

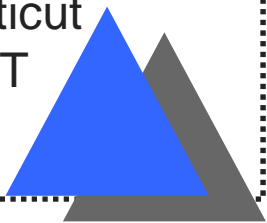


Financial Reporting and Analysis Are You Doing It Right?

2008
NAHC
Annual Meeting
Ft. Lauderdale, FL

Pat Laff
Managing Principal
Laff Associates
Hilton Head Island, SC

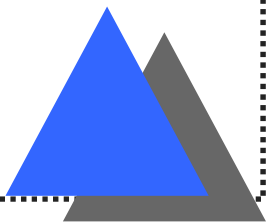
Ed Nicolas
Chief Financial Officer
VNS of Connecticut
Bridgeport, CT





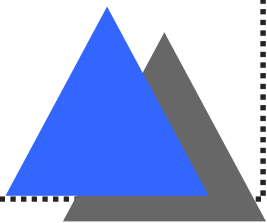
Statement of Income and Operations

Does It Fit Management's Needs for
Useable Information?

- ◆ Is It Complete, but Concise?
 - ◆ Is Revenue Recognized by Service Line, Not by Payor?
 - ◆ Is Revenue Recognized When Expense is Incurred?
 - ◆ Are Expenses Categorized by Service Line and Indirect Cost Centers, Not Just a Short List Of Accumulated Cost Items?
 - ◆ Are Gross Profits by Service Line Easily Determined for Analysis?
 - ◆ Does It Provide a Real Picture of Operations with Budget Comparisons that Identify Potential Problem Areas?
- 



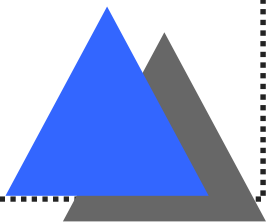
Statement of Income and Operations

- ◆ Is It a Good Tool for Clinical Management Analysis and Decisions?
 - ◆ Does It Allow Easy Analysis of the Direct Costs per Unit of Service?
 - ◆ Does It Allow Easy Analysis of Indirect Costs Relative to Product Line Activity Volumes?
 - ◆ Does It Facilitate Real Cost Accounting?
- 



Knowledge of Accurate Costs

The Actual Real Unit Costs of
Services and Products effect
Decisions:

- ◆ To Incur Desirable Expenses
 - ◆ Measure the Effect on Unintended Expenses
 - ◆ Managed Care (3rd Party) Contracts
 - ◆ Setting Charge Structures and Rates
 - ◆ To Startup a New Services
 - ◆ To Add a New Product Line
- 



Flexible Budgeting: Managing by Costs per Visit

Flexible Budgeting

- ◆ Provides for Volume Fluctuations
- ◆ Takes a Fresh View based on Current Conditions
- ◆ Performance Responsibility and Accountability is more Realistic

Managing by Costs per Visit

- ◆ Direct Costs per Visit by Discipline
- ◆ Indirect Costs per Visit

Non-routine Medical Supplies

- ◆ Actual Revenue Exceeds Total Costs
- 

What a Home Health Agency Statement of Operations Should Look Like

OJF HOME HEALTH CARE SERVICE STATEMENT OF INCOME AND OPERATIONS FROM 07-01-2003 THRU 06-30-2004

	<u>PERIOD</u>	<u>BUDGET</u>	<u>VARIANCE</u>
	<u>TOTAL</u>		
<u>REVENUE</u>	<u>VISITS</u>		
SKILLED NURSING	29,200	\$3,942,000	\$3,688,000
PHYSICAL THERAPY	18,900	2,551,500	2,492,400
SPEECH THERAPY	800	108,000	100,300
OCCUPATIONAL THERAPY	4,000	540,000	507,600
MEDICAL SOCIAL SERVICE	600	81,000	76,500
HOME HEALTH AIDES	6,500	487,500	456,200
	60,000		
TOTAL VISIT REVENUE		\$7,710,000	\$7,321,000
MEDICAL SUPPLY REVENUE		295,000	267,000
MEDICARE HHRG VARIANCE		24,500	20,000
CONTRACTUAL ADJUSTMENTS		(767,400)	(775,000)
TOTAL NET REVENUE		\$7,262,100	\$6,833,000
<u>DIRECT COSTS</u>			
DIRECT PERSONNEL			
SKILLED NURSING		\$2,141,800	\$2,164,600
PHYSICAL THERAPY		1,483,800	1,303,300
SPEECH THERAPY		66,000	53,600
OCCUPATIONAL THERAPY		281,200	218,400
MEDICAL SOCIAL SERVICE		47,700	37,600
HOME HEALTH AIDE		314,700	229,400
TOTAL DIRECT PERSONNEL		\$4,335,200	\$4,006,900
BILLABLE MEDICAL SUPPLY COST		213,900	198,200
TELEMEDICINE EQUIPMENT		157,500	148,500
TOTAL DIRECT COST		\$4,706,600	\$4,353,600
<u>INDIRECT COSTS</u>			
INDIRECT PERSONNEL		\$1,260,400	\$1,204,700
OCCUPANCY COST		203,000	193,300
OFFICE EXPENSES		159,300	156,200
OTHER COSTS		204,900	248,700
TOTAL INDIRECT COSTS		\$1,827,600	\$1,802,900
TOTAL COSTS		\$6,534,200	\$6,156,500
NET INCOME		\$727,900	\$27,200

What a Home Health Agency Statement of Operations Should Look Like

DIRECT OPERATING COSTS

<u>DIRECT COSTS</u>	<u>PERIOD</u> <u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
SKILLED NURSING			
SALARIES - SUPERVISORS	\$300,000	\$250,000	(\$50,000)
SALARIES - STAFF	1,374,000	1,473,500	99,500
PAYROLL TAXES	140,600	144,800	4,200
EMPLOYEE BENEFITS	120,900	128,700	7,800
WORKER'S COMPENSATION	89,500	75,400	(14,100)
AUTO ALLOWANCE	116,800	92,200	(24,600)
TOTAL SKILLED NURSING	<u>\$2,141,800</u>	<u>\$2,164,600</u>	<u>\$22,800</u>
PHYSICAL THERAPY			
SALARIES - STAFF	\$614,300	\$540,000	(\$74,300)
PAYROLL TAXES	59,300	52,100	(7,200)
WORKER'S COMPENSATION	63,600	56,900	(6,700)
AUTO ALLOWANCE	37,800	31,200	(6,600)
CONTRACT AGENCY PERSONNEL	708,800	623,100	(85,700)
TOTAL PHYSICAL THERAPY	<u>\$1,483,800</u>	<u>\$1,303,300</u>	<u>(\$180,500)</u>
SPEECH THERAPY			
SALARIES - STAFF	\$52,000	\$43,500	(\$8,500)
PAYROLL TAXES	5,000	4,200	(800)
WORKER'S COMPENSATION	5,800	3,400	(2,400)
AUTO ALLOWANCE	3,200	2,500	(700)
TOTAL SPEECH THERAPY	<u>\$66,000</u>	<u>\$53,600</u>	<u>(\$12,400)</u>
OCCUPATIONAL THERAPY			
SALARIES - STAFF	\$130,000	\$93,100	(\$36,900)
PAYROLL TAXES	12,000	9,000	(3,000)
WORKER'S COMPENSATION	11,200	8,400	(2,800)
AUTO ALLOWANCE	8,000	6,400	(1,600)
CONTRACT AGENCY PERSONNEL	120,000	101,500	(18,500)
TOTAL OCCUPATIONAL THERAPY	<u>\$281,200</u>	<u>\$218,400</u>	<u>(\$62,800)</u>
MEDICAL SOCIAL SERVICE			
SALARIES - STAFF	\$39,000	\$30,600	(\$8,400)
PAYROLL TAXES	3,800	3,000	(800)
WORKER'S COMPENSATION	2,500	2,100	(400)
AUTO ALLOWANCE	2,400	1,900	(500)
TOTAL MEDICAL SOCIAL SERVICE	<u>\$47,700</u>	<u>\$37,600</u>	<u>(\$10,100)</u>
HOME HEALTH AIDES			
SALARIES - SUPERVISORS	\$50,000	\$50,000	
SALARIES - STAFF	162,500	95,300	(\$67,200)
PAYROLL TAXES	20,500	14,000	(6,501)
EMPLOYEE BENEFITS	21,300	14,500	(6,800)
WORKER'S COMPENSATION	34,400	32,800	(1,600)
AUTO ALLOWANCE	26,000	22,800	(3,200)
TOTAL HOME HEALTH AIDES	<u>\$314,700</u>	<u>\$229,400</u>	<u>(\$85,300)</u>
TOTAL DIRECT PERSONNEL	<u>\$4,335,200</u>	<u>\$4,006,900</u>	<u>(\$328,300)</u>

What a Home Health Agency Statement of Operations Should Look Like

DIRECT OPERATING COST CONTINUED

BILLABLE MEDICAL SUPPLIES

MEDICAL SUPPLIES	\$180,000	\$170,000	(\$10,000)
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ALLOCATED PERSONNEL COST

SALARIES - STAFF	\$30,000	\$25,000	(\$5,000)
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PAYROLL TAXES	2,900	2,400	(500)
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WORKER'S COMPENSATION	1,000	800	(200)
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TOTAL ALLOCATED PERSONNEL	\$33,900	\$28,200	(\$5,700)
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TOTAL BILLABLE MED. SUPPLIES	\$213,900	\$198,200	(\$15,700)
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TELEMEDICINE EQUIPMENT	\$157,500	\$148,500	(\$9,000)
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TOTAL DIRECT COSTS	\$4,706,600	\$4,353,600	(\$353,000)
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What a Home Health Agency Statement of Operations Should Look Like

INDIRECT OPERATING COSTS

<u>INDIRECT COSTS</u>	<u>PERIOD TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
INDIRECT PERSONNEL			
SALARIES - ADMINISTRATOR	\$120,000	\$120,000	\$0
SALARIES - MEDICAL ADMINISTRATIVE			
CLINICAL MANAGER & QUALITY MANAGERS	\$230,000	\$230,000	
HOME CARE COORDINATORS	105,000	100,000	(\$5,000)
INTAKE STAFF	80,000	75,000	(5,000)
MEDICAL SOCIAL WORKER	30,000	27,000	(3,000)
MEDICAL DIRECTOR(S)	30,000	22,000	(8,000)
	<u>\$475,000</u>	<u>\$454,000</u>	<u>(\$21,000)</u>
SALARIES - CLERICAL STAFF	425,000	403,000	(22,000)
PAYROLL TAXES	70,500	67,600	(2,900)
EMPLOYEE BENEFITS	139,900	131,900	(8,000)
WORKER'S COMPENSATION	20,000	19,200	(800)
AUTO ALLOWANCE	10,000	9,000	(1,000)
TOTAL INDIRECT PERSONNEL	<u>\$1,260,400</u>	<u>\$1,204,700</u>	<u>(\$55,700)</u>
OCCUPANCY COSTS			
RENT	\$185,000	\$177,500	(\$7,500)
UTILITIES	12,000	10,800	(1,200)
REPAIRS & MAINTENANCE	6,000	5,000	(1,000)
TOTAL OCCUPANCY	<u>\$203,000</u>	<u>\$193,300</u>	<u>(\$9,700)</u>
OFFICE EXPENSES			
STATIONARY & PRINTING	\$10,500	\$10,300	(\$200)
OFFICE SUPPLIES & EXPENSE	40,700	60,400	19,700
TELEPHONE, BEEPERS & ANSWERING	36,800	25,100	(11,700)
POSTAGE	10,500	15,400	4,900
OFFICE EQUIPMENT RENTAL	36,700	25,000	(11,700)
DEPRECIATION-EQUIPMENT	24,100	20,000	(4,100)
TOTAL OFFICE EXPENSES	<u>\$159,300</u>	<u>\$156,200</u>	<u>(\$3,100)</u>
OTHER GENERAL COSTS			
DATA PROCESSING	\$40,000	\$43,500	\$3,500
RECRUITMENT	27,300	43,800	16,500
INSERVICE & STAFF EDUCATION	15,600	24,900	9,300
TRAVEL & CONFERENCE	19,500	18,700	(800)
DUES & SUBSCRIPTIONS	11,600	15,900	4,300
INSURANCE - GENERAL	17,500	13,700	(3,800)
INSURANCE - PROFESSIONAL LIABILITY	37,500	22,700	(14,800)
LEGAL & ACCOUNTING	15,000	30,000	15,000
INTEREST	15,600	23,700	8,100
AMORTIZATION - START-UP EXPENSE	0	0	0
ORGANIZATION EXPENSE	0	0	0
BAD DEBTS	3,700	9,500	5,800
MISCELLANEOUS	1,600	2,300	700
TOTAL OTHER GENERAL COSTS	<u>\$204,900</u>	<u>\$248,700</u>	<u>\$43,800</u>
TOTAL INDIRECT COST	<u>\$1,827,600</u>	<u>\$1,802,900</u>	<u>(\$24,700)</u>



VNS of Connecticut

NEW FINANCIAL STATEMENT FORMAT

HOME HEALTH

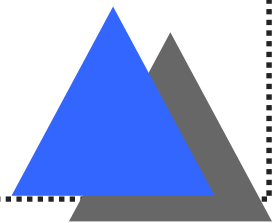




VNS of Connecticut

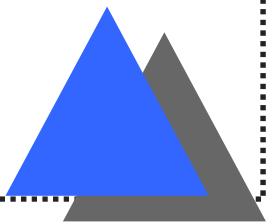
- ◆ Previous financial information:
 - Prior financial statements and related data reports – too much paper.
 - Several reports to produce necessary information for analysis.
 - Required 1.5 days of two staff members.
 - Did not provide a clear picture of Agency performance.

When was the last time you looked at your monthly reporting package and assessed its effectiveness???





VNS of Connecticut

- ◆ Why move to the new reporting format:
 - Reduces staff involvement to one person.
 - Completion more timely-quicker access to information.
 - Provide detail on a service line basis.
 - Provide concise costing information by product line.
 - Provide cost accounting methodology to accurately track and allocate costs.
- 

VNS OF CONNECTICUT, INC.
STATEMENT OF INCOME AND OPERATIONS
FROM 07-01-2006 THRU 04-30-2007

	PERIOD TOTAL	BUDGET	VARIANCE
REVENUE			
	<u>VISITS</u>		
SKILLED NURSING	89,199 \$14,271,840	\$14,355,000	(\$83,160)
PHYSICAL THERAPY	29,291 5,272,380	5,225,000	47,380
SPEECH THERAPY	786 133,620	132,000	1,620
OCCUPATIONAL THERAPY	5,503 935,510	965,000	(29,490)
MEDICAL SOCIAL SERVICE	3,305 661,000	650,000	11,000
HOME HEALTH AIDES	90,329 6,865,004	6,955,000	(89,996)
	218,413		
TOTAL VISIT REVENUE	\$28,139,354	\$28,282,000	(\$142,646)
MEDICAL SUPPLY REVENUE	643,132	625,000	18,132
MEDICARE HHRG VARIANCE	(34,580)	(50,000)	15,420
CONTRACTUAL ADJUSTMENTS	(3,936,934)	(4,102,000)	165,066
TOTAL NET REVENUE	\$24,810,972	\$24,755,000	\$55,972
DIRECT COSTS			
DIRECT PERSONNEL			
SKILLED NURSING	\$6,828,592	\$6,669,200	(\$159,392)
PHYSICAL THERAPY	2,051,400	2,051,300	(100)
SPEECH THERAPY	64,079	61,900	(2,179)
OCCUPATIONAL THERAPY	378,050	360,400	(17,650)
MEDICAL SOCIAL SERVICE	324,355	334,300	9,945
HOME HEALTH AIDE	3,670,498	3,710,100	39,602
	\$13,316,974	\$13,187,200	(\$129,774)
TOTAL DIRECT PERSONNEL			
BILLABLE MEDICAL SUPPLY COST	349,984	336,000	(13,984)
TELEMEDICINE EQUIPMENT	137,950	139,000	1,050
TOTAL DIRECT COST	\$13,804,908	\$13,662,200	(\$142,708)
INDIRECT COSTS			
INDIRECT PERSONNEL	\$6,599,168	\$6,639,000	\$39,832
OCCUPANCY COST	893,558	878,000	(15,558)
OFFICE EXPENSES	1,384,771	1,396,000	11,229
OTHER COSTS	2,076,623	2,096,500	19,877
	\$10,954,122	\$11,009,500	\$55,378
TOTAL INDIRECT COSTS			
TOTAL COSTS	\$24,759,030	\$24,671,700	(\$87,330)
NET OPERATING INCOME FROM HOME CARE	\$51,944	\$83,300	(\$31,356)
NET INCOME/LOSS FROM HOSPICE	(\$13,622)	\$10,000	(23,622)
NET INCOME FROM OPERATIONS	\$38,322	\$93,300	(\$54,978)
CONTRIBUTIONS	879,831	425,000	454,831
INVESTMENT INCOME	467,868	150,000	317,868
NET INCOME	\$1,386,021	\$668,300	\$717,721

VNS OF CONNECTICUT, INC.
DIRECT OPERATING COSTS

	<u>PERIOD TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
<u>DIRECT COSTS</u>			
SKILLED NURSING			
SALARIES - SUPERVISORS/COORDINATORS	\$253,607	\$250,000	(\$3,607)
SALARIES - STAFF	5,108,298	5,085,200	(23,098)
PAYROLL TAXES	419,108	420,000	892
EMPLOYEE BENEFITS	732,933	675,000	(57,933)
CONTRACT AGENCY PERSONNEL	98,331	56,000	(42,331)
AUTO ALLOWANCE	216,315	183,000	(33,315)
TOTAL SKILLED NURSING	<u>\$6,828,592</u>	<u>\$6,669,200</u>	<u>(\$159,392)</u>
PHYSICAL THERAPY			
SALARIES - STAFF	\$1,670,166	\$1,700,000	\$29,834
PAYROLL TAXES	133,539	135,000	1,461
EMPLOYEE BENEFITS	161,489	147,000	(14,489)
AUTO ALLOWANCE	26,611	22,500	(4,111)
CONTRACT AGENCY PERSONNEL	59,595	46,800	(12,795)
TOTAL PHYSICAL THERAPY	<u>\$2,051,400</u>	<u>\$2,051,300</u>	<u>(\$100)</u>
SPEECH THERAPY			
SALARIES - STAFF	\$16,983	\$17,500	\$517
PAYROLL TAXES	1,517	1,600	83
EMPLOYEE BENEFITS	972	800	(172)
CONTRACT AGENCY PERSONNEL	44,607	42,000	(2,607)
TOTAL SPEECH THERAPY	<u>\$64,079</u>	<u>\$61,900</u>	<u>(\$2,179)</u>
OCCUPATIONAL THERAPY			
SALARIES - STAFF	\$277,044	\$265,000	(\$12,044)
PAYROLL TAXES	22,665	21,900	(765)
EMPLOYEE BENEFITS	25,584	23,700	(1,884)
AUTO ALLOWANCE	2,973	2,800	(173)
CONTRACT AGENCY PERSONNEL	49,784	47,000	(2,784)
TOTAL OCCUPATIONAL THERAPY	<u>\$378,050</u>	<u>\$360,400</u>	<u>(\$17,650)</u>
MEDICAL SOCIAL SERVICE			
SALARIES - STAFF	\$270,616	\$275,000	\$4,384
PAYROLL TAXES	21,396	22,000	604
EMPLOYEE BENEFITS	23,298	23,100	(198)
AUTO ALLOWANCE	8,645	8,700	55
CONTRACT AGENCY PERSONNEL	400	5,500	5,100
TOTAL MEDICAL SOCIAL SERVICE	<u>\$324,355</u>	<u>\$334,300</u>	<u>\$9,944</u>
HOME HEALTH AIDES			
SALARIES - SUPERVISORS	\$115,641	\$110,000	(\$5,641)
SALARIES - STAFF	2,242,977	2,310,000	\$67,023
PAYROLL TAXES	198,916	200,100	1,184
EMPLOYEE BENEFITS	422,511	418,000	(4,511)
CONTRACT AGENCY PERSONNEL	483,548	475,500	(8,048)
AUTO ALLOWANCE	206,905	196,500	(10,405)
TOTAL HOME HEALTH AIDES	<u>\$3,670,498</u>	<u>\$3,710,100</u>	<u>\$39,602</u>
TOTAL DIRECT PERSONNEL	<u>\$13,316,974</u>	<u>\$13,187,200</u>	<u>(\$129,774)</u>

**DIRECT OPERATING COST
CONTINUED**

BILLABLE MEDICAL SUPPLIES			
MEDICAL SUPPLIES	<u>\$321,566</u>	<u>\$310,000</u>	<u>(\$11,566)</u>
ALLOCATED PERSONNEL COST			
SALARIES - STAFF	\$25,000	\$23,000	(\$2,000)
PAYROLL TAXES	2,418	2,200	(218)
EMPLOYEE BENEFITS	<u>1,000</u>	<u>800</u>	<u>(200)</u>
TOTAL ALLOCATED PERSONNEL	<u>\$28,418</u>	<u>\$26,000</u>	<u>(\$2,418)</u>
TOTAL BILLABLE MED. SUPPLIES	<u>\$349,984</u>	<u>\$336,000</u>	<u>(\$13,984)</u>
TELEMEDICINE EQUIPMENT	<u>\$137,950</u>	<u>\$139,000</u>	<u>\$1,050</u>
TOTAL DIRECT COSTS	<u><u>\$13,804,908</u></u>	<u><u>\$13,662,200</u></u>	<u><u>(\$142,708)</u></u>

INDIRECT OPERATING COSTS

INDIRECT COSTS

INDIRECT PERSONNEL

	<u>PERIOD TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
SALARIES - ADMIN/DIRECTORS	<u>\$989,323</u>	<u>\$975,000</u>	<u>(\$14,323)</u>
SALARIES - MEDICAL ADMINISTRATIVE			
CLINICAL & QUALITY MANAGERS	\$1,436,530	\$1,445,000	\$8,470
HOME CARE COORDINATORS	93,838	100,000	6,162
INTAKE STAFF	223,463	225,000	1,537
			0
			0
	<u>\$1,753,831</u>	<u>\$1,770,000</u>	<u>\$16,169</u>
SALARIES - OTHER SUPPORT	1,514,867	1,550,000	35,133
SALARIES - CLERICAL STAFF	1,199,137	1,210,000	10,863
PAYROLL TAXES	423,543	435,000	11,457
EMPLOYEE BENEFITS	647,568	631,000	(16,568)
AUTO ALLOWANCE	70,899	68,000	(2,899)
TOTAL INDIRECT PERSONNEL	<u>\$6,599,168</u>	<u>\$6,639,000</u>	<u>\$39,832</u>

OCCUPANCY COSTS

RENT	\$532,377	\$533,000	\$623
UTILITIES	193,124	168,000	(25,124)
REPAIRS & MAINTENANCE	56,401	65,000	8,599
DEPRECIATION - BUILDING AND RELATED	111,656	112,000	344
TOTAL OCCUPANCY	<u>\$893,558</u>	<u>\$878,000</u>	<u>(\$15,558)</u>

OFFICE EXPENSES

OFFICE SUPPLIES, PRINTING & RELATED	\$349,573	\$365,000	\$15,427
TELEPHONE, BEEPERS & ANSWERING	302,470	304,000	1,530
POSTAGE	57,696	60,000	2,304
OFFICE EQUIPMENT RENTAL & MAINT	327,755	318,000	(9,755)
DEPRECIATION-EQUIPMENT	347,277	349,000	1,723
TOTAL OFFICE EXPENSES	<u>\$1,384,771</u>	<u>\$1,396,000</u>	<u>\$11,229</u>

OTHER GENERAL COSTS

LEGAL, ACCT'G AND PROFESSIONAL FEES	\$764,621	\$745,000	(\$19,621)
RECRUITMENT	310,342	295,000	(15,342)
PUBLIC RELATIONS & RECOGNITION	91,823	102,500	10,677
CONFERENCE & STAFF EDUCATION	115,320	110,000	(5,320)
DUES & SUBSCRIPTIONS	52,933	54,000	1,067
INSURANCE	228,572	265,000	36,428
LICENSES & FEES	64,518	60,000	(4,518)
TEMPORARY LABOR	25,250	43,000	17,750
INTEREST	187,505	183,000	(4,505)
FUND RAISING	200,582	205,000	4,418
	0	0	0
BAD DEBTS	32,107	29,000	(3,107)
MISCELLANEOUS	3,050	5,000	1,950
TOTAL OTHER GENERAL COSTS	<u>\$2,076,623</u>	<u>\$2,096,500</u>	<u>\$19,877</u>

TOTAL INDIRECT COST	<u><u>\$10,954,122</u></u>	<u><u>\$11,009,500</u></u>	<u><u>\$55,378</u></u>
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**VNS OF CONNECTICUT, INC.
 COSTS PER UNITS OF SERVICE
 FROM 07-01-2006 THRU 04-30-2007**

<u>MEDICARE COST REPORTING</u>		<u>DIRECT COSTS</u>	<u>INDIRECT COSTS</u>	<u>TOTAL COSTS</u>
SKILLED NURSING		\$76.55	\$48.68	\$125.24
PHYSICAL THERAPY		\$70.04	\$44.54	\$114.57
SPEECH THERAPY		\$81.53	\$30.86	\$112.39
OCCUPATIONAL THERAPY		\$68.70	\$64.67	\$133.37
MEDICAL SOCIAL SERVICE		\$98.14	\$62.41	\$160.55
HOME HEALTH AIDE		\$40.63	\$25.84	\$66.48
MEDICAL SUPPLIES PURCHASES	\$321,566			
PERSONNEL	<u>\$28,418</u>	\$349,984	\$222,572	\$572,555
TELEMEDICINE EQUIPMENT		\$137,950	\$87,729	\$225,679

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GENERAL METHODS OF COST ACCOUNTING - SINGLE STATISTIC
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				<u>VARIANCE</u>
SKILLED NURSING	\$76.55	\$70.31	\$146.86	(\$21.62)
PHYSICAL THERAPY	\$70.04	\$21.41	\$91.45	\$23.13
SPEECH THERAPY	\$81.53	\$212.77	\$294.30	(\$181.91)
OCCUPATIONAL THERAPY	\$68.70	\$64.58	\$133.28	(\$160.93)
MEDICAL SOCIAL SERVICE	\$98.14	\$126.50	\$224.64	(\$64.09)
HOME HEALTH AIDE	\$40.63	\$8.10	\$48.73	\$17.74
MEDICAL SUPPLIES PURCHASES	\$321,566			
PERSONNEL	<u>\$28,418</u>	\$349,984	\$188,143	\$538,127
TELEMEDICINE EQUIPMENT		\$137,950	\$46,928	\$184,878

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**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: CLINICAL MANAGER

STATISTICS: VISITS

COSTS TO BE ALLOCATED:

SALARY	\$1,436,530
PAYROLL TAXES	158,018
EMPLOYEE BENEFITS	172,384
OTHER	
AUTO ALLOWANCE	<u>3,480</u>
 TOTAL	 <u><u>\$1,770,412</u></u>

STATISTIC:

SKILLED NURSING	89,199
PHYSICAL THERAPY	29,291
SPEECH THERAPY	786
OCCUPATIONAL THERAPY	5,503
MEDICAL SOCIAL SERVICE	3,305
HOME HEALTH AIDES	90,329
HOSPICE	<u>12,346</u>
 TOTAL	 <u><u>230,759</u></u>

ALLOCATION OF COSTS

SKILLED NURSING	\$684,346
PHYSICAL THERAPY	224,724
SPEECH THERAPY	6,030
OCCUPATIONAL THERAPY	42,220
MEDICAL SOCIAL SERVICE	25,356
HOME HEALTH AIDE	693,015
HOSPICE	<u>94,720</u>
 TOTAL	 <u><u>\$1,675,692</u></u>

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: HOME CARE COORDINATORS

STATISTIC: PATIENT CASES (DUPLICATED CENSUS)

COSTS TO BE ALLOCATED:

SALARIES	\$93,838
PAYROLL TAXES	7,388
EMPLOYEE BENEFITS	11,421
OTHER	
AUTO ALLOWANCE	<u>2,750</u>
TOTAL	<u><u>\$115,398</u></u>

STATISTIC:

SKILLED NURSING	3,860
PHYSICAL THERAPY	1,820
SPEECH THERAPY	80
OCCUPATIONAL THERAPY	330
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDE	2,760
BILLABLE MEDICAL SUPPLIES	450
TELEMEDICINE EQUIPMENT	<u>430</u>
TOTAL	<u><u>10,330</u></u>

ALLOCATION OF COSTS

SKILLED NURSING	\$43,121
PHYSICAL THERAPY	20,331
SPEECH THERAPY	894
OCCUPATIONAL THERAPY	3,686
MEDICAL SOCIAL SERVICE	6,703
HOME HEALTH AIDE	30,832
BILLABLE MEDICAL SUPPLIES	5,027
TELEMEDICINE EQUIPMENT	<u>4,804</u>
TOTAL	<u><u>\$115,398</u></u>

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: PAYROLL DEPARTMENT

STATISTIC: PAID EMPLOYEES

COSTS TO BE ALLOCATED:

SALARIES	\$102,825
PAYROLL TAXES	\$8,013
EMPLOYEE BENEFITS	12,017
OTHER	
	<hr/>
TOTAL	\$122,855
	<hr/> <hr/>

STATISTIC:

SKILLED NURSING	155
PHYSICAL THERAPY	31
SPEECH THERAPY	6
OCCUPATIONAL THERAPY	12
MEDICAL SOCIAL SERVICE	8
HOME HEALTH AIDE	215
BILLABLE MEDICAL SUPPLIES	1
HOSPICE	25
INDIRECT PERSONNEL	145
	<hr/>
TOTAL	598
	<hr/> <hr/>

ALLOCATION OF COSTS

SKILLED NURSING	\$31,844
PHYSICAL THERAPY	6,369
SPEECH THERAPY	1,233
OCCUPATIONAL THERAPY	2,465
MEDICAL SOCIAL SERVICE	1,644
HOME HEALTH AIDE	44,170
BILLABLE MEDICAL SUPPLIES	205
HOSPICE	5,136
INDIRECT PERSONNEL	29,789
	<hr/>
TOTAL	\$122,855
	<hr/> <hr/>

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: ALL OTHER INDIRECT COSTS

**STATISTIC: PATIENT CASES (DUPLICATED CENSUS) TO TOTAL DIRECT PERSONNEL
AND MEDICAL SUPPLIES**

COSTS TO BE ALLOCATED:

INDIRECT PERSONNEL	<u>\$6,599,168</u>
LESS:	
DIRECT COST ALLOCATIONS	
CLINICAL MANAGER	(1,675,692)
HOME CARE COORDINATORS	(115,398)
PAYROLL DEPARTMENT	<u>(93,066)</u>
NET INDIRECT PERSONNEL	<u>\$4,715,012</u>
OCCUPANCY COSTS	893,558
OFFICE EXPENSES	1,384,771
OTHER GENERAL COSTS	<u>2,076,623</u>
	<u>\$4,354,952</u>
LESS:	
DIRECT COST ALLOCATIONS	
OCCUPANCY & EQUIPMENT	<u>(657,240)</u>
	<u>\$3,697,712</u>
TOTAL	<u><u>\$8,412,724</u></u>

STATISTIC:

SKILLED NURSING	3,860
PHYSICAL THERAPY	1,820
SPEECH THERAPY	80
OCCUPATIONAL THERAPY	330
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDE	<u>2,760</u>
TOTAL DIRECT PERSONNEL	9,450
BILLABLE MEDICAL SUPPLIES	450
TELEMEDICINE EQUIPMENT	<u>1,360</u>
TOTAL	<u><u>11,260</u></u>

ALLOCATION OF COSTS

DIRECT PERSONNEL	\$7,060,412
BILLABLE MEDICAL SUPPLIES	336,210
TELEMEDICINE EQUIPMENT	<u>1,016,102</u>
TOTAL	<u><u>\$8,412,724</u></u>

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: ALL OTHER INDIRECT COSTS TO DIRECT PERSONNEL

STATISTIC: VISITS

COSTS TO BE ALLOCATED:

ALL OTHER INDIRECT COSTS	\$8,412,724
LESS:	
ALLOCATED TO	
BILLABLE MEDICAL SUPPLIES	(336,210)
TELEMEDICINE EQUIPMENT	<u>(\$1,016,102)</u>
 TOTAL	 <u><u>\$7,060,413</u></u>

STATISTIC:

SKILLED NURSING	89,199
PHYSICAL THERAPY	29,291
SPEECH THERAPY	786
OCCUPATIONAL THERAPY	5,503
MEDICAL SOCIAL SERVICE	3,305
HOME HEALTH AIDE	<u>90,329</u>
 TOTAL	 <u><u>218,413</u></u>

ALLOCATION OF COST

SKILLED NURSING	\$2,883,444
PHYSICAL THERAPY	946,860
SPEECH THERAPY	25,408
OCCUPATIONAL THERAPY	177,890
MEDICAL SOCIAL SERVICE	106,837
HOME HEALTH AIDE	<u>2,919,973</u>
 TOTAL	 <u><u>\$7,060,413</u></u>

GENERAL METHODS OF COST ACCOUNTING - MULTIPLE STATISTICS

				<u>VARIANCE</u>
SKILLED NURSING	\$76.55	\$46.11	\$122.67	\$24.19
PHYSICAL THERAPY	\$70.04	\$42.52	\$112.55	(\$21.11)
SPEECH THERAPY	\$81.53	\$58.67	\$140.19	\$154.10
OCCUPATIONAL THERAPY	\$68.70	\$45.96	\$114.66	(\$6.91)
MEDICAL SOCIAL SERVICE	\$98.14	\$52.02	\$150.16	\$74.49
HOME HEALTH AIDE	\$40.63	\$41.44	\$82.07	(\$33.34)
MEDICAL SUPPLIES PURCHASES	\$321,566			
PERSONNEL	\$28,418	\$349,984	\$355,561	\$705,544 (\$167,418)
TELEMEDICINE EQUIPMENT		\$137,950	\$1,020,905	\$1,158,855 (\$973,977)

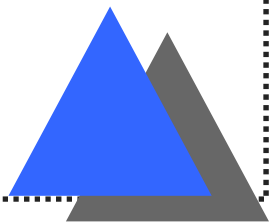
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VNS of Connecticut

NEW FINANCIAL STATEMENT FORMAT

HOSPICE



HOSPICE
STATEMENT OF REVENUE AND OPERATIONS
APRIL 30, 2007

<u>REVENUE</u>	<u>DAYS</u>	<u>RATE PER DAY</u>	<u>YEAR TO DATE</u>
CONTINUOUS HOSPICE CARE	3	\$941.22	\$ 2,824
ROUTINE HOSPICE CARE	9,461	\$189.43	1,792,197
INPATIENT RESPITE CARE	0	\$0.00	0
GENERAL INPATIENT CARE	2,225	\$781.00	1,737,725
	11,689		1,737,725
GROSS REVENUE			\$3,532,746
LESS: CONTRACTUAL ALLOWANCES			215,130
NET REVENUE			\$3,317,616
 <u>DIRECT COSTS</u>			
<u>DIRECT PERSONNEL</u>			
SKILLED NURSING			\$502,551
PHYSICAL THERAPY			16,055
SPEECH THERAPY			1,008
OCCUPATIONAL THERAPY			532
MEDICAL SOCIAL SERVICE			58,143
HOME HEALTH AIDE			198,338
PHYSICIAN SERVICES			16,405
DIETARY, PYSCH AND SPIRITUAL SERVICES			69,809
TOTAL DIRECT PERSONNEL			862,841
CONTINUOUS CARE			1,205
INPATIENT CARE SERVICE			
GENERAL CARE			922,325
RESPITE CARE			-
BILLABLE MEDICAL SUPPLIES, PHARMACY & HME			156,530
BEREAVEMENT PROGRAM			59,284
VOLUNTEER PROGRAM			34,843
OTHER BILLABLE DIRECT HOSPICE COSTS			51,889
TOTAL DIRECT COST			2,088,917
 <u>INDIRECT COSTS</u>			
INDIRECT PERSONNEL			\$90,397
OCCUPANCY COST			156,859
OFFICE EXPENSES			-
OTHER COSTS			995,065
TOTAL INDIRECT COSTS			1,242,321
TOTAL COSTS			3,331,238
NET INCOME			\$ (13,622)

COST PER DAY	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	<u>Cost/Day</u>	<u>REVENUE/DAY</u>
CONTINUOUS HOSPICE CARE	\$ 1,205	\$ 396	\$ 1,602	\$ 533.96	\$ 922.82
ROUTINE HOSPICE CARE	662,841	1,250,406	1,913,246	202.22	171.03
INPATIENT RESPITE CARE	-	-	-	-	-
GENERAL INPATIENT CARE	1,122,325	294,065	1,416,390	636.58	762.60
	\$1,786,371	\$1,544,867	\$3,331,238	\$ 284.99	\$ 283.82

AVERAGE NET REVENUE PER PATIENT	\$5,779.82
AVERAGE COST PER PATIENT	\$5,803.55
TOTAL PATIENTS	574

DIRECT OPERATING COSTS

**YEAR TO
DATE**

DIRECT COSTS

SKILLED NURSING

SALARIES - SUPERVISORS	\$115,000
SALARIES - STAFF	275,000
PAYROLL TAXES	37,124
EMPLOYEE BENEFITS	55,761
OTHER DIRECT	
AUTO ALLOWANCE	14,124
CONTRACT AGENCY PERSONNEL	<u>5,542</u>
TOTAL SKILLED NURSING	<u>\$502,551</u>

PHYSICAL THERAPY

SALARIES - STAFF	\$10,945
PAYROLL TAXES	876
EMPLOYEE BENEFITS	2,189
WORKER'S COMPENSATION	
AUTO ALLOWANCE	995
CONTRACT AGENCY PERSONNEL	<u>1,050</u>
TOTAL PHYSICAL THERAPY	<u>\$16,055</u>

SPEECH THERAPY

SALARIES - STAFF	
PAYROLL TAXES	
EMPLOYEE BENEFITS	
WORKER'S COMPENSATION	
AUTO ALLOWANCE	
CONTRACT AGENCY PERSONNEL	<u>1,008</u>
TOTAL SPEECH THERAPY	<u>\$1,008</u>

OCCUPATIONAL THERAPY

SALARIES - STAFF	
PAYROLL TAXES	
EMPLOYEE BENEFITS	
OTHER	
AUTO ALLOWANCE	
CONTRACT AGENCY PERSONNEL	<u>532</u>
TOTAL OCCUPATIONAL THERAPY	<u>\$532</u>

MEDICAL SOCIAL SERVICE

SALARIES - STAFF	\$29,294
PAYROLL TAXES	2,383
EMPLOYEE BENEFITS	1,744
OTHER	
AUTO ALLOWANCE	1,270
CONTRACT AGENCY PERSONNEL	<u>23,452</u>
TOTAL MEDICAL SOCIAL SERVICE	<u>\$58,143</u>

HOME HEALTH AIDES

SALARIES - STAFF	\$128,774
PAYROLL TAXES	10,302
EMPLOYEE BENEFITS	27,043
WORKER'S COMPENSATION	3,172
AUTO ALLOWANCE	26,535
CONTRACT AGENCY PERSONNEL	<u>2,513</u>
TOTAL HOME HEALTH AIDES	<u>\$198,338</u>

PHYSICIAN SERVICES

CONTRACT PERSONNEL	<u>\$16,405</u>
TOTAL PHYSICIAN SERVICES	<u>\$16,405</u>

DIETARY, PSYCH AND SPIRITUAL SERVICES

SALARIES - STAFF	\$54,177
PAYROLL TAXES	4,334
EMPLOYEE BENEFITS	10,835
OTHER	
AUTO ALLOWANCE	462
CONTRACT AGENCY PERSONNEL	
TOTAL DIETARY, PSYCH AND SPIRITUAL	<u>\$69,809</u>

**DIRECT OPERATING COST
CONTINUED**

	<u>YEAR TO DATE</u>
CONTINUOUS CARE	
SALARIES - STAFF	\$840
PAYROLL TAXES	67
EMPLOYEE BENEFITS	160
OTHER	
AUTO ALLOWANCE	139
CONTRACT AGENCY PERSONNEL	
TOTAL CONTINUOUS CARE	<u>\$1,205</u>
TOTAL DIRECT PERSONNEL	<u>\$864,046</u>
INPATIENT CARE SERVICE	
GENERAL CARE	\$922,325
RESPIRE CARE	
TOTAL INPATIENT CARE SERVICE	<u>\$922,325</u>
BILLABLE MEDICAL SUPPLIES, PHARMACY & HME	
MEDICAL SUPPLIES	\$17,075
DRUGS & BIOLOGICALS	93,019
HOME MEDICAL EQUIPMENT	46,436
TOTAL BILLABLE MEDICAL SUPPLIES, PHARMACY & HME	<u>\$156,530</u>
OTHER BILLABLE DIRECT HOSPICE COSTS	
AMBULANCE AND OTHER	\$51,889
TOTAL OTHER BILLABLE DIRECT HOSPICE COSTS	<u>\$51,889</u>
TOTAL DIRECT COSTS	<u><u>\$1,994,790</u></u>
SUMMARY FOR COST REPORT	
TOTAL WAGES	<u>\$614,030</u>
CONTRACT SERVICES	<u>50,502</u>

INDIRECT OPERATING COST

**YEAR TO
DATE**

INDIRECT COSTS

INDIRECT PERSONNEL

SALARIES - ADMINISTRATION

\$62,646

SALARIES - OTHER SUPPORT SERVICES

27,751

TOTAL INDIRECT PERSONNEL

\$90,397

OCCUPANCY COSTS

ALLOCATED FROM HOME CARE DIVISION

\$156,859

TOTAL OCCUPANCY

\$156,859

OFFICE EXPENSES

ALLOCATED FROM HOME CARE DIVISION

\$995,065

\$995,065

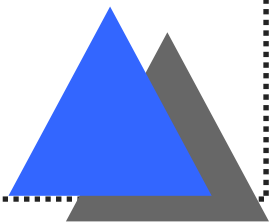
TOTAL INDIRECT COST

\$1,242,321



VNS of Connecticut

BUDGET PROCESS

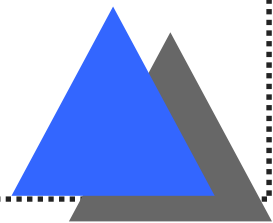




VNS of Connecticut Budget Process

◆ Overview:

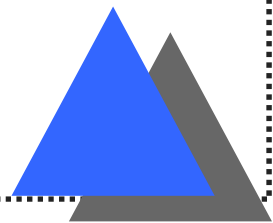
- Branch and Dept requests
- Anticipated changes:
 - ◆ Legislation
 - ◆ Market issues
 - ◆ Staffing patterns
- Steps:
 - ◆ Patients serviced
 - ◆ Service Volume
 - ◆ Revenue
 - ◆ Expenses
 - ◆ Tie it together





VNS of Connecticut Budget Process

- ◆ Patients serviced:
 - Census rollover
 - Admissions
 - Growth factors
 - ◆ Referral source changes
 - ◆ Staffing issues
 - Payor source changes
 - ◆ Shift market share
 - ◆ New Payors
 - Other factors
 - Inter-branch issues, etc.



VNS of Connecticut Budget Process

Admissions and Patients Serviced		Admissions:		Annualized		Budget		Census:		Projected		Patients to be Serviced
Payor	Branch	8 Months Actual 2/29/08	Factor	Admissions	Year Growth	Admissions Budget 08	Current Ave	Growth Factor	Census July 1	July		
MEDICARE OPEN	TORR	6	150.02%	9	104.0%	9		104%	-	9		
CONTRACTS	BPT	19	150.02%	29	103.0%	29	6	103%	6	36		
CONTRACTS	NWLK	18	150.02%	27	103.0%	28	11	103%	11	39		
CONTRACTS	OXFD	32	150.02%	48	103.0%	49	2	103%	2	52		
CONTRACTS	TORR	26	150.02%	39	104.0%	41	9	104%	9	50		
CONTRACTS	TRUMBULL	83	150.02%	125	103.0%	128	42	103%	43	172		
FREE CARE PATIE	BPT	14	150.02%	21	103.0%	22		103%	-	22		
FREE CARE PATIE	NWLK	2	150.02%	3	103.0%	3	1	103%	1	4		
FREE CARE PATIE	OXFD	3	150.02%	5	103.0%	5	1	103%	1	6		
FREE CARE PATIE	TORR	3	150.02%	5	104.0%	5	2	104%	2	7		
Grants	BPT	1	150.02%	2	103.0%	2	1	103%	1	3		
INSURANCE A	BPT	354	150.02%	531	103.0%	547	76	103%	78	625		
INSURANCE A	NWLK	32	150.02%	48	103.0%	49	10	103%	10	60		
INSURANCE A	OXFD	154	150.02%	231	103.0%	238	27	103%	28	266		
INSURANCE A	TORR	19	150.02%	29	104.0%	30	10	104%	10	40		
INSURANCE A	TRUMBULL	203	150.02%	305	103.0%	314	61	103%	63	377		
INSURANCE HMO	BPT	252	150.02%	378	103.0%	389	55	103%	57	446		
INSURANCE HMO	NWLK	63	150.02%	95	103.0%	97	15	103%	15	113		
INSURANCE HMO	OXFD	183	150.02%	275	103.0%	283	25	103%	26	309		
INSURANCE HMO	TORR	162	150.02%	243	104.0%	253	27	104%	28	281		
INSURANCE HMO	TRUMBULL	200	150.02%	300	103.0%	309	58	103%	60	369		
MEDICAID	BPT	164	150.02%	246	104.0%	256	225	104%	234	490		
MEDICAID	NWLK	31	150.02%	47	104.0%	48	59	104%	61	110		
MEDICAID	OXFD	44	150.02%	66	104.0%	69	56	104%	58	127		
MEDICAID	TORR	132	150.02%	198	104.0%	206	237	104%	246	452		
MEDICAID	TRUMBULL	103	150.02%	155	104.0%	161	174	104%	181	342		
MEDICARE	BPT	710	150.02%	1,065	103.0%	1,097	190	103%	196	1,293		
MEDICARE	NWLK	164	150.02%	246	103.0%	253	30	103%	31	284		
MEDICARE	OXFD	454	150.02%	681	103.0%	702	97	103%	100	801		
MEDICARE	TORR	685	150.02%	1,028	105.0%	1,079	217	105%	228	1,307		
MEDICARE	TRUMBULL	399	150.02%	599	103.0%	617	146	103%	150	767		
MEDICARE HOSPIC	OXFD	54	150.02%	81	103.0%	83	5	103%	5	89		
MEDICARE HOSPIC	TORR	104	150.02%	156	105.0%	164	13	105%	14	177		
MEDICARE HOSPIC	TRUMBULL	208	150.02%	312	103.0%	321	21	103%	22	343		
NETWORK	BPT	3	150.02%	5	103.0%	5	1	103%	1	6		
NETWORK	NWLK	1	150.02%	2	103.0%	2		103%	-	2		
NETWORK	OXFD	1	150.02%	2	103.0%	2		103%	-	2		
NETWORK	TORR	2	150.02%	3	104.0%	3		104%	-	3		
NETWORK	TRUMBULL	3	150.02%	5	103.0%	5	2	103%	2	7		
OTHER GOVERNMENT	BPT	4	150.02%	6	103.0%	6	2	103%	2	8		
OTHER GOVERNMENT	NWLK	10	150.02%	15	103.0%	15	2	103%	2	18		
OTHER GOVERNMENT	OXFD	3	150.02%	5	103.0%	5	2	103%	2	7		
OTHER GOVERNMENT	TORR	2	150.02%	3	104.0%	3		104%	-	3		
OTHER HOSPICE	OXFD	3	150.02%	5	103.0%	5	2	103%	2	7		
OTHER HOSPICE	TORR	6	150.02%	9	104.0%	9	4	104%	4	14		
OTHER HOSPICE	TRUMBULL	15	150.02%	23	103.0%	23	12	103%	12	36		
OTHER NON GOV'T	TORR	3	150.02%	5	104.0%	5	4	104%	4	9		
PUBLIC FUNDING	BPT	3	150.02%	5	103.0%	5		103%	-	5		
PUBLIC FUNDING	TORR	12	150.02%	18	104.0%	19	6	104%	6	25		
PUBLIC FUNDING	TRUMBULL	3	150.02%	5	103.0%	5	1	103%	1	6		
SELF PAY	BPT	13	150.02%	20	103.0%	20	5	103%	5	25		
SELF PAY	NWLK	2	150.02%	3	103.0%	3		103%	-	3		
SELF PAY	OXFD	6	150.02%	9	103.0%	9	3	103%	3	12		
SELF PAY	TORR	6	150.02%	9	104.0%	9	2	104%	2	11		
SELF PAY	TRUMBULL	10	150.02%	15	103.0%	15	4	103%	4	20		
		5,192	150.02%	7,789		8,057	1,961		2,033	10,090		



VNS of Connecticut Budget Process

◆ Service Volume:

– Budget based on:

- ◆ Patients serviced

- ◆ Utilization patterns by Payor

 - Anticipated changes in upcoming year

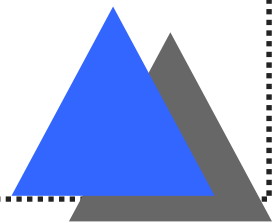
 - Practice pattern changes –
Telemonitors, etc.

– Volume branches out to:

- ◆ Revenue

- ◆ Wages and Contract Services

- ◆ Support structure based on volume
changes





VNS of Connecticut Budget Process

◆ Revenue:

– Medicare:

◆ PPS

◆ Managed:

– PPS based

– Per Visit based

– Hospice:

◆ Per diem based

◆ Continuous Care

◆ Physician services

– Other Payors:

◆ Per visit based





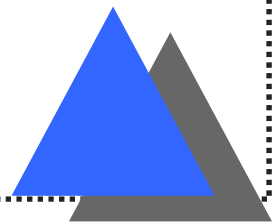
VNS of Connecticut Budget Process

◆ Hospice:

- Payors – Medicare and Other
- Per Diem based revenue generation

◆ Factors:

- Changes in practice patterns
 - Diagnostic changes
 - LOS changes
- Anticipated reimbursement rate changes





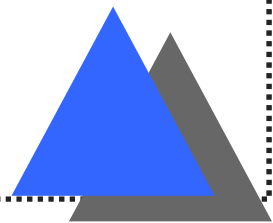
VNS of Connecticut Budget Process

◆ Other Payors:

- Medicaid, Insurance, Public Funding, etc.
- Similar factors:
 - ◆ Reimbursement method – per visit, episodic, etc.
 - ◆ Changes in practice patterns

◆ Budget developed:

- Budgeted units at anticipated reimbursement rates
- Factor for denials, non-coverage issues.

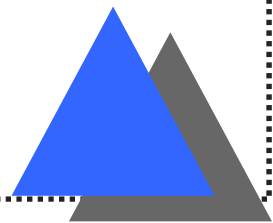




VNS of Connecticut Budget Process

◆ Medicare PPS

- Incorporate changes from 1/1/08
 - ◆ Pre-1/1/08 activity not valid for budget basis
- Base period to use:
 - ◆ January and February – disproportionate share of short episodes
 - ◆ March and April – first full months under new system.

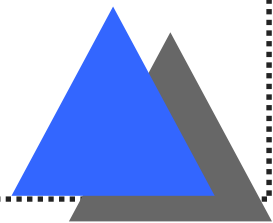




VNS of Connecticut Budget Process

◆ Factors:

- Multiple CBSA Code areas
- Anticipated changes in Reimbursement:
 - ◆ Inflation factor and coding creep
 - ◆ Other changes
- Changes in practice patterns:
 - ◆ Length of stay – episodes per patient
 - ◆ Utilization and staffing impact on therapy
- Other changes:
 - ◆ Revenue per episode/ Case mix
 - ◆ Other episodes (LUPAs, PEPs, Outliers, etc.)

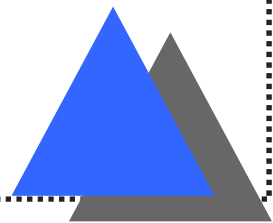




VNS of Connecticut Budget Process

◆ Our Process:

- Use base episodes to develop a blended average base rate
 - ◆ Branch and CBSA specific
- Break episodes down into 3 groups:
 - ◆ Prior closed – Open episodes on the first day of the budget year
 - ◆ Current closed – Episodes that run full cycle during the budget year
 - ◆ Current open – Episodes open on the last day of the budget year

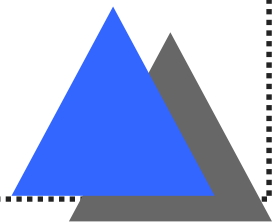




VNS of Connecticut Budget Process

◆ Factor in:

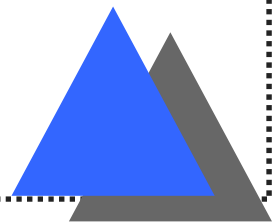
- Prior Closed Episodes:
 - ◆ Revenue recognized percentage
 - ◆ Adjustments for changes to the episodes upon completion
- Current Closed Episodes:
 - ◆ Adjust for LUPAs, PEPs, Outlier episodes
 - ◆ Calculate revenue for:
 - Full cycle episodes
 - LUPAs, PEPS and Outlier episodes
- Ending Open Episodes:
 - ◆ Revenue recognized percentage estimate based on earned vs. deferred
- Develop supply component of PPS rate
- Gross up Medicare revenue to per visit method





VNS of Connecticut Budget Process

	Medicare Revenue Calculation					Grand Total
	BPT	NWLK	OXFD	TORR	TRUMBULL	
EPISODES BY MSA CODE						
(for closed episodes 7/1/07-2/29/08)						
MSACOD						
14860	1,190	227	179	21	764	2,381
25540	1	3	44	1,254		1,302
35300	16	2	528	7	72	625
Grand Total	1,207	232	751	1,282	836	4,308
1/1/08 BASE RATES						
FFLD	2,748.95	2,748.95	2,748.95	2,748.95	2,748.95	
LTCHFLD	2,433.07	2,433.07	2,433.07	2,433.07	2,433.07	
NH	2,597.75	2,597.75	2,597.75	2,597.75	2,597.75	
ANTICIPATED CMS INCREASE 1/1/09 (1/2 year):						
FFLD	100%	100%	100%	100%	100%	
LTCHFLD	100%	100%	100%	100%	100%	
NH	100%	100%	100%	100%	100%	
FY BUDGETED AVERAGE RATE						
FFLD	2,748.95	2,748.95	2,748.95	2,748.95	2,748.95	
LTCHFLD	2,433.07	2,433.07	2,433.07	2,433.07	2,433.07	
NH	2,597.75	2,597.75	2,597.75	2,597.75	2,597.75	
WEIGHTED RATE						
FFLD	3,271,251	624,012	492,062	57,728	2,100,198	6,545,250
LTCHFLD	2,433	7,299	107,055	3,051,070	-	3,167,857
NH	41,564	5,196	1,371,612	18,184	187,038	1,623,594
	3,315,248	636,506	1,970,729	3,126,982	2,287,236	11,336,701
BLENDED AVE RATE PER BRANCH						
	2,746.68	2,743.56	2,624.14	2,439.14	2,735.93	2,631.55



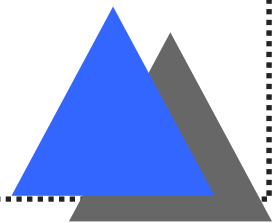
VNS of Connecticut Budget Process

BUDGETED EPISODES						
PROJECTED EPISODES						
PRIORCLOSED	182	35	112	195	123	647
CURRENTCLOSED	1,371	263	840	1,471	922	4,867
CURRENTOPEN	182	35	112	195	123	647
TOTAL	1,735	333	1,064	1,861	1,168	6,161
Growth Factor	103%	104%	103%	103%	103%	
BUDGET EPISODES						
PRIORCLOSED	187	36	115	201	127	666
CURRENTCLOSED	1,412	274	865	1,515	950	5,016
CURRENTOPEN	187	36	115	201	127	666
TOTAL	1,786	346	1,095	1,917	1,204	6,348
CURRENTCLOSED						
BUDGETED CURRENT CLOSED	1,412	274	865	1,515	950	5,016
LESS Number of:						
1) LUPAS	195	43	119	159	125	641
1) OUTLIERS	13	2	13	26	22	76
1) PEPS	21	6	13	36	17	93
	229	51	145	221	164	810
NET FULL EPISODES	1,183	223	720	1,294	786	4,206
BUDGETED AVERAGE CASE MIX WEIGHT	1.18	1.21	1.15	1.23	1.20	
BRANCH BLENDED RATE	2,746.68	2,743.56	2,624.14	2,439.14	2,735.93	
CASE MIX WEIGHTED AVE RATE	3,241.09	3,319.71	3,017.76	3,000.15	3,283.11	
FULL EPISODE REVENUE	3,834,206	740,295	2,172,788	3,882,190	2,580,527	13,210,006



VNS of Connecticut Budget Process

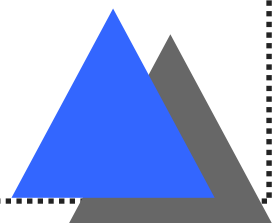
PER VISIT REVENUE RECOGNITION CONVERSION:							
Visits:							
SN	10,928	2,057	6,342	13,100	7,755	40,181	180
PT	4,410	843	2,897	7,083	3,881	19,113	175
OT	842	108	290	2,357	515	4,110	175
ST	116	29	75	170	81	470	175
MS	365	36	615	989	522	2,526	170
HHA	6,669	1,118	4,955	7,416	8,168	28,325	
HHA Hours	12,395	1,761	7,700	7,679	9,264	38,798	50
Total Visits	23,328	4,190	15,173	31,113	20,921	94,724	
Per Visit Charges:							
SN	1,966,950	370,170	1,141,560	2,357,910	1,395,900	7,232,490	
PT	771,750	147,525	506,888	1,239,525	679,088	3,344,776	
OT	147,263	18,900	50,663	412,388	90,038	719,252	
ST	20,213	4,988	13,125	29,663	14,175	82,164	
MS	61,965	6,120	104,550	168,045	88,740	429,420	
HHA	-	-	-	-	-	-	
HHA Hours	619,744	88,050	385,000	383,925	463,203	1,939,922	
Total per Visit Charges	3,587,885	635,753	2,201,786	4,591,456	2,731,144	13,748,024	
Net reimbursed revenue	4,462,166	855,549	2,569,493	4,704,727	3,072,142	16,232,863	
Net Contractual Allowance	(874,281)	(219,796)	(367,707)	(113,271)	(340,998)	(2,484,839)	





VNS of Connecticut Budget Process

- ◆ Reassessing the budgeted Medicare revenue after September 30, 2008:
 - Medicare revenue for budget based on only 2 months of actual data to develop budget for July 1
 - Recalculate the budgeted revenue based on 2nd and 3rd quarter actual information
 - Adjust budget, benchmarks, staffing, etc. as necessary

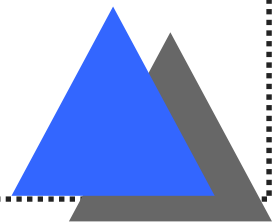




VNS of Connecticut Budget Process

◆ Other Payors:

- Develop budget based on expectations with:
 - ◆ Payor Mix
 - ◆ Volume growth
 - ◆ Utilization projections
 - ◆ Reimbursement rates
 - Contractual arrangements
 - Other fee negotiations
- Service volume and revenue based on current year actual:
 - ◆ Annualized
 - ◆ Adjusted for changes above



VNS of Connecticut Budget Process

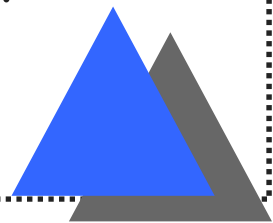
INSURANCE VOLUME AND REVENUE CALCULATION						
BASE DATA:						
PAYOR	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A
BRANCH	BPT	BPT	BPT	BPT	BPT	BPT
PROGRAM	HOME CARE	HOME CARE	HOME CARE	HOME CARE	HOME CARE	HOME CARE
DISC	SN	PT	OT	ST	MS	HA
UNIT STAT	VISIT	VISIT	VISIT	VISIT	VISIT	HR
REPORTABLE ?	Y	Y	Y	Y	Y	Y
BILLABLE ?	Y	Y	Y	Y	Y	Y
COL	1	1	1	1	1	2
CURRENT ACTUAL						
GROSS	(451,280)	(203,840)	(27,280)	(6,665)	(7,440)	(132,615)
C/A	146,928	76,388	9,648	2,523	2,440	25,914
NET	(304,352)	(127,452)	(17,632)	(4,142)	(5,000)	(106,701)
AVG GROSS	(153.13)	(158.02)	(155.00)	(155.00)	(155.00)	(45.00)
AVG NET	(103.28)	(98.80)	(100.18)	(96.33)	(104.17)	(36.21)
BASE BIL VIS	2,947	1,290	176	43	48	1,683
HHA CONVERS FCTR	-	-	-	-	-	1.75
BASE HHA HRS	-	-	-	-	-	2,947
VIS NONB FACTOR						
HA HR NONB FACTOR						
NONB VIS						
NONB HRS						
TOT BASE VISITS	2,947	1,290	176	43	48	1,683
TOT BASE HHA HRS	-	-	-	-	-	2,947
ANNUALIZED VOLUME:						
ANNUALIZED VOL	4,429	1,939	265	65	72	2,530
ANNLZ HHA HRS	-	-	-	-	-	4,421
BUDGET FACTORS:						
BUD GRWTH	103%	103%	103%	103%	103%	103%
UTIL % INCR (DEC)	100%	100%	100%	100%	100%	100%
CONTRACT %	1.2%	0.0%	1.0%	100.0%	0.0%	19.7%
BUD PUBL RATE INC	100%	100%	100%	100%	100%	100%
BUD NET RATE INC	105%	105%	105%	105%	105%	105%
BUDGET:						
BUD VOL	4,562	1,997	272	67	74	4,562
BUD HOURS						
BUD PUBL RATE	(153.13)	(158.02)	(155.00)	(155.00)	(155.00)	(45.00)
BUD NET RATE	(108.44)	(103.74)	(105.19)	(101.14)	(109.38)	(38.02)
BUD GROSS REV	(698,622)	(315,563)	(42,232)	(10,318)	(11,518)	(205,300)
BUD NET REV	(494,723)	(207,173)	(28,661)	(6,733)	(8,127)	(173,442)
BUD C/A	(203,900)	(108,390)	(13,571)	(3,585)	(3,390)	(31,858)
COUNT VISITS	Y	Y	Y	Y	Y	Y
ALLOCATION BETWEEN STAFF AND CONTRACT:						
TOTBUD VIS	4,562	1,997	272	67	74	2,605
TOT BUD HHA HRS	-	-	-	-	-	4,562
CON VIS	53	-	3	67	-	512
CON HRS	-	-	-	-	-	897
STAFF VIS	4,509	1,997	270	-	74	2,093
STAFF HRS	-	-	-	-	-	3,665



VNS of Connecticut Budget Process

◆ Expenditures:

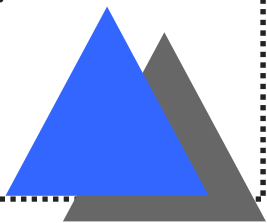
- Direct service staff budgeted based on:
 - ◆ Service volume
 - Allocated between weekday and weekend
 - Allocated between employees and contracted services
 - ◆ Productivity
 - ◆ Employment status (FT, PT, PV, etc.)
 - ◆ Current and anticipated wage rate(s)
- All other staff:
 - ◆ FTEs developed based on overhead ratios used to internally benchmark each branch.
- Budget individually for personnel except:
 - ◆ PV/PD – based on allocation of visits and non-productive time at average rates.





VNS of Connecticut Budget Process

◆ Salary Expenditures:

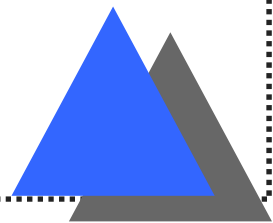
- Direct service staff budgeted based on:
 - ◆ Service volume
 - Allocated between weekday and weekend
 - Allocated between employees and contracted services
 - ◆ Productivity
 - ◆ Employment status (FT, PT, PV, etc.)
 - ◆ Current and anticipated wage rate(s)
 - All other staff:
 - ◆ FTEs developed based on overhead ratios used to internally benchmark each branch.
 - Budget individually for personnel except:
 - ◆ PV/PD – based on allocation of visits and non-productive time at average rates.
 - Calculate all related benefit costs
- 



VNS of Connecticut Budget Process

◆ Other Expenditures:

- Contract services – based on expected volume and rates
- Other expenses:
 - ◆ Based on actual detail department budgets:
 - Information Technology
 - Development and Fundraising
 - ◆ Others:
 - Contracted rates – maintenance, phone services, leases, etc.
 - ◆ Inflationary increases:
 - General
 - Medical
 - Energy
 - Transportation



VNS of Connecticut Budget Process

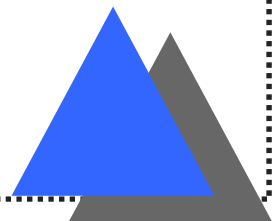
Visiting Nurse Services of Connecticut, Inc. Budgeted Income Statement Fiscal Year 2009					
	Budget	Units	Direct Cost/ Unit	Total Cost/ Unit	
REVENUE					
Skilled Nursing	13,900,000				
Physical Therapy	4,750,000				
Occupational Therapy	981,000				
Speech Therapy	121,000				
Medical Social Service	705,000				
Home Health Aide	7,330,000				
Telehealth	34,000				
Other	192,000				
Hospice	3,705,000				
Total Visit Revenue	31,718,000				
Medical Supply Revenue	85,000				
Medicare HHRG variance	2,500,000				
Allowance Other	(2,430,000)				
Total Net Revenue	31,873,000				
DIRECT COSTS					
Direct Personnel					
Skilled Nursing	9,290,000	106,400	87.31	142.50	61%
Physical Therapy	2,520,000	31,450	80.13	147.50	54%
Occupational Therapy	488,100	6,110	79.89	144.50	55%
Speech Therapy	66,500	975	68.21	154.50	44%
Medical Social Service	500,900	5,680	88.19	134.00	66%
Home Health Aide	4,130,000	105,500	39.15	65.50	60%
Hospice	2,390,000	11,523	207.41	246.30	84%
Total Direct Personnel	19,385,500				
Billable Medical Supply Cost	125,000				
Telemedicine Equipment	150,000	5,090	29.47	38.00	78%
Total	275,000				
Total Direct Costs	19,660,500				
Net Direct Profit (Loss)	12,212,500				
INDIRECT COSTS					
Indirect Personnel	7,210,000				
Occupancy Cost	1,025,000				
Office Expense	1,524,000				
Other Costs	2,463,500				
Total INDIRECT COSTS	12,222,500				
Net Operating Profit (Loss)	(10,000)				
OTHER REVENUE (CHARGES)					
Contributions	203,000				
Investment Income	110,000				
Other	5,000				
Total Other revenue (charges)	318,000				
NET SURPLUS/(DEFICIT)	308,000				



VNS of Connecticut Budget Process

◆ Communication:

- Develop a package for branch/department leaders
 - ◆ Budget expectations
 - ◆ Performance indicators
 - ◆ Key benchmark items
- Each Branch/Department Leader receives:
 - ◆ Agency budget
 - ◆ Department budget
 - ◆ Summary of key indicators and benchmarks
 - ◆ Any other relevant data needed to manage their branch/department.

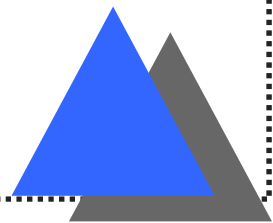




VNS of Connecticut Budget Process

Initial Analysis – PPS

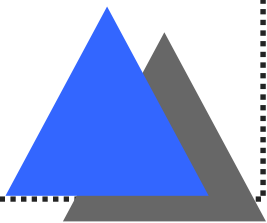
- ◆ Only 6 months into the new Medicare PPS system
 - Still very early
 - Selected key data items to monitor
 - ◆ After 6 to 9 months – review the data to be sure the data items are the key drivers for:
 - Performance evaluation
 - Planning and forecasting





VNS of Connecticut Budget Process

Initial Analysis – PPS

- ◆ Some of the initial data items we are monitoring:
 - Episode distribution:
 - ◆ Early/Later/20+
 - ◆ Therapy Thresholds
 - ◆ Therapy Visit distribution
 - Ave revenue and cost per episode
 - Ave case mix
 - ◆ Early/late/20+
 - ◆ Case manager
 - Supplies:
 - ◆ Average reimbursement and cost per episode
 - ◆ Average costs on LUPA episodes
 - Adjustments:
 - ◆ LUPAs
 - ◆ PEPs
 - ◆ Outliers
 - ◆ Threshold Adjustments
 - Utilization:
 - ◆ Total, Nursing, Therapy, MSW, HHA and Other
- 

VNS of Connecticut

Budget Process

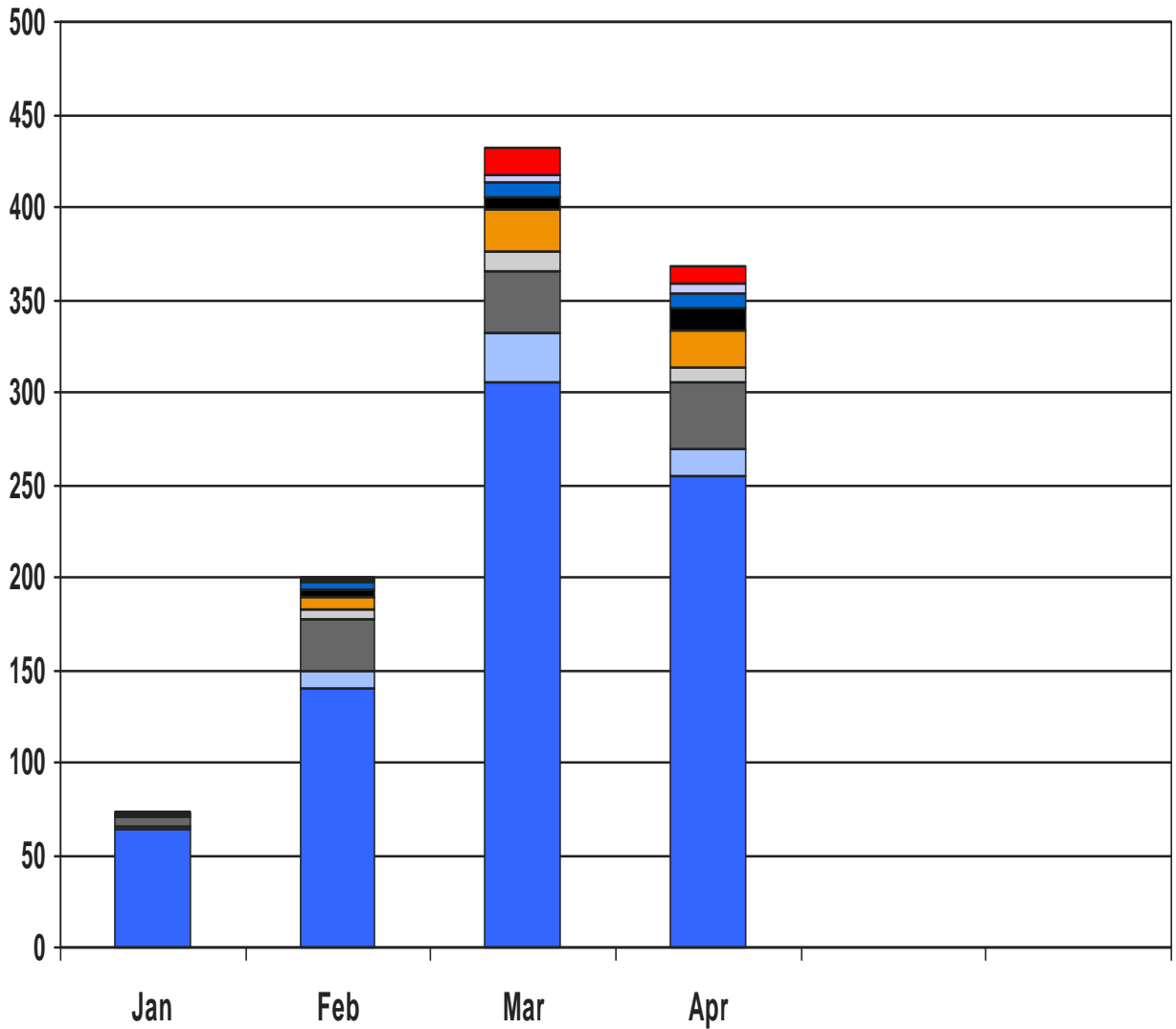
PPS – Case Mix Analysis

		Jan		Feb		Mar		April	
Loc	Eps Type	Eps Cnt	Case Mix	Eps Cnt	Case Mix	Eps Cnt	Case Mix	Eps Cnt	Case Mix
BPT	E	19	.90	51	.96	110	1.06	86	1.11
	L	1	.85	3	.99	20	1.03	16	1.07
	B					3	3.38	1	2.95
TL		20	.89	54	.97	133	1.11	103	1.13
Nwtk	E	7	.86	18	.85	21	1.06	23	1.02
	L			1	.79	5	1.17	5	1.23
	B					1	2.55	1	3.17
TL		7	.86	19	.84	27	1.13	29	1.13
Oxfd	E	18	.90	42	.99	78	1.04	60	1.09
	L			2	.96	17	1.04	9	.82
	B			1	2.95	2	3.49	1	3.49
TL		18	.90	45	1.04	97	1.09	70	1.09
Torr	E	23	.94	61	1.13	103	1.16	105	1.15
	L	3	.91	4	1.03	21	1.04	21	1.06
	B					6	3.26	8	3.08
TL		26	.94	65	1.12	130	1.24	134	1.25
Trumb	E	7	.97	30	1.08	64	1.09	58	1.16
	L			4	1.44	16	7.00	21	1.09
	B					4	3.35		
TL		7	.97	34	1.12	84	1.18	79	1.15
Agy TL	E	74	.92	202	1.03	376	1.09	332	1.12
	L	4	.89	14	1.11	79	1.04	72	1.05
	B			1	2.95	16	3.29	11	3.11
TL		78	.92	217	1.04	471	1.15	415	1.16

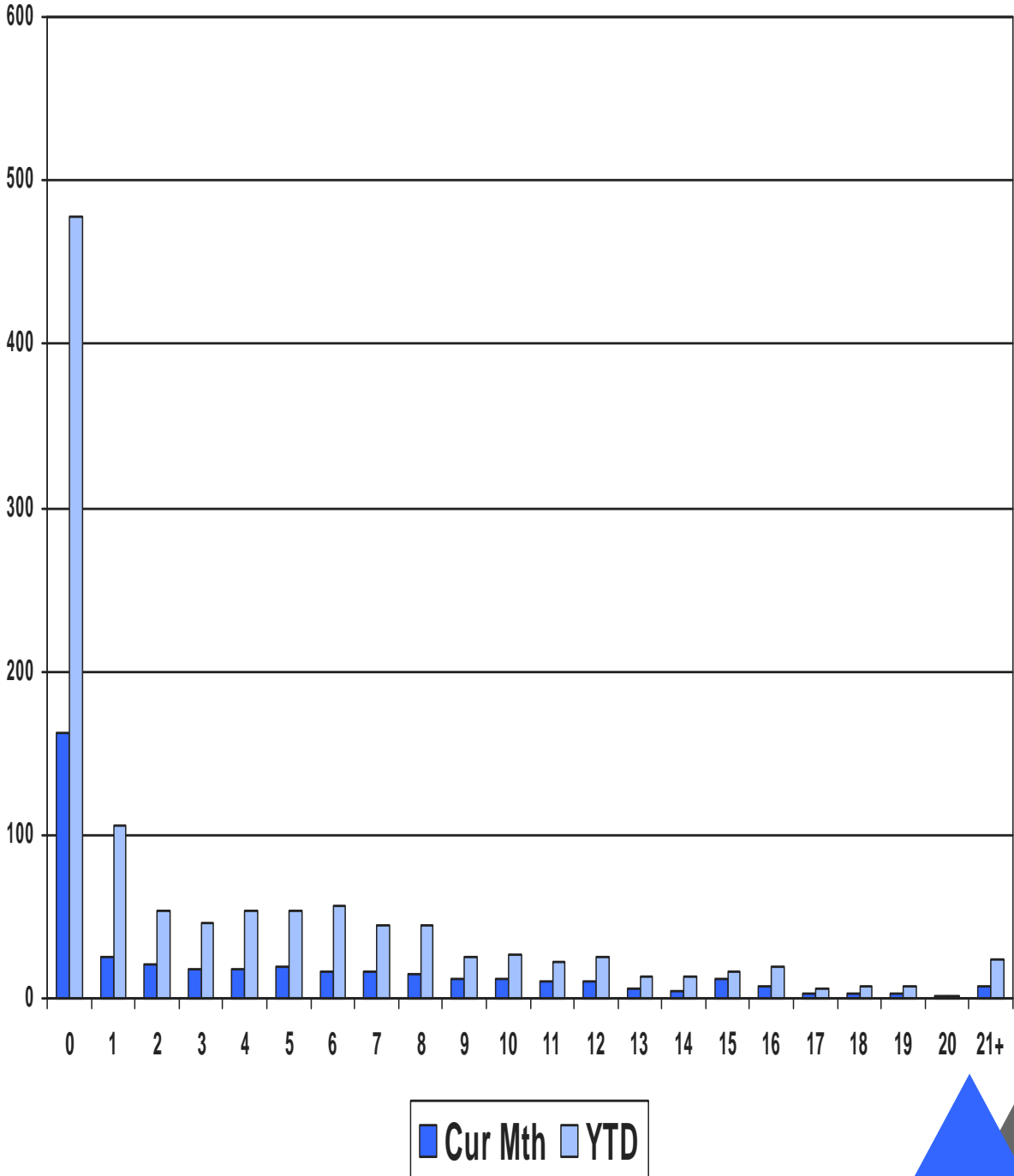
Data is tracked by branch, Episode Type (early/late, Non-Lupa, etc.)

Weekly report – Report case mix as of each Monday beginning and ending episodes based on anticipated end dates.

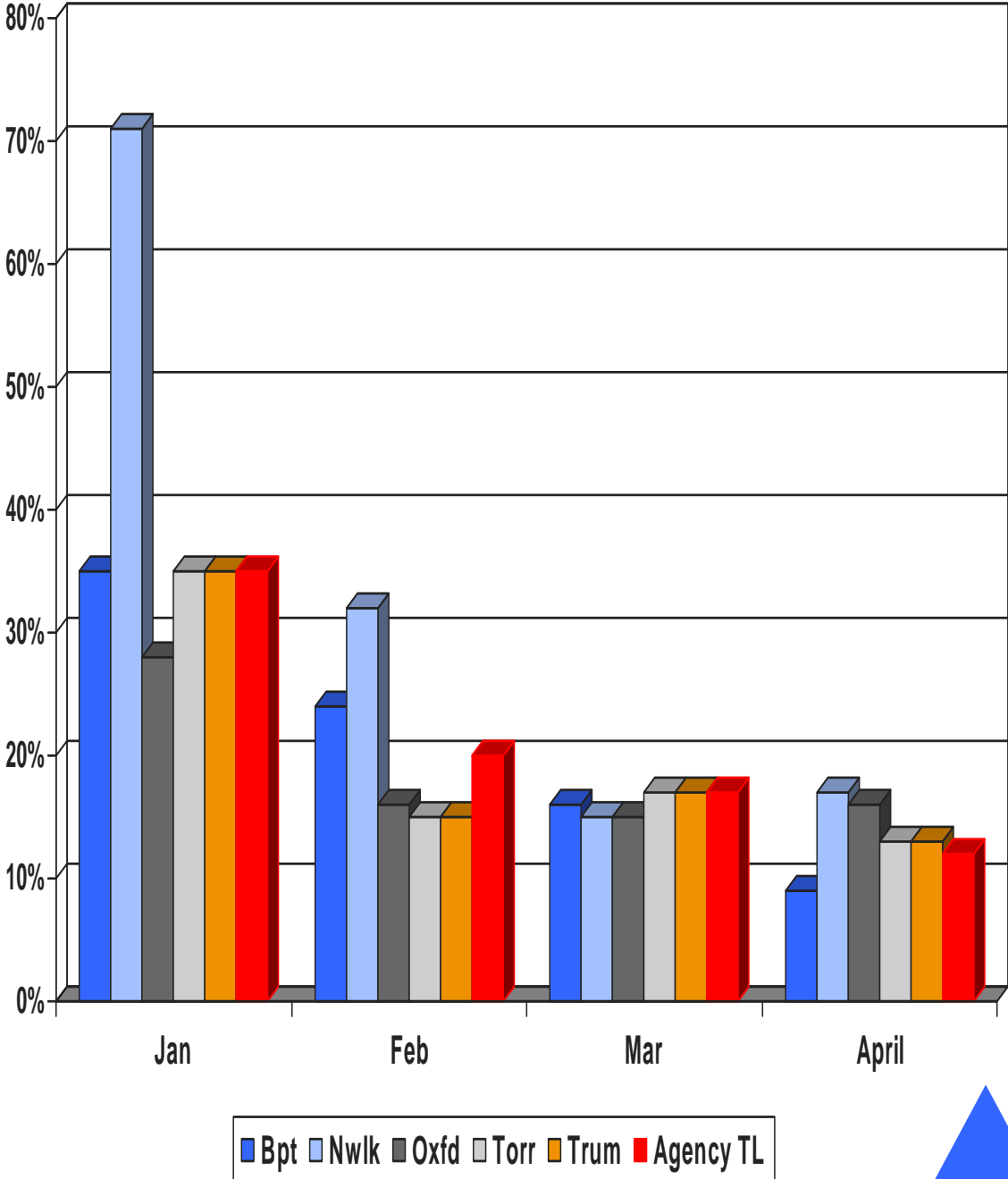
VNS of Connecticut Budget Process PPS – Therapy Threshold



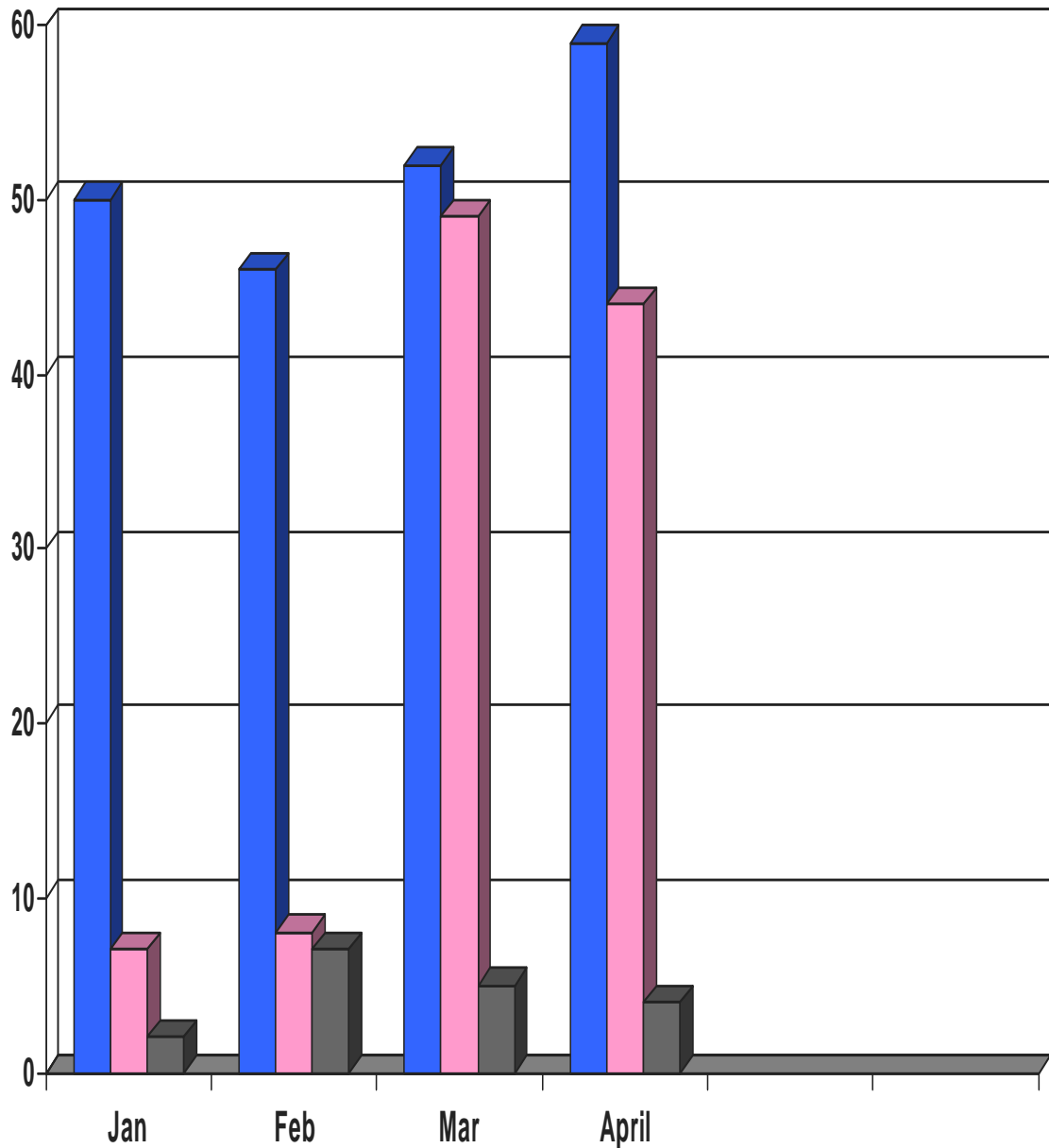
VNS of Connecticut Budget Process PPS – Therapy Visit Distribution



VNS of Connecticut Budget Process PPS – LUPA Analysis



VNS of Connecticut Budget Process PPS – Supply Analysis



■ Supply Reimb ■ Supply Cost ■ Lupa Supply Cost