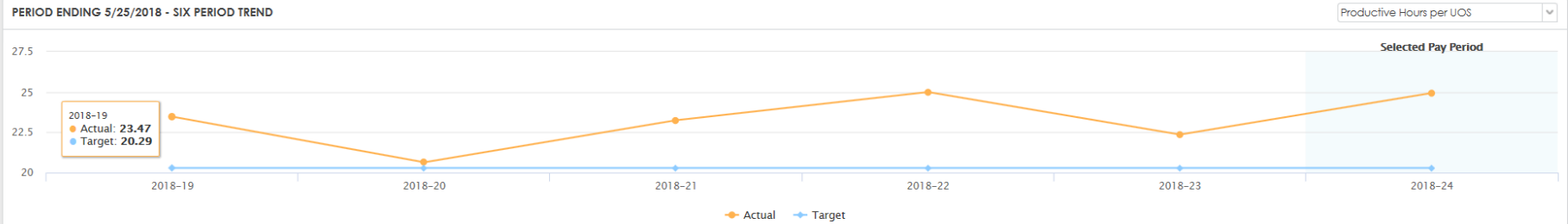
What We Are Doing at Kern - Productivity

- Currently reviewing bi-weekly productivity to see if staffing plans match actual patient load
- Used for staffing accountability and position control
- Managers review and comment on variances when out of compliance, have the ability to drill down in the data

01 - 60100 - INTENSIVE CARE UNIT Overview

Pay Period Daily

[Back to Productivity Reporting](#)



PERIOD ENDING 5/25/2018 - DEPARTMENT VOLUMES

Account	Actual Volumes	Target Volumes	Variance	Variance %
1 92100 - 000 - PATIENT DAYS	71.00	101.25	(30.25)	(29.88%)
Total:	71.00	101.25	(30.25)	(29.88%)

PERIOD ENDING 5/25/2018 - JOB CODE DETAILS

Job Code Name	Actual Productive Hours	Target Productive Hours	Variance to Target	Variance %	Actual Premium Hours
1 HSN1 - Hosp Staff Nurse I	497.50	437.86	(59.64)	(13.62%)	259.20
2 Registry - Registry	453.00	211.53	(241.47)	(114.15%)	0.00
3 RNLEAD - Clinical Nurse Leader	267.60	0.00	(267.60)	0.00%	83.80
4 MST - Medical Support Tech	142.10	139.10	(3.00)	(2.16%)	73.90
5 PCT - Patient Care Tech	135.80	46.41	(89.39)	(192.59%)	80.20
6 NURSE2PD - Nurse II-PD	78.10	61.57	(16.53)	(26.85%)	62.10
7 HSN2 - Hosp Staff Nurse II	54.90	378.68	323.78	85.50%	1.40

The Productivity Difference

	2017	2018	2019*
Overtime Hours	185,135.81	150,897.42	106,940.8
Overtime Per Worked Hour	6.2%	4.7%	4.1%
Paid FTEs	1,672.48	1,769.43	1,446.58
Worked FTEs	1,432.72	1,537.58	1,255.75
Worked Hours	2,980,092.41	3,198,197.36	2,611,937.5
% of Non-Prod/Total FTEs	14.3%	13.1%	13.2%

What We Are Doing at Kern – Management Reporting

- Managers review variances to budget, flexed for volumes on a monthly basis
- Comments are made on required metrics that do not meet a variance threshold

Previous Management Reports

KERN MEDICAL CENTER
DEPARTMENT FINANCIAL REPORT - LEVEL I
TONI SMITH
AS OF MAR FY2010

Page 1

MARCH ACTUAL	ACTUAL PER UNIT	MARCH FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE		MARCH YTD ACTUAL	ACTUAL PER UNIT	MARCH YTD FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE
6010 ICU												
196	1.00	179	1.00	17	9	UNITS	1,788	1.00	1,586	1.00	202	13
GROSS CHARGES:												
133,467	680.95	197,802	1,105.04	(64,335)	(33)	I/P MEDICARE	1,252,864	700.71	1,748,314	1,102.34	(495,450)	(28)
914,925	4,667.98	376,055	2,100.87	538,870	143	I/P MEDI-CAL	3,493,868	1,954.06	3,323,839	2,095.74	170,029	5
134,339	685.40	95,929	535.92	38,410	40	I/P MEDI-CAL MC	600,174	335.67	847,890	534.61	(247,716)	(29)
254,299	1,297.44	324,292	1,811.69	(69,993)	(22)	I/P OTHER 3RD PARTY	2,034,434	1,137.83	2,866,325	1,807.27	(831,891)	(29)
(188,588)	(962.18)	318,997	1,782.11	(507,585)	(159)	I/P CNTY INDIGENT/CTY RESP	3,995,018	2,234.35	2,819,525	1,777.76	1,175,493	42
1,248,442	6,370	1,313,075	7,336	(64,633)	(13)	TOTAL GROSS CHARGES	11,376,358	6,363	11,605,893	7,318	(229,535)	(4)

Previous Management Reports

KERN MEDICAL CENTER
DEPARTMENT FINANCIAL REPORT - LEVEL I
TONI SMITH
AS OF MAR FY2010

Page 2

MARCH ACTUAL	ACTUAL PER UNIT	MARCH FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE		MARCH YTD ACTUAL	ACTUAL PER UNIT	MARCH YTD FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE
6010 ICU												
196	1.00	179	1.00	17	9	UNITS	1,788	1.00	1,586	1.00	202	13
EXPENDITURES:												
SALARIES - PRODUCTIVE:												
6,153	31.39	9,571	53.47	(3,418)	(36)	MANAGEMENT 00XXXX	86,290	48.26	84,601	53.34	1,689	2
136,696	697.43	186,272	1,040.63	(49,576)	(27)	REGISTERED NURSES 02XXXX	1,366,999	764.54	1,646,402	1,038.08	(279,403)	(17)
2,974	15.17	0	0.00	2,974	0	NURSING ATTENDANTS 04XXXX	8,189	4.58	0	0.00	8,189	0
5,289	26.98	5,820	32.51	(531)	(9)	CLERICAL 05XXXX	51,205	28.64	51,441	32.43	(236)	0
5,333	27.21	11,306	63.16	(5,973)	(53)	OVERTIME XX020	145,784	81.53	99,931	63.01	45,853	46
2,203	11.24	0	0.00	2,203	0	EXTRA HELP XX190	13,193	7.38	0	0.00	13,193	0
158,648	809.43	212,969	1,189.77	(54,321)	(26)	TOTAL REG SALARIES & WAGES	1,671,660	934.93	1,882,375	1,186.87	(210,715)	(11)
EXTRA PAY:												
0	0.00	1,942	10.85	(1,942)	(100)	STAND-BY XX030	3,886	2.17	17,161	10.82	(13,275)	(77)
590	3.01	582	3.25	8	1	CERTIFICATION XX220	5,839	3.27	5,141	3.24	698	14
110	0.56	92	0.51	18	20	BILINGUAL PAY XX090	976	0.55	816	0.51	160	20
700	3.57	2,616	14.61	(1,916)	(73)	TOTAL EXTRA PAY	10,701	5.98	23,118	14.58	(12,417)	(54)
FRINGE BENEFITS:												
84,221	429.70	117,210	654.80	(32,989)	(28)	EMPLOYEE BENEFITS	889,755	497.63	1,035,998	653.21	(146,243)	(14)
9,890	50.46	0	0.00	9,890	0	ACCR COMP ABSENCES	50,330	28.15	0	0.00	50,330	0
94,111	480.16	117,210	654.80	(23,099)	(20)	TOTAL FRINGE BENEFITS	940,085	525.77	1,035,998	653.21	(95,913)	(9)
253,459	1,293.16	332,795	1,859.19	(79,336)	(24)	TOTAL SALARIES & FRINGE BENS.	2,622,446	1,466.69	2,941,491	1,854.66	(319,045)	(11)

Previous Management Reports

KERN MEDICAL CENTER
DEPARTMENT FINANCIAL REPORT - LEVEL 1
TONI SMITH
AS OF MAR FY2010

Page 3

MARCH ACTUAL	ACTUAL PER UNIT	MARCH FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE		MARCH YTD ACTUAL	ACTUAL PER UNIT	MARCH YTD FIXED BGT	FIXED BGT PER UNIT	VARIANCE	% OF VARIANCE
6010 ICU												
196	1.00	179	1.00	17	9	UNITS	1,788	1.00	1,586	1.00	202	13
SERVICES & SUPPLIES:												
PROFESSIONAL SERVICES:												
0	0.00	0	0.00	0	0	22-26 MGMT & PROFESSIONAL(+29)	82,187	45.97	0	0.00	82,187	0
0	0.00	0	0.00	0	0	TOTAL PROFESSIONAL SVCS.	82,187	45.97	0	0.00	82,187	0
SUPPLIES:												
25	0.13	182	1.02	(157)	(86)	31-34 SURGERY SUPPLIES	465	0.26	1,617	1.02	(1,152)	(71)
0	0.00	0	0.00	0	0	35-36 ANESTHESIA & GAS	174	0.10	0	0.00	174	0
1,835	9.36	1,811	10.12	24	1	37 IV SOLUTIONS	15,093	8.44	16,006	10.09	(913)	(6)
0	0.00	0	0.00	0	0	38 PHARMACEUTICALS	735	0.41	0	0.00	735	0
22,047	112.48	27,084	151.31	(5,037)	(19)	41 MEDICAL SUPPLIES	246,786	138.02	239,393	150.94	7,393	3
1,050	5.36	1,110	6.20	(60)	(5)	42 FOOD COSTS	16,106	9.01	9,808	6.18	6,298	64
291	1.48	365	2.04	(74)	(20)	44-45 HOUSEKEEPING SUPPLIES	4,890	2.73	3,228	2.04	1,662	51
674	3.44	1,737	9.70	(1,063)	(61)	46 OFFICE SUPPLIES	12,009	6.72	15,353	9.68	(3,344)	(22)
1	0.01	2	0.01	(1)	(50)	4601 POSTAGE	3	0.00	19	0.01	(16)	(84)
0	0.00	0	0.00	0	0	47 EMPLOYEE APPAREL	874	0.49	0	0.00	874	0
0	0.00	317	1.77	(317)	(100)	48-49 OTHER EQUIPMENT	2,691	1.51	2,802	1.77	(111)	(4)
0	0.00	404	2.26	(404)	(100)	50 OTHER NON-MEDICAL	1,114	0.62	3,573	2.25	(2,459)	(69)
514	2.62	1,753	9.79	(1,239)	(71)	51 FREIGHT, SALES TAX, DISC	15,424	8.63	15,489	9.77	(65)	0
26,437	134.88	34,765	194.22	(8,328)	(24)	TOTAL SUPPLIES	316,364	176.94	307,288	193.75	9,076	3
PURCHASED SERVICES:												
0	0.00	0	0.00	0	0	61 MEDICAL	66	0.04	0	0.00	66	0
0	0.00	411	2.30	(411)	(100)	64-67 MGMT/COLL & OTHERS	4,825	2.70	3,630	2.29	1,195	33
0	0.00	411	2.30	(411)	(100)	TOTAL PURCHASED SERVICES	4,891	2.74	3,630	2.29	1,261	35
REPAIRS & MAINTENANCE:												
1,675	8.55	1,183	6.61	492	42	6215 EQUIPMENT	15,068	8.43	10,458	6.59	4,610	44
0	0.00	1,412	7.89	(1,412)	(100)	6225 BUILDING/IMPROVEMENTS	1,416	0.79	12,485	7.87	(11,069)	(89)
1,675	8.55	2,595	14.50	(920)	(35)	TOTAL REPAIRS & MAINTENANCE	16,484	9.22	22,943	14.47	(6,459)	(28)
OTHER EXPENSES:												
2,299	11.73	22	0.12	2,277	10,350	75-76 RENTS & LEASES	10,371	5.80	188	0.12	10,183	5,416
0	0.00	58	0.32	(58)	(100)	85 TELEPHONE & TELEGRAPH	111	0.06	507	0.32	(396)	(78)
0	0.00	637	3.56	(637)	(100)	89-90 MISCELLANEOUS	1,399	0.78	5,630	3.55	(4,231)	(75)
2,299	12	717	4	1,582	10,150	TOTAL OTHER EXPENSES	11,881	7	6,325	4	5,556	5,263
30,411	155.16	38,488	215.02	(8,077)	(21)	TOTAL SERVICES & SUPPLIES	431,807	241.50	340,186	214.49	91,621	27
283,870	1,448.32	371,283	2,074.21	(87,413)	(24)	TOTAL DIRECT EXPENDITURES	3,054,283	1,708.20	3,281,677	2,069.15	(227,424)	(7)

Management Reporting

Entity **Department**

March, 2018

DEPARTMENT VARIANCES

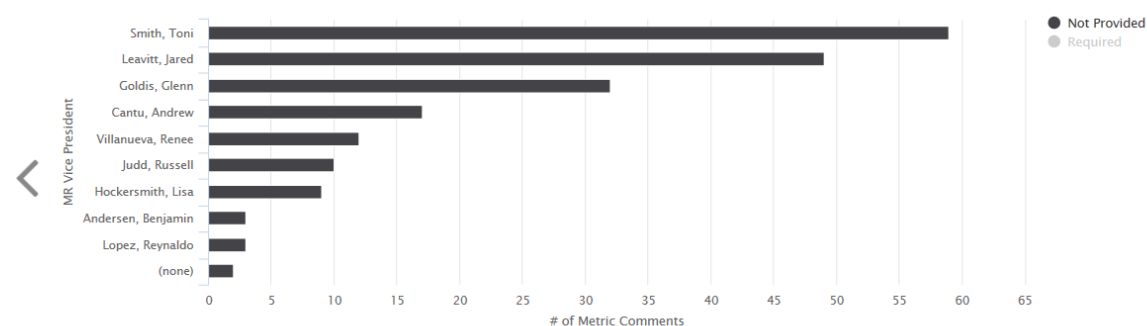
Search by Department name

Name	Acceptable Variances	Unacceptable Variances	Incomplete Commentary
1 01 - 87120 - MEDICAL STAFF-SURGERY	1	17	8
2 01 - 74200 - OPERATING ROOM	7	13	6
3 01 - 86140 - LEGAL	1	13	6
4 01 - 41500 - DEFINITIVE OBSERVATION UNI	9	11	5
5 01 - 41710 - 3C TELEMETRY UNIT	9	11	5
6 01 - 76700 - ULTRASOUND	5	11	5
7 01 - 87000 - HEALTH INFORMATION SERVICE	5	11	5
8 01 - 87110 - MEDICAL STAFF-PEDIATRICS	5	11	5
9 01 - 74250 - PERI-ANESTHESIA UNIT	9	9	4
10 01 - 74500 - ANESTHESIOLOGY	0	0	0

Top 20 displayed

COMMENTARY STATUS

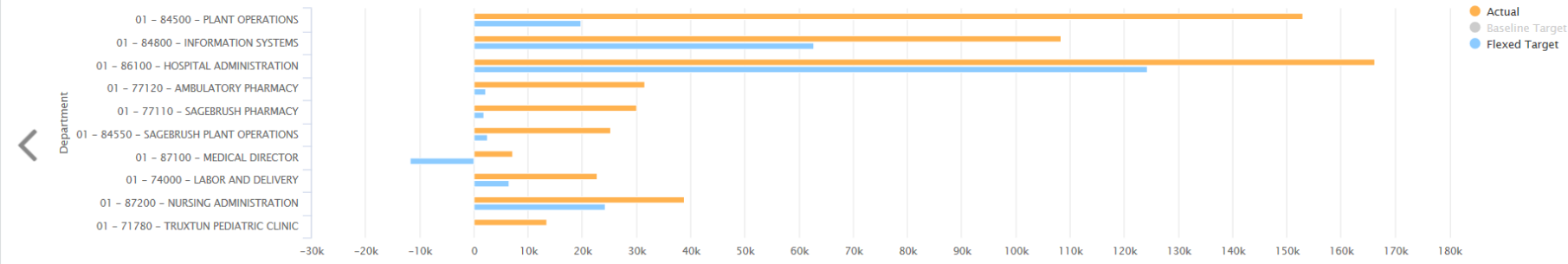
Hierarchy: MR Responsibility



METRIC DETAILS

Metrics: Other Expenses

Hierarchy: MR Department



Department Variance: 01 - 74200 - OPERATING ROOM

VOLUME							
		Actual	Baseline Target	Flexed Target	Variance	Variance %	Commentary Status
1	✔ UOS	50,474.00	53,975.00	50,474.00	0.00	0.00%	Comments Optional
REVENUE							
		Actual	Baseline Target	Flexed Target	Variance	Variance %	Commentary Status
1	✔ Gross Charges	\$6,082,870.71	\$6,055,052.82	\$5,662,301.73	\$420,568.98	7.43%	Comments Optional
2	✔ Gross Charges per UOS	\$120.51	\$112.18	\$112.18	\$8.33	7.43%	Comments Optional
EXPENSES							
		Actual	Baseline Target	Flexed Target	Variance	Variance %	Commentary Status
1	⚠ Salaries	\$379,797.51	\$256,060.67	\$239,451.71	\$(140,345.80)	(58.61%)	Comments Optional
2	⚠ Salaries per UOS	\$7.52	\$4.74	\$4.74	\$(2.78)	(58.61%)	Incomplete
3	⚠ Registry	\$111,345.68	\$0.00	\$0.00	\$(111,345.68)	0.00%	Comments Optional
4	⚠ Registry per UOS	\$2.21	\$0.00	\$0.00	\$(2.21)	0.00%	Incomplete
5	✔ Contracted Services	\$1,300.00	\$32,995.89	\$32,995.89	\$31,695.89	96.06%	Comments Optional
6	✔ Contracted Services per UOS	\$0.03	\$0.61	\$0.65	\$0.63	96.06%	Comments Optional
7	⚠ Purchased Services	\$2,799.48	\$416.03	\$416.03	\$(2,383.45)	(572.90%)	Comments Optional
8	⚠ Purchased Services per UOS	\$0.06	\$0.01	\$0.01	\$(0.05)	(572.90%)	Incomplete
9	⚠ Supplies	\$1,380,989.14	\$986,010.15	\$922,054.22	\$(458,934.92)	(49.77%)	Comments Optional
10	⚠ Supplies per UOS	\$27.36	\$18.27	\$18.27	\$(9.09)	(49.77%)	Incomplete
11	⚠ Other Expenses	\$23,101.34	\$19,060.51	\$19,060.51	\$(4,040.83)	(21.20%)	Comments Optional
12	⚠ Other Expenses per UOS	\$0.46	\$0.35	\$0.38	\$(0.08)	(21.20%)	Incomplete
STAFFING							

 **Mar 2018**
Current Month

OTHER DEPARTMENTS

- 01 - 87120 - MEDICAL STAFF-SURGERY 8
 - 01 - 86140 - LEGAL 6
 - 01 - 87110 - MEDICAL STAFF-PEDIATRICS 5
 - 01 - 87000 - HEALTH INFORMATION SE... 5
 - 01 - 76700 - ULTRASOUND 5
 - 01 - 61500 - DEFINITIVE OBSERVATION... 5
 - 01 - 61710 - 3C TELEMETRY UNIT 5
 - 01 - 74250 - PERI-ANESTHESIA UNIT 4
 - 01 - 74500 - ANESTHESIOLOGY 4
 - 01 - 76300 - RADIOLOGY DIAGNOSTIC 4
- Top 100 displayed

Results of Management Reporting

	2017	2018	2019*
Operating Revenue	360,778,863.93	411,290,689.85	312,808,925.57
Supplies	50,607,830.76	53,593,420.04	46,029,738.89
Implants	3,717,663.85	3,182,552.84	3,672,339.57
Pharmacueticals	19,507,544.21	23,034,429.26	21,344,487.31
Supplies - (I&P)	27,382,622.70	27,376,437.94	21,012,912.01
Supplies - (I&P)/OR	7.6%	6.7%	6.7%

Industry Update

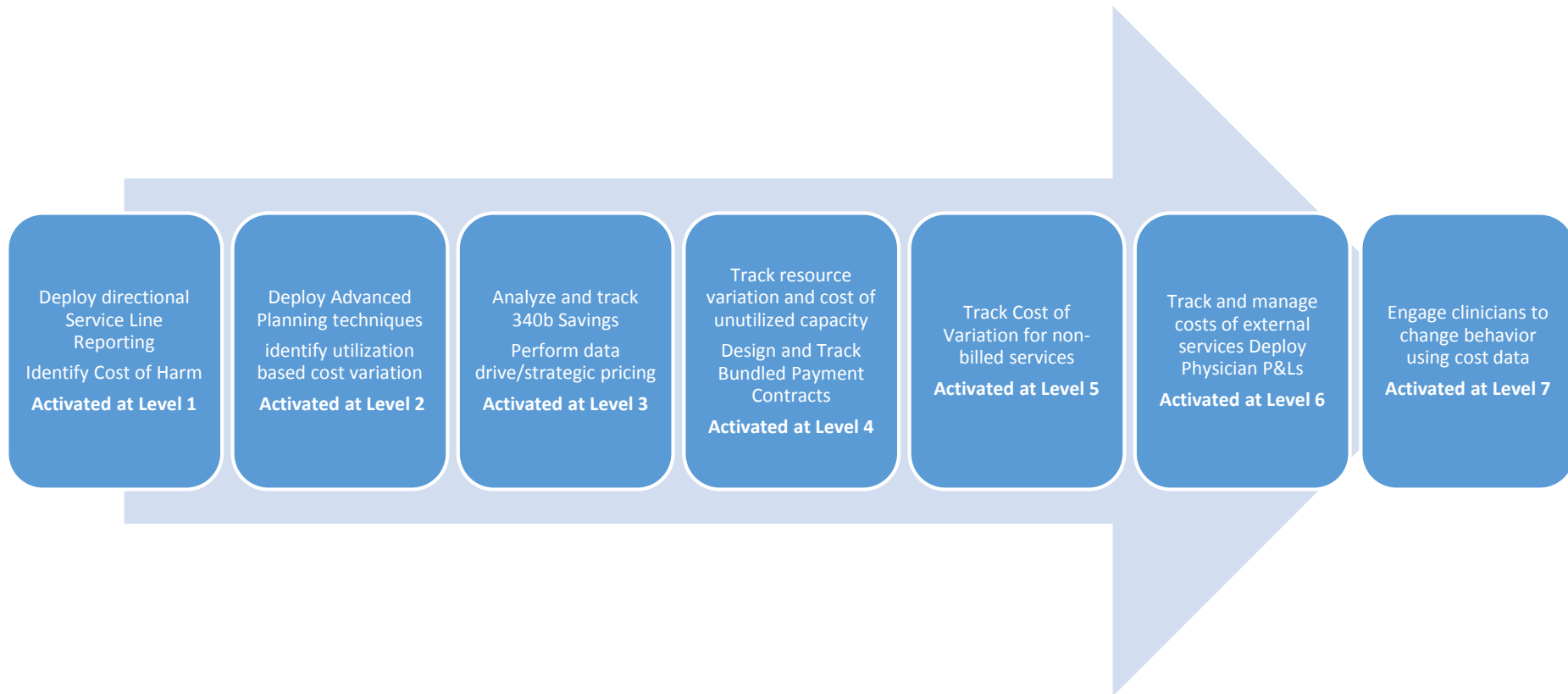
- Healthcare's First Cost Accounting Adoption Model Launched by HFMA and Strata Decision Technology ([HFMA](#))
- 90% OF HEALTHCARE EXECUTIVES ARE “FLYING BLIND” ON THE COST OF CARE

The Strata L7™

Advanced Cost Accounting Adoption Model

Level	Methodology
7	+ Comprehensive Time Driven Costing in highest labor expense areas + Cost Data integrated to Order Sets, All Covered services internal & external
6	+ Physician Activity Costing + External Claims for Bundled/MSSP/ACO programs, All Covered services internal & external
5	+ Comprehensive Activity Based Costing in all known areas for clinical/acuity variation and patient supporting areas, Entire Health System
4	+ Post Acute Care Costing + Time Driven Surgical Costing + 340b Discounting, Entire Health System
3	+ Collaborative workflow for RVUs + Physician Costing at Practice Level + Non-Chargeable Supply Costing + Limited Activity Based Costing , Hospitals and Physician Group
2	+ Acquisition Based Costing for Chargeable Supplies & Drugs + Accurate variability assignments, Limited to Hospitals
1	+ Historical RVUs + RCC + Markups for supplies, Limited to Hospitals
0	Own a Cost Accounting System, Primarily RCC run on an annual basis, Limited to Hospitals

L7 In Action



What is Next

- Better direct tracing of costs and discrete cost allocation on the procedure and provider level
 - New Costing Model in place
- Profitability by financial class and service line
 - Ability to track waiver dollars to patient populations
- Better tracking of cost reduction initiatives
 - Coming in FY 20
- Reduction of cost variability and better standardization of equipment and supplies
 - Coming in FY 20
- Better insights into costs of care and outcomes
 - Coming in FY 20

Cost Containment After 2020



Discussion – Program Structure

- What types of flexibilities (measures, activities) would you want to ensure are in place for this program?
- What type of standardization, if any, would make sense?
- Are there types of cost containment activities that you know your system can act on sooner rather than later?
- Are there milestone metrics or process metrics that make sense to trigger payment?
- What are the first steps your system would take to prepare if a program like this moved forward (ie, data analysis, investment in x)?

Discussion – Measurement

Background on two nationally recognized measures

- Two measures best viewed together
 - [Total Resource Use Population-based PMPM Index](#) (RUI - NQF #1598)
 - [Total Cost of Care Use Population-based PMPM Index](#) (TCI - NQF #1604)
 - *STEWARDS*: Health Partners
- Total Cost Index = Resource Use Index x Price Index
 - Price Index: Comparison of the relative pricing of all medical costs. Affected by fee schedules, referral patterns and place of service. Providers compared as if they had the same patient mix & practice patterns
- **Drillable** to condition, procedure, and service level
- Identifies **price differences and utilization drivers**
- Both measures [NQF Endorsed](#) for Commercial population only ([considerations for use in Medicaid](#))

Discussion – Measurement

TCOC measure

- The total cost of treating a population in a given time period expressed as a risk adjusted PMPM **based on claims during the measurement year**
- Includes all services associated with treating a patient including professional, facility inpatient and outpatient, pharmacy, lab, radiology, ancillary and behavioral health
- **Calculated on a risk-adjusted paid PMPM basis** as well as benchmarked to a peer group. Paid amount (i.e., allowed) is inclusive of both plan and member liability.
- Adjusted by Age, Gender & Illness Burden

Resource Use Measure

- A risk adjusted measure of the frequency and intensity of services utilized to manage a patient population
- Tells us **why** care is expensive
- Includes exact same services as TCI measure
- RUI is the risk adjusted total resources divided by the sum of the member months attributed to the provider. The total resources are the sum of the Total Care Relative Resource Values (TCRRV™), which are a standardized price value that acts in the same fashion as a dollar

Discussion – Measurement

If your system was required to report on cost and compare performance to itself year over year...

- What data would you want to rely upon?
 - Cost reports? What else (as not all costs are included, such as denied days for patients you can safely discharge)?
- Should we have one way of measuring cost for all systems – even though not measuring against each other?
- What “cuts” of the data might be most valuable to measure overall cost containment success?
 - Hospital costs/day?
 - Costs of visit/day
 - Medi-Cal only, uninsured?
- How confident are you in the data and your ability to measure costs in a comparable way year over year?

Wrap-Up



Quality Leaders Awards

AWARD CATAGORIES:

TOP HONOR

AMBULATORY
CARE REDESIGN

DATA DRIVEN
ORGANIZATION

PERFORMANCE
EXCELLENCE

ABOUT THE AWARDS:

For more than 20 years, CAPH/SNI has delivered the QLAs to recognize outstanding initiatives across California's public health care systems. The awards highlight forward-thinking and innovative approaches to improve care and advance population health.

Awards are presented at the CAPH/SNI Annual Conference on December 4-6 at the Paradise Point Resort in San Diego.

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Thank You!

Please Complete the Evaluation!

