FULCRUM STRATEGIES
SUPERIOR PROVIDER ADVOCATES
CELEBRATING 15 YEARS

FULCRUM NEWSLETTER

JULY 2020

What Does a Post Covid-19 World Look Like for Doctors?

By Ronald Howrigon, President & CEO

As states open up and restrictions lessen, physician offices are starting to return to somewhat normal schedules. Most of my clients are reporting steady increases in patient volumes, some approaching pre-Covid levels. This begs the question, what are things going to look like six months, or even a year from now?

While we can't be completely sure what the future will bring, it is safe to say that it's not likely to look exactly like 2019. If we assume that there will not be a major fall outbreak of Covid-19, and that states will remain open, we can paint a pretty good picture of what the future will look like for physicians.

Let me jump to the heart of the matter. It is extremely unlikely that things return completely back to normal. It's also unlikely that the average physician's income in 2021 will be as much as it was in 2019. For some doctors, the income of 2019 may be a high-water mark. This isn't a forgone conclusion, because much of a practice's future depends on what is done today and how practices adjust to new market factors. Here are the top three reasons why the future will look different than last year and how it may impact your practice.

1. It's the Economy, Stupid! In 1992, James Carville, talking to campaign staff for the soon to be President, Bill Clinton, uttered the profound and prophetic statement, "It's the economy, stupid." He was right then, and would also be right today. The economy is the biggest reason things will be different in the future. Covid-19 dealt a crushing blow to the US economy and one that will be felt for several years. We are going to be dealing with high unemployment and a frightened workforce for quite some time. For doctors, this means a shift in payer mix. Some patients that were covered by insurance yesterday will have Medicaid or no insurance tomorrow. With high unemployment, more patients will have a hard time paying their portion of the health care bill. These factors will reduce the average revenue per patient seen. This means that even if you return to 2019 volumes, your revenue is likely to be less than it was in 2019.

2. Telehealth. The genie is out of the bottle and it's unlikely that we will be able to put it back in. Consumers have had a taste of Telehealth visits and they are going to demand at least some access to this service moving forward. This brings about two challenges for physician practices. The first is deciding if your practice can efficiently and effectively deliver this service. If 20% of your visits convert to Telehealth, you need to find a way to reduce your expenses accordingly. That's because your second challenge will happen when the payers decide how they are going to reimburse for telehealth and how much that will be. You can rest assured that when the Covid-19 crisis is over, the payers are going to cut the reimbursement for this service. So, if you convert 20% of your visits to telehealth at reduced reimbursement and don't reduce your expenses, your physician incomes will suffer for it.

3. The last thing that could impact physicians in a post-Covid world is the upcoming election. The combination of the pandemic, a suffering economy, and a federal budget that will be bleeding red ink like a stuck pig, might create the perfect storm for health care reform. Don't get me wrong, we need health care reform. We absolutely need to fix our current system.

My point is that the Federal Government has a long track record of screwing things up, and if executed incorrectly, health care could be reformed at the expense of physicians and physician incomes. Every practice should be looking at their options and deciding what to do if health care reform significantly impacts their revenues.

While these are daunting challenges, there are some bright spots among the clouds. We will still need health care in 2021. That's not going away any time soon. The challenge for doctors looking into the future, is to make sure their practice is ready and in a better position than others to respond to the changes that 2021 will bring. The doctors that do this will not only survive, but will thrive. The doctors that don't will find a rough road ahead.

Many years ago, I was in New York City with a group of friends. We got lost and found ourselves walking in an area at night that made us all a little nervous. I started looking at my friends very closely. One of them asked what I was doing. "I'm trying to figure out if I can run faster than any of you guys. You see, I only have to be faster than one of you." In some ways that is what medical groups face in the future. You don't have to be perfect, but you do need to be better than your competition.

From the CFO Desk: Cash Flow Modeling

By: Cindy Nyberg, CFO & Strategic Planning Consultant

Merriam-Webster defines cash flow as "a measure of an organization's liquidity that usually consists of net income after taxes plus noncash charges against income."

I was once asked, "What is the most difficult job of a CFO?" My answer required no thought, it was immediate, "managing cash flow to meet everyone's needs." This applies to all types of organizations from a nonprofit to a general contractor to a medical practice. Through years of experience as the person financially responsible for cash flow (meeting everyone's needs), I have developed a cash flow model. This is my most important tool because it not only projects future funding needs, but is also a crucial planning exercise that provides a transparent report to communicate with management and owners so they are able to make timely, informed decisions.

At the beginning of the pandemic, I was assisting a client to financially prepare for the unknowns we were facing. The results of the pandemic and quarantine were unknown and unchartered. Honestly, I was concerned until I applied my tool and prepared the standard cash flow model for this medical practice. By projecting and updating weekly from the week of March 16th to June 30th, I had a transparent plan - a roadmap - and I knew what needed to happen to protect this practice. Each week the partners are sent the updated cash flow model. While there were, and still are unknowns, we have a plan. We work that plan, and the cash flow model facilitates it.

A cash flow model can be used for any time frame: daily, weekly, monthly, quarterly, and yearly. It can be used for operations or by project, depending upon the needs of the business. Once the model is prepared, the reporting interval is easily changed. During the pandemic, it has been necessary for many businesses to change from a monthly to weekly update with ease.

The use of the cash flow model can also meet several business needs, such as managing accounts payable or tracking accounts receivable. In addition, the cash flow models can be used to project estimated tax payments and cash available for bonuses. Once a cash flow model is working for a business, it is easy to evaluate different business scenarios or new projects, and report the effect on cash or the need to borrow money. Recently, the cash flow model has been used to project needs for liquidity during the pandemic, the ability to preserve, or the need to reduce staffing.

A simplified example of the cash flow model's format is as follows:

Calculation Categories	1st Quarter Total	January	February	March
Beginning Cash Balance				
Revenues				
Expenses				
Principal Repayments				
Capital Purchases				
Owner Distribution				
Ending Cash Balance				
Cash Balance in General Ledger				
Difference				

The model also includes additional worksheets to document and support the projections for each calculation category. The calculation categories can be defined and utilized in order to meet the business needs. The cash flow model rolls forward, meaning that the ending cash balance of each period is the beginning cash balance for the next period.

I have found that a best practice for this tool is to set a 2-year budget, and then as each month is completed, actual results are updated in the model that replace that month's budget data, providing a rolling forward projection to the end of the 2-year budget or beyond. When applying this practice, the calculated ending cash is balanced with the cash balance in the general ledger to make sure there are no errors in the actual results.

This provides businesses, including Fulcrum Strategies, opportunities for ongoing, forward, financial thinking, in order to make real time, informed decisions. Once developed, managers will find many uses for this information.

Are More Medicare Advantage Plans on the Way?

By: Dustin Clark, Vice President, COO

We've seen so many aspects of medicine, and life, change in the last few months it's been like twisting a kaleidoscope. Surprisingly perhaps, many changes have been at the federal level, and they were quickly enacted. Trying to keep up with them all is no small task. One set of changes made recently with potentially far-reaching effects revolve around Medicare Advantage plans. CMS looks to be making it easier to establish MA networks around the country, as well as making it a little easier to maintain them. What could this mean for physicians? Over the last few years, you've all been peppered with requests to join Medicare Advantage plans by the large carriers, but also by a few of the smaller, local carriers. With the changes CMS has enacted regarding MA plans, you may start to see even more of these requests to join new networks catering to the Medicare population. Why? Here are the highlights:

First, network adequacy requirements are being relaxed in several ways. In rural areas, the number of members required to live within specific time and distance measures is being reduced from 90% to 85%. This will allow networks to be formed in areas with lower population density than would normally have qualified for a new plan.

Networks that allow telehealth visits for certain specialties are given a 10% "credit" toward established network adequacy requirements. This lowers the hurdle carriers must clear to show they have enough high-volume specialists within the required distance of their membership. Networks can receive an additional 10% credit toward network adequacy if they're in a state with CON laws or other "anti-competitive" measures, according to CMS.

These barriers to entry for new networks are not insignificant, they're what drive the big recruiting pushes you've probably all been on the receiving end of. These new changes will make it even easier for a new MA network to be formed. This many mean you'll see requests to join plans where it was previously impossible. It may also mean that a newly forming network may not need you as badly as they might have otherwise. Those proposals from new MA networks could start coming in at lower reimbursement levels if they feel they have some room to pick and choose providers.

For both new and existing networks, changes in MLR calculations may make it easier to continue to comply with minimum expense levels. Plans will be allowed to include as "incurred claims" all amounts paid for covered services, even if they were paid to entities that wouldn't normally meet the legislated definition of "provider." If a plan can include in their MLR calculations, an entire category of expenditures they've previously been denied, it could encourage new plans and will certainly give existing plans a little breathing room. CMS has also taken steps to encourage Medicare Advantage plans to offer MSA products to members that they might not have previously, for fear of not meeting MLR requirements.

On top of these, other changes are being made to broaden access to MA plans for eligible patients. Most of these come from the recent 21st Century Cures Act. Some of the proposed adjustments are being made now, some will be revisited later for enactment in 2022. One that will be effective 1/1/2021, will allow end-stage renal disease (ESRD) patients to enroll in a Medicare Advantage plan if they qualify for Medicare otherwise.

After the last three months of enforced quarantine and isolation, patients are returning to practices for the visits and procedures they've been waiting for. Many of those patients have lost their employment and their commercial insurance coverage. Some of them will likely be Medicare eligible and will have switched to Medicare (not to mention Medicaid). If Joe Biden wins the Presidential election, he may try to pass his "Medicare Buy-In" plan allowing people to join the Medicare rolls earlier than they would normally. Medicare may take up a larger portion of your patient mix in the near future. With these changes from CMS bolstering them, new MA plans may start popping up where they've never been before. Be prepared to start seeing more requests to join. Decide now if you want to increase your Medicare population, and if we do see a sizeable shift in patient mix, decide if you can afford not to. As always, Fulcrum Strategies is here to help. Ask your negotiator if you have questions or concerns about new proposals for MA plans you've never seen before.

Negotiating During a Pandemic

By: Ashley Elmore and Trista Nelson, Directors, Healthcare Consulting

As contract negotiators, we were in the middle of multiple negotiations with payers throughout the country earlier this year as the Corona virus was becoming more and more of a threat to our nation. Just like everything else in the world, our conversations with the payers were halted by the country-wide quarantine that we all experienced. As we started following up with the payers on the status of our negotiations, several of them responded that they weren't able to continue discussions because they were focusing their efforts on Covid-19.

What should you do if you receive this type of message during a negotiation?

First, you want the payer to agree to negotiate. If the payer is using delay tactics and seems to be making excuses for not moving forward, we recommend stating reasons why it is beneficial for the payer to continue negotiating with your group. For example, remind the payer of the importance of the practice remaining independent. Provide financial information – how much you are currently being paid as a percentage of Medicare, discuss how your expenses increase year to year, remind them how long it has been since you last received a contractual increase. Also, highlight for the payers all of the services you provide,

how your practice is different from competitors, if you have an ASC or surgical suite, and any other unique specialties or services you provide, etc.

As we are learning through the current Corona pandemic, it is also important to explain to the payers the hardship that the practice has endured during this time. Loss of patients, low appointment volume, inability to perform elective surgeries, and the consequences that employees have faced as a result of the financial burdens placed on most independent practices are all factors. Unlike your group, the health insurance companies have not had the same impact financially, and you can remind them of that. Additionally, as your practice starts to see more patients and reschedule more appointments, the process that you are required to follow to keep your waiting rooms and exam rooms safe, are adding additional workload to your staff. You may also have patients who are hesitant to re-schedule appointments or follow through with their previously planned elective surgeries because of their concern for being exposed to Covid-19. All of these changes are a direct result of the pandemic and will affect the group's financial stability. Each of these scenarios can be discussed and pointed out during your negotiations with the payers.

Once you have brought the payer to the table and have engaged them in negotiation discussions, it is important to make sure your proposals and requests are reasonable, fair, and reflect an understanding of your specialty and market. Especially during a time like this, when the payer can use the current environment as an excuse not to negotiate, an unreasonable proposal request could lead to negotiations being shut down before they even start. With our abundant experience dealing with the payers, we believe that these tips will help your practice continue to conduct business during this challenging time.

Follow us on Social Media!

Healthcare Observances to Remember in July

- Cord Blood Awareness Month
- International Group B Strep Throat Awareness Month
- Juvenile Arthritis Awareness Month
- National Cleft and Craniofacial Awareness and Prevention Month
- Sarcoma Awareness Month
- UV Safety Month
- World Hepatitis Day (July 29)

1101 Haynes Street #103, Raleigh, NC 27604 | P) 919.436.3377 | F) 919.436.3378