

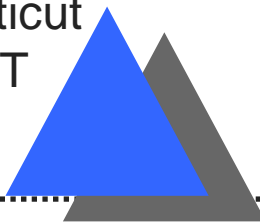


# The New HH PPS: Budgeting, Financial Analysis and Reporting

2008 NAHC  
Financial Managers  
Conference  
July 16-18, 2008

Pat Laff  
Managing Principal  
Laff Associates  
Hilton Head Island, SC

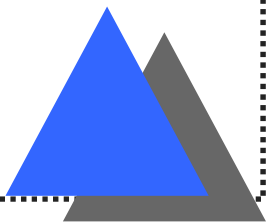
Ed Nicolas  
Chief Financial Officer  
VNS of Connecticut  
Bridgeport, CT





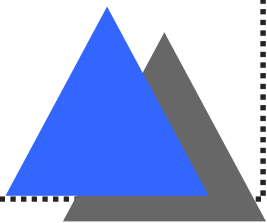
# Statement of Income and Operations

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?
- 



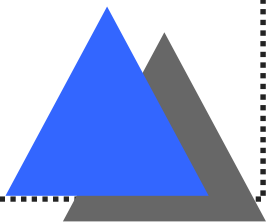
# Statement of Income and Operations

- ◆ 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 (3<sup>rd</sup> 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>		
<b><u>REVENUE</u></b>	<b><u>VISITS</u></b>		
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
	<b>60,000</b>		
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)
<b>TOTAL NET REVENUE</b>		<b>\$7,262,100</b>	<b>\$6,833,000</b>
<b><u>DIRECT COSTS</u></b>			
<b>DIRECT PERSONNEL</b>			
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
<b>TOTAL DIRECT PERSONNEL</b>		<b>\$4,335,200</b>	<b>\$4,006,900</b>
BILLABLE MEDICAL SUPPLY COST		213,900	198,200
TELEMEDICINE EQUIPMENT		157,500	148,500
<b>TOTAL DIRECT COST</b>		<b>\$4,706,600</b>	<b>\$4,353,600</b>
<b><u>INDIRECT COSTS</u></b>			
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
<b>TOTAL INDIRECT COSTS</b>		<b>\$1,827,600</b>	<b>\$1,802,900</b>
<b>TOTAL COSTS</b>		<b>\$6,534,200</b>	<b>\$6,156,500</b>
<b>NET INCOME</b>		<b>\$727,900</b>	<b>\$27,200</b>

# 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>
<b>SKILLED NURSING</b>			
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	\$2,141,800	\$2,164,600	\$22,800
<b>PHYSICAL THERAPY</b>			
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	\$1,483,800	\$1,303,300	(\$180,500)
<b>SPEECH THERAPY</b>			
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	\$66,000	\$53,600	(\$12,400)
<b>OCCUPATIONAL THERAPY</b>			
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	\$281,200	\$218,400	(\$62,800)
<b>MEDICAL SOCIAL SERVICE</b>			
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	\$47,700	\$37,600	(\$10,100)
<b>HOME HEALTH AIDES</b>			
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	\$314,700	\$229,400	(\$85,300)
TOTAL DIRECT PERSONNEL	\$4,335,200	\$4,006,900	(\$328,300)

# 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

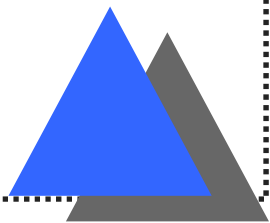
## INDIRECT OPERATING COSTS

<u>INDIRECT COSTS</u>	<u>PERIOD TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
<b>INDIRECT PERSONNEL</b>			
SALARIES - ADMINISTRATOR	\$120,000	\$120,000	\$0
<b>SALARIES - MEDICAL ADMINISTRATIVE</b>			
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)
<b>TOTAL INDIRECT PERSONNEL</b>	<u>\$1,260,400</u>	<u>\$1,204,700</u>	<u>(\$55,700)</u>
<b>OCCUPANCY COSTS</b>			
RENT	\$185,000	\$177,500	(\$7,500)
UTILITIES	12,000	10,800	(1,200)
REPAIRS & MAINTENANCE	6,000	5,000	(1,000)
<b>TOTAL OCCUPANCY</b>	<u>\$203,000</u>	<u>\$193,300</u>	<u>(\$9,700)</u>
<b>OFFICE EXPENSES</b>			
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)
<b>TOTAL OFFICE EXPENSES</b>	<u>\$159,300</u>	<u>\$156,200</u>	<u>(\$3,100)</u>
<b>OTHER GENERAL COSTS</b>			
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
<b>TOTAL OTHER GENERAL COSTS</b>	<u>\$204,900</u>	<u>\$248,700</u>	<u>\$43,800</u>
<b>TOTAL INDIRECT COST</b>	<u>\$1,827,600</u>	<u>\$1,802,900</u>	<u>(\$24,700)</u>



# VNS of Connecticut

## BUDGET PROCESS

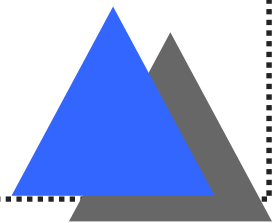




# VNS of Connecticut Budget Process

## ◆ Overview:

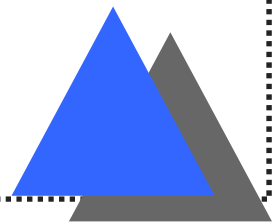
- Branch and Dept requests
- Anticipated changes:
  - ◆ Legislation
  - ◆ Market issues
  - ◆ Staffing patterns
- Steps:
  - ◆ Patients serviced
  - ◆ Service Volume
  - ◆ Revenue
  - ◆ Expenses
  - ◆ Tie it together





# 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 09	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

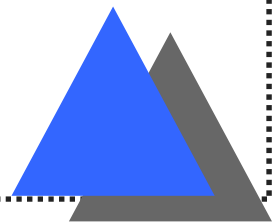
  - Practice pattern changes –  
Telemonitors, etc.

### – 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:

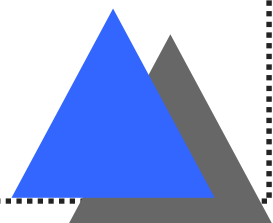
- ◆ Per diem based

- ◆ Continuous Care

- ◆ Physician services

### – Other Payors:

- ◆ Per visit based





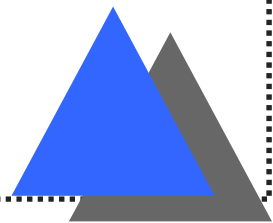
# VNS of Connecticut Budget Process

## ◆ Hospice:

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

### ◆ Factors:

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





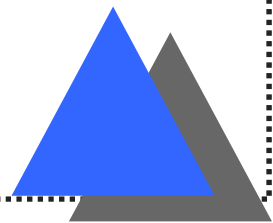
# VNS of Connecticut Budget Process

## ◆ 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.

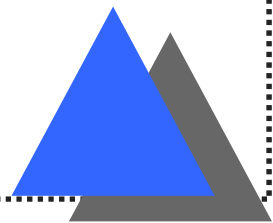




# VNS of Connecticut Budget Process

## ◆ 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.

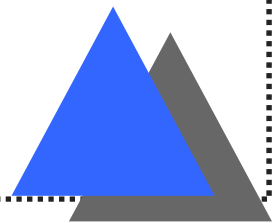




# VNS of Connecticut Budget Process

## ◆ Factors:

- Multiple CABS 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.)

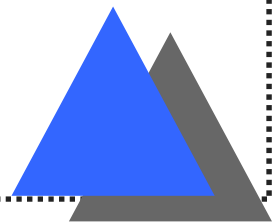




# VNS of Connecticut Budget Process

## ◆ Our Process:

- Use base episodes to develop a blended average base rate
  - ◆ Branch and CABS 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

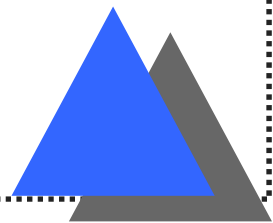




# VNS of Connecticut Budget Process

## ◆ Factor in:

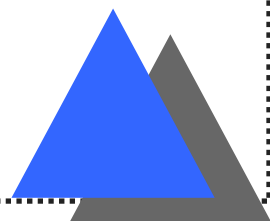
- Prior Closed Episodes:
  - ◆ Revenue recognized percentage
  - ◆ Adjustments for changes to the episodes upon completion
- Current Closed Episodes:
  - ◆ Adjust for LUPAs, PEPs, Outlier episodes
  - ◆ Calculate revenue for:
    - Full cycle episodes
    - LUPAs, PEPS and Outlier episodes
- Ending Open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





# VNS of Connecticut Budget Process

	Medicare Revenue Calculation					Grand Total
	BPT	NWLK	OXFD	TORR	TRUMBULL	
<b>EPISODES BY MSA CODE</b>						
(for closed episodes 7/1/07-2/29/08)						
<b>MSACOD</b>						
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
<b>1/1/08 BASE RATES</b>						
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	
<b>ANTICIPATED CMS INCREASE 1/1/09 (1/2 year):</b>						
FFLD	100%	100%	100%	100%	100%	
LTCHFLD	100%	100%	100%	100%	100%	
NH	100%	100%	100%	100%	100%	
<b>FY BUDGETED AVERAGE RATE</b>						
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	
<b>WEIGHTED RATE</b>						
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
<b>BLENDED AVE RATE PER BRANCH</b>						
	2,746.68	2,743.56	2,624.14	2,439.14	2,735.93	2,631.55



# VNS of Connecticut Budget Process

<b>BUDGETED EPISODES</b>						
<b>PROJECTED EPISODES</b>						
PRIORCLOSED	182	35	112	195	123	647
CURRENTCLOSED	1,371	263	840	1,471	922	4,867
CURRENTOPEN	182	35	112	195	123	647
<b>TOTAL</b>	<b>1,735</b>	<b>333</b>	<b>1,064</b>	<b>1,861</b>	<b>1,168</b>	<b>6,161</b>
Growth Factor	103%	104%	103%	103%	103%	
<b>BUDGET EPISODES</b>						
PRIORCLOSED	187	36	115	201	127	666
CURRENTCLOSED	1,412	274	865	1,515	950	5,016
CURRENTOPEN	187	36	115	201	127	666
<b>TOTAL</b>	<b>1,786</b>	<b>346</b>	<b>1,095</b>	<b>1,917</b>	<b>1,204</b>	<b>6,348</b>
<b>CURRENTCLOSED</b>						
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
	<b>229</b>	<b>51</b>	<b>145</b>	<b>221</b>	<b>164</b>	<b>810</b>
<b>NET FULL EPISODES</b>	<b>1,183</b>	<b>223</b>	<b>720</b>	<b>1,294</b>	<b>786</b>	<b>4,206</b>
BUDGETED AVERAGE CASE MIX WEIGHT	<b>1.18</b>	<b>1.21</b>	<b>1.15</b>	<b>1.23</b>	<b>1.20</b>	
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



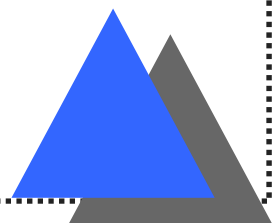
# VNS of Connecticut Budget Process

PER VISIT REVENUE RECOGNITION CONVERSION:							
<b>Visits:</b>							
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	
<b>Per Visit Charges:</b>							
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 2<sup>nd</sup> and 3<sup>rd</sup> quarter actual information
  - Adjust budget, benchmarks, staffing, etc. as necessary

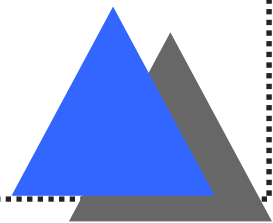




# VNS of Connecticut Budget Process

## ◆ 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

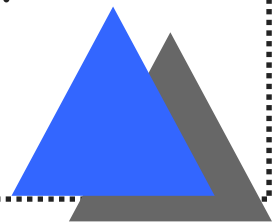
INSURANCE VOLUME AND REVENUE CALCULATION						
BASE DATA:						
PAYOR	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A	INSURANCE A
BRANCH	BPT	BPT	BPT	BPT	BPT	BPT
PROGRAM	HOME CARE	HOME CARE	HOME CARE	HOME CARE	HOME CARE	HOME CARE
DISC	SN	PT	OT	ST	MS	HA
UNIT STAT	VISIT	VISIT	VISIT	VISIT	VISIT	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:

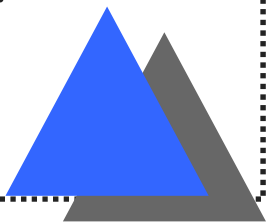
- Direct service staff budgeted based on:
  - ◆ Service volume
    - Allocated between weekday and weekend
    - Allocated between employees and contracted services
  - ◆ Productivity
  - ◆ Employment status (FT, PT, PV, etc.)
  - ◆ Current and anticipated wage rate(s)
- All other staff:
  - ◆ FTEs developed 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:

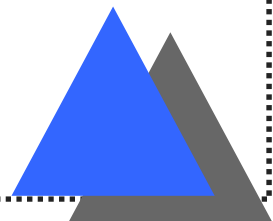
- Direct service staff budgeted based on:
    - ◆ Service volume
      - Allocated between weekday and weekend
      - Allocated between employees and contracted services
    - ◆ Productivity
    - ◆ Employment status (FT, PT, PV, etc.)
    - ◆ Current and anticipated wage rate(s)
  - All other staff:
    - ◆ 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

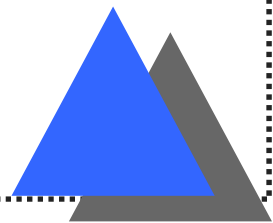
Visiting Nurse Services of Connecticut, Inc. Budgeted Income Statement Fiscal Year 2009					
	Budget	Units	Direct Cost/ Unit	Total Cost/ Unit	
<b>REVENUE</b>					
Skilled Nursing	13,900,000				
Physical Therapy	4,750,000				
Occupational Therapy	981,000				
Speech Therapy	121,000				
Medical Social Service	705,000				
Home Health Aide	7,330,000				
Telehealth	34,000				
Other	192,000				
Hospice	3,705,000				
<b>Total Visit Revenue</b>	<b>31,718,000</b>				
Medical Supply Revenue	85,000				
Medicare HHRG variance	2,500,000				
Allowance Other	(2,430,000)				
<b>Total Net Revenue</b>	<b>31,873,000</b>				
<b>DIRECT COSTS</b>					
<b>Direct Personnel</b>					
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%
<b>Total Direct Personnel</b>	<b>19,385,500</b>				
Billable Medical Supply Cost	125,000				
Telemedicine Equipment	150,000	5,090	29.47	38.00	78%
<b>Total</b>	<b>275,000</b>				
<b>Total Direct Costs</b>	<b>19,660,500</b>				
<b>Net Direct Profit (Loss)</b>	<b>12,212,500</b>				
<b>INDIRECT COSTS</b>					
Indirect Personnel	7,210,000				
Occupancy Cost	1,025,000				
Office Expense	1,524,000				
Other Costs	2,463,500				
<b>Total INDIRECT COSTS</b>	<b>12,222,500</b>				
<b>Net Operating Profit (Loss)</b>	<b>(10,000)</b>				
<b>OTHER REVENUE (CHARGES)</b>					
Contributions	203,000				
Investment Income	110,000				
Other	5,000				
<b>Total Other revenue (charges)</b>	<b>318,000</b>				
<b>NET SURPLUS/(DEFICIT)</b>	<b>308,000</b>				



# 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.

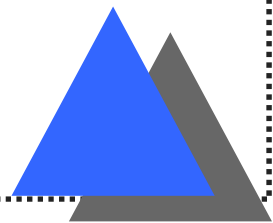




# VNS of Connecticut Budget Process

## Initial Analysis – PPS

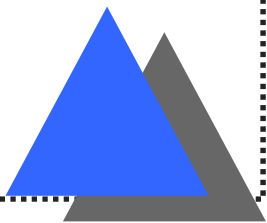
- ◆ Only 6 months into the new Medicare PPS system
  - Still very early
  - Selected key data items to monitor
    - ◆ After 6 to 9 months – review the data to be sure the data items are the key drivers for:
      - Performance evaluation
      - Planning and forecasting





# 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/later/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

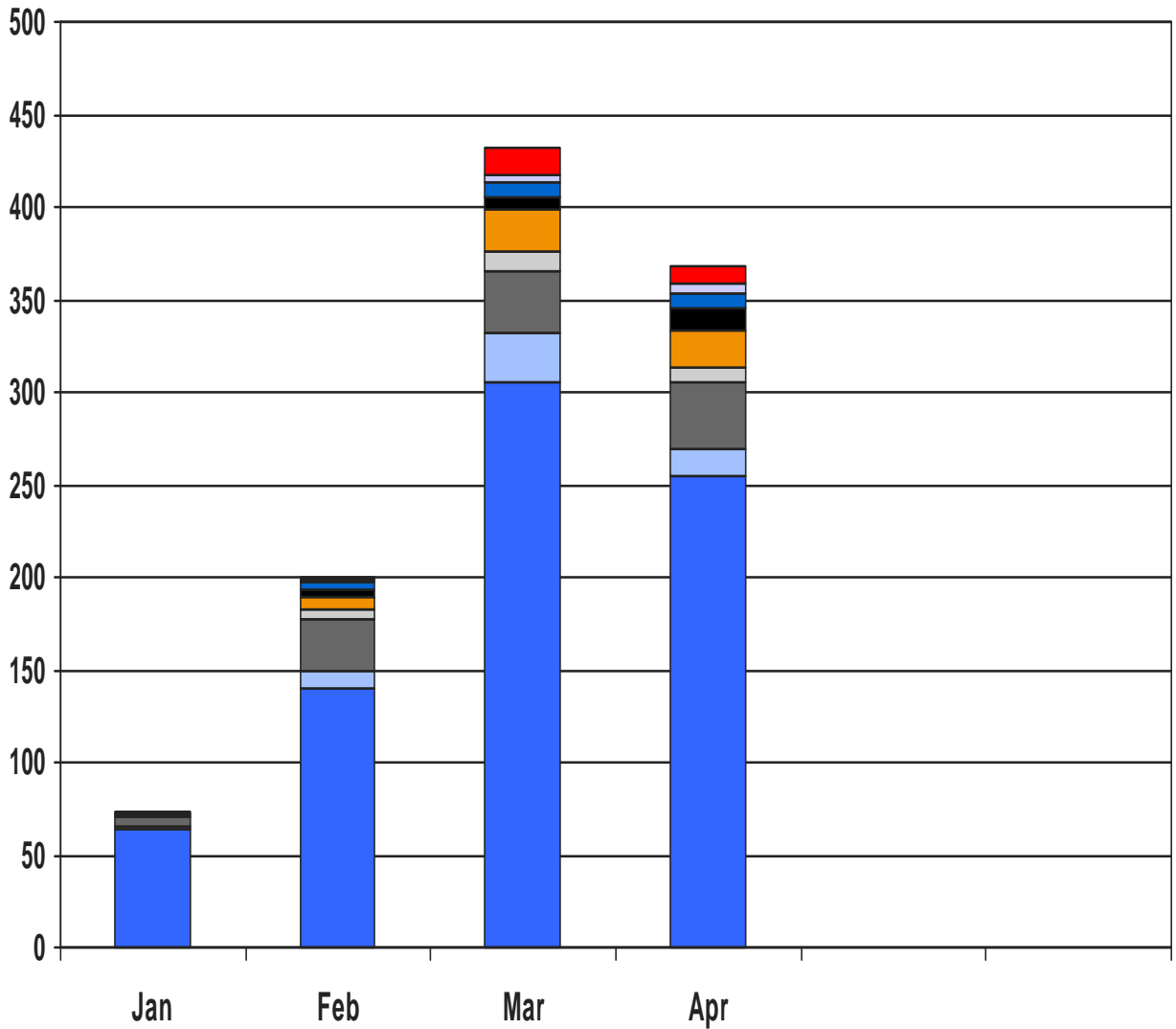
### PPS – Case Mix Analysis

		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

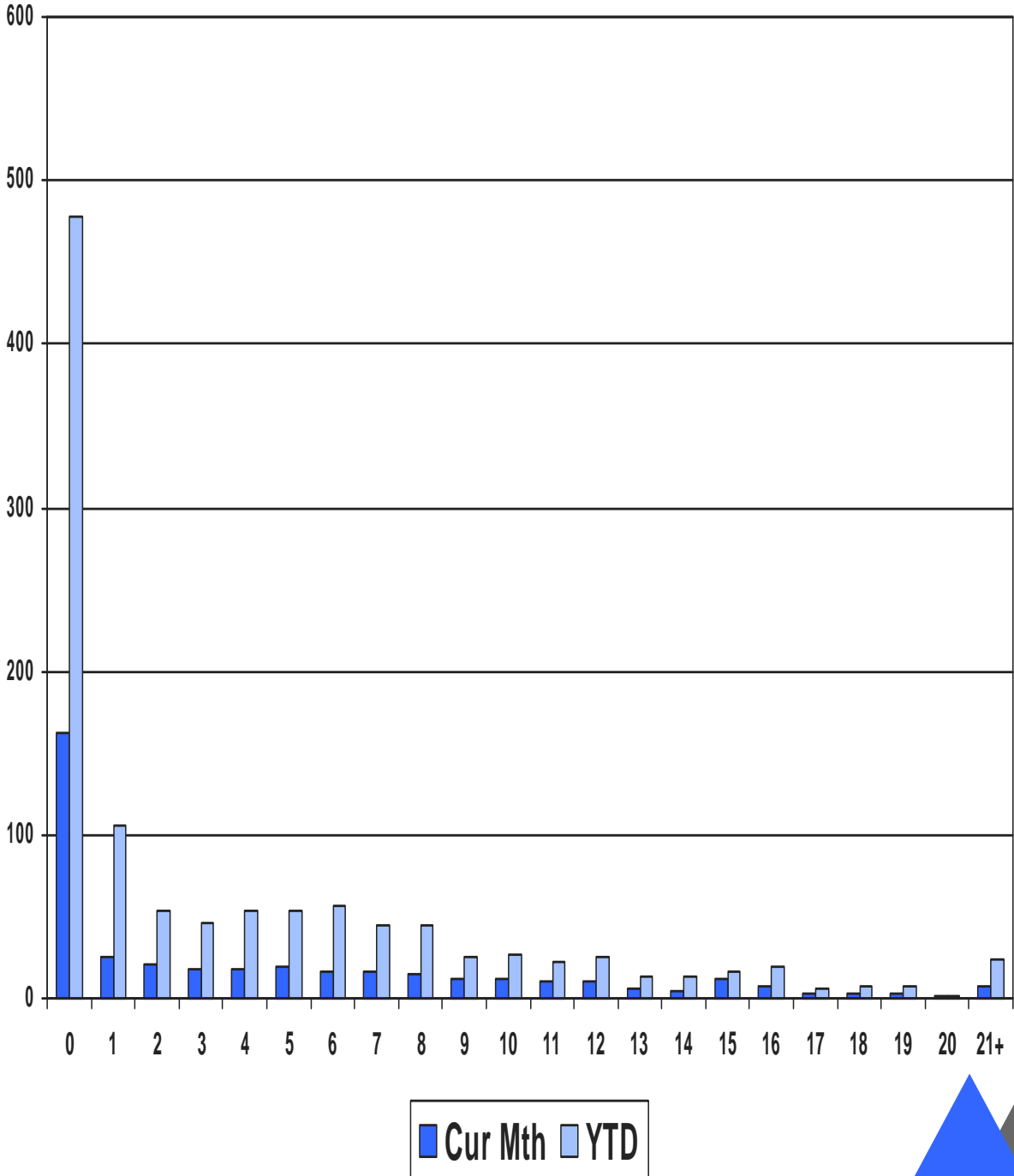
Data is tracked by branch, Episode Type (early/late, Non-Lupa, etc.)

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

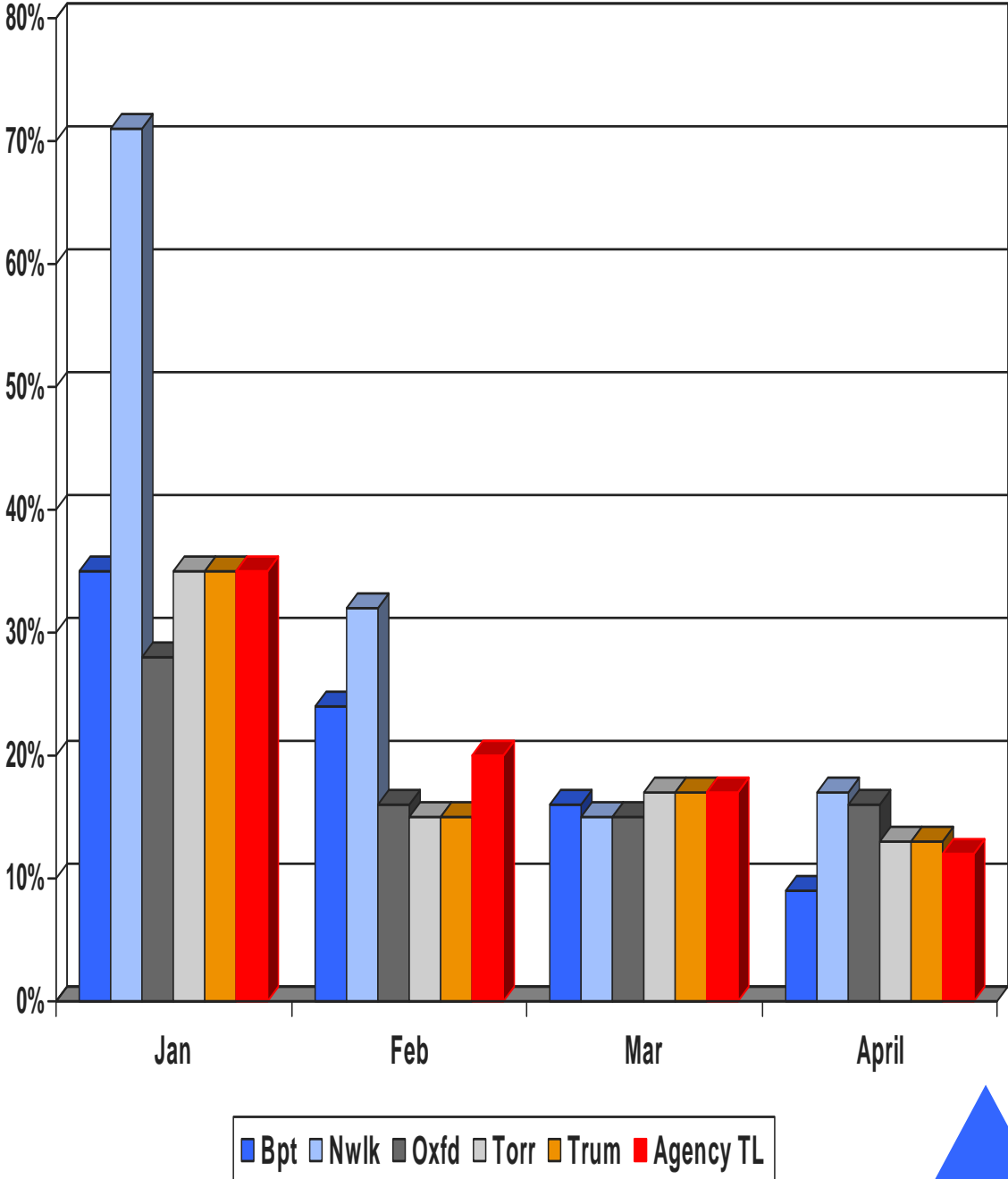
# VNS of Connecticut Budget Process PPS – Therapy Threshold



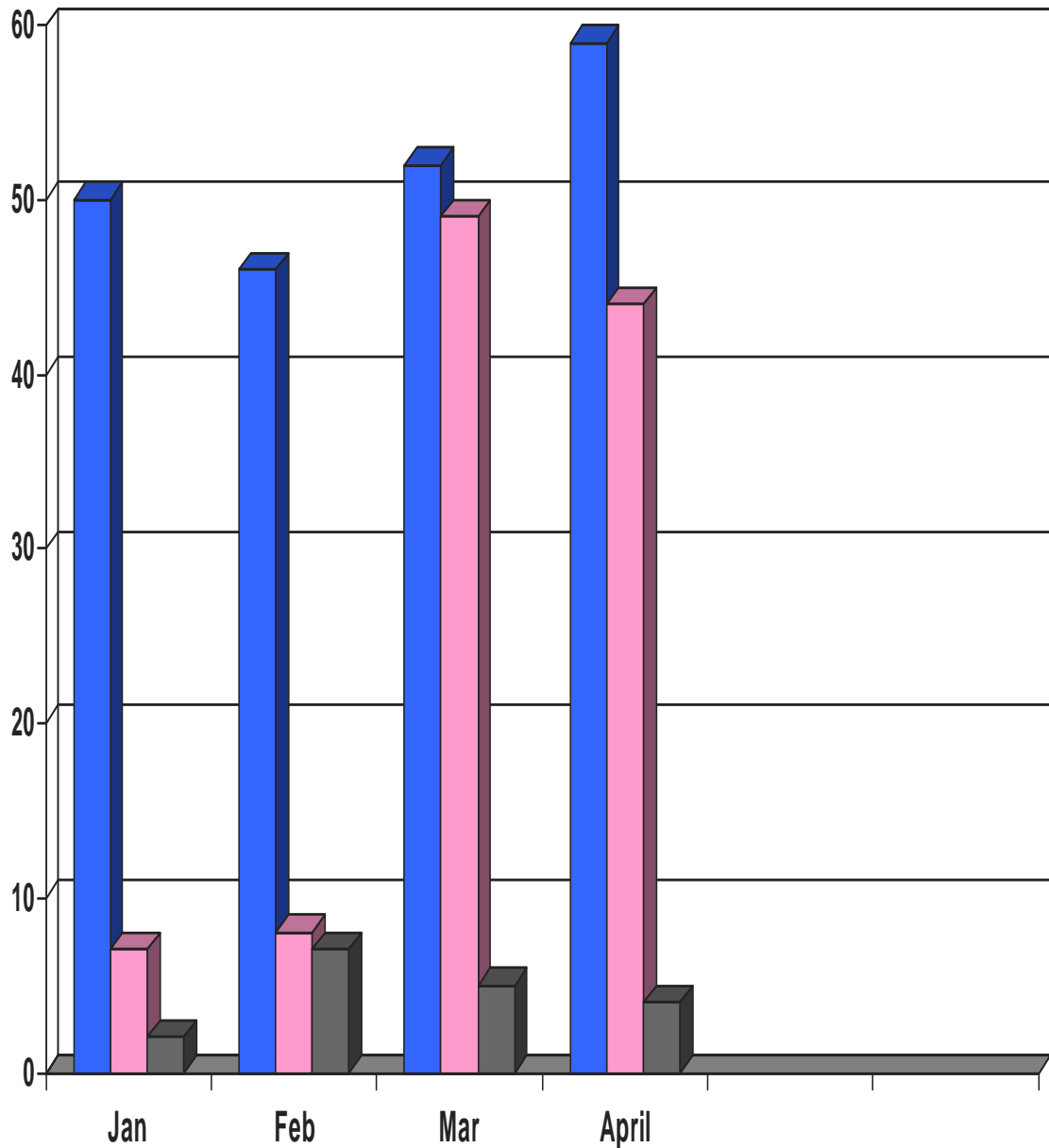
# VNS of Connecticut Budget Process PPS – Therapy Visit Distribution



# VNS of Connecticut Budget Process PPS – LUPA Analysis



# VNS of Connecticut Budget Process PPS – Supply Analysis



■ Supply Reimb ■ Supply Cost ■ Lupa Supply Cost