

BKD/SHP Hospice Benchmark Leaders: New Benchmarks to Drive Your Hospice's Success

BKD_{LLP}



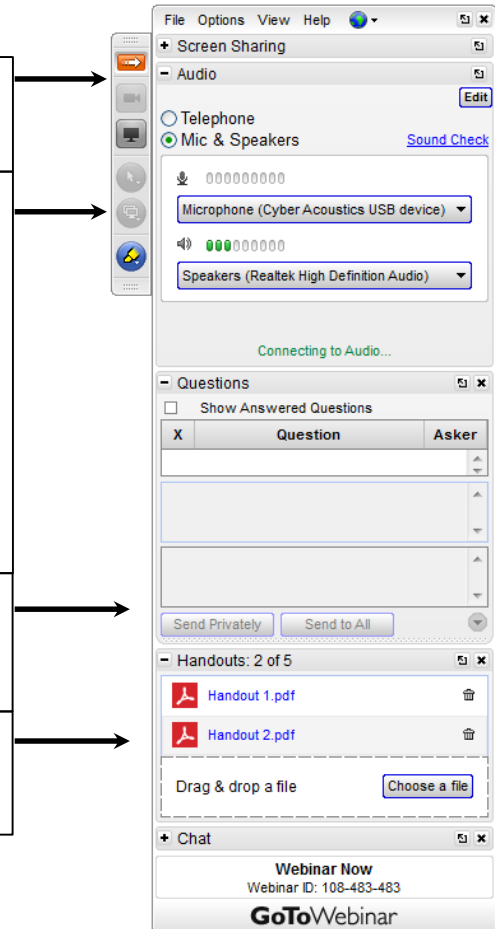
CPAs & ADVISORS

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Hospice Environment

// Payment rate issues

- // Reliance on federal and state funding sources

- // Tightening of Medicare/Medicaid payment rates

- // Potential for managed care penetration

// Increased costs of doing business

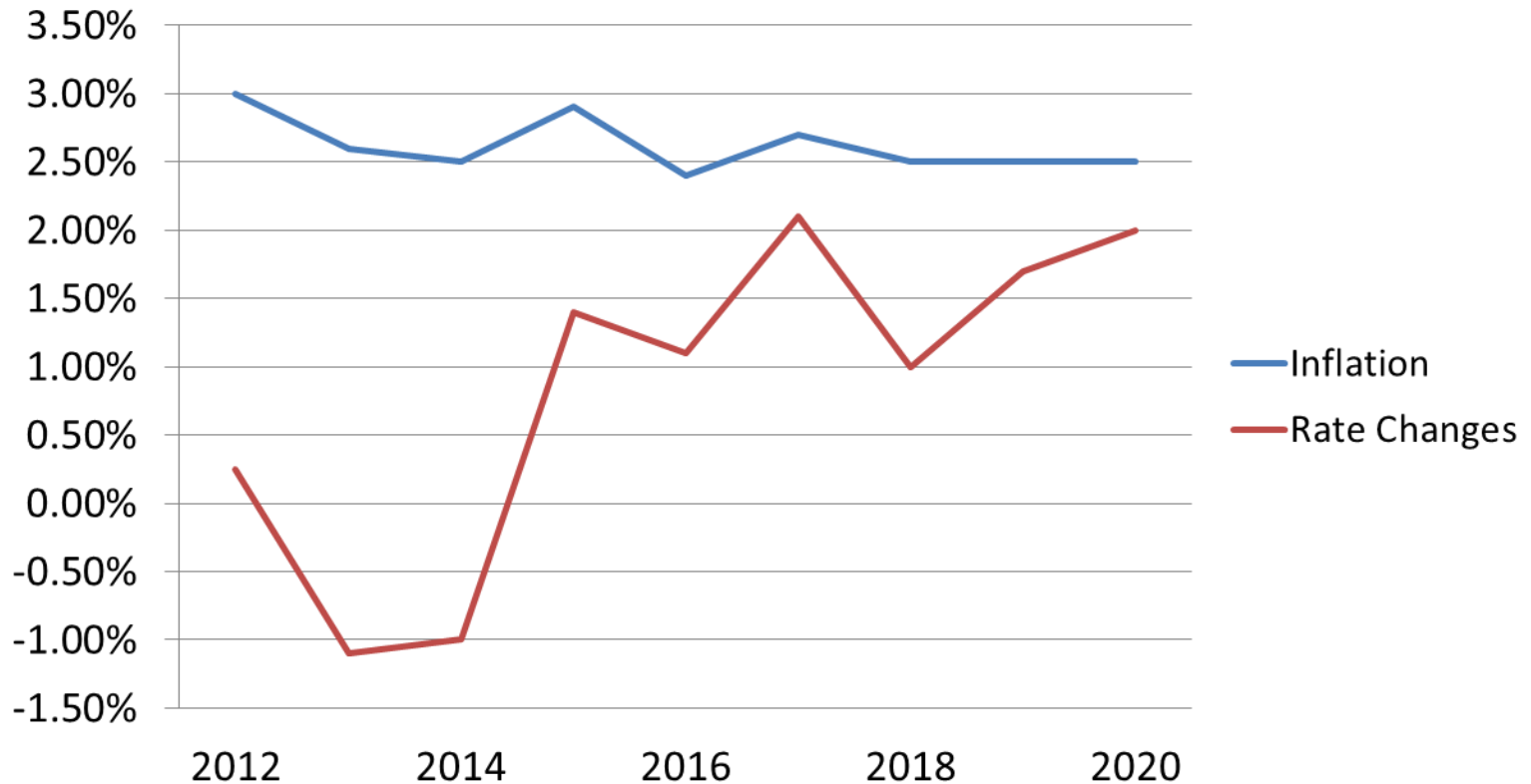
- // Increased regulatory requirements

- // Increased compliance scrutiny

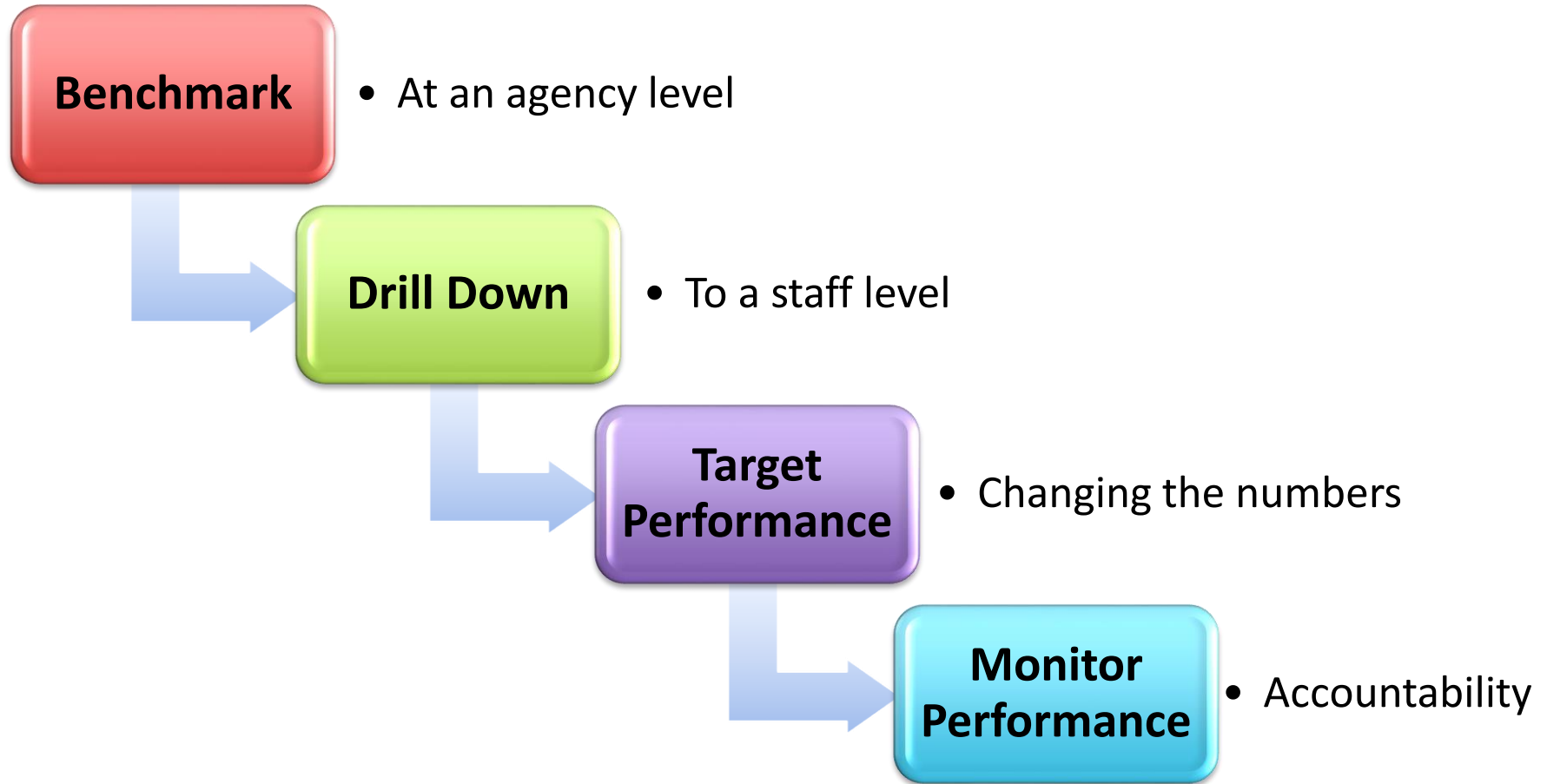
// Shrinking of margins

// Increased competition

Medicare Payment Environment



Effective Cost Management



BKD Cost Report Benchmarks

// 3,097 Medicare freestanding cost reports from 2016

// Ownership type

// 2,460 (79%) for-profit

// 637 (21%) not-for-profit

// Location

// 2,671 (86%) urban

// 426 (14%) rural

// Size

// 1,370 (44%) large, or 50+ ADC

// 1,727 (56%) small, or below 50 ADC

Best Practice Peer Group

// BKD/SHP Benchmark Leaders

// Identified as a 2016 SHP Benchmark Leader

// Quality based on HIS and Hospice CAHPS

// Combined with financial success in 2016

// 65 total agencies, freestanding only

// 85% for-profit, 15% not-for-profit

// 73% urban, 27% rural

// 74% large, 26% small

BKD/SHP Benchmark Leaders - Geography



Profitability

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Gross profit	44%	50%	42%	53%
Overall profit	14%	22%	5%	17%

// Consists of

// Revenues (payments and contributions)

// Expenses (costs)

// Average length of stay

Average Length of Stay

	<u>2015</u>		<u>2016</u>	
	<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
Per Stay	18	78	18	79
Lifetime		105		106

// Admission practices

// Not too soon, not too late

// Educate referral sources

// Beware of compliance and annual payment cap

Level of Care Mix

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Routine	99.5%	99.7%	99.6%	99.9%
Continuous	0.0%	0.0%	0.0%	0.1%
I/P Respite	0.2%	0.5%	0.1%	0.4%
General I/P	0.1%	0.4%	0.1%	0.5%

// Use the appropriate level for the patient needs

// Be compliant

Total Cost Per Day

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Overall	\$121	\$112	\$149	\$122

// Consists of

// Direct and indirect costs

// Labor and non-labor costs

Medicare Cost Per Day

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Overall	\$107	\$101	\$136	\$112
Routine	105	97	129	107
Continuous	1,229	414	660	204
I/P Respite	316	240	308	210
General I/P	938	750	853	563

// Excludes “unallowable” costs

Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	56%	50%	58%	47%
Indirect	21%	19%	28%	20%

// Consists of

// Labor and non-labor costs

Costs as a % of Revenue - RHC

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	45%	40%	46%	37%
Indirect	27%	23%	31%	24%

// Consists of

// Labor and non-labor costs

Costs as a % of Revenue - CHC

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	86%	15%	39%	12%
Indirect	116%	36%	58%	22%

// Consists of

// Labor and non-labor costs

Costs as a % of Revenue - IPR

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	122%	92%	104%	52%
Indirect	52%	32%	69%	39%

// Consists of

// Labor and non-labor costs

Costs as a % of Revenue - GIP

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	93%	56%	79%	34%
Indirect	36%	21%	45%	22%

// Consists of

// Labor and non-labor costs

Salary Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct	22%	21%	28%	22%
Total	39%	36%	47%	38%

// Wage rates and methodologies

// Employee mix

// Employee productivity

Direct Salary Cost per Day

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Nursing	\$17	\$16	\$25	\$18
Social Svcs	4	3	4	3
Spiritual	2	2	3	2
Aide	8	6	10	8

// Wage rates and methodologies

// Employee mix

// Employee productivity

Other Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Direct Only	32%	28%	29%	23%

// Employee benefits

// Transportation costs

// Drugs and biologicals, DME, medical supplies

// Other patient costs

Benefits as a % of Salaries

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
FY2016	18%	15%	NA	NA

- // Accurate for 2016?
- // Market appropriate
- // Shop packages
- // Full time vs. part time
- // Use of contract services

Nonlabor Direct Cost per Day

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Pharmacy	\$7.50	\$6.65	\$7.87	\$6.28
DME/Oxygen	5.75	5.08	5.99	5.08
Med Supplies	2.42	2.05	2.90	2.15

// Pharmacy and supply management

// Shop around

// Patient and family education

GIP Cost Per Day

	<u>All US</u>	
	<u>Median</u>	<u>Best 25%</u>
Direct Salary	\$305	\$226
Other Direct	164	111
Indirect	347	242
Total	852	652

// Above only for inpatient facilities with GIP ADC of 4+

// Whole different ball game

Admin Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Overall	27%	21%	29%	19%

// Indirect labor – wages, benefits and contract

// Employee productivity

// Back office management

Admin Costs per Day

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Salary	\$22	\$18	\$26	\$18
Other	33	19	29	16
Total	54	41	58	42

// Indirect labor – wages, benefits and contract

// Employee productivity

// Back office management

Capital Costs as a % of Revenue

	<u>Benchmark Leaders</u>		<u>All Others</u>	
	<u>Median</u>	<u>Best 25%</u>	<u>Median</u>	<u>Best 25%</u>
Overall	2%	2%	3%	1%

// Appropriate space

// Proper equipment/technology utilization

Summary

- // Managing financial performance critical in current environment
- // Study current state of your revenues and expenses
- // Help establish performance targets
- // Monitor ongoing performance
- // Hold staff accountable for achieving the targets



Thank you

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