Top 10 New Year's Resolutions for Hospital CFOs

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It appears that 2014 will bring another year of challenges to the hospital industry. Fifteen states have exchanges up and running on their own without the problems being experienced at the Federal level. The federal government that has set up jointly managed or direct exchanges is old news and deeply troubled by IT and other issues. The panacea of affordable care for all is doubtful in that it is anticipated that most younger eligible are shying away from the exchanges while, as expected, those older and patients with health issues are flocking towards the plans.

The most dangerous concern for all providers is the apparent trend to select lower coverage plans which do little or nothing to protect individuals from financial devastation (high deductibles, co-pays, coinsurance and limited networks). These issues reemphasize the necessity of hospitals to operate in the most cost effective and diligent manner possible. Nothing is off the table when it comes to managing costs, whether it is human capital, provider, utilities, pharmaceuticals or supplies. There is a great degree of uncertainty in the industry, fueled by concerns over the ability of developing ACOs to control costs, the impending taxation of healthcare benefits, the roll out of ICD10, whether state exchanges will limit uncompensated care or just add to it, increased enforcement actions by OIG and RAC auditors, new Medicaid Integrity contractors gearing up for intensive audits, bond covenant defaults, lack of capital for projects and erosion of the bottom line.

As a hospital CFO, what are the things you should be thinking about and doing, going into 2014? The following is a list of Top 10 New Year's Resolutions every hospital CFO should be making in order to move forward on a positive note in 2014:

1. Bundled payments are déjà vu all over again, as I predicted last year. With the advent of ACOs and challenges of affordable care, hospitals should be preparing, more than ever, to bundle hospital based physician costs (hospitalists, anesthesia, emergency, pathology, radiology, NPPs, social workers and employed physicians) into your rates if you have not done that already. Under healthcare reform, more people than ever will start to show up at your facility but not with the best insurance coverage; efficiency and cost controls will drive you toward profitability since most of these new patients will be eligible for Medicaid expanded benefits it will be a strain on hospitals; with or without expansion the ACA reduces DSH payments, beware! Procedure demand will be up on an outpatient

basis since pent up demand from 2013 will finally materialize as Exchanges start to come online; don't forget to price your procedures to be competitive with free standing facilities, if possible. Monitoring patient status of insurance payments will also be critical since Obamacare allows a 90 day grace period to pay which could result in retroactive denials for approved services if payments are in default; AHA has researched whether or not hospitals could pay premiums if these instances and there seems to be no prohibition although CMS is not wild about the idea, but it might pay to do it on a case by case basis. Lastly, look out for changes in plan offerings as employers move to different offerings (HDHPs and HAS's) that can have a detrimental impact to your cash flow by forcing employees into higher deductible plans.

2. Have you created medical homes? Medical homes are clearly going to be the key driver of managing healthcare costs under reform even though it has had a dismal start. Do your homework on how to adapt your institution to be profitable in the new healthcare environment including aligning with payors or other HMOs to develop co-branded products. If you have not aligned with your physicians yet, you better get busy because medical homes will be driving volumes of both inpatient and outpatient services well into the future! By all means, don't forget to factor in nurse practitioners and other complementary care extenders into your plans to combat the anticipated physician shortage. Also, don't forget to fix your contracts with payors before changing your business model or service offerings. Equally important, don't forget to factor in risk sharing and performance criteria into your contracts and make certain it is crystal clear how the savings are divvied up.

3. Just like last years, quality at your hospital will continue to be a paramount for reimbursement. Payment reform is rewarding facilities that can do the right things and measure them; the shared savings programs sponsored by Medicare are proof of that! Healthcare acquired infections begin in FY 2015 so it is not too early to start lowering your rates now; hospitals that are in the lowest quartile for medical errors and serious infections will be paid 99% of the IPPS rates. Quality also focuses on lowering readmission rates, those that don't will suffer up to a 2% decrease to their payment; don't forget than in addition to the current readmission tracking (heart attack, pneumonia, and heart failure) CMS will be adding COPD and knee surgery to the list effective FY 2015. More and more patient centered outcomes will be in the sights of the healthcare reform law. Don't rely on the government or payors to measure your quality, be prepared to support your

activities and outcomes; remember how many reports have been issued in the past that have erroneous measurement data that needed to be refuted? Also, don't forget that patients will be asked to give feedback on their care which has no bearing, per se, on the real clinical outcome. Remember, even NJ Medicaid is rolling out quality incentive plans; if you can't measure your successes, someone else will tell you how you performed, this option is not preferred.

4. When in doubt, don't layoff! Retask department heads, managers and line staff to be agents of change. A lot needs to be done with new system implementations for ACO participation and risk sharing deals, ICD-10 roll out, infection control, discharge planning, meaningful use measurements, and readmission avoidance and not to mention the criteria relating to the "two midnight rule". Staff involvement guarantees better buy-in and roll out of action plans that they are invested in, not those by fiat. Don't forget about your nurses and NPs, under reform there will be more of a demand for them than in the past; older seasoned nurses might just give up and retire if you are not attentive to their wellbeing.

5. Do not scrimp on compliance activities! While the 2014 OIG Workplan will not roll out until on or about the time this is published, it will probably be 2013's on steroids. Make compliance a strategic initiative and ingrain them in your organizational culture. With the increased scrutiny that hospitals will be receiving by all governmental payors, you cannot afford to side step good business and governance practices. Compliance and internal controls will be a key ally in saving your hospital from embarrassing press articles and, even worse, monetary recoupments and fines. Don't forget, there are many new payors (COOP's, new medical payors, new exchanges) that the government will be auditing to make sure they are not wasting tax money; this requires even more diligence on billing staff to assure that billing and reimbursement activities are accurate.

6. Pay attention to revenue cycle coding including the impending change to ICD-10. Many providers still have not prioritized preparation activities for ICD-10 thinking that those changes would be pushed back one more time; not so, CMS announced in its "Final Rule" that it will be October 1, 2014 for real! Those that are not ready will suffer financially. ICD-10 preparation cannot be put off any longer since system testing and educating billers, coders, staff and physicians will be required. The new code sets are 5 times larger

than ICD-9 so they should not be taken lightly. Also coding and mapping tests should be completed as the government auditors will be all over errors as coding fraud.

7. IPPS increases are not going to make up for the overall increase in your costs of business unless you think you can hold your costs to less than one percent. Standardize physician preference items if you have not already done so. It would also not hurt to standardize treatment regimens but don't attempt to do it without provider buy-in. Hospitals and providers on the left coast are way ahead of us in paring down costs particularly in the pharmaceutical area. There are great companies out there that can help to benchmark your supply spend and ferret out the best deals without sacrificing quality. Some hospitals are also sending patients home with medicines to prevent inappropriate readmissions. Watch out for expensive new biologics which could easily blow away other savings initiatives. Cutting costs while still providing quality care will become much easier in a shared savings environment!

8. Technology will become more prevalent with health applications that are being deployed by your institution or related health partners. Evaluate security safeguards and make sure to incorporate these strategies into your risk management program. As data is being shared with more partners in the continuum of care, more opportunity for errors can arise.

9. Consider the possibility of a merger with another hospital for strategic reasons including the ability to manage patients through a large network which is the heart of accountable care. M&A activity is expected to peak in 2014 and stand-alone hospitals will find that it is harder to achieve economies of scale that will be required under healthcare reform. Review of data supports that hospital systems typically perform 3-4% points higher than unaffiliated hospitals. Other benefits of mergers or affiliations include ease of medical staff management, better negotiating positions with payors and enhanced access to capital.

10. High touch not only includes patient quality items. Remember your hospitals mission and continue outreach activities in the community; remember that community services could on your 5500 Form! Patient loyalty is as important to future revenues as any other activity.

Remember that success rarely comes to those who wait… it comes to those that do! Use these tips wisely to propel your organization forward in 2014!

About the Author

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