

# Understanding Your Costs in an Evolving Payment Environment

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**Session 2: Focus on  
Behavioral Health -  
Setting Up Your Internal  
Systems**

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# What We Have Discussed So Far...

## **Session 1: Cost Allocation: Getting the Basics Right**

# Today's Topic

Today we will discuss how to set up internal systems to capture critical data at the level of detail necessary to track and report costs.

# Session 2: Preparing Internal Systems for Gathering Cost Data

## Things To Consider For Capturing Costs:

- Systems capabilities
- Staffing
- Organizational commitment
- Defining your objectives

# The Priorities

## General Ledger/Chart of Accounts (COA)

- Expand the COA to capture all costs at a very detailed level
- Set up separate cost centers for all sites/departments/programs
- Ensure that the Accounts Payable module is set up to capture costs at the specified levels
- Develop reports for analysis

# Chart of Accounts - Example

<u>Account Code</u>	<u>Account Title</u>	<u>Status</u>	<u>Designation Code</u>
1020	Cash-Petty	A	CCE
1021	Cash Petty Cash 2	A	CCE
1060	Cash- Sovereign - Operating	A	CCE
1061	Cash - Site Operations	A	CCE
1062	Cash - Pharmacy (Enterprise)	A	CCE
1065	Cash - Sovereign Payroll	A	CCE
1066	Cash - First Essex Health	A	CCE
1067	Cash Sovereign Donations	A	CCE
1070	Cash Sovereign Money Market	A	CCE
1080	Cash BDF CD	A	CCE
1090	Cash - Columbia Management	A	CCE
1100	Grant Rec - 330	A	ARO
1101	Grant Receivable - General	A	ARO
1102	Grant Rec HRSA IDS	A	ARO
1103	Accts. Rec - Voke School-Do Not Use	A	ARO
1104	Grant Rec. - HPHC-PCMH Grant	A	ARO
1105	Grant Rec. - NEMA	A	ARO

# Chart of Accounts - Example

<u>Account Code</u>	<u>Account Title</u>	<u>Status</u>	<u>Designation Code</u>
1202	Accounts Receivable – Boston Medical Center	A	ARO
1203	Accounts Receivable – Celticare Health Plan	A	ARO
1204	Accounts Receivable – Fallon Community Health Plan	A	ARO
1205	Accts. Receivable-Tufts	A	ARO
1206	Accounts Receivable - Tufts	A	ARO
1207	Acct Rec Cigna	A	ARO
1208	Accounts Receivable - Celticare Health Plan	I	ARO
1209	Accounts Receivable - CWC	A	ARO
1210	Accts. Receivable- United Heal	A	ARO
1211	Accts. Rec- United Heal Medic	A	ARO
1212	Accounts Receivable – United Health Care	A	ARO
1215	Accts. Receivable- HMO Blue	A	ARO
1216	Accts. Rec- HMO Blue Medic	A	ARO
1218	Accounts Receivable - Fallon Comm. Health Plan	I	ARO
1220	Accts. Receivable- Blue Cross	A	ARO

# Chart of Accounts - Example

<u>Account Code</u>	<u>Account Title</u>	<u>Status</u>	<u>Designation Code</u>
5000	Salaries	A	SAL
5001	Incentive	A	SAL
5050	Overtime	A	SAL
5100	Fringe Benefits FICA	A	PRT
5110	Fringe Benefits MUTA	A	PRT
5115	Fringe Benefits UHI	A	FRG
5120	Fringe Benefits Health Insurance	A	FRG
5125	Fringe Benefits Dental Insurance	A	FRG
5127	Fringe Benefits- Vision	A	FRG
5130	Fringe Benefits - Life & Disab	A	FRG
5140	Fringe Benefits - Work Comp	A	FRG
5142	Fringe Benefits- Learn/ED Inc.	A	FRG
5145	Fringe Benefit Pharm Empl Dis	A	FRG
5148	Fringe Benefits ERISA	A	FRG
5149	Fringe Benefits Retirement	A	FRG
5210	Minor Equipment	A	PGS
5220	Office Supplies	A	PGS
5230	Clinical Supplies	A	PGS



# Sample Reporting Pyramid

## Eastside Counseling Center

<b>Behavioral Health</b>	<b>Program</b>	<b>Location</b>	<b>Grant</b>	<b>Cost Ctr</b>
Main Site	111	11	999	625
North Site	111	12	999	621
South Site	111	13	999	622
High School	111	17	999	623
Voke School	111	18	999	624
West Site	111	14	999	626
Methuen Site	111	25	999	628
Federal AIMS Grant	111	11	530	999
CVS Foundation Grant	111	11	531	999

# The Priorities, Continued

## Electronic Health Record/Practice Mgmt.

- Ensure the EHR is set up to capture data for all service lines as set up in the GL
- Explore use of EHR miscellaneous fields to capture specified information
- Develop reports for analysis

# Collection Rate Analysis - Example

Financial Class	Charges	Contractual Adjustment	Expected Amount	Payments	Denials	Net A/R
Blue Cross	\$3,126,080.00	(\$1,274,796.62)	\$1,851,296.78	(\$1,466,335.94)	(\$61,742.04)	\$323,205.40
Boston Medical Center	\$9,228,992.41	(\$2,030,530.12)	\$7,198,462.29	(\$6,663,049.95)	(\$88,438.65)	\$446,973.69
Celticare Health Plan	\$631,095.00	(\$189,567.51)	\$441,527.49	(\$422,797.67)	(\$4,424.03)	\$14,305.79
Children's Medical Security Plan	\$400,189.50	(\$116,869.59)	\$283,319.91	(\$207,517.64)	(\$13,682.34)	\$62,119.93
Commercial	\$753,252.50	(\$181,377.45)	\$571,875.05	(\$362,599.62)	(\$50,895.20)	\$158,380.23
Evercare	\$5,308,232.00	(\$2,852,924.41)	\$2,455,307.59	(\$2,467,498.65)	(\$12,155.68)	(\$24,346.74)
Fallon Community Health Plan	\$1,175,589.50	(\$637,156.85)	\$538,432.65	(\$424,629.95)	(\$30,519.71)	\$83,282.99
Harvard Pilgrim Healthcare	\$653,899.50	(\$190,676.14)	\$463,223.36	(\$406,240.62)	(\$6,235.89)	\$50,746.85
Health Safety Net Office	\$3,709,003.00	(\$542,217.06)	\$3,166,785.94	(\$2,856,170.88)	(\$121,112.54)	\$189,502.52
MassHealth	\$24,919,713.50	(\$6,995,804.22)	\$17,923,909.28	(\$15,051,345.61)	(\$2,339,054.51)	\$533,509.16
MassHealth - PCPR	\$5,496,170.00	(\$1,591,685.81)	\$3,904,484.19	(\$85,417.48)	(\$11,517.36)	\$3,807,549.35
Medicare	\$14,390,572.71	(\$7,981,129.47)	\$6,409,443.24	(\$6,030,094.26)	(\$152,796.21)	\$226,552.77
Motor Vehicle Accident	\$189,394.50	(\$18,460.24)	\$170,934.26	(\$101,569.50)	(\$48,508.00)	\$20,856.76
Neighborhood Health Plan	\$14,489,680.52	(\$2,996,105.97)	\$11,493,574.55	(\$11,063,283.37)	(\$155,214.32)	\$275,076.86
Network Health	\$96,989.50	(\$18,825.46)	\$78,164.04	(\$5,466.93)	\$0.00	\$72,697.11
Self Pay	\$1,208,668.50	(\$34,110.48)	\$1,174,558.02	(\$139,221.89)	(\$972.71)	\$1,034,363.42
Sliding Fee Scale	\$1,081,678.50	(\$1,027,886.87)	\$53,791.63	(\$9,795.38)	\$0.00	\$43,996.25
Tufts	\$543,972.50	(\$151,051.37)	\$392,921.13	(\$330,495.77)	(\$6,631.75)	\$55,793.61
United Health Care	\$544,064.00	(\$203,410.29)	\$340,653.71	(\$236,226.03)	(\$25,846.10)	\$78,581.58
Veterans	\$365.00	\$0.00	\$365.00	\$0.00	(\$365.00)	\$0.00
Workers Compensation	\$139,984.00	(\$50,118.91)	\$89,865.09	(\$40,345.38)	(\$18,848.35)	\$30,671.36
<b>Grand Total</b>	<b>\$88,087,586.64</b>	<b>(\$29,084,704.84)</b>	<b>\$59,002,895.20</b>	<b>(\$48,370,102.52)</b>	<b>(\$3,148,960.39)</b>	<b>\$7,483,818.89</b>

# The Priorities, Continued...

## Human Resource/Payroll System

- Ensure the system is set up to capture hours and salaries at the detailed level in GL
- Ensure that hours can be broken out by type
- Ensure that FTEs can be calculated by type of hours reported
- Ensure that “Head Count” can be determined
- Develop reports for analysis

# Types of Hours\*

- Regular hours
- Overtime hours
- Vacation hours
- Sick Time hours
- Personal hours

\*Not all hours will be used in the analyses you are preparing

# Statistical Dashboard - Example

as of March 31, 2018

Total Employee Count	608
Total FTE's	563.2

Total Visits	247,006
Total Prescriptions Filled	575,886
Total Revenue	65,020,881

Division	Employee Count	% of total EE count	FTE	% of total FTE
ACO	8	1.3%	8.0	1.4%
Central Admin (Executives & AA's)	8	1.3%	8.0	1.4%
Clinical Administration	99	16.3%	79.7	14.2%
Community Support Services	28	4.6%	27.6	4.9%
Development	5	0.8%	5.0	0.9%
Facilities	8	1.3%	8.0	1.4%
Finance/Client Accounts	24	3.9%	24.0	4.3%
Human Resources/Training	12	2.0%	11.5	2.0%
Information Systems/HIM	37	6.1%	37.0	6.6%
Operations	244	40.1%	235.0	41.7%
Pharmacy	86	14.1%	72.8	12.9%
Compliance & Legal	2	0.3%	1.6	0.3%
Residency & Residency Administration	47	7.7%	44.9	8.0%
Total	608		563.2	

Total Compensation	% of Total	Other Expenses	% of Total Other Expenses	Total Overall %
2,118,616	4.5%	1,855,026	10.7%	6.1%
1,552,706	3.3%	713,075	4.1%	3.5%
14,606,045	30.7%	3,771,460	21.7%	28.3%
1,286,578	2.7%	492,737	2.8%	2.7%
393,886	0.8%	271,138	1.6%	1.0%
1,075,755	2.3%	3,760,626	21.7%	7.5%
1,449,462	3.0%	2,017,773	11.6%	5.3%
805,760	1.7%	474,953	2.7%	2.0%
1,867,151	3.9%	1,565,395	9.0%	5.3%
12,811,265	26.9%	1,052,219	6.1%	21.4%
5,713,614	12.0%	1,279,546	7.4%	10.8%
170,311	0.4%	13,072	0.1%	0.3%
3,707,091	7.8%	90,926	0.5%	5.9%
47,558,242	73.3%	17,357,946	26.7%	

# Income Statement - Summary

## RESULTS - Total (YTD)

### Client Visits

Total Visits

Dec-YTD Actual	Dec-YTD Budget	Variance
126,518	128,731	(2,213)
281,795	276,266	5,529

Total Pharmacy RX's

### Revenue and Expenses

#### Operating Revenue

Net Client Service Revenue

Grant and Contract Revenue

Other Revenue

Pharmacy Revenue

**Total Operating Revenue**

**Revenue Per Visit**

\$18,313,155	\$18,854,932	\$(541,777)
\$5,563,498	\$5,403,370	\$160,128
\$1,745,961	\$341,353	\$1,404,608
\$6,625,750	\$5,699,874	\$925,876
\$32,248,364	\$30,299,529	\$1,948,835
\$255	\$235	\$20

# Operating Expenses - Summary

	<b>Dec-YTD Actual</b>	<b>Dec-YTD Budget</b>	<b>Variance</b>
Salaries	\$19,645,007	\$19,501,417	\$143,590
Fringe Benefits	3,446,914	3,613,991	(167,077)
Supplies	1,242,182	1,324,959	(82,777)
Sub-Contracts - Patient Service	302,761	324,659	(21,898)
Other Purchased Services	976,767	906,710	70,057
Facility Operation and Maintenance	1,773,077	1,718,820	54,257
Insurance	64,468	67,493	(3,025)
Travel and Training	315,296	282,539	32,757
Other	1,787,617	1,832,188	(44,571)
<b>Total Operating Expenses</b>	<b>\$29,554,089</b>	<b>\$29,572,776</b>	<b>\$(18,687)</b>
<b>Subtotal Before Allocations</b>	<b>\$2,694,275</b>	<b>\$726,753</b>	<b>\$1,967,522</b>
<b>Total Expenses Per Visit</b>	<b>\$234</b>	<b>\$230</b>	<b>\$4</b>
<b>Net Surplus/(Deficit)</b>	<b>\$2,694,275</b>	<b>\$726,753</b>	<b>\$1,967,522</b>
<b>Net Surplus/(Deficit) Per Visit</b>	<b>\$21</b>	<b>\$6</b>	<b>\$16</b>



# Sample Income Statement - Detail

<b>Client Revenue</b>	<b>Current Period Actual</b>	<b>Current Period Budget \$ - Original</b>	<b>Current Period Budget \$ - Variance - Original</b>	<b>Current Year Actual</b>	<b>YTD Budget - Original</b>	<b>YTD Budget Variance - Original</b>
Health Safety Net	97,319	241,783	(144,465)	186,598	451,757	(265,159)
Medicaid MMC Rev	463,500	654,675	(191,175)	801,022	1,220,224	(419,202)
My Care Family-ACO	1,348,234	518,940	829,294	2,484,073	965,758	1,518,315
Network Health	(3,564)	7,396	(10,959)	(2,571)	13,473	(16,045)
Tufts Revenue	12,556	22,392	(9,836)	24,273	41,788	(17,515)
Blue Cross	114,282	93,729	20,553	224,802	174,867	49,936
Worker's Comp	14,456	11,980	2,477	31,348	22,403	8,945
Commercial Revenue	35,131	24,218	10,913	80,360	45,154	35,206
NHP Revenue	19,648	589,652	(570,004)	31,824	1,097,450	(1,065,626)
Medicare Revenue	332,154	388,985	(56,831)	679,123	727,323	(48,200)
Uninsured Revenue	68,196	47,870	20,325	123,657	88,924	34,733
Boston Medical Center	197,570	346,607	(149,036)	407,542	646,644	(239,102)
Celticare Health Plan	139	25,803	(25,664)	139	48,265	(48,126)
Fallon Comm. Health Plan	5,730	23,208	(17,477)	7,942	43,338	(35,396)
Harvard Pilgrim Healthcare	20,018	29,991	(9,974)	45,748	55,962	(10,214)
United Health Care	<u>161,122</u>	<u>152,884</u>	<u>8,238</u>	<u>316,445</u>	<u>285,600</u>	<u>30,844</u>
<b>Total Client Revenue</b>	<b>2,886,490</b>	<b>3,180,112</b>	<b>(293,622)</b>	<b>5,442,324</b>	<b>5,928,931</b>	<b>(486,607)</b>

# Sample Income Statement - Detail

<b>Expenditures</b>	<b>Current Period Actual</b>	<b>Current Period Budget \$ - Original</b>	<b>Current Period Budget \$ Variance - Original</b>	<b>Current Year Actual</b>	<b>YTD Budget - Original</b>	<b>YTD Budget Variance -Original</b>
Personnel Expenses						
Salaries	3,318,944	3,518,996	200,053	6,802,686	7,037,993	235,307
Overtime	68,839	28,092	(40,746)	120,299	56,185	(64,115)
Fringe Benefits	653,150	680,686	27,536	1,274,902	1,361,373	86,471
<b>Total Personnel Expenses</b>	<b>4,040,932</b>	<b>4,227,775</b>	<b>186,843</b>	<b>8,197,887</b>	<b>8,455,550</b>	<b>257,664</b>
Supplies						
Minor Equipment	325	2,366	2,041	6,924	4,929	(1,995)
Office Supplies	14,918	8,404	(6,514)	25,337	16,396	(8,941)
Clinical Supplies	32,994	31,044	(1,951)	57,608	60,984	3,376
Maintenance\Cleaning	3,482	1,995	(1,487)	7,267	3,265	(4,002)
Supplies						
MIS Equipment	64,508	1,467	(63,041)	65,780	5,471	(60,309)
Pharmacy Supplies	(1,237)	21,184	22,422	22,565	40,310	17,745
Program Supplies	5,290	2,622	(2,669)	9,194	6,310	(2,884)
<b>Total Supplies</b>	<b>120,280</b>	<b>69,082</b>	<b>(51,198)</b>	<b>194,675</b>	<b>137,665</b>	<b>(57,010)</b>

# Basis for Allocating Enabling and Overhead Costs - Example

Cost Category	Visits by Site*	SF	% of Expenses	Notes
Social Services / Enabling	X			Non-grant supported costs spread as overhead
Client Records	X			
Site Administration	X			
Site Operations	X			
Client Billing	X			
Call Center	X			
Referrals	X			
Facility Overhead		X		By department or service
Central Administration			X	Includes security, finance, development, information systems, human resources, clinical administration

\* Visits as reported in the monthly visit summary, by site

# Cost Per Visit Summary

## All Sites Consolidated Example

	Per Visit	Per Client
Total Visits / Clients	84,752	13,038
Total Cost - Direct Provider	\$46	\$299
Total Cost – Direct Support Staff Expenses	\$49	\$319
Total Cost - Enabling Expenses	\$2	\$13
Total Cost - Site Overhead Expenses	\$22	\$143
Total Cost - Administrative	\$42	\$273
Total Cost	<b>\$161</b>	<b>\$1,047</b>

# Cost Per Visit Detail

## Direct Provider Costs

	<b>All Sites</b>
Total Visits	84,752

<b>Direct Provider Costs:</b>	
Salary & Fringe Benefits	\$3,937,818
Total Direct Provider Costs	\$3,937,818
Total Direct Provider CPV	<b>\$46</b>

## Direct Support Staff Costs

Salary & Fringe Benefits	\$2,788,331
Direct Expenses	\$696,653
Call Center Allocation	\$460,703
Referrals Allocation	\$191,773
Total Direct Support Staff Expenses	\$4,137,460
Total Direct Support Staff Expenses CPV	<b>\$49</b>

# Cost Per Visit Detail

## Direct Enabling Costs:

Salary & Fringe Benefits	\$127,461
Total Direct Enabling Expenses	\$127,461
Total Direct Enabling Expenses CPV	<b>\$1.50</b>

## Administrative Costs:

General Admin Allocations	\$2,816,080
Billing Allocation	\$464,052
Administration	\$308,104
Total Administrative Expenses	\$3,588,236
Total Administrative CPV	<b>\$42</b>

## Site Overhead Costs:

Salary & Fringe Benefits	\$721,178
Other Direct expenses	\$1,134,211
Total Site Overhead Expenses	\$1,855,389
Total Site Overhead Expenses CPV	<b>\$22</b>

## Total Costs:

Total Provider, Direct Support Staff, Enabling and Overhead Expenses	\$13,646,364
Total Cost Per Visit	<b>\$161</b>

# Suggested Reports

- **CFO**

- Cash Activity Report - Daily
- Third Party Collections – Daily
- New Employee List – Weekly
- Terminated Employee List – Weekly
- Scheduled Vendor Payments Report – Weekly
- Visits By Site/Program – Weekly
- Total Head Count/FTE Report – Weekly
- Total Clinical Hours Worked – Weekly

Note: Reports in green are suggested priorities

# Suggested Reports

- **CFO (continued)**
  - Detailed Income Statements by Site/Dept/Program - Monthly
  - Third Party Accounts Receivable Aging Analysis – Monthly
  - Detailed Third Party Denials Report – Monthly
  - Total Third Party Collections Report – Monthly
  - Statistical Summary Report – Monthly
  - Cost Per Visit/Client Report - Monthly

Note: Reports in green are suggested priorities



# Suggested Reports

- **CFO (continued)**
  - Grant/Contract Award Summary – Monthly

Note: Reports in **green** are suggested priorities

# Suggested Reports

- **Director of Finance**

- General Ledger Journal Entry Report - Daily
- Cash Receipts/Disbursements Report - Daily
- Accounts Payable Edits - Daily
- Total Payroll Edit - Weekly
- Accounts Payable Aging Report - Weekly
- Income Statements by Site/Dept/Program - Monthly

- **Director of Client Accounts**

- Third Party Payer Accounts Worked – Daily
- Third Party Collections - Daily

Note: Reports in green are suggested priorities

# Suggested Reports

- **Director of Client Accounts (continued)**
  - Third Party Claims Submitted Report – Weekly
  - Total Visits by Site/Program/Dept – Weekly
  - **Denials by Reason/Payer Report – Monthly**

Note: Reports in **green** are suggested priorities

# Obstacles – Real and Perceived

- We don't have the staff or time
- We don't have the systems
- We don't capture costs at a very detailed level
- We don't see a real value or return on our investment

# Approaches to Overcoming Obstacles

- Outsourcing some of the work to vendor partners
- Use temps or other consultants at key points
- Provide protected time for the team to do the work
- Develop a realistic plan and stick to it!
- Look for grants that might support these efforts

# Things To Consider

- How do we find the appropriate balance between “perfect” and “good” as we develop internal systems?
- What reports/tools/metrics will we need?
- How will we teach our people the value and use of the reports and metrics?
- What specific training will our finance and client accounts people need?

# **Sneak Peak: Session 3: Cost Allocation**

## **Methodology for Value-Based Payment Systems**

**Compared to a FFS reimbursement system, several new wrinkles are introduced here:**

### **1. What is a Value-based Payment System?**

- The definition may depend on your perspective (\$ cost or outcomes or both?)

### **2. How do we achieve those outcomes?**

- Stand-alone or integrated with primary care
- Develop Care Pathways

### **3. How do we account for the costs of achieving those outcomes?**

- Theoretically: Time Driven Activity-Based Costing (TDABC)
- Practically: A simpler system based on TDABC principles

# Thank you

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