VBR - Methodologies of Implementing Costing Measurements

Presented by:

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Experience –
Improving Quality in the Face of Healthcare Reform

- MTM Services’ has delivered consultation to over 800 providers (MH/SA/DD/Residential) in 46 states, Washington, DC, and 2 foreign countries since 1995.

- **MTM Services’ Access Redesign Experience (Excluding individual clients):**
  - 5 National Council Funded Access Redesign grants with 200 organizations across 25 states
  - 7 Statewide efforts with 176 organizations
  - Over 5,000 individualized flow charts created

- Leading CCBHC Set up and/or TA efforts in 5 states
The MTM Services Team

VBR / Understanding your Agency’s Costs

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“Value” of Care Equation

1. **Services provided** – Timely access to clinical and medical services, service array, duration and density of services through Level of Care/Benefit Design Criteria and/or EBPs that focuses on population based service needs

2. **Cost of services** provided based on current service delivery processes by CPT/HCPCS code and staff type

3. **Outcomes achieved** (i.e., how do we demonstrate that people are getting “better” such as with the DLA-20 Activities of Daily Living)

4. **Value is determined** based on can you achieve the same or better outcomes with a change of services delivered or change in service process costs which makes the outcomes under the new clinical model a better value for the payer.
Shift in Payment Model...

1. As parity and national integrated healthcare provided under the Affordable Care Act (ACA) are implemented, new models of "shared risk "funding are being introduced.
2. A shift by payers such as Medicaid, Medicare and Third Party Insurance from "paying for volume" to "paying for value" provides a significant challenge for CBHOs.
3. Ability of all staff to develop a dynamic tension between “quality” and “cost” as if they are on a pendulum
4. A large majority of CBHOs do not have an ongoing awareness of their cost of services or cost of processes involved in the delivery of services (i.e., “What is your cost and time to treatment?”)

Costing Methodology Review: Actually Understanding your Costs!

- Dividing costs by 2080 hours is NOT the correct way to set your cost per hour
- You must include all of your costs
- Using overhead percentages instead of actual costs is not a solid method
- Looking at expected revenue instead of actual revenue leads to trouble
- Including monies outside of *At Risk Funding* paints the wrong picture for your funders
Costing Methodology Review:  
Actually Understanding your Costs!

At Risk Funding –

Includes funding that comes from the following payment types:

- Medicaid & Medicare funding that is paid by the state or the state’s representatives (MCOs)
- Federal, State, County & City grant funds
- Private Insurance, Self Pay & Sliding Fee Scale

What is not included –

Private funding coming from donations, fund raising events, and/or social entrepreneurship that organizations have generated on their own to overcome the losses that they are facing in their at risk funding. As these funding sources are not guaranteed and often fluctuate greatly, relying on them to provide the safety net services that states desire is not a long term sustainable model.

Costing Methodology Review:  
Actually Understanding your Costs!

** Utilizing the common denominator of total Billable Direct Service Hours instead of total hours worked per year assures an apples to apples comparison of an organization’s true cost versus revenue per direct service hour.

Total Cost for Service Delivery
- Direct Service Staff Salary
- Direct Service Staff Fringe Benefits
- Non-Direct Costs (All other costs)

Total Revenue for Service Delivery
- Net Reimbursement actually Attained/Deposited. *(This takes into account Denial Rate, Self Pay, Sliding Fee Scale, etc.)*

- Divided By -

Total Billable Direct Service Hours Delivered **
- All Direct Service Hours Delivered by Direct Service Staff that are eligible to be billed via a CPT Code or against a Grant.
Costing Methodology Review:  
Actually Understanding your Costs!

Let’s Do the Math!

$\frac{40,000}{2080\text{ Hours}} = \$19.23\text{ An Hour}$

$\$30 = \$10.77$ 
Per Hour  Margin Per Hour??

$\$30 \times 1200\text{ Hours} = \$36,000$

Costing Data
Sustainability: Uncovering the Actual Cost of Care

Sample size of over 13,000 staff members
Sustainability: Uncovering the Actual Cost of Care

Breakout of the Cost Per Hour – Sample size of over 13,000 providers

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Statewide Comparisons for Context

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Sustainability: Uncovering the Actual Cost of Care

Breaking down cost versus revenue by modified code – Crucial for CCBHC rate setting

<table>
<thead>
<tr>
<th>Row Label</th>
<th>Sum of Total Hrs Per Code</th>
<th>Average of NET per Code</th>
<th>Revenue per Code Per Hour</th>
<th>Cost per Code Per Hour</th>
<th>Average of NET margin per Code</th>
<th>Sum of Total Gain/Loss per Code</th>
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What to do about it!!
How We Arrived Here...

**System Noise** – Anything that keeps staff from being able to do the job they want to do: Helping consumers in need!

- Poorly Functioning EMRs
- Post Session Paperwork
- No Shows
- Scheduling
- Travel

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How did We Get to Here?

Welcome to the Agency! Once you are done with Orientation, you will be behind until the day you retire!

Day 1

1 Year Later

How We Arrived Here...

Typical Center Staff Resource Utilization

- Billable Service
- Non-Billable Service
- Meetings
- Training
- Travel
- Vacation Leave
- Sick Leave
- Holiday
- No Show/ Cancellation

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Photo Credit: Scott Lloyd Photography
How We Arrived Here...

- Collaborative Documentation
- Documentation Redesign
- Same Day Access
- JIT Prescriber Scheduling
- No Show Management
- Utilization Review/Utilization Management
  - Episode of Care (EOC) / Level of Care (LOC)

What we do About it!

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What’s slowing down your direct service staff?

Know when is the right time to fight for your systems!

Fight Through the Myths and Stigmas!

Next Steps...

- Questions and Answers?
- Resources Needed?
- Thank You