Finding and Managing Program Income: A Key to Financial Sustainability

Iris House 9th Annual Women as the Face of AIDS Summit
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About Richard Maycock

- 14 years as business exec
- 20 years as consultant
- 10 years providing TA to Ryan White grant recipients
- 5 years as HRSA/HAB fiscal compliance auditor
- Ongoing service as nonprofit executive or board member
- Specialist in fiscal sustainability, strategic planning and financial management
- MBA in Finance
Learning how an organization can achieve improved fiscal health and sustainability through program income diversification.
OUTCOMES

• Recognize the advantages and challenges of program income

• Understand the steps and decision process to establish, expand or hold

• Understand how to develop a plan for program income diversification
1. Most CBOs and CHCs struggle to stay solvent or face cash shortages from time to time.

2. The ACA is opening up revenue opportunities.
Insufficient cash inflow (revenue) to more than just cover expenses. There needs to be positive surplus, AKA gain, profit, income, margin.
No Margin... No Mission
Further...

...your RW contract requires:

A. A written policy stating RW is the Payer of Last Resort, i.e., to first collect from Medicaid and other third parties.

B. Staff training on how to meet the above requirement.
C. The screening of clients and assisting their enrollment.

C. Having the infrastructure to conduct third party billing.

D. Obtaining Medicaid certification as a provider, if offering billable services.
1. RW program revenues are not limited by the spending caps, and can be used for any admin or other expense that is program related, as well as capital expenditures.

2. This source of revenue is renewable as long as clients are retained.
More Motivation

• Some RW grant $ for core services will likely be shifted to Medicaid.

• Charitable donations

• Corporate donations

• Individual donations
### 501(c)(3) Tax Form

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>Total number of volunteers (estimate if necessary)</td>
</tr>
<tr>
<td>7a</td>
<td>Total unrelated business revenue from Part VIII, column (C), line b</td>
</tr>
<tr>
<td>7b</td>
<td>Net unrelated business taxable income from Form 990-T, line 34</td>
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</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>8</td>
<td>Contributions and grants (Part VIII, line 1h)</td>
</tr>
<tr>
<td>9</td>
<td>Program service revenue (Part VIII, line 2g)</td>
</tr>
<tr>
<td>10</td>
<td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td>
</tr>
<tr>
<td>11</td>
<td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 12l)</td>
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<tr>
<td>12</td>
<td>Total revenue—a&amp;lth;dd lines 8 through 11 (must equal Part VIII, column)</td>
</tr>
<tr>
<td>13</td>
<td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td>
</tr>
<tr>
<td>14</td>
<td>Benefits paid to or for members (Part IX, column (A), line 4)</td>
</tr>
</tbody>
</table>
Some Myths

1. Nonprofits can’t make a profit

2. If we earn money we will lose our nonprofit status

3. We will need to pay federal tax on any profits
## Nonprofit Funding Mix

<table>
<thead>
<tr>
<th>Source</th>
<th>CBO</th>
<th>University</th>
<th>Red Cross</th>
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<tbody>
<tr>
<td>Individuals</td>
<td>2</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>Government</td>
<td>80</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Foundations</td>
<td>13</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Fundraising</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Investments</td>
<td>0</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>Program Income</td>
<td>0</td>
<td>35</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
OK.... so how?
The Affordable Care Act has opened up new avenues for receiving fees for service, AKA Program Revenue and Program Income.
"...there will be a whole new world as far as health insurance is concerned."
CBO Expansion Track

CHC → CBO
CBO Expansion Track

- FQHC (Look-Alike)
- CHC
- CBO
CBO Expansion Track

- FQHC Look-Alike → FQHC
- CHC ← CBO
If interested...

Community Health Care Association of New York
212-279-9866
info@chcanys.org
Revenues derived from patients or third parties can play an important role in financial sustainability as well as comply with grant requirements.
Ryan White grantees and subcontractors must observe the requirement of Payer of Last Resort... they are expected to make reasonable efforts to secure other funding for expenses whenever possible. Primary focus is upon Medicaid, ADAP or other third-party payers.
So, let’s take a look at third party billing....
Taking wing....
Advantages of Medicaid/Medicare Revenues

- Provides ongoing revenue stream
- Expands patient access to services
- Eligibility to apply for additional federal grant funds
Medicare Patient Qualifications

• Age 65 and older

• U.S. Citizen or 5 year legal resident

• Under 65 but disabled

• Miscellaneous other exceptions to age
Medicare Provider Qualifications

- Eligible type of service(s)
- Operational
- Licenses and certifications
- Regulatory compliance
- Site inspection
Medicare & Medicaid Fiscal Intermediaries

- Provider enrollment
- Claims processing
- Claims payment
- Audits
- Reports
NY Fiscal Intermediary Medicare 2014

National Government Services (NGS)
phone: 888-379-9132
Applications
paper: CMS 855
online: pecos.cms.hhs.gov/
Medicare Provider Education*

Medicare University

New Provider Center

Advisory Group

Training Event Calendar

Training Summaries

*www.ngsmedicare.com
Medicare

Peer Comments
Medicaid

**Now:** 50 million enrolled

**2030:** Est. 80 million
Medicaid

It is estimated more than half of people living with AIDS receive Medicaid benefits
Medicaid

Approximately 50% of cost is paid by the State

eMedNY
NY State Dept. of Health
NY Medicaid Fiscal Agent 2014

Computer Sciences Corp.
800-343-9000
Medicaid Patient Qualifications

- NY Resident
- U. S. Citizen or qualified alien
- Income and wealth limitations
Medicaid Provider Qualifications

- Medicare certification
- Eligible service
- Operational
- Licenses and certifications
- Background check
The ACA Opportunity

- + 300,000 new Medicaid enrollees in NY
- + 950,000 total new enrollees, 70% previously uninsured
- 15 Marketplace companies
Medicaid

Peer Comments
HRSA 340B Program

- Outpatient discount drugs
- RW grantees are eligible
- Online registration: http://opanet.hrsa.gov/opa
- Local pharmacy contract
- Patient eligibility
- Bill Medicaid or other third party
- Related business revenue
340B Case Study

Callen – Lourde FQHC in NYC

www.nyshealthfoundation.org
REVENUE
Cycle

FiscalHealth
FROM SYSTEMS TO SUSTAINABILITY

HealthHIV
www.healthhiv.org
Management of Program Service Revenues: *The Revenue Cycle*
Healthcare providers in 2014 are facing significant financial challenges. High on the list are increasing costs and increasing numbers of uninsured and underinsured; providers are now required to collect a greater share of payment from patients.
Financial Realities: In the most severe cases, hospitals and clinics are closing, employees are out of work, and entire communities are losing healthcare access. Over 20% of hospitals are not self-sustaining.
Revenue Cycle

To cope with these challenges, the primary area of focus has been to improve Revenue Cycle performance, allowing an increase in the amount of reimbursement for services, fewer bad debt write offs and faster receipt of payments.
Revenue Cycle

The short-term benefits of increased patient revenue, reductions in bad debts, reduction in accounts receivable, improved cash flow and employee productivity...can also achieve strategic goals of clinical growth, new/improved facilities, and improved satisfaction of employees, physicians and patients.
Healthcare Financial Management Assn. (HFMA)
www.hfma.org
Healthcare Revenue Cycle Process Overview

Dashboard Technology

Electronic Financial Record technology – technology enabling workflow, document management, and disparate system integration to holistically manage at the patient level

Building an Electronic Medical Banking Community
Revenue Cycle “Front End”

- Scheduling
- Pre-registration
- Bill estimation
- Cash collection
- Insurance verification
- Medical necessity
- Financial counseling
Revenue Cycle Middle

- Charge capture
- Coding and documentation
- Case management review
Revenue Cycle “Back End”

- Billing
- Accounts Receivable management
- Denial management
- Collections
- Remittance processing
Billing & Collections

Two of the most critical elements in the Revenue Cycle
A Best Practice is to provide the patient with an estimate of their out-of-pocket expense when the appointment is made, and agreement reached on method and amount of payment in advance of arrival.
Billing & Collections

This requires the “Front End” to be precise regarding registration, eligibility and financial resources available, capturing as much revenue as possible before services are performed.
It requires the “Middle” functions of the Revenue Cycle to correctly document and code each patient encounter...avoiding insurance claim “denials”.
Best practices in the “Back End” of the Revenue Cycle, where most of the billing and collection functions happen, include the use of technology and electronics to reduce denials, improve cash flow, reduce write-offs and lower Accounts Receivable.
Common Breakdowns:

1. Inconsistent or incomplete patient information
2. Treating patients without insurance authorization
3. Failure to collect co-payments and deductibles before patients leave
4. Returned claims/denials
5. Weak collection process
Revenue Cycle

Tips on how to enhance it:

• Board of Director involvement
• Established performance goals
• Clear and consistent payment policy
• “Front End” experts in patient financial communications and counseling
• Accurate and timely billing
• Use of electronics for verifications, approvals and billing.
Peer Comments on the Revenue Cycle
Planning for Program Revenue

8-9 months

Feasibility Study → Go → Assemble Team → Develop Business Plan

Feasibility Study → Hold
Planning Tips

• Obtain professional help to conduct the feasibility study.

• Have board make go or no-go decision based on feasibility study.

• Designate a senior-level task force to develop the plan.
Business Plan Basics

• Environmental Assessment
• Goals, Objectives & Strategies
• Responsibilities/Timelines
• Resource Requirements
• Financial Projections/Budget
Final Thoughts

Decide on FQHC play

Housekeeping

- Acctg. Policies/Procedures
- Acctg. System Upgrade
- Acctg. Staff Upgrade
- Grant Fiscal Compliance
1. Program service revenues can provide fiscal health and sustainability.

2. The ACA opens up new potential.

3. Not easy, not quick.

4. There is a decision process involved.

5. There is a planning process involved.
Thank you!

Questions?

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rwm7@aol.com