What are Your True Operating Costs?

Presented By -

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National Council for Mental Wellbeing

What are Your True Operating Costs?

Asha Patel, BS, Director of Business Operations -
Joined Labette Center for Mental Health Services in 2006.
Became the Office Manager in fall of 2015.
Director of Business Operations in July of 2017.
Bachelors of Business Administration (BBA) degree in Management and Accounting.

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National Council for Mental Wellbeing

What are Your True Operating Costs?

Scott Lloyd

President of MTM Services, Lead SPQM Data Consultant and Senior National Council for Mental Wellbeing Consultant
- 10 years in a private-for-profit industry
- 24 years in the CBHO, CSB, CCBHC environment *(Since 1998)* working with an amazing team of consultants
- Has worked with more than 1,000 organizations in 48 states, Washington, DC, and 2 foreign countries in all service disciplines
- The data in this presentation is tied to that experience working to help teams make substantive change every day

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Experience –

Improving Quality in the Face of Healthcare Reform

"Working to help organizations deliver the highest quality care possible, while improving the quality of life for those delivering the care!"

- MTM Services' has delivered consultation to over 1,000 providers (MH/SA/DD/Residential) in 49 states, Washington, DC, and 2 foreign countries since 1995.
- **MTM Services' Access Redesign Experience** *(Excluding individual clients)*:
  - 5 National Council Funded Access Redesign grants with 200 organizations across 25 states
  - 10 Statewide efforts with 216 organizations
  - Over 15,000 individualized flow charts created

◦ Leading CCBHC Set up and/or TA efforts in more than over 30 states across the country since the program's inception.

Resetting our Reality…

Most Teams Already Know What To Do…

Why do some organizations achieve success while others continue to struggle?

Resetting our Reality…

We Need STAFF!!

"Frank just up and exploded. I hope I never get that burned out."

Picture Source – http://org.osu.edu/cpnposu/2019/10/31/burnout/

1. **Current labor market is the worst I have seen in my 24 years**
   – Average teams we are working with have 35% of their spots open, including administrative positions
   – Losing staff to places that we have never had to compete with!
   The great assumption…
2. **Primary factors for burn out –**
   - Paperwork, Paperwork, Paperwork!! – Post session in particular
   - Unrealistic productivity expectations *(Don't irradicate Productivity Guidelines..)*
   - *Overbearing Nonbillable Duties*
   - *Don't like their leaders*
   - *Low pay/lack of opportunities for growth/bonuses*
3. *What to Do About it!?*
   - Documentation Redesign/Data Mapping/Collaborative Documentation
   - Stay plugged in – (When is the last time you did an assessment?)
   - Realistic Productivity Expectations
   - Remove Other Areas of System Noise

Resetting our Reality…

As We Move to CCBHCs / Higher Funding Environments

Hiring more low producing staff without fixing the issues that cause your current staff to struggle is NOT a sound strategy…

Breaking down cost versus revenue by modified code –
Crucial for CCBHC rate setting versus the CMS Tool that gives a system wide cost.

MTMSERVICES.ORG SPQM **Cost Per Hour Ranges**

Salary	FB%	Salary + FB	Overhead %	Total Pay
$32,000.00	32%	$42,240.00	44%	$60,825.60

Hours per Day	Work Days PY	Days of PTO
8	260	31

Avg. Reimbursement
$87

Direct Service Hours	DS%	Cost Per Hour	Revenue	Margin
100	4.8%	$608.26	$87	($521.26)
200	9.6%	$304.13	$87	($217.13)
300	14.4%	$202.75	$87	($115.75)
400	19.2%	$152.06	$87	($65.06)
500	24.0%	$121.65	$87	($34.65)
600	28.8%	$101.38	$87	($14.38)
700	33.7%	$86.89	$87	$0.11
800	38.5%	$76.03	$87	$10.97
900	43.3%	$67.58	$87	$19.42
1000	48.1%	$60.83	$87	$26.17
1100	52.9%	$55.30	$87	$31.70
1200	57.7%	$50.69	$87	$36.31
Incorrect Examples				
All Hours 2080	100.0%	$29.24	$87	$57.76
AH Minus PTO 1832	88.1%	$33.20	$87	$53.80

Resetting our Reality…System Noise Impacts

Productivity is not a measure of how hard our staff are working….

It is a measure of how well our systems are supporting our staff!

Making the Value of Care Equation Work –
How did we get to here?!

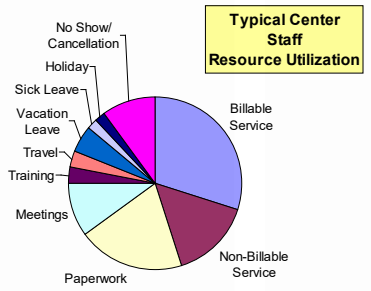
System Noise –
Anything that keeps staff from being able to do the job they want to do:
Helping consumers in need!

More Importantly, what do you do about it!?

Resetting our Reality…

Change *- (Verb)* - Alter, vary, modify. To make or become different. **Change** implies making either an essential difference often amounting to a loss of ***original identity*** or a ***substitution of one thing for another***.

Making the Value of Care Equation Work –
How did we get to here?!



Substitute Process is Key!

Why the "Value" of Care Equation Came About

Quality Is Often Confused With How Much Narrative We Write…

- That's how and why the value of care equation came to be as is everybody kept trying to out quality everyone else (a.k.a. writing more), the result is that we started serving the system/our paperwork more than we were serving our consumers.
- This often leads to staff members taking personal ownership in the processes and/or forms that they create.

Resetting our Reality…

The #1 Reason that Change Efforts Fail -

Teams come into the change process looking to alter what they are doing now instead of looking at what it will take to actually make a substantive change….

Partial Implementation or Cherry Picking the Change…

The best way to overcome this is to tie to a solid change reason with a solid change target…

Bedrock Change Principle….

The "Value" of Care Equation

Services Provided/Quality – Timely access to clinical and medical services, service array, duration and density of services through Level of Care/Benefit Design Criteria and/or EBPs that focuses on population-based service needs.

Cost of Services provided based on current service delivery processes by CPT/HCPCS code and staff type.

Outcomes Achieved (i.e., how do we demonstrate that people are getting "better" such as with the DLA-20 Activities of Daily Living).

Value is Determined based on can you achieve the same or better outcomes with a change of services delivered or change in service process costs which makes the outcomes under the new clinical model a better value for the payer.

The "Value" of Care Equation

The 2 Main *Measurable* Components Encompass A Lot!

- **Quality**
  - Access to care/Wait times
  - Engagement/Show rates
  - Adherence to treatment
  - An appropriate length of stay
  - *Outcomes measured with a validated outcomes tool*
  - Staff's job satisfaction
  - Staff turnover rates
- **Cost**
  - Seems easy to measure, but most teams are using a flawed methodology
  - Is not a popular topic with clinical staff so is often not addressed
  - Because flawed methodologies are used, costing number often do not make sense to staff then they so discuss it
  - If you focus on the cost of care, you are often seen as the enemy of Quality

Do You Actually Know your Costs?! –

Data Examples

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Resetting our Reality…

We Need Accurate Data!

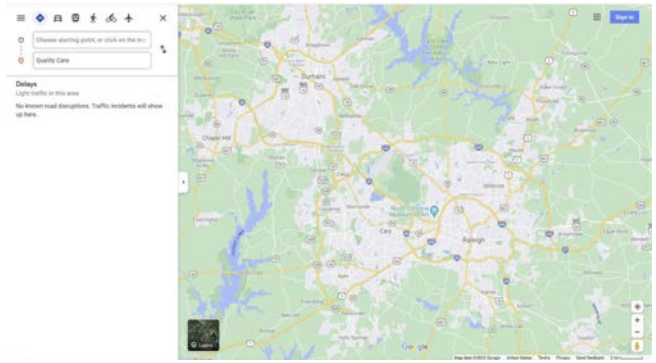
1. Anecdotal data versus accurate data
   - Most teams rely on data based upon their impressions/gut feel
   - Gut feel data often leads to the wrong emphasis points and/or overreactions
   - As David Swann points out – "You should have the same data that your MCOs have about you!"
2. Why use anecdotal data? – On average, 30% of the data in medical records across all medical fields has been deemed inaccurate
   - Who can fix this/Who is entering the data?

Resetting our Reality…

We Need Accurate Data!

Anecdotal/Self Assessment vs. Real Data

You Need to Know Your Starting Point!!



Resetting our Reality…

We Need Accurate Data!

Qualities that Support Leadership Based Empowered Team Development

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"The function of leadership is to produce more leaders, not more followers."
- Ralph Nader

"Leadership is the willingness to assume the risk of matching the authority to lead with the responsibility to lead" – David Lloyd

1. Nothing burns out leadership staff faster than being assigned a responsibility that they do not have the authority to carry out!
2. The second largest burnout factor is not having the data needed to make decisions and/or policies in place to back up those decisions.
3. The sad reality in our industry is that leadership roles are often given out to those who have been here the longest, regardless of their qualifications. Another way to say it - If you're willing to stay around long enough it is likely that you'll get promoted to a job that you're not Qualified to handle. ** It's like taking 1000 flights on an airline and so they just automatically make you a pilot.
4. These factors lead to Inconsistent Leadership, which causes staff to resent their leaders and creates retention concerns. (Authoritarian Leadership, Default Leadership, Reactive/Knee-Jerk Leadership, Apologetic Leadership, ***Assertive Leadership***, Inconsistent Leadership)

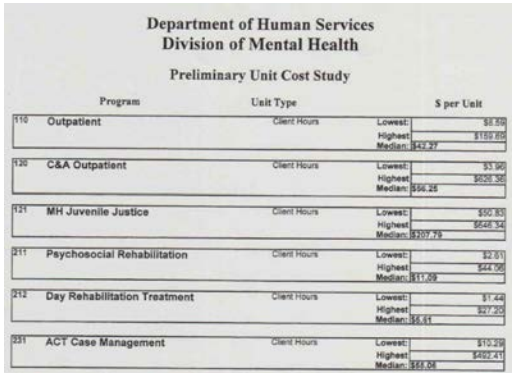
Resetting our Reality…

We Need Accurate Data!

Qualities that Support Leadership Based Empowered Team Development

1. A leader has a Mission that matters
2. A leader is Committed
3. A leader has High Ethics
4. A leader is a Change Master
5. A Leader is a Risk Taker
6. A leader is a Decision Maker
7. A leader uses Power Wisely
8. A leader Communicates Effectively
9. A leader is a Team Builder
10. A leader is Courageous/Exudes Strength – *A Panic Filled Leader….*

Back to our original question, do you actually know your costs?!



Department of Human Services
Division of Mental Health

Preliminary Unit Cost Study

	Program	Unit Type		$ per Unit
110	Outpatient	Client Hours	Lowest:	$8.59
			Highest:	$189.89
			Median:	$42.27
120	C&A Outpatient	Client Hours	Lowest:	$3.96
			Highest:	$628.36
			Median:	$56.26
121	MH Juvenile Justice	Client Hours	Lowest:	$50.83
			Highest:	$648.34
			Median:	$207.79
211	Psychosocial Rehabilitation	Client Hours	Lowest:	$2.61
			Highest:	$44.96
			Median:	$11.09
212	Day Rehabilitation Treatment	Client Hours	Lowest:	$1.44
			Highest:	$27.25
			Median:	$6.61
231	ACT Case Management	Client Hours	Lowest:	$10.29
			Highest:	$492.41
			Median:	$61.04

Do You Actually Know your Costs?

Top Costing Challenge Points -

- Dividing costs by 2080 hours
- Not including all of your costs
- Using overhead percentages instead of actual costs
- Thinking that your P&L Data is Enough!
- Looking at expected revenue instead of actual revenue
- Including monies outside of *At Risk Funding*

Do You Actually Know your Costs?

Costing Methodology Review:

Actually Understanding your Costs!

Let's Do the Math!

$40,000 / 2080 Hours = **$19.23** An Hour

$30 Per Hour = **$10.77** Margin Per Hour??

$30 x 1200 Hours = **$36,000**

Do You Actually Know your Costs?

Our Costing Methodology Defined –

Total Cost for Service Delivery
- Direct Service Staff Salary
- Direct Service Staff Fringe Benefits
- Non-Direct Costs (All other costs)

Total Revenue for Service Delivery
- Net Reimbursement actually Attained/ Deposited. *(This takes into account Denial Rate, Self Pay, Sliding Fee Scale, etc.)*

- Divided By -

Total Billable Direct Service Hours Delivered **
- All Direct Service Hours Delivered by Direct Service Staff that are eligible to be billed via a CPT Code or against a Grant.

** Utilizing the common denominator of total Billable Direct Service Hours instead of total hours worked per year assures an apples to apples comparison of an organization's true cost versus revenue per direct service hour.

Do You Actually Know your Costs?

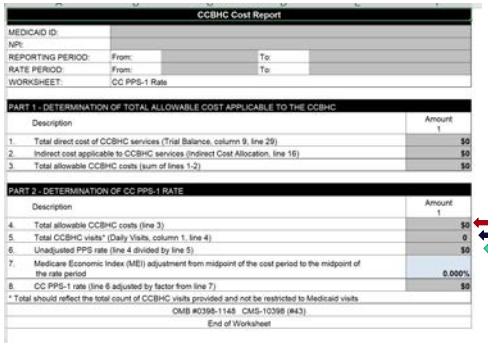
Resetting our Reality…

Key Take Aways for Labette Center

How Labette Center makes the costing report work in the best way possible.
- The Importance of Providers Meeting Productivity.
- Making sure all services/cost/revenue is included in the calculator.
- Separating direct and indirect costs.

What Labette Center gets from having an effective and accurate costing report.
- Being able to view results down to individual providers.
- Having the ability to break down the impacts of all funding sources.
- The True Cost of being a Community Mental Health Center in Labette County.

The CMS Costing Tool was Designed to Estimate Costs



CCBHC Cost Report

MEDICAID ID:				
NPI:				
REPORTING PERIOD:	From:		To:	
RATE PERIOD:	From:		To:	
WORKSHEET:	CC PPS-1 Rate			

PART 1 - DETERMINATION OF TOTAL ALLOWABLE COST APPLICABLE TO THE CCBHC

	Description	Amount 1
1.	Total direct cost of CCBHC services (Trial Balance, column 9, line 29)	$0
2.	Indirect cost applicable to CCBHC services (Indirect Cost Allocation, line 16)	$0
3.	Total allowable CCBHC costs (sum of lines 1-2)	$0

PART 2 - DETERMINATION OF CC PPS-1 RATE

	Description	Amount 1
4.	Total allowable CCBHC costs (line 3)	$0
5.	Total CCBHC visits* (Daily Visits, column 1, line 4)	0
6.	Unadjusted PPS rate (line 4 divided by line 5)	$0
7.	Medicare Economic Index (MEI) adjustment from midpoint of the cost period to the midpoint of the rate period	0.000%
8.	CC PPS-1 rate (line 6 adjusted by factor from line 7)	$0

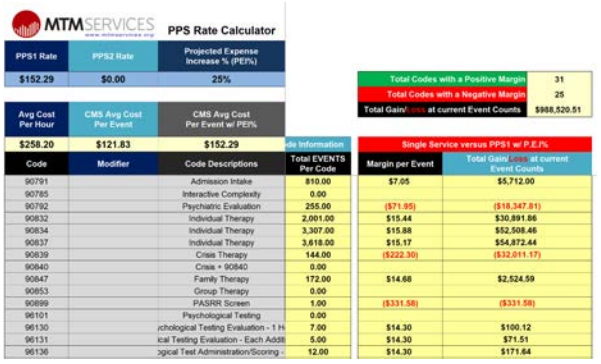
* Total should reflect the total count of CCBHC visits provided and not be restricted to Medicaid visits

OMB #0398-1148 CMS-10398 (#43)

End of Worksheet

- Estimates can hide a lot of things!
- Can you see your cost per hour/event by staff?
- Can you see your cost per hour/event by code?
- If not, then how will you know if the PPS rate is going to work?
- Majority of teams have had to rebase their costs at the end of their first year as a CCBHC.

The CMS Costing Tool was Designed to Estimate Costs



MTMSERVICES PPS Rate Calculator

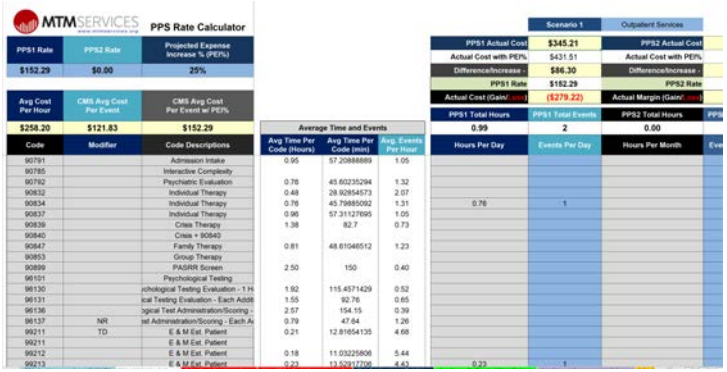
PPS1 Rate	PPS2 Rate	Projected Expense Increase % (PEI%)
$152.29	$0.00	25%

Avg Cost Per Hour	CMS Avg Cost Per Event	CMS Avg Cost Per Event w/ PEI%
$258.20	$121.83	$152.29

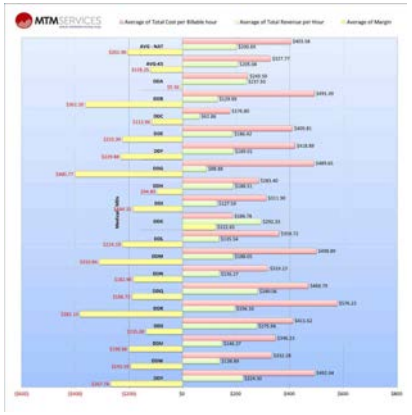
Total Codes with a Positive Margin	31
Total Codes with a Negative Margin	25
Total Gain/Loss at current Event Counts	$988,520.51

Code	Modifier	Code Descriptions	Code Information: Total EVENTS Per Code	Single Service versus PPS1 w/ P.E.I%: Margin per Event	Total Gain/Loss at current Event Counts
90791		Admission Intake	$10.00	$7.05	$5,712.00
90785		Interactive Complexity	0.00		
90792		Psychiatric Evaluation	255.00	($71.95)	($18,347.81)
90832		Individual Therapy	2,001.00	$15.44	$30,891.86
90834		Individual Therapy	3,307.00	$15.88	$52,508.46
90837		Individual Therapy	3,618.00	$15.17	$54,872.44
90839		Crisis Therapy	144.00	($222.30)	($32,011.17)
90840		Crisis + 90840	0.00		
90847		Family Therapy	172.00	$14.68	$2,524.59
90853		Group Therapy	0.00		
90899		PASRR Screen	1.00	($331.58)	($331.58)
96101		Psychological Testing	0.00		
96130		ychological Testing Evaluation - 1 H	7.00	$14.30	$100.12
96131		ical Testing Evaluation - Each Addit	5.00	$14.30	$71.51
96136		ogical Test Administration/Scoring -	12.00	$14.30	$171.64

The CMS Costing Tool was Designed to Estimate Costs



ACMHCK – Establishing a Solid Costing Reality



Margin Comparisons by Center / National

Breaking down cost versus revenue by modified code –

Crucial for CCBHC rate setting versus the CMS Tool that gives a system wide cost.

Row Labels	Sum of Total Hours Per Code	Average of Average Cost per Code	Average of NET Revenue per Code Per Hour	Average of Total Margin Per Code	Sum of Total Gain/Loss Per Code
99213	75,915.26	$298.26	$133.66	($164.60)	($12,828,035.22)
NR	45,493.40	$317.20	$142.05	($175.15)	($7,932,654.01)
(blank)	7,320.21	$286.08	$124.77	($161.31)	($1,418,101.78)
U1	6,008.86	$311.44	$163.80	($147.64)	($808,860.74)
ECC	2,799.29	$373.26	$150.69	($222.57)	($511,106.41)
U1 U6	2,287.86	$314.30	$110.38	($203.92)	($466,543.38)
U2	2,087.81	$203.20	$114.49	($88.71)	($194,798.60)
FQHC	1,882.50	$367.83	$346.75	($21.07)	($39,668.52)
0	1,654.83	$157.25	$64.46	($92.79)	($201,598.35)
Non-ECC	1,409.57	$340.35	$97.96	($242.39)	($450,658.06)
U1	1,263.75	$177.77	$43.39	($134.38)	($169,827.83)
Insurance	1,214.21	$356.89	$168.87	($188.02)	($228,292.25)
U2 U6	973.11	$198.07	$78.94	($119.14)	($115,931.95)
	438.00	$325.42	$157.15	($168.27)	($73,702.55)
Private Insurance	302.94	$336.09	$142.70	($193.39)	($58,584.74)
Medicaid	291.84	$335.83	$99.35	($236.49)	($68,696.87)

Resetting our Reality…

A Successful Change Should Benefit You, Your Consumers and Your Staff!

Changes Should…

- Reduce Repetition / Extraneous Data Capture
- Reduce Time to Care
- Reduce Documentation Time
- Reduce Staff Turnover
- Reduce Billing Errors
- Reduce Miscommunications
- Reduce Management's Time in Decision Making by Building Leadership
- Reduce Costs

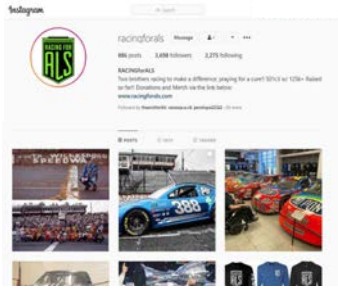
All of these changes will converge to Increase the Quality of Care and your Staff's Job Satisfaction.

Resetting our Reality…

The easiest way to know if you have made a successful change is when the care you are delivering meets with the expectations of what you would want for yourself and/or your loved ones!

Using Data to Make Change Happen!

How Does/ Does Your Team Use Data?!



Over $400,000 raised for ALS Research - @RacingForALS

Anecdotal Data -

Which Car Would You Choose?

Photo Credit: Scott Lloyd Photography

Thank You

Scott.Lloyd@mtmservices.org

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www.mtmservices.org