

*The Importance of Appropriate
Medical Supply Utilization to Achieve
Optimum Clinical and Financial
Disease Management Outcomes*

The Remington Report's Webcast
September 14, 2006

Presented By: Pat Laff



117 Club Course Drive
Hilton Head Island, SC 29928
(843) 671 - 4170

Do Your Clinical Practice Standards Include Medical Supplies?

Since the Beginning of Medicare PPS:

- Many providers have redesigned their practice standards to reduce visits;
 - Specific diagnoses;
- Medical supply usage is generally not monitored by diagnosis, and
- Many providers have not billed many if not all the supplies provided because the payment was bundled, or their internal processes did not allow for ease of data capture.

Do Your Clinical Practice Standards Include Medical Supplies?

The Effects of not Monitoring Supply usage and or billing Medicare for them are:

- Providers don't have the usage data in their IT system to establish what their practice was, let alone what it should be;
- Providers generally have not established controls on usage by staff;
- Some providers do not have controls on supply access or a trunk supply protocol;

Do Your Clinical Practice Standards Include Medical Supplies?

The Effects of not Monitoring Supply usage and or billing Medicare for them are:

- Providers are unable to anticipate actual medical supply costs in their costs per episode, and
- CMS doesn't have the data either!
 - Inhibits analysis to adjust base rates, and
 - Inhibits proper analysis to separate medical supply billing.

Develop your Clinical Practice

Standards to Include Medical Supplies

Facilitate your Medical Supply Cost Data Capture

- If you're buying bulk, set up an accurate requisition system by patient for the clinicians.
 - Eliminate direct clinician access to the supplies!
 - Implement a trunk supply protocol!
- If you're buying patient specific, get usage data electronically from the vendor.
- Specify the specific medical supplies and measured quantities in advance with the orders.
- Validate the Medical Supply usage against the specified quantities to identify the variances and the reasons for resolution.

Develop your Clinical Practice Standards to Include Medical Supplies

Analyze your Visits and Medical Supply Usage by Diagnosis

- Work with your IT vendor to develop or access the reports by ICD-9:
 - Average revenue per episode, and
 - Average no. of visits by discipline and the costs of medical supplies per episode.
- Your patient specific Supply Vendor should be able provide electronic reports:
 - OP all delivered supplies by patient' and
 - Should be willing to develop an interface with your IT Vendor for billing and data capture.
- Validate Medical Supplies used vs. Plan of Care quantities.
- Use this information to develop Practice Standards by Diagnosis
 - Evaluate best practices using your best clinicians

Medical Supplies are Being Unbundled for PPS Billing

CMS has Recognized the Errors of Their Ways!

- CMS estimated an average of \$49.00 per episode for Billable Medical Supplies in the Case rate.
- NAHC and others told CMS that the use of an average was the wrong approach.
- CMS, after several years and some analysis, agrees that many providers have taken advantage of the average at the expense of many other providers the suffer the costs.
- CMS is now going to strip out the estimated costs of many expensive supplies from the base rate and make them separately billable by fee schedule (like Part B Providers), adjusted for labor market factors.

Analyze your Financial and Clinical Outcomes by Diagnosis

Validate actual practice by diagnosis to the standards

- Compare actual clinical performance to the standards to evaluate any differences.
 - Is the Standard valid or should it be changed?
 - Review outcomes achieved vs. anticipated.
- Compare actual financial outcomes to anticipated.
 - Revenue and resources consumed.

Forecast your Financial Results and Clinical Resource Requirements by Diagnosis

A projected financial outcome can be detailed after completion of the Admission, OASIS and the complete Plan of Care.

- The HHRG score indicates the revenue;
- The Plan of Care indicates the disciplines and frequencies, days on tele-medicine, and should also indicate the supplies by product and quantity, and
- The application of costs per unit of service or product to the ordered units will indicate the anticipated episode cost.
- The Plan of Care can then be re-examined in light of an expected loss or for protection of an anticipated profit.