GROWTH AND DEVELOPMENT: CAPITALIZE ON NEW BUSINESS OPPORTUNITIES

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Welcome and Introductions

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New Business Opportunities and the Changing Environment

1. Is my CBO ready for change?

2. Assessing & Monitoring Fiscal Health

3. Contracting 101
Current business environment

- State of Constant change
- Organizations cannot simply stand still
- Disruption is inevitable, even for CBOs
- Unanticipated Disruption can be life threatening
- Organizations need to prepare for anticipated and unanticipated changes
Disrupter or Disruptee

- Disruptions for CBOs
  - Changes in funding streams
  - Changes in funding methodologies
  - Changes in program models
  - Changes in payers
  - Implementation of Value Based Payments
  - Move to Managed Care
Organizations should look to be the disrupters

Looking for new business opportunities

Looking for potential Collaborative Partners

Disruption Requires organizations to understand

- Payer sources and their impacts
- Their cost to provide services
- Their current financial position
- Their value proposition & how to market themselves

Environmental Scan / SWOT Analysis
Potential Payers and Partners

- CBOs have an array of potential revenue streams
  - Medicaid
  - State or local Government organizations
  - Private Insurance
  - Health systems
  - Private pay
  - Third party contracts
  - ACOs & Managed Care Organizations

- Multiple Payers
  - Different billing/documentation requirements
  - Delays in payments and potential increase in bad debts
Reimbursement

Different types of funding

- Fee for service
- Contract
- Pay for performance
- Capitation
- Value Based Payments

Each Impacts how you operate your programs
Determine Cost of Providing Service

- Cost per individual served
  - Fixed and variable cost
  - Acuity levels
- Direct Care and Clinical Staffing
- Support functions
- Occupancy Costs
- Administration
- Other Unique costs of care
How is Financial Viability Measured?

- Profitability
- Liquidity
- Financial statement
- Cash versus accrual basis
  - Cash Management
  - Cash Reserves
Profitability

- **Bottom line surplus/losses**
  - Includes contributions & invest income
  - Unpredictable nature of these items

- **Operating surplus/losses**
  - S/L from operating your programs
  - More often losses

- **Multi-year review and trend**
  - One year's loss is not necessarily a problem
  - Multi-year losses and trends downward

- **Profit margin**
  - Net income as a % of revenue
Liquidity and Cash Reserves

Liquidity Ratios

- Current Ratio
- Primary Reserve Days
- Days in Reserve
- Days in Account Receivable

Cash Reserves

- Unrestricted cash on hand
- Lines of Credit
  - Minimum of three months of operations
Monitor Fiscal Health

Ongoing Financial Reporting

- Budget vs. Actual
  - Managing within a budget
  - Tracking financial health
  - Cost Accounting
    - Allocations
    - Grant Reporting

- Tracking Key Statistics - Dashboards
  - Staffing
  - Utilization
  - Outcome measures
  - Liquidity ratios
Develop Your Value Proposition & Marketing Your Services

- Develop your value proposition
  - Organization’s Mission
  - Market position
  - What you are good at
  - What is needed

- Getting in the door - Marketing and outreach
  - Network participation
  - Competition
  - Continuum of Care
  - High Quality Performance ratings
Collaborative Partners

- ...can add to the value proposition
- Working with others
- Vertical vs. Lateral collaborations
- Back office collaboration
  - Business Services
  - Technology
- Mergers and affiliations
Contracting

- Cover letter explaining the MCO expansion
- Base agreement
  - Definitions
  - Terms & Conditions
  - Regulatory requirements and standard clauses
  - Signature pages
- Appendices
  - Lines of business of MCO
  - Service descriptions
  - Payment / rates
- Credentialing package
- Provider Manual
Key Contract/Provider Manual
Provisions

■ Provider responsibilities
  o Licensure and compliance
  o Insurance
  o Participation in MCO care management
  o Participation in Quality and Performance Improvement and vendor oversight
  o Compliance with MCO policies and procedures

■ Compensation & Billing
  o Prior Authorization requirements
  o Payment terms / prompt payment compliance
  o Coordination of benefits
  o Claims submission timeframes
  o Denial timeframes
  o Appeals & Grievances
Other Terms

- Contract Term
- Renewal and termination provisions
- Arbitration & Dispute resolution
- Indemnification

Provider specific

- Service Description
- Rates of Payment/Alternative Payment arrangements
Things to Consider

- Contract tracking and administration
- Compliance with contract commitments
- System requirements
  - Coverage and service authorizations
  - Timely billing requirements (including proof of timely billing)
  - Timely AR follow-up
- Potential impact on cash flow
- Impact on potential strategy and partnerships
Payment Model Concepts

- **Full Risk**: Assumes full financial responsibility for the profit and the potential loss in serving members.
- **Partial Risk**: Assumes some financial responsibility for the profit and the potential loss in serving members.
- **Gain Sharing**: Assumes some financial responsibility for the profit and none for the potential loss in serving members.
- **Performance Bonuses**: Conditional income, paid out only if certain operational, quality, or financial measures are met.
- **Fee-for-Service**: Conventional reimbursement for every service provided.
Managed Care Organizations

- Require State and Federal Licenses

- Are highly regulated and held to financial solvency, operational and administrative, quality and compliance standards according to the applicable contracts with regulators

- Are required to maintain a provider network through written agreements (contracts or single case agreements)

- Must maintain provider networks that meet adequacy and access standards, determined by the regulating agency
As States and CMS “carve-in” benefits into managed care, MCO’s will need to expand their provider networks.

For example:
- Medicare Advantage Plans have the ability to add supplemental benefits.
- States are adding previously excluded populations / benefits into managed care such as:
  - Individuals requiring long term services and supports.
  - HCBS waiver services.

CBO contracts will increase in popularity as the impact of “social determinants of health” are better understood and integrated in health care and managed care.

Typically a fully contracted, credentialed and adequate network is required before final regulatory approval is granted.
Things to consider

- Stay informed about payment reform initiatives in your State

- Clarify / designate point people - Who is responsible for contract review at your organization, what are your internal approval procedures, how will the team be informed / educated about contract requirements

- You can provide feedback / ask questions/ request contract changes
  
  o Make sure the service descriptions are clear and consistent with your program design
  o Clarify service and fee/ rate inclusions and exclusions
  o How will rate updates be handled

- Your state has claims submission timeframes and prompt payment regulations. Usually an MCO has to comply with these unless the provider agrees to different language. Know your State regulations, if the contract has different language that is not in your favor you can request a change consistent with existing protections
Thank You!

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