

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: 2/25/14 **Approx Start Time:** 9:00 **Approx Length:** 30 minutes

Presentation Title: Key Indicators for Clackamas Health Centers (CHC) Financial Monitoring

Department: H3S - Clackamas Health Centers Division

Presenters: Cindy Becker, Richard Swift

Other Invitees: Mary Scott, Christa Bosserman-Wolfe

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

The purpose of this study session is to review and understand the key financial measures identified to monitor the financial health of the Health Centers.

EXECUTIVE SUMMARY:

On February 2, 2014 the BCC met in study session to review and discuss the funding gap in the Health Centers FY14 budget. Staff presented three options. The Board requested an additional study session to review financial indicators used to monitor revenue performance and expenditure control and understand the reporting structure.

THE FINANCIAL IMPLICATIONS (current year and ongoing):

Performance Tracking

Ensure that the financial performance of the Health Centers is in accordance with the three year pro forma (attached), as presented in prior study session. This requires the Health Centers to track revenues which consist of three main components:

- Patient/client volume – the number of people seen each day by clinic
- Provider productivity – the number of people seen by each provider daily
- Payer mix – the type of insurance each person carries

The components above are tracked weekly and aggregated into monthly reporting. Each component is part of a formula that indicates the revenue for the Health Centers:

- **# of billable visits per day X average rate per visit type X # of days in the month**

A schedule of the projected volume and productivity for the 36 months in FY 15, 16, and 17 is attached.

The other factor in measuring financial recovery is the mix of Medicaid, Medicare, all other insurances and the uninsured. Medicaid and uninsured ratios are of primary importance.

• Payer Mix	FY 2015	FY 2016	FY 2017
Medicaid	70 %	70 %	70 %
Uninsured	17.8%	17.8%	17.8%

A full schedule of the projected payer mix is provided in the attached documents.

Report Submission

The H3S FQHC clinic staff will provide the County Administrator with a monthly reports of clinic volume-productivity, realized payer mix. This will be done from this point forward and each month in the FY 15-17 fiscal years (36 reports in total). In addition, projected revenues and expenses will be measured against re-worked FY14 budget and reported.

In addition, the Health Centers, in participation with County Finance, will prepare a report of repayments and interest paid at the end of each year, beginning with the closing of FY 2015, and concluding with the final repayment projected at the close of FY 2017.

Collaboration with County Finance

There is planning underway at two levels in order to tighten the financial reporting available to the Health Centers. Senior staff of H3S have been in consultation with the County CFO to develop a scope of work for an independent financial reviewer.

At the same time the financial team in FQHC is working with Finance staff to move up the timing of journal entries and subsequent financial statement reporting. This is to address the 30-60 day delay between the occurrence of an expense and the reporting in financial statements of the same.

The goal is to develop an accrual accounting system that enables accurate revenue recognition and timely expense reporting. This ensures that the Health Centers have a clear and accurate picture of financial wellbeing each month of operation.

LEGAL/POLICY REQUIREMENTS:

PUBLIC/GOVERNMENTAL PARTICIPATION:

OPTIONS:

1. Use County General Funds to close Health Centers gap for FY14
2. Loan funds to the Health Centers to close gap and direct County Finance to develop repayment schedule
3. Direct staff to continue expense reductions to close FY14 gap

RECOMMENDATION:

Approve option 2 and direct Health Center staff to work with County Finance regarding loan detail, repayment schedule and any needed modifications to key indicators.

Attachments:

- Pro forma for FY15, FY16 and FY17
- Projected Revenue and Encounters
- Projected Payer Mix

SUBMITTED BY:

Division Director/Head Approval _____
Department Director/Head Approval _____
County Administrator Approval _____

2.27 Study Session Attachment
Health Centers Actions to Close FY 14 Gap

Pro Forma Analysis

Revenues

1 Growth in Medical Revenues is calculated using the following assumptions:

- All of the medical clinics have modified their appointment schedules and hours of operations to allow an increase in utilization by patients. In addition, the clinics are now beginning to see patients who are newly insured through the *Affordable Care Act* and with the efforts of *Cover Oregon*. We currently average 16 encounters per provider per day. By the end of FY2015 we anticipate seeing 20 patients per provider and as this trend continues, we forecast 22 patients per provider by FY2017. This is in line with the FQHC guides and with our counterparts in medical practices.
- To accommodate the assignment of 6,000 new *Care Oregon* patients and 1,200 new uninsured patients, we will add 4 providers in total over the 3 year period. These are assumed in the Pro Forma to be added as mid-year hires.
- Finally, there is a shift in payer mix to show the inclusion of new patients due to Medicaid expansion and to show shift of uninsured patients to insured.
- In Primary Care, the number of patients using our clinics will grow as follows:
 - 14,000 to 15,252 in FY2015
 - 16,805 in FY2016
 - 19,457 in FY2017
- The number of Medicaid patients will increase as follows:
 - from 7,420 to 10,676 in FY2015
 - 11,764 in FY2016
 - 13,620 in FY2017

2 Growth in Behavioral Health Revenues is calculated using the following assumptions:

- The Pro Forma assumes a modest growth of 2.5% each fiscal year. This would include scheduling to reach maximum current capacity of existing services.
- The Pro Forma also anticipates the influx of new patients into the clinic based Behavioral Health services through the Primary Care referral process, which is a relatively new and expanding offering at the clinic level.

3 Growth in Dental Revenues is calculated using the following assumptions:

- The dental program currently has 2 full time dentists. There is capacity at the Sunnyside Clinic to add dental hygiene hours and a third dentist. This would be a gradual shift with locums used until the dental clinics reach the encounter level that supports the hiring of a full time dentist in FY2017.
- It is also anticipated that with the gradual increase in encounters there will be a need to add dental hygiene services full time at both clinics. It is currently provided half time to each. The revenue projections forecast billable encounters for the added hygiene work.

4 Grant Revenues

- The largest grant, HRSA-Federally Qualified Health Centers, is \$1.3 Million (or 38% of the total grant funding).
- The CSAP, OHA SBHC MH, Chez Ami-Supported Housing, and BJA-Trauma Informed Drug Court grants are another \$770,000 in funding, combined.
- There are additional grants of under \$100,000 each which constitute another \$600,000, combined.
- Other funding sources include County funds & Purchase of Care dollars, totaling about \$800,000.

Expenses

1 Personnel Services

- Personnel Services account for the reduction in workforce of 2014 and hold those cuts through FY2015.
- There are wage and benefit increases in FY2015-FY2017 to account for the new medical and dental providers and their direct care support staff.

2 Materials & Services

- - The projected increase in supplies correspond to the direct cost of medical and dental supplies as encounters increase.
 - There is a minor increase in office supply costs as staffing increases.

3 Capital Improvement

- Capital Remodel in FY2017 at Hilltop Clinic as originally specified in FY2014.

4 Indirect Costs

- There are indirect costs from shared services provided by the County. This includes contracting, HR, IT, as well as utilities, building utilization, and financial services.
- There are some expenses from joint procurements and shared resources within Health, Housing and Human Services (H3S). The expense allocation for these is also included in indirect costs.

For February 25, 2014

3-Year Pro Forma Statement

	FY15	FY16	FY17
Revenue			
Medical Clinics:			
Oregon City Primary Care Clinic	3,877,000	4,686,000	5,463,000
Sunnyside Medical Center	2,372,000	2,867,000	3,342,000
Gladstone Community Clinic	1,086,000	1,313,000	1,530,000
School Based Health Centers	78,000	94,000	110,000
Sandy Health & Wellness	219,000	265,000	309,000
Total Medical Revenue	7,632,000	9,224,000	10,754,000
Dental Clinics:			
Oregon City Dental Clinic	1,302,000	1,497,000	1,871,000
Sunnyside Dental Clinic	894,000	1,028,000	1,285,000
Total Dental Revenue	2,196,000	2,525,000	3,156,000
Behavioral Health Services:			
Mental Health Services	8,215,000	8,421,000	8,632,000
Addictions Services	1,848,000	1,894,000	1,941,000
Court Programs	1,013,000	1,038,000	1,064,000
Total Behavioral Health Revenue	11,076,000	11,353,000	11,637,000
Grants & Other	3,463,000	3,532,000	3,603,000
Total Revenue	24,367,000	26,634,000	29,150,000
Expenses:			
Personnel Services	15,433,000	17,015,000	17,780,000
Material & Services	4,894,000	5,002,000	5,300,000
Indirect Expense	2,415,000	2,462,000	2,585,000
Total Expenses	22,742,000	24,479,000	25,765,000
Net Surplus (Deficit)	1,625,000	2,155,000	3,385,000

Projected Revenue & Encounters (Medical)

Period	(1)			(2)			(3)				Total Medical Revenue
	# of Providers	Encs per Day	# of Days	Total			Medicaid	Medicare	All Other	Uninsured	
				Total Provider Encs	Provider & Support Staff Encs	Total Rev Gen Encs					
Jul-14	10	16	15	2,400	3,529	3,098	377,108.51	17,429.35	10,316.77	43,473.24	448,327.87
Aug-14	10	17	15	2,550	3,750	3,293	400,845.17	18,526.42	10,966.15	46,209.62	476,547.36
Sep-14	10	18	15	2,700	3,971	3,487	424,460.10	19,617.86	11,612.20	48,931.96	504,622.12
Oct-14	10	19	15	2,850	4,191	3,680	447,953.30	20,703.68	12,254.92	51,640.26	532,552.16
Nov-14	10	20	15	3,000	4,412	3,874	471,568.23	21,795.12	12,900.96	54,362.50	560,626.91
Dec-14	10	20	15	3,000	4,412	3,874	471,568.23	21,795.12	12,900.96	54,362.50	560,626.91
Jan-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
Feb-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
Mar-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
Apr-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
May-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
Jun-15	11	20	15	3,300	4,853	4,261	689,212.49	23,972.39	14,189.73	30,672.04	758,046.65
FY15 Total	10.5	19.2	180	36,300	53,383	46,872	6,728,778.48	263,701.89	156,090.34	483,012.52	7,631,583.23
Jul-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Aug-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Sep-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Oct-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Nov-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Dec-15	12	20	15	3,600	4,586	4,027	651,363.22	22,655.90	13,410.47	28,987.63	716,417.22
Jan-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
Feb-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
Mar-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
Apr-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
May-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
Jun-16	13	21	15	4,095	5,217	4,581	746,904.56	25,772.71	15,255.37	32,975.50	820,908.14
FY16 Total	12.5	20.5	180	46,170	58,818	51,648	8,389,606.68	290,571.66	171,995.04	371,778.78	9,223,952.16
Jul-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Aug-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Sep-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Oct-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Nov-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Dec-16	13.5	22	15	4,455	5,675	4,983	812,448.25	28,034.36	16,594.09	35,869.23	892,945.93
Jan-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
Feb-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
Mar-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
Apr-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
May-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
Jun-17	13.5	22	15	4,455	5,675	4,983	818,936.12	28,034.36	16,594.09	35,869.23	899,433.80
FY17 Total	13.5	22.0	180	53,460	68,100	59,796	9,788,306.22	336,412.32	199,129.08	430,430.76	10,754,278.38

Revenue Calculation:

Revenue is projected for each Insurance Payer Type based on the number of Revenue Generating Encounters times the projected percentage of total encounters for that insurance Payer Type times the expected revenue per encounter.

Formula used: # of Revenue Generated Encounters x Rate Based on Insurance Payer Type.

Example: In July 2015 the projected Revenue Generating Encounters are 4,027 and the projected percentage of Medicaid encounters is 70%. The expected rate of reimbursement including Medicaid & Medicaid Wrap is \$231.07, so 4,027 x 70% x \$231.07 = \$651,363.22.

Definitions:

- (1) Provider Encounters includes doctor/mid-level provider encounters only.
- (2) Provider & Support Staff Encounters includes both the providers (doctors/mid-levels) and ancillary service providers (lab techs, nurses, etc).
- (3) Total Revenue Generating Encounters includes those types of encounters that insurance companies accept for reimbursement.

Projected Payer Mix

Actuals as of Dec 2013

Service Type	Medicaid		Medicare		All Other		Uninsured	
	%	\$	%	\$	%	\$	%	\$
Medical	53.1%	227.42	10.0%	56.26	2.2%	151.37	34.7%	40.44
Dental	70.8%	235.85	0.0%	-	0.0%	-	29.2%	47.93
Behavioral Health	62.7%	407.01	13.1%	78.39	23.2%	79.88	1.0%	18.26

Jul 2014 - Dec 2014 (Projected)

Service Type	Medicaid		Medicare		All Other		Uninsured	
	%	\$	%	\$	%	\$	%	\$
Medical	53.1%	229.24	10.0%	56.26	2.2%	151.37	34.7%	40.44
Dental	70.8%	237.74	0.0%	-	0.0%	-	29.2%	47.93
Behavioral Health	62.7%	410.27	13.1%	78.39	23.2%	79.88	1.0%	18.26

Jan 2015 - Dec 2015 (Projected)

Service Type	Medicaid		Medicare		All Other		Uninsured	
	%	\$	%	\$	%	\$	%	\$
Medical	70.0%	231.07	10.0%	56.26	2.2%	151.37	17.8%	40.44
Dental	70.8%	239.64	0.0%	-	0.0%	-	29.2%	47.93
Behavioral Health	62.7%	413.55	13.1%	78.39	23.2%	79.88	1.0%	18.26

Jan 2016 - Dec 2016 (Projected)

Service Type	Medicaid		Medicare		All Other		Uninsured	
	%	\$	%	\$	%	\$	%	\$
Medical	70.0%	232.92	10.0%	56.26	2.2%	151.37	17.8%	40.44
Dental	70.8%	241.56	0.0%	-	0.0%	-	29.2%	47.93
Behavioral Health	62.7%	416.86	13.1%	78.39	23.2%	79.88	1.0%	18.26

Jan 2017 - Jun 2017 (Projected)

Service Type	Medicaid		Medicare		All Other		Uninsured	
	%	\$	%	\$	%	\$	%	\$
Medical	70.0%	234.78	10.0%	56.26	2.2%	151.37	17.8%	40.44
Dental	70.8%	243.49	0.0%	-	0.0%	-	29.2%	47.93
Behavioral Health	62.7%	420.19	13.1%	78.39	23.2%	79.88	1.0%	18.26