SMC

PRACTICE ASSESSMENT EVALUATION REPORT

June 20XX

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SMC

INTRODUCTION

The following remarks and recommendations are made based on findings of the Practice Assessment conducted by the Office of Rural Health Operations Team Members during a visit to the site. In no way do these findings represent the total picture of the Practice. The recommendations included in this report are designed to help the Practice consider areas for improving operational efficiency and reducing potential risk.

For purposes of this Practice Assessment, we present an overall understanding of the Practice due to the circumstances at hand. It is apparent that providing a list of recommendations of the Practice may be helpful, however it would not address the root of current challenges. It is the opinion of these Reviewers that until the root of the current challenges are addressed, the minor details, though important, should not be the main focus.

Information was gathered by various means including interviews, documentation review and observation.

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HISTORICAL INFORMATION

A wise man once said to get to where you're going you must know where you've been.

The Rural Health Clinic (RHC) Program started in the early 1970s with the hope of increasing access to quality primary health care in the most rural parts of the country. The program was based on a mid-level provider (Family Nurse Practitioner (FNP), Physician Assistant (PA), or Certified Nurse Midwife (CNM)) model of care, using (hopefully local) folks that would leave "home" for training and would return upon completion of their training under the supervision of a visiting/traveling physician. Reimbursement for Medicare and Medicaid is capitated – meaning a flat rate is paid regardless of services provided. In addition to the capitated reimbursement, CMS-RHCs are required to have a mid-level provider on-site at least 50% of the time the Practice provides RHC services.

Jim Bernstein brought the Rural Health vision to North Carolina in the early1970s. The NC Office of Rural Health was the first State Office of Rural Health (SORH) in the country. With progressive ideas and a team of former Peace Corps workers, Mr. Bernstein began building relationships, which he believed to be the cornerstone of Rural Health, and developing community driven partnerships. The relationships established and nurtured through the years along with these public (ORH)/private partnerships have developed into the foundation of our current Safety Net networks in many communities throughout North Carolina.

SMC and NC ORH have a history. The two organizations have had a relationship for approximately 30 years. Through the years, the relationship has seen good times and times of strain. But, no matter how strained, the foundation of the relationship remains constant. The relationship is part of what keeps the organizations vital.

I. ASSESSMENT

OVERVIEW OF ORGANIZATION

The SMC, Inc. is a non-profit, community owned, incorporated organization. Established and operating since 1974 as a provider of family practice medical care with a mission to operate and maintain a primary care medical program in Polk County for all citizens, residents and visitors desiring those services, especially for those having limited access to adequate medical services. SMC provides care to all persons in need, regardless of their ability to pay. The board feels the organization continues to meet its mission by providing a vital service to the citizens of the town and the surrounding areas.

Rachel serves as administrator and is supported by one .8 FTE receptionist/billing specialist and one part-time position assisting with bookkeeping.

Mr. Bobby, FNP is the lone provider. Mr. Bobby is supported by one full time medical assistant whose main responsibility is to assist patients in the room with the FNP and to process labs. The Indigent Drug Program is provided with one part time medication assistance coordinator using the MARP software and funded through the Health and Wellness Trust Fund.

The practice is open for appointments from Monday through Thursday from 8:00 AM to 5:00 PM.

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GENERAL ADMINISTRATIVE OPERATIONS

Observations:

In assessing the overall general administrative operation of SMC, we reviewed financial areas, billing, coding, front-desk processes and procedures, and policies. SMC and ORH are aware of several items needing attention such as outdated policy manuals, fire drills that have not been completed nor documented and ongoing billing issues. These items are not unique to just SMC.

The following additional concerns arose from the practice assessment.

- Payment standards are not always applied consistently. For a hypothetical example, a Blue Cross patient comes in and pays a $25 co-payment for an office visit. If they are "friends", they may not pay the co-payment on their next visit.
- It is imperative to increase patient volume. Understanding that there is a new provider will take time (his numbers are increasing, just slowly); however, a proactive outreach plan is still needed.
- Team member responsibilities and expectations seem to be unclear.
- The amount used on the credit line is more than 50% of the total credit line.
- Several sources have indicated that there is a need for additional staff and improved communication.
- Some board members feel they do not receive an appropriate level of respect from team members.

Recommendations:

- The credit line must be addressed and monitored on an ongoing basis. The bookkeeper and the Treasurer are working diligently to assure the Board is kept abreast of the status.
- All patient policies, including collections policies, should be enforced consistently regardless of payer type or relationship to a team member or board member (for example: private insurance, self pay, MAP, etc.). The organization is contractually bound to make a "good faith" effort to collect all co-payments, deductibles and co-insurance. If a patient does not have the money to pay the co-payment, protocols should be outlined in the finance manual (for example: if the patient presents with an urgent issue they will be seen and a payment agreement will be set up using the "Fairness in Lending" agreement in the MAP manual or if the patient presents with a non-urgent issue, the visit may be rescheduled). The end result should be development and implementation of a consistent collections policy that is followed regardless of payer type.
- Develop and implement a proactive outreach plan to increase patient volume. The administrator should report to the Board on these outreach efforts at least monthly.
- Monitor the need for increased staffing. Administrator should develop and implement a staffing plan that adequately meets the needs of the clinic while anticipating future needs. Currently team members are cross-trained and perform multiple jobs regularly.
- Update finance manual using the current template with assistance from ORH Field Staff Representative, as needed, assuring comprehensive internal control and collection policies.

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- Update personnel manual using the current template with assistance from ORH Field Staff Representative, as needed. Assure appropriate emergency procedures are included in this manual.
- Develop position descriptions that reflect current responsibilities of team members. Position descriptions are useful tools in determining accountability, maximizing team member utilization and measuring performance.
- Assure provider updates clinical protocols/ policies and procedures. Assure appropriate emergency procedures are included in this manual.
- Assure all three components of policy and procedure manual, including appropriate emergency procedures, are approved by the Board of Directors, documented in meeting minutes and a signature page kept in the policy manual.
- Develop and implement a formal sanitation and safety policy.
- Develop and implement a policy/procedure for reporting patient and team injuries/incidents in conjunction with the organization's workman's compensation policy.
- Update team member evaluation tool for use with position descriptions
- Assure fire drills are conducted and proper documentation is easily accessible.
- Assure team education on HIPAA, OSHA, workman's compensation/ team member injury/incident, etc. is conducted and appropriately documented in each team member's personnel record annually.
- In anticipation of hiring new team members, develop and implement a new hire orientation program.
- Assure all new hires are reported through the DHHS New Hire Reporting web site as required by state statute (**http://www.ncnewhires.com).**
- Develop and implement regular team meetings at least monthly.
- Develop and implement team satisfaction surveys. These surveys may be used in the administrator and/or provider evaluations.
- Develop and implement a quality assurance program in conjunction with your providers and team members.
- Develop and implement a risk management plan in conjunction with your providers and team members.
- Develop and implement a compliance plan in conjunction with all team members and providers.
- Develop and implement an outreach plan (as part of your strategic plan) in conjunction with team members and board members.
- Develop and implement an inventory control system in conjunction with team members.
- Develop and implement a plan to renegotiate insurance payer fee schedules for potential increased reimbursement.
- Develop and implement a plan to educate/assist the billing specialist/receptionist in coding/documentation/insurance payer specific issues as deemed appropriate.
- Develop and implement a process for administrator to bring recommendations to the Board for consideration. For example, needed improvements, changes in employee benefits, etc.

NOTE: NC ORH may have templates or resources to assist with form/manual development

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FINANCIAL

Cost Report/Budget

In comparing the March Monthly Report with the approved budget the following items stand out:

- Insurance is over budget by 133%. This is due to paying malpractice for the new provider and will come in line with budget over time.
- Outside Laboratory is 112% of budget. This is not a material problem as there is only $4,206 in expense for the year to date. This accounts for only 1.7% of the expense budget.
- Miscellaneous expense is over budget by 284%. This is due to bank charges, mostly. This is not a lot but if it can be reduced, every dollar counts. This amount needs to be budgeted more appropriately in the next fiscal year.
- Debt Service is 118% over budget. This is due to the monthly interest on the line of credit. It would be in the clinic's best interest to begin to also repay the principal and/or try and negotiate a reduced interest rate from the bank.
- Other expense is 10172% over budget. This is due to the MARP employee expense and benefits being added to Other instead of being rolled into Salary and Wages. If the MARP salary expense was part of Salary and Wages the Salary expense YTD would be about 83% still well under budget and the other expense would not stand out. This expense is offset by a grant, so the net effect is a wash regardless of the expense classification.
- Overall Expenses are at 81% of budget. Revenues are 69% of budget. The clinic has a new provider and expects to increase its revenues in the coming months.

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Accounts Receivable

As of March 31, 2011 the Accounts Receivable balance for the clinic was $40,262.40.

- Of the total A/R **70.0% or $28,190 is over 90 days old**. The prospect of collecting a material amount of these dollars is suspect. The norm for collecting monies this old is about 20%.
- The day's sales in A/R are 60, which is about average. A problem in March is of the $20,359 in charges, $14,412 was generated from MAP. This represents 70.8% of all charges and generates only $7,943 in revenue or a 39% collection rate. This leaves only $5,947 to collect for the month of March. At an 80% collection rate this calculates to $4,758 for a grand total of $12,701.
- With an average breakeven of $27,000 per month this leaves a shortfall of about $14,300. This is after grants, so this will have to come from the credit line or other revenue sources, if available.

Accounts Payable

As of March 31, 2011 the Trade Accounts Payable was about $11,225.02. This is normal and acceptable when taken in relationship to monthly expenses and cash flow. All payables are current except for the EMR bill due to Pardee Hospital. The current balance is $8,588.44. The clinic will attempt to begin to pay this down in the coming months. The average monthly bill from Pardee is about $1,200.

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Cashflow

Cash flow at Saluda has been a concern. Unless patient volume increases cash flow problems will persist.

- Develop a strategic plan to increase the number of patients seen. It is not inconceivable to develop a plan to double the current monthly average of encounters from around 200 to 400.
- Continue to work on the clean-up of the old A/R balances. It is extremely important to work on the most current receivables in order to maximize collections. Of the $29,000 over 90 days, experience tells us that collecting $10,000 of the balance will be about average. So continuing to work the old A/R and making sure the current A/R is submitted clean is imperative.
- Continue to keep expenses low and decrease them again where possible.
- It will be a long hard process, but the credit line needs to be decreased. Try and negotiate a lower rate with the bank, or maybe move the loan to another more "friendly" bank.
- Consider doing a mass re-bill of all claims where possible to either receive back payments or denials to be able to write off old balances and get a better representation of monies actually owed the clinic.

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BOARD OF DIRECTORS

Observations:

The Board of Directors appears strong and appears to work well together. Interviews with several Board Members revealed the Board has faith in Mrs. Copeland's ability to assist in the growth of SMC.

Recommendations:

Work with NC ORH Field Staff Representative to schedule an organization specific "Board Member Orientation" for current and new Board Members. This session would provide information on confidentiality (HIPAA), offer a general understanding of the inner workings of a medical center and provide detailed information regarding the responsibilities and duties of a Board Member. In addition, the Board Members would gain an understanding of the Rural Health Clinic program.

OTHER CONSIDERATIONS

Observations:

In looking to future efforts in Polk County and the western region as a whole, as well as with current trends in health care, it is imperative that organizations actively seek out collaborative opportunities that will not only benefit the individual organization, but the entire region. SMC has several Safety Net Providers in "easy collaborative reach". Like Saluda, these primary care medical centers are safety net providers with a mission of service to their respective communities. Another opportunity may be in collaborative efforts with Pardee or St. Luke's Hospital. With the rising costs of providing services and diminishing financial resources (both governmental subsidy and other grant opportunities) it seems some type of collaborative effort may increase efficiencies and ease some expense issues. SMC has representation on several collaborative boards and participates in regional collaborative activities. However, in order to meet the growing encounter expectations, an aggressive outreach effort is needed.

Recommendations:

- Establish, implement and/or participate in a steering committee whose sole purpose is to actively explore collaborative opportunities with neighboring Safety Net Partners (The committee should include members from the medical centers, hospital, etc. desiring collaborative efforts.).
- Begin discussion regarding potential collaborative efforts. Examples may include, group purchasing, network development, strategic planning for the region, and/or shared resources (supervising physician services, administrative support, operational manual templates, etc.).
- Continue current outreach efforts with partnering Safety Net Providers.

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II. CONCLUSION

The preceding observations and recommendations were based on interviews and site visits. We believe implementing these recommendations will have a positive impact on revenue enhancement and operational efficiency.

Resolving issues require a full understanding of where the practice is currently and where it needs to go to be successful. Following are several questions that should be considered.

- How do you resolve the issues and challenges that face the organization?
- What is the root of those issues?
- Are there enough physical bodies in your service area to meet the required productivity goals consistently to balance your budget?

Finally, it is imperative to become aggressive about the future of the organization. This involves developing and nurturing relationships that flourish into collaborative partnerships, keeping the intent of the organization's mission, while furthering the business of the organization.

In review of the outlined strengths and recommendations, SMC is in a position of potential expansion of the great service provided to the Saluda community, Polk County and the surrounding areas. With the proven track record of the SMC organization as well as the established reputations of the providers, the medical practice has enormous potential for growth.

We appreciate the opportunity to work with SMC and of our partnership of approximately 30 years. If you wish to involve us in discussion or implementation of any of these recommendations, the Office is prepared to be of assistance to SMC.

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