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HEALTH CARE PRACTICE

RHC Conference

Getting Value From Your Back Office

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AGENDA

- Learning Objectives
- Outsourcing of Services
- Revenue Cycle
- Accounting
- Attracting and Retaining Good Employees
- Internal Controls
- Questions



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Learning Objectives

After this session, you will be better equipped to:

- Implement key processes for improving billing and collections
- Ensure the accuracy of reported financial information
- Enhance relationships with department managers and leadership
- Consider model for hiring or outsourcing back office functions
- Design internal controls to minimize the risk of fraud and misappropriation



Outsourcing vs. Hiring In-House

What is outsourcing?

If you hire an outside consultant, service provider, or agency to manage a portion of your business, that is outsourcing. Here are some reasons to outsource:

- Specialized skills – The task is highly specialized and requires expert skills or systems, such as:
 - Accounts Receivable
 - Accounting and/or Tax Reporting
 - Information Technology
 - Payroll
 - Reimbursement/Cost Reporting
 - Human Resource Compliance



Outsourcing vs. Hiring In-House

- The task requires specialized equipment that is not cost-effective for your organization to purchase such as:
 - Accounting/tax software
 - Accounts receivable software
 - Payroll software
 - Medicare cost report software
 - Human resources management system



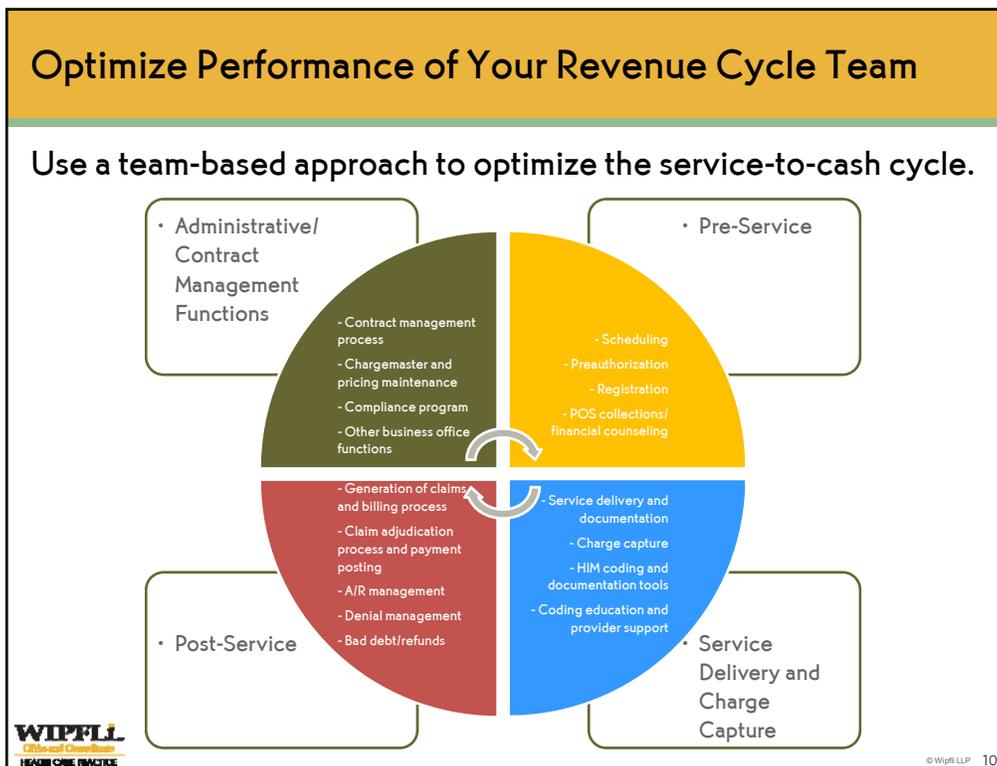
Outsourcing vs. Hiring In-House

- The cost of turnover for both full-time and part-time personnel. Cost of turnover includes:
 - Internal training \$\$ or external training \$\$ for newly hired personnel
 - Bad debt write-offs resulting from inexperienced billing/collectors
 - Financial “housekeeping” costs resulting from new staff in the training phase
 - Cost of bad decisions resulting from poor financial information
 - Additional stress on leaders in dealing with the above

Outsourcing vs. Hiring In-House

- The task is temporary or short-term:
 - For example, you may need someone to assist in getting your accounts receivable cleaned up and collected. Don't be shortsighted in spending some money to save some money!
- The amount of work that needs to be done doesn't justify the cost of in-house staff. This may be because:
 - The position does not require a full-time person or
 - You can't afford to hire a highly skilled person for a part-time position.





Optimize Performance of Your Revenue Cycle Team

Use technology to your advantage;
automate key steps in the cycle.

- Preauthorizations
- Insurance eligibility
- Time-of-service collections
- Charge capture
- Coding and documentation
- Claims editing and submission
- Payment posting
- Denial management



Optimize Performance of Your Revenue Cycle Team

Outstanding/unpaid accounts beyond 60 days from the date of
service should be considered exceptions

- Direct efforts at determining what went wrong in the process
- Study/correct the process to avoid future exceptions
- Collect/resolve the account
- Rid your practice of patients who refuse to pay
 - Different from patients who cannot pay or dispute the services provided

Optimize Performance of Your Revenue Cycle Team

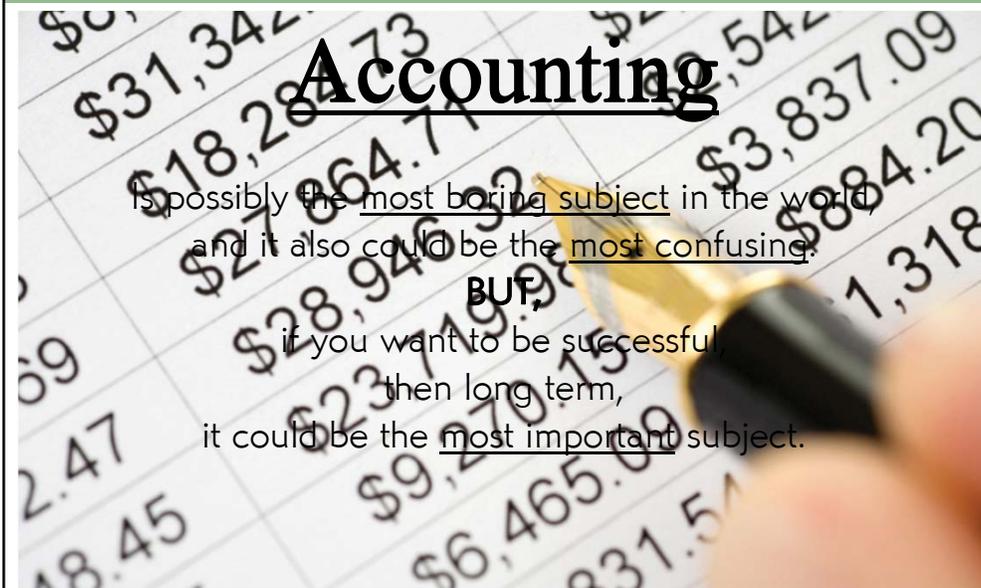
Outsourcing options related to the Revenue Cycle may include:

- Transcription
- Billing and collections
- Collection follow-up
- Release of information
- Provider credentialing
- Payer contract management
- Coding compliance; provider education and training
- Practice management software/administration



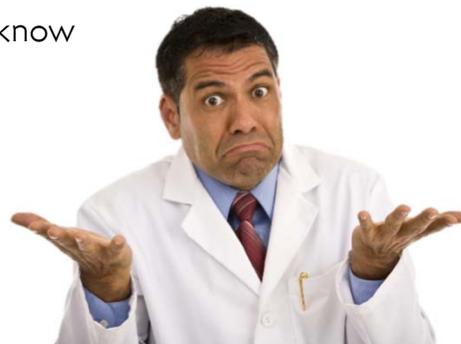
Accounting

Why Do We Neglect Accounting?



Is Your Accounting Neglected?

- Other reasons:
 - Went to school to be a doctor not an accountant
 - Lack of time
 - Can't find a qualified resource at an affordable rate
 - Don't understand
 - Don't know what you don't know



What Contributes to Good Financial Statements?

- Starts with good internal records
 - Understand your chart of accounts
 - Structure/organization is important
 - If internal processes are working correctly, there should be minimal adjustments required
- Timely – Should strive to make FS a non-event
 - Best Practice – End of the second or third week after month-end
 - Tolerable – Within four weeks of month-end
 - Unacceptable – Any later than that
- Should portray your story – Where you have been and where you can go

Consequences of NOT Having a Handle on Your Financial Information

- Failure to keep the financial records “clean” can be very expensive
 - Inability to make good management decisions
 - Unanticipated third-party fees
- Continuous cash flow struggles
- Late charges/penalties/missed discounts
- Inability to obtain financing
- Exposure to fraud/theft
- Government notices



Benefits of Having a Handle on Your Financial Information

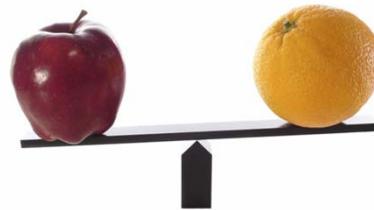
- Seamless, smooth, and continuous processes
- Communication among employees across all parts of the process
- Fewer errors
- Less downtime
- Constant flow of information
- Higher employee satisfaction
- Focus on providing value to the patient
- Focus on continuous improvement



Other Things to Consider

Benchmarking

- It is the process of comparing yourself to others in your industry
- It helps identify areas, systems, or processes needing improvement
- The object is to figure out how the winner got to be the best and determine what you have to do to get there



Outsourcing Options for Accounting

Outsourcing options related to accounting may include:

- Annual financial statement audits, reviews, and compilations
- Monthly financial statement processing
- Specialized aspects such as:
 - Third-party reports for reimbursement purposes
 - ~ Medicare and Medicaid cost reports
 - Benchmarking comparisons
 - Provider compensation calculations/reporting
 - Payroll-related reports
 - Retirement plan administration/reporting
 - Recording/tracking of equipment and fixed assets

Attracting and Retaining Good Employees



Retaining Good Employees

- #1 recruiting strategy is to retain good employees!
- Turnover is costly
- Know your glues
- Supervisors are key to retention



Direct and Indirect Costs of Turnover

Direct Costs

- Termination process costs
- Replacement costs
- New hire training costs
- Vacancy costs

Indirect Costs

- Impact on:
 - Quality of care
 - Morale
 - Productivity



Why Is it Important to Reduce Turnover?

Health Care Industry Benchmarks

- Average cost of turnover for a health care worker (not M.D.) is 20% of annual salary
- Do the Math: 10 employees x \$40,000 x 20% = \$80,000
- Average voluntary/involuntary turnover rate
 - 2014 was 17.2%
 - 2011 was 13.5%



Outsourcing Options for Human Resource Services

- Associate engagement surveys
- Provider compensation redesign
- Team-based training
 - Executive coaching, internal communications, etc.
- Recruitment, evaluation, and selection
- Interim staffing
- Employee handbook development and maintenance
- Policies and procedures development
- Performance management
- Employee benefits enrollment and record keeping

Internal Controls



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ACFE's 2016 Report to the Nations

REPORT TO THE NATIONS
ON OCCUPATIONAL FRAUD AND ABUSE

2016 GLOBAL FRAUD STUDY



ACFE
Association of Certified Fraud Examiners

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ACFE's 2016 Report to the Nations

THE STAGGERING COST OF FRAUD

CFES ESTIMATE THE TYPICAL ORGANIZATION LOSES 5% OF ANNUAL REVENUES TO FRAUD



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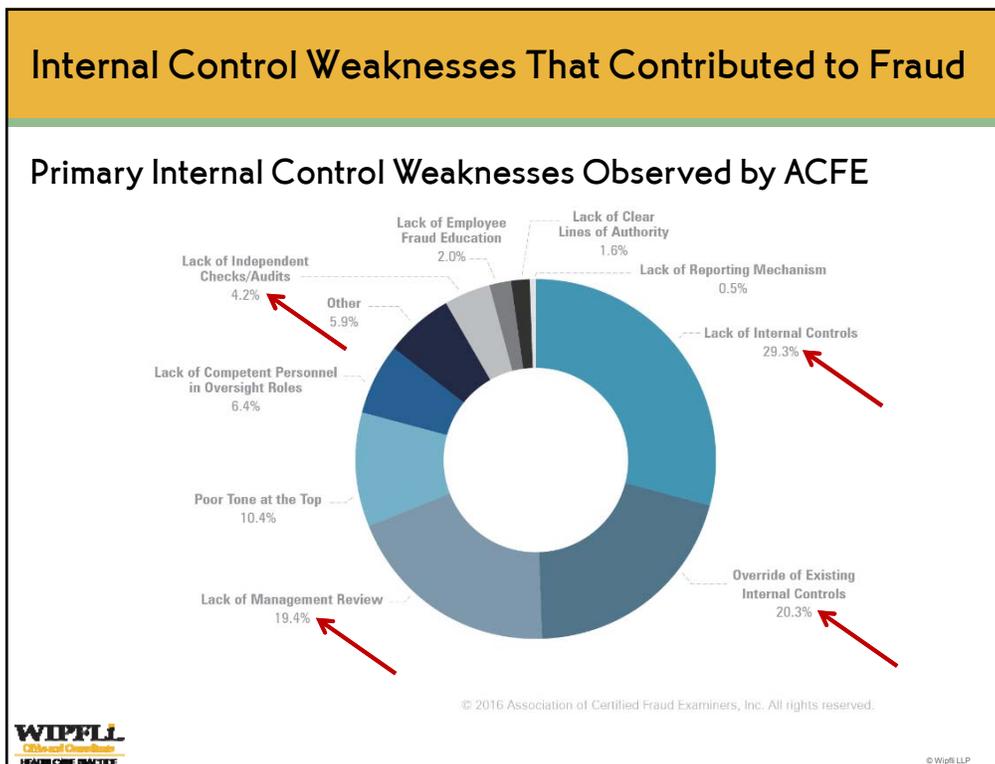
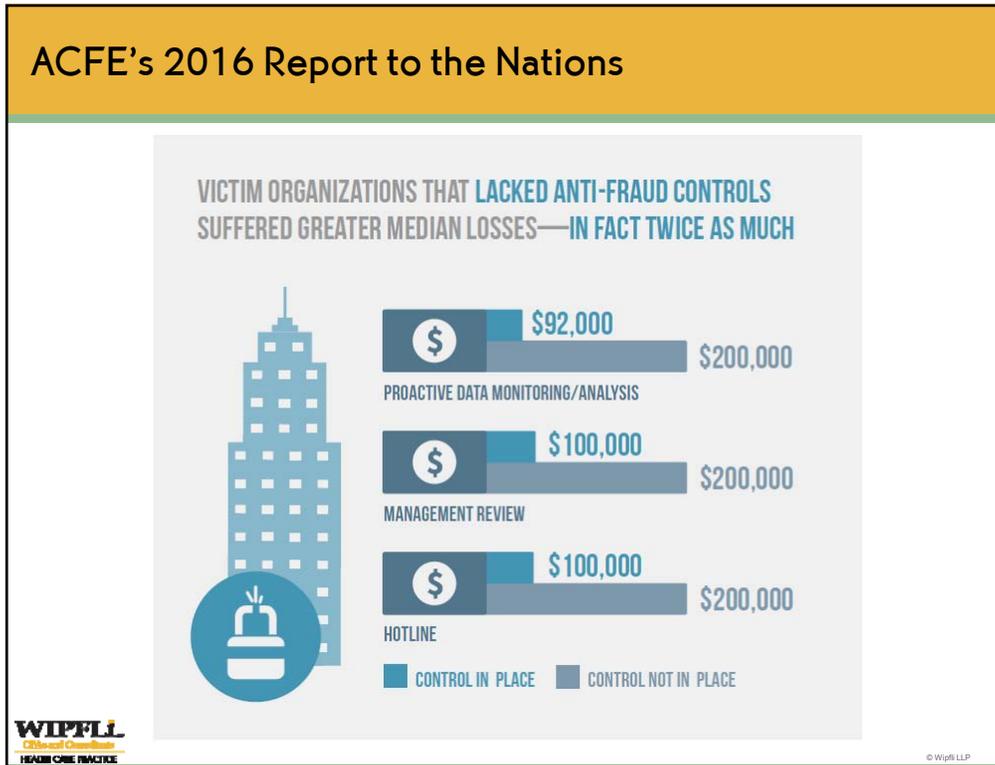
OUR STUDY ANALYZED 2,410 OCCUPATIONAL FRAUD CASES THAT CAUSED A TOTAL LOSS OF MORE THAN **\$6.3 BILLION**



THE MEDIAN LOSS FROM A SINGLE CASE OF OCCUPATIONAL FRAUD WAS **\$150,000**

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Internal Control Procedures

Just a few examples of frauds that have been perpetrated:

- Unauthorized cash disbursements
- Personal credit card expenditures
- Sale of patient credit card information
- Theft through fraudulent activity in the accrued vacation process
- Theft of prescription drugs (including fraudulent prescription orders)

Internal Control Procedures

Separation of duties

- Involves separating duties so a single person does not have access to all aspects of a process.
- For example:
 - Does the person posting payments to accounts receivable handle the actual checks and cash?
 - Does the person processing payroll have the ability to set up a new employee?
 - Does the person processing vendor checks also either sign or mail out the checks?
 - Can the accountant who reconciles the bank account set up electronic funds transfers?

Internal Control Procedures

There are almost always creative ways to implement appropriate “internal controls” or “mitigating controls”

- Worst Practice –
 - Tell yourself, and your auditor, that you are too small to have appropriate internal controls
- Best Practice –
 - Document and review all key processes annually to identify risks
 - Have segregation of duties that would eliminate or minimize risk
- Alternative Practice –
 - Document and review all key processes annually to identify risks
 - Establish mitigating controls, such as detection controls, which would minimize risk of a fraud going undetected for a period of time

Outsourcing Options for Internal Controls

- Internal control review and assessment
- Risk assessments
- Governance and policy development
- Fraud investigations
- Insurance claim assistance
- Expert witness testimony
- Hot lines



What Now?

“The biggest mistake a small business can make is to think like a small business.”

- Postfilm Design

Now is a good time to evaluate the approaches used in your business to find the opportunities that may exist to improve your financial position:

- Spend time with employees collaborating and thinking outside of the box when evaluating existing systems.
- Determine how to leverage the talent and the systems you already have in different ways to optimize the value they can bring to your business.
- Decide what approaches provide the best alignment and highest returns.

Questions?

Thank you!

Today's Presenters:



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