

FiscalHealth

FROM SYSTEMS TO SUSTAINABILITY



Finding and Managing Program Income : A Key to Financial Sustainability

Iris House 9th Annual Women as the Face of AIDS Summit
New York City, May 5, 2014

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HealthHIV

www.healthhiv.org

About Richard Maycock



- 14 years as business exec
- 20 years as consultant
- 10 years providing TA to Ryan White grant recipients
- 5 years as HRSA/HAB fiscal compliance auditor
- Ongoing service as nonprofit executive or board member
- Specialist in fiscal sustainability, strategic planning and financial management
- MBA in Finance

GOAL

Learning how an organization can achieve improved fiscal health and sustainability through program income diversification.

OUTCOMES

- Recognize the advantages and challenges of program income
- Understand the steps and decision process to establish, expand or hold
- Understand how to develop a plan for program income diversification

QUICK FACTS



1. Most CBOs and CHCs struggle to stay solvent or face cash shortages from time to time.
2. The ACA is opening up revenue opportunities.

Primary Reason for Financial Issues

Insufficient cash inflow (revenue) to more than just cover expenses. There needs to be positive surplus, AKA gain, profit, income, margin.

No Margin... No Mission



Further...

...your RW contract requires:

- A. A written policy stating RW is the Payer of Last Resort, i.e., to first collect from Medicaid and other third parties.

- B. Staff training on how to meet the above requirement.

and...

- C. The screening of clients and assisting their enrollment.




- C. Having the infrastructure to conduct third party billing.

- D. Obtaining Medicaid certification as a provider, if offering billable services.

On the plus side...

1. RW program revenues are not limited by the spending caps, and can be used for any admin or other expense that is program related, as well as capital expenditures.
2. This source of revenue is renewable as long as clients are retained.

More Motivation

- Some RW grant \$ for core services will likely be shifted to Medicaid.
- Charitable donations 
- Corporate donations 
- Individual donations 

501(c)(3) Tax Form

<p>Form 990</p> <p>Department of the Treasury Internal Revenue Service</p>	<p>Return of Organization Exempt From Income Tax</p> <p>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)</p> <p>▶ Do not enter Social Security numbers on this form as it may be made public. ▶ Information about Form 990 and its instructions is at www.irs.gov/form990.</p>	<p>OMB No. 1545-0047</p> <p>2013</p> <p>Open to Public Inspection</p>
<p>A For the 2013 calendar year, or tax year beginning _____, 2013, and ending _____, 20</p>		
<p>B Check if applicable:</p> <p><input type="checkbox"/> Address change</p> <p><input type="checkbox"/> Name change</p> <p><input type="checkbox"/> Initial return</p> <p><input type="checkbox"/> Terminated</p> <p><input type="checkbox"/> Amended return</p> <p><input type="checkbox"/> Application pending</p>	<p>C Name of organization</p> <p>Doing Business As</p> <p>Number and street (or P.O. box if mail is not delivered to street address) Room/suite</p> <p>City or town, state or province, country, and ZIP or foreign postal code</p>	<p>D Employer identification number</p> <p>E Telephone number</p> <p>G Gross receipts \$</p>
<p>F Name and address of principal officer:</p>		<p>H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)</p> <p>H(c) Group exemption number ▶</p>
<p>I Tax-exempt status: <input type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527</p>		
<p>J Website: ▶</p>		
<p>K Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶</p>		<p>L Year of formation: _____</p> <p>M State of legal domicile: _____</p>
<p>Part I Summary</p>		

501 (c) (3) Tax Form

Active	6	Total number of volunteers (estimate if necessary)
	7a	Total unrelated business revenue from Part VIII, column (C), line
	b	Net unrelated business taxable income from Form 990-T, line 34
Revenue	8	Contributions and grants (Part VIII, line 1h)
	9	Program service revenue (Part VIII, line 2g)
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3) .
14	Benefits paid to or for members (Part IX, column (A), line 4)	

Some Myths

1. Nonprofits can't make a profit
2. If we earn money we will lose our nonprofit status
3. We will need to pay federal tax on any profits

Nonprofit Funding Mix

Source	CBO	University	Red Cross
Individuals	2	35	51
Government	80	5	1
Foundations	13	5	0
Fundraising	5	0	0
Investments	0	20	2
Program Income	0	35	47
Total	100%	100%	100%

OK... so how?

Best New Opportunity

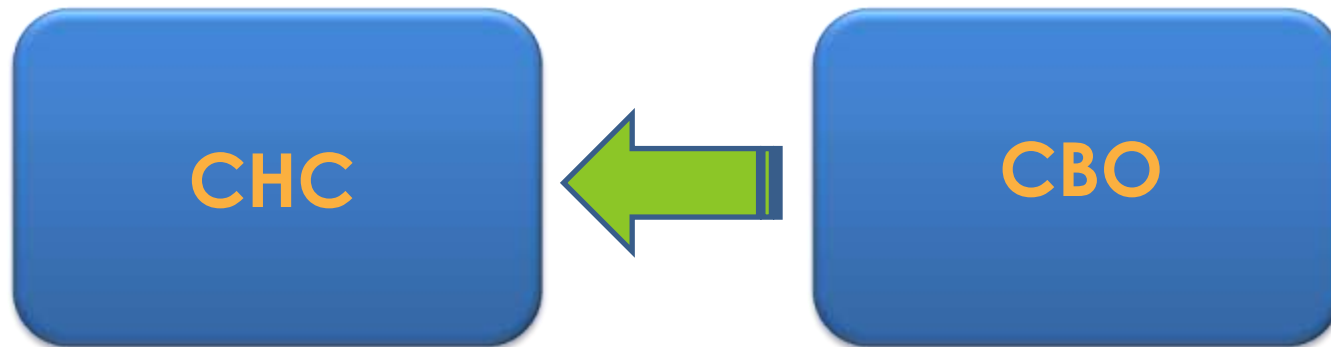
The Affordable Care Act

has opened up new avenues for receiving fees for service, AKA Program Revenue and Program Income.

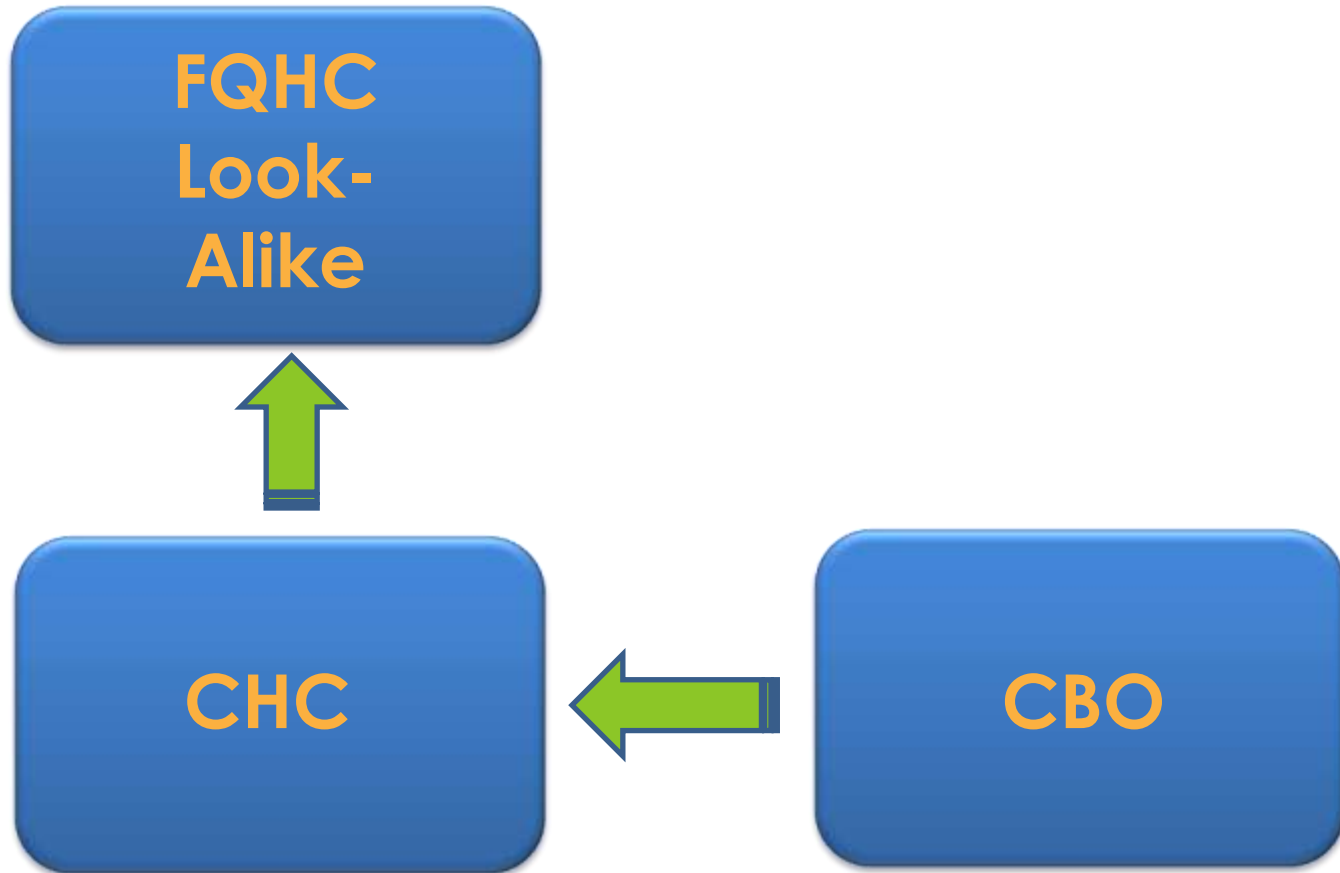
Program Review: Changing Landscape



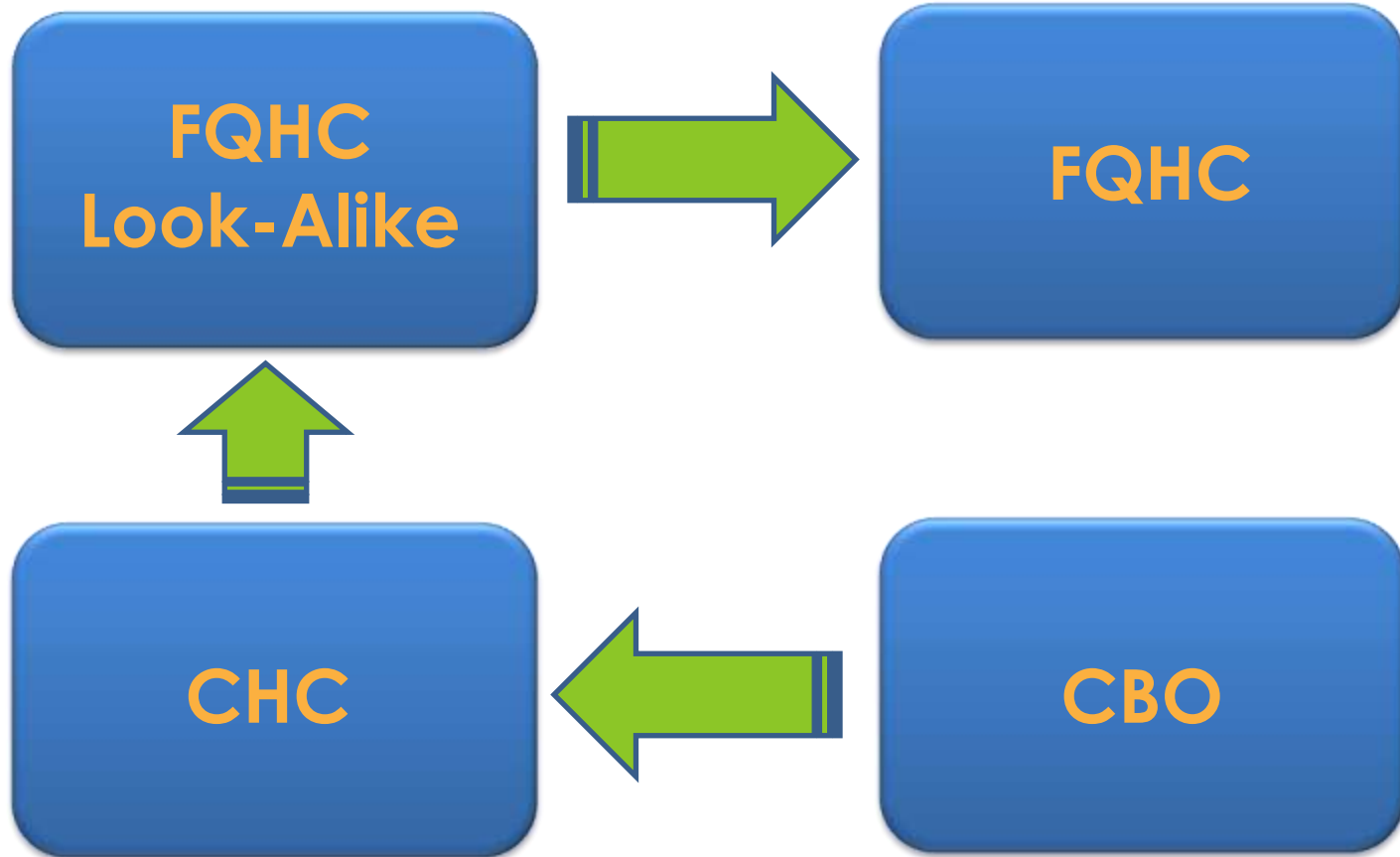
CBO Expansion Track



CBO Expansion Track



CBO Expansion Track



If interested...

**Community Health Care
Association of New York**

212-279-9866

info@chcanys.org

FACT

Revenues derived from patients or third parties can play an important role in financial sustainability as well as comply with grant requirements.

FACT

Ryan White grantees and subcontractors must observe the requirement of Payer of Last Resort... they are expected to make reasonable efforts to secure other funding for expenses whenever possible. Primary focus is upon Medicaid, ADAP or other third-party payers.

ASSESSMENT

So, let's take a look at third party billing....

Third-party Billing

Taking wing....



Advantages of Medicaid/Medicare Revenues

- Provides ongoing revenue stream
- Expands patient access to services
- Eligibility to apply for additional federal grant funds

Medicare Patient Qualifications

- Age 65 and older
- U.S. Citizen or 5 year legal resident
- Under 65 but disabled
- Miscellaneous other exceptions to age

Medicare Provider Qualifications

- Eligible type of service(s)
- Operational
- Licenses and certifications
- Regulatory compliance
- Site inspection

Medicare & Medicaid Fiscal Intermediaries

- Provider enrollment
- Claims processing
- Claims payment
- Audits
- Reports

NY Fiscal Intermediary Medicare 2014

National Government Services
(NGS)

phone: 888-379-9132

Applications

paper: CMS 855

online: pecos.cms.hhs.gov/

Medicare Provider Education*

Medicare University

New Provider Center

Advisory Group

Training Event Calendar

Training Summaries

*www.ngsmedicare.com

Medicare

Peer Comments

Medicaid

Now: 50 million enrolled
2030: Est. 80 million



Medicaid

It is estimated more than half of people living with AIDS receive Medicaid benefits

Medicaid

*Approximately 50% of cost is paid
by the State*

*eMedNY
NY State Dept. of Health*

NY Medicaid Fiscal Agent 2014

Computer Sciences Corp.
800-343-9000

Medicaid Patient Qualifications

- NY Resident
- U. S. Citizen or qualified alien
- Income and wealth limitations

Medicaid Provider Qualifications

- Medicare certification
- Eligible service
- Operational
- Licenses and certifications
- Background check

The ACA Opportunity

- + 300,000 new Medicaid enrollees in NY
- + 950,000 total new enrollees, 70% previously uninsured
- 15 Marketplace companies

Medicaid

Peer Comments

HRSA 340B Program

- Outpatient discount drugs
- RW grantees are eligible
- Online registration:

<http://opanel.hrsa.gov/opa>

- Local pharmacy contract
- Patient eligibility
- Bill Medicaid or other third party
- Related business revenue

340B Case Study

Callen – Lourde FQHC in NYC

www.nyshealthfoundation.org

REVENUE Cycle



Management of Program Service Revenues: *The Revenue Cycle*

Revenue Cycle

Healthcare providers in 2014 are facing significant financial challenges. High on the list are increasing costs and increasing numbers of uninsured and underinsured; providers are now required to collect a greater share of payment from patients.

Revenue Cycle

Financial Realities: In the most severe cases, hospitals and clinics are closing, employees are out of work, and entire communities are losing healthcare access. Over 20% of hospitals are not self-sustaining.

Revenue Cycle

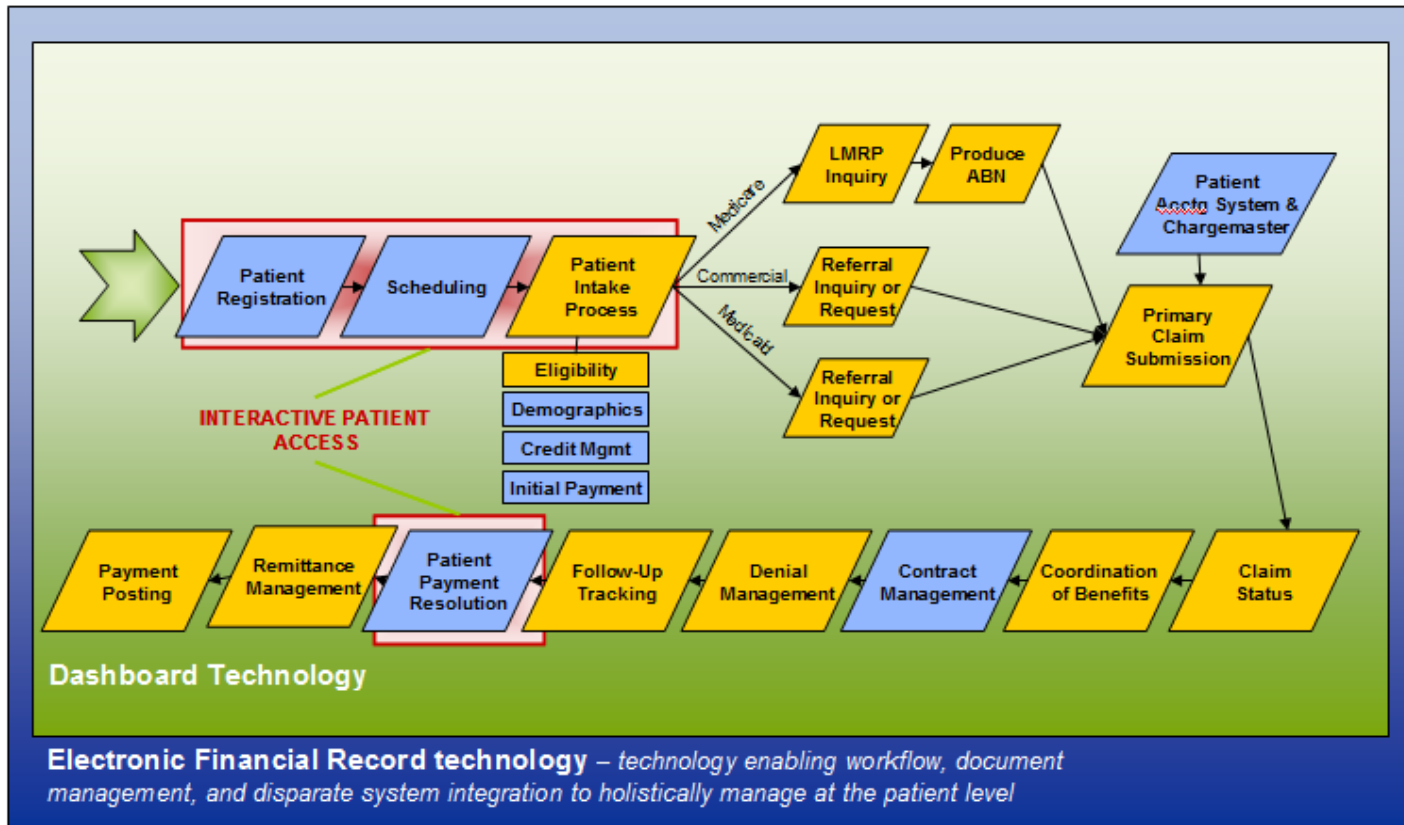
To cope with these challenges, the primary area of focus has been to improve Revenue Cycle performance, allowing an increase in the amount of reimbursement for services, fewer bad debt write offs and faster receipt of payments.

Revenue Cycle

The short-term benefits of increased patient revenue, reductions in bad debts, reduction in accounts receivable, improved cash flow and employee productivity...can also achieve strategic goals of clinical growth, new/improved facilities, and improved satisfaction of employees, physicians and patients.

**Healthcare Financial
Management Assn.
(HFMA)
www.hfma.org**

Healthcare Revenue Cycle Process Overview



Building an Electronic Medical Banking Community

Revenue Cycle “Front End”

- Scheduling
- Pre-registration
- Bill estimation
- Cash collection
- Insurance verification
- Medical necessity
- Financial counseling

Revenue Cycle Middle

- Charge capture
- Coding and documentation
- Case management review

Revenue Cycle “Back End”

- Billing
- Accounts Receivable management
- Denial management
- Collections
- Remittance processing

Billing & Collections



Two of the most critical elements in the
Revenue Cycle

Billing & Collections

A Best Practice is to provide the patient with an estimate of their out-of-pocket expense when the appointment is made, and agreement reached on method and amount of payment in advance of arrival.

Billing & Collections

This requires the “Front End” to be precise regarding registration, eligibility and financial resources available, capturing as much revenue as possible before services are performed.

Billing & Collections

It requires the “Middle” functions of the Revenue Cycle to correctly document and code each patient encounter...avoiding insurance claim “denials”.

Billing & Collections

Best practices in the “Back End” of the Revenue Cycle, where most of the billing and collection functions happen, include the use of technology and electronics to reduce denials, improve cash flow, reduce write-offs and lower Accounts Receivable.

Revenue Cycle

Common Breakdowns:

1. Inconsistent or incomplete patient information
2. Treating patients without insurance authorization
3. Failure to collect co-payments and deductibles before patients leave
4. Returned claims/denials
5. Weak collection process

Revenue Cycle

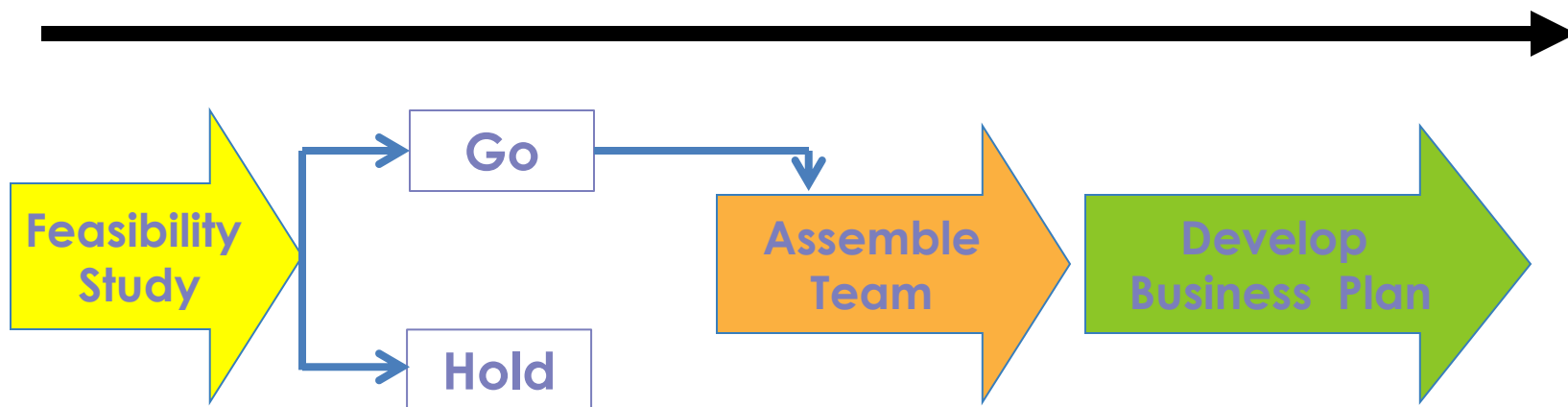
Tips on how to enhance it:

- Board of Director involvement
- Established performance goals
- Clear and consistent payment policy
- “Front End” experts in patient financial communications and counseling
- Accurate and timely billing
- Use of electronics for verifications, approvals and billing.

Peer Comments on the Revenue Cycle

Planning for Program Revenue

8-9 months



Planning Tips

- Obtain professional help to conduct the feasibility study.
- Have board make go or no-go decision based on feasibility study.
- Designate a senior-level task force to develop the plan.

Business Plan Basics

- Environmental Assessment
- Goals, Objectives & Strategies
- Responsibilities/Timelines
- Resource Requirements
- Financial Projections/Budget

Final Thoughts

Decide on FQHC play

Housekeeping

- Acctg. Policies/Procedures
- Acctg. System Upgrade
- Acctg. Staff Upgrade
- Grant Fiscal Compliance

CONCLUSIONS

1. Program service revenues can provide fiscal health and sustainability.
2. The ACA opens up new potential.
3. Not easy, not quick.
4. There is a decision process involved.
5. There is a planning process involved.

Thank you!

Questions?

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END