Strategies for Critical Access Hospitals

Revenue Cycle, Reimbursement, and Results

BerryDunn

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Meet our team

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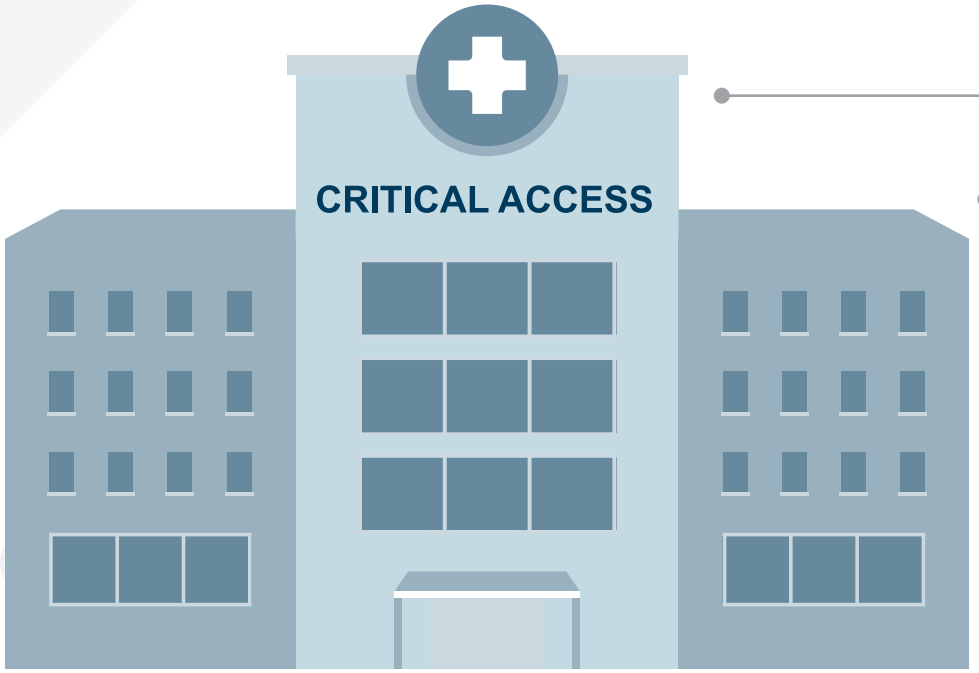
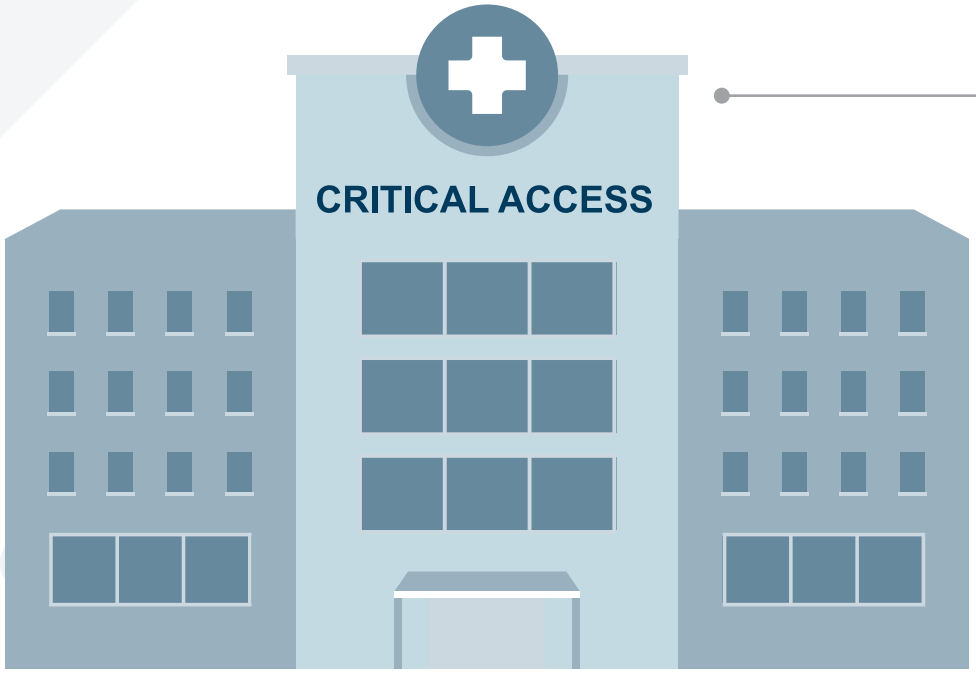
Critical access advantages



- Often Largest Community Employer
- Method II Billing
- Cost Based Reimbursement
- Swing Beds
- Nimble
- Community Connection & Mission-Driven

Critical access pressures/challenges

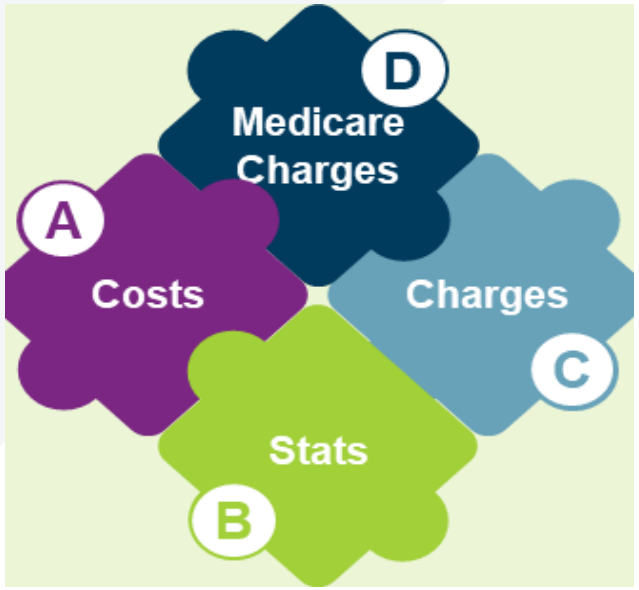


- Providers
- Contracting Leverage
- Merger/ Acquisition
- EHR Costs and Maintenance
- Staffing

Reimbursement

Strengthen your foundation

Capture and align key data



- Matching costs, stats, charges, and Medicare charges
  - Understand your cost structure and refine your GL accounts
  - Review revenue codes in chargemaster
  - Validate provider-based and method II billing
- Regularly validate and updated statistics
  - Patient days – diluting cost per day with inaccurate days?
  - Square footage – track changes throughout the year
- Evaluate cost center segregation and alternative cost allocation stats
  - Subscripting capital, A&G, etc.
  - Re-evaluate non-reimbursable cost centers
  - Home Office cost allocation options

Maximize provider reimbursement

Track and claim Part A physician time

- Claim all Emergency Room physician standby time
  - If not using a Real-Time Location System (RTLS), you're missing reimbursement you're entitled to
- Conduct time studies to capture Part A time for providers with administrative duties
  - Don't neglect to complete required documentation and have it signed by the provider or their supervisor
- Review provider contract terms to ensure administrative duties are adequately described
  - Consider the cost:benefit of using time studies vs. separately contracting administrative stipends

Your physicians' time is valuable – claim every eligible minute!

Don't leave money behind

Capture all your bad debt reimbursement

- 65% of allowable bad debts for Medicare beneficiaries is reimbursable
  - Traditional bad debts – document return from collection agency and post terminal write-off
  - Indigent bad debts – review financial assistance policies, applications, and processes to claim Medicare reimbursement
- Work with IT to capture all required data for new Exhibit 2A

Align cost decisions with reimbursement strategy

Plan, don't react

- Balance cost-based strategies with overall cost effectiveness — Medicare is only part of the picture
- Consider the reimbursement impact of cost reductions or investments
  - Not all costs are reimbursable or allowable
  - Evaluate RCCs and Medicare utilization before making cost decisions
  - Model impact of major operational changes or prepare mock cost reports as necessary

Stay ahead: manage settlements and interim rates proactively

- Model settlement estimates monthly or at least quarterly
  - Establish threshold to trigger interim rate request – ensuring you get the Medicare Advantage rates you're entitled to
  - Consider the right type of model to meet your needs and complexity (high-level, departmental, interim cost report)
- Request interim rate changes promptly to incorporate major operational changes
- Always review proposed audit adjustments and ask for auditor workpapers

Don't be surprised – be strategic

How manual workflows are hurting patient access in critical access hospitals—and what you can do about it

Key issues in CAHs

Staff burnout, delays, revenue leakage, and patient dissatisfaction

Staff Burnout & Admin Burden

Small staff sizes lead to overworked employees pulled from patient care.

Delays in Care

Slow prior authorizations are causing delays in imaging, surgeries, and medications, impacting patient health.

Revenue Leakage

Missed or delayed authorizations result in denied claims, financial losses, and added administrative burden.

Patient Dissatisfaction

Delayed care frustrates patients, especially in rural areas with fewer healthcare options.

Benefits of AI-enhanced workflows

Manual workflow vs. AI-enhanced authorization workflow

Manual Workflow	AI-Enhanced Workflows
Calls and faxes to payers	AI auto-submits requests
Staff manually collects documentation	EHR data auto-pulled and pre-filed
Wait 24 – 72 hours for a response	Same-day or faster approval
High error rates	AI flags missing data before submission
Delayed care, high denial risk	Faster care, better documentation and approvals

Moving toward efficiency

Streamlining authorization workflows for better care

Automate and Integrate

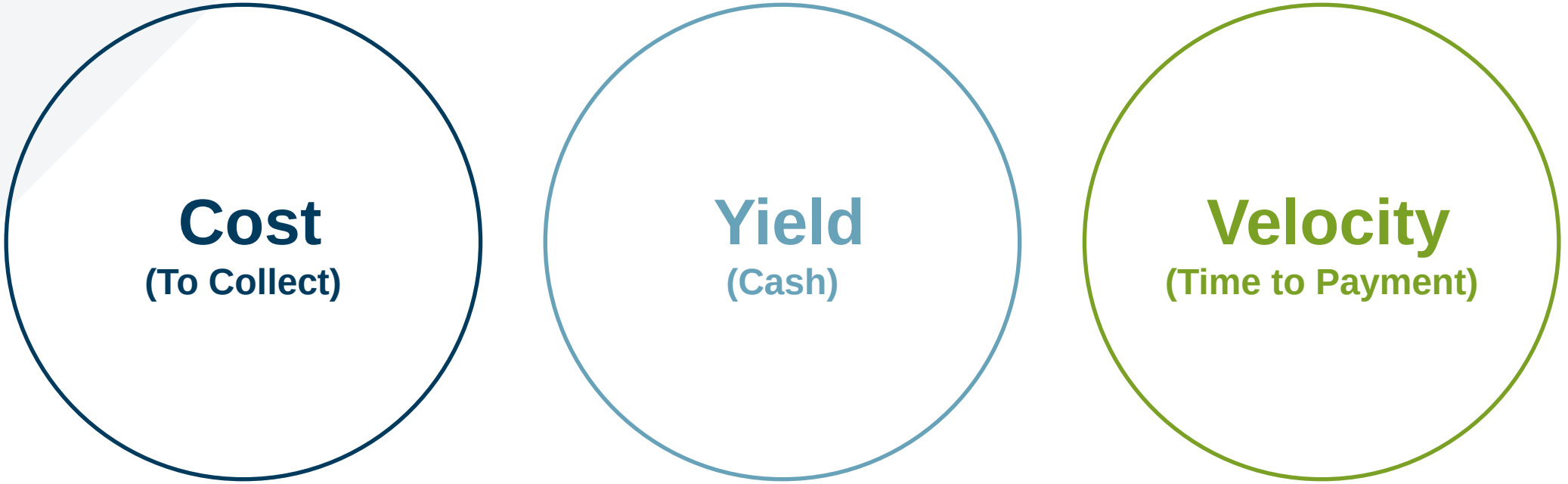
Leverage AI tools that integrate directly with EHRs and automate prior authorization.

Focus on Patient Care

Free up staff time to focus on providing quality care instead of paperwork.

Billing and collections

Same levers, different scale



CAH unique challenges

Resource

Scale for Outsource

Ability to Attract and Retain Talent

Results vs. Cost

Single Threaded

Regulatory

Managing Swing Beds

Method II

Cost Base and Risk

Other

Contracting Leverage

Fee-For-Value (Size and Tech)

Multiple Hats (RCM or Not)

Recipe for success

First ingredient

Keep what is yours:

- Compliance is essential
- Audit what matters (cost vs. benefit)
- Avoid the “gotcha” issues
  - Signage, ABNs
  - Comprehensive denials program is a must
  - Total denials
  - Appeal rate
  - Win rate
- Fight for favorable contract terms

Recipe for success

Second ingredient

Commercial payor margin:

- Strategic pricing is essential
  - Know what you are paid and levers you have
  - Leverage payor data to ensure you are paid fairly
- Rate is only one variable
  - Know the out-of-pocket risk shift
  - Denials
  - Administrative burdens

Recipe for success

Third ingredient

Revenue cycle begins before the patient arrives

- Mechanize intake
- Build guard rails (payor changes, COB, change of procedure)
- Is RCM a front-end priority or not
- POS collections are a must
  - Consider starting payment plans before service or patient financing
- Clinical staff are part of the revenue cycle
  - Charge capture starts before the appointment

Recipe for success

Fourth ingredient

Know what you do well and what you cannot

- Assessments are an audit of your revenue cycle
- Leverage outsource vendors where it makes sense
  - Tech costs (auto dialers, statements)
  - Call centers, early out
    - Expanded hours and bench of staff
  - Metrics and results should drive decisions
    - Balance cost, results, and sustainability
- Good vendor partners are important; good contracts are critical
  - SLAs
  - Incentives
  - Outs

Recipe for success

Fifth ingredient

Leverage your tech investment

- Know what is in your contract
- Leverage vendor-client relationship managers
  - Updates, enhancements, extensions
- Clearinghouse functionality vs. EHR

Questions?

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Tax Exemption

A view from the hill – TEGE perspective

IRS updates

FY2024 IRS Tax Exempt and Government Entities (TEGE) division statistics/updates

Examinations:

- 3,239 examinations started, 1,955 closed
  - Significant decline in closed exams – 2,464 closed in FY2023
  - Change rate of close examinations: 74.5% (76% in FY2023)
  - Breakdown of change rate:
    - Compliance Strategies (ex. Hospital 501(r) compliance, 990-N eligibility): 64.7%
    - Data-Driven Approaches (ex. Data queries based on Form 990s submitted): 67.2%
    - Referrals & Claims (ERC, whistleblowers, etc.): 79.5% change rate – significant increase likely driven in large part by ERC claims
    - Accomplishments Letter can be found here: https://www.irs.gov/pub/irs-pdf/p5329.pdf

IRS updates

FY2025 IRS TEGE priorities (Pre-DOGE)

Hospitals:

- 501(r) Compliance (Hospitals) – HIGHLY ACTIVE
  - IRS currently has heightened focus on all aspects of 501(r) regulations.
    - Community Health Needs Assessments and Financial Assistance compliance are major focuses for exams.
  - Examinations are currently active and ongoing…
    - Examinations are taking a long time to close out now due to IRS cuts (1 year +).
  - New for FY25: Guidance illustrating the application of 501(r) regs is expected.
- Community Benefit Standard
  - Congress (bipartisan) is continuing to scrutinize amount of community benefit provided by hospitals when compared to tax benefits received from tax-exemption.
  - Data largely driven from Form 990, Sch H, Part I, Line 7 table.
  - Illustrates the need for comprehensive community benefit reporting.

IRS updates

FY2025 IRS TEGE priorities (Pre-DOGE)

- Majority of other initiatives are a continuation from previous years:
  - Regulations around allocation of indirect expenses to multiple UBI activities
  - Regulations around allocation of Net Operating Losses for UBI activities
  - Donor Advised Funds (DAFs):
    - Final Regulations under IRC 4966 related to DAF excise taxes on sponsoring organizations
    - Regulations under IRC 4967 related to prohibited benefits from DAFs, including potential excise taxes on donors
    - Regulations under IRC 4958 on DAFs and Supporting Organizations
    - Guidance on the public Support computation for distributions from DAFs
- UBI and employee classification continue to be IRS “greatest hits”
- No movement on any of the above as of yet – effects of DOGE? Stay tuned!