



Catalyst

HEALTH NETWORK

COVID-19 Webinar 8: Business Continuity

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Speakers



Lance Spivey

*President and Cofounder,
StratiFi Health*



Will Zollicoffer

*Vice President of Finance,
StratiFi Health*



Trevor Clifton

*Senior Financial Analyst,
StratiFi Health*

Tool Kit Inventory

- **Business Continuity – Four Steps to Understand Your Situation**
- **Operational Levers**
 - Revenue management
 - Expense management
- **Financial Levers**
 - Banking relationship
 - Govt' resources available



Business Continuity

Executive Summary

Financial Management Timeline – 120 Days

Starting at the first day a clinic adopts a telehealth strategy



Executive Summary

Step 1: Revenue Shift

Revenue Implications (Monthly)			
Visits Breakdown		Collections per Visit	
Current FFS Visits	2,000	E&M Related	124.00
		Non-E&M Related	34.98
		Blended rate	\$ 158.98
Volume % Incr / (Decr)	-15%	Telehealth Reimb % Dec	-4%
Adjusted FFS Visits	1,700	% of Time Reimb (Telehealth)	92%
		E&M Related	109.50
		Non-E&M Related	-
		Blended rate	\$ 109.50
	Actual (Average)	Projected	Variance
Total Revenue	317,960	186,154	(131,806) -41%

Key Revenue Assumptions:

- Five Provider practice seeing 400 patients per month each
- 15% total volume decrease during COVID-19 pandemic crisis
- Loss of all Non-E&M related revenue
- 4% decrease in reimbursement per visit
- 92% of Visits fully adjudicated

Takeaway:

- 41% drop in monthly Fee-For-Service revenue
- No impact to prospective payment revenue

Executive Summary

Step 2: Expense Management

Expense Implications (Monthly)			
Average Overhead Rate	75%	Average Overhead	238,470
Fixed Component of Overhead	70%	Variable Overhead Component	30%
<hr/>			
Variable Overhead Reduction	65,427	Fixed Overhead Reduction	16,693
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	Actual (Average)	Projected	Variance
Overhead Comparison	238,470	156,350	(82,120) -34%

Key Expense Assumptions:

- No Physician Compensation included in overhead
- Average overhead rate of 75% with a 70%/30% split on Fixed/Variable overhead
- Loss of variable overhead related to patients seen physically in-office
- Still paying variable overhead that would continue to flex with revenue (RCM, CC Processing, etc.)
- 10% decrease in fixed costs due to reduction in overtime, total staff hours, etc.

Takeaway:

- 34% drop in monthly overhead which helps but does not negate the decrease in revenue

Executive Summary

Step 3: Impact on Profitability

Profitability Implications (Monthly)				
Pre-Pandemic		Pandemic	Variance	
Revenue	317,960	Revenue	186,154	(131,806)
Operating Expenses	238,470	Operating Expenses	156,350	(82,120)
Physician Comp Pool	79,490	Physician Comp Pool	29,804	(49,686)
Physician Base Salaries	75,000	Physician Base Salaries	75,000	-
Net Income	4,490	Net Income	(45,196)	(49,686)

Monthly net income
(Pre-Pandemic)

Assuming \$180k
Physician Salary (5
providers in this
example)

New Monthly Net
Income or "Cash
Deficit"

Difference in
between
Earnings

Executive Summary

Step 4: Duration and Financing

Financing Needs			
Monthly Cash Deficit	(45,196)	Months of Disruption	4.00
Expected Cash Needs	\$ (180,786)		

Financing options and Recommendations outlined in later slides

Executive Summary

Monthly Cash Deficit	(45,196)
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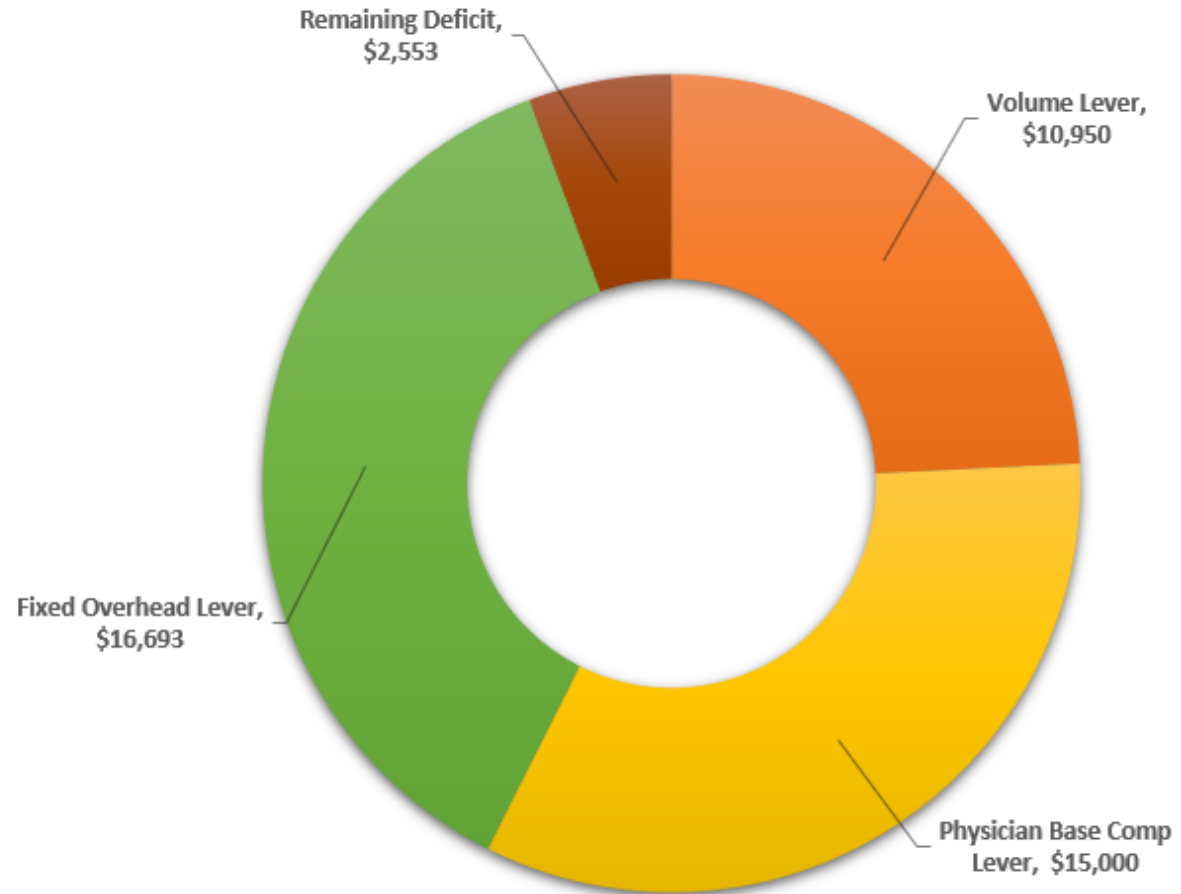
Visit Volume Lever	
Average Visits	2,000
% Incr / (Decr) in Visits	-10%
Resulting Collections	\$ 197,104

Physician Base Comp Lever	
Average Physician Base Comp	\$ 75,000
% Incr / (Decr) in Phys Base Comp	-20%
Resulting Physician Base Comp	\$ 60,000

Fixed Overhead Lever	
Average Fixed Overhead	\$ 166,929
% Incr / (Decr) in Fixed Overhead	-20%
Resulting Fixed Overhead	\$ 133,543

Adjusted Monthly Cash Deficit	(2,553)
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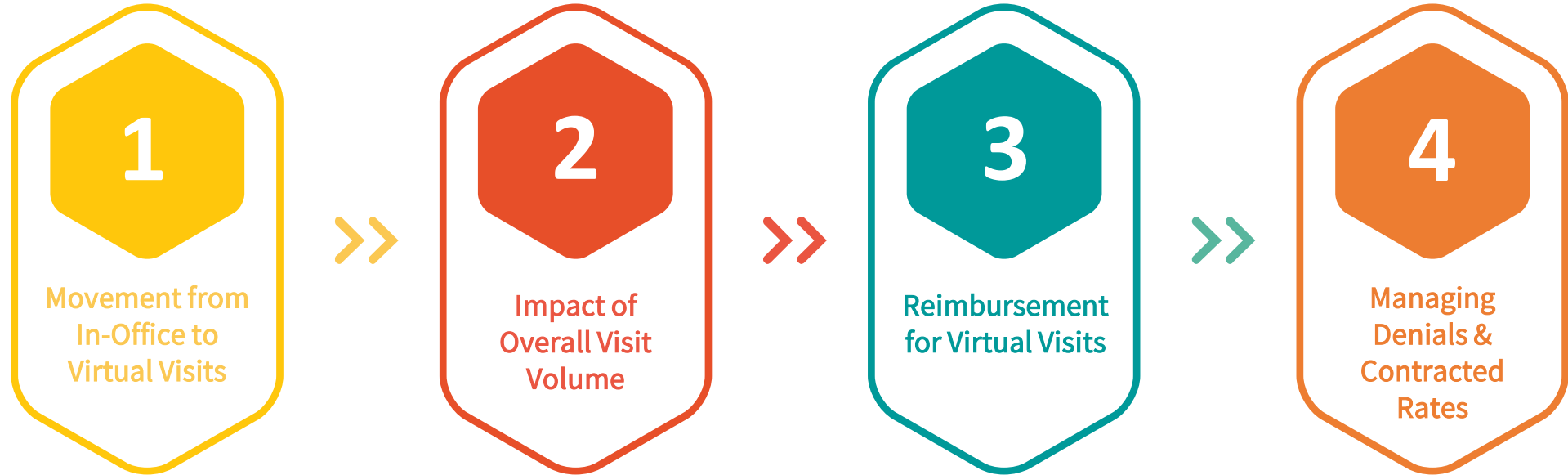
COVID-19 Business Continuity Plan





**Operational
Levers:
Revenue**

Operational Levers Through Telehealth



Virtual Visits

With the prevalence and spread of COVID-19, there has been a mass migration from In-Office Visits to Virtual (Telehealth) Visits, opening opportunities for more convenient patient care.

Visit Volume

During this time of uncertainty, many practices are seeing a large increase in cancellations. Even with the availability of Telehealth, these cancellations are resulting in a significant decrease in visit volume. Consider, educating patients on the benefits of Virtual Visits vs. In-Office Visits to stabilize volume

Reimbursement

Many practices are experiencing ambiguity around billing/collecting for Virtual Visits. It's important to understand patient benefits to ensure proper patient collections so you receive full payment.

Ensuring Payment

We are seeing a decrease in the portion of Virtual Visits that are fully adjudicated compared to In-Office visits. This is largely due to the regulations around Employer-Funded insurance plans where benefit design plays the biggest role in whether a Virtual Visit is paid or not.

Operational Levers Through Telehealth

In-Office Visits (1)		Televisits (1)		Variance
CPT Code	Blended Rate	CPT Code	Blended Rate	
99213	\$ 97.00	99213	\$ 92.05	-5%
Avg. Visit Time (Min.)	20.00	Avg. Visit Time (Min.)	15.00	-25%
Visits per Day	24.00	Visits per Day	28.13	17%
Time Needed (Hours)	8.00	Time Needed (Hours)	7.03	-12%
% of Time Reimbursed	91%	% of Time Reimbursed	82%	-10%
Revenue per Day	\$ 2,126	Revenue per Day	\$ 2,126	0%

Footnotes:

(1) Modeled off a practice with Payor Mix as follows: 40% BCBS, 20% UHC, 15% Cigna, 15% Aetna, 5% Medicare, & 5% Medicare Adv.

Operational Levers Through Building Demand



Catalyst Health Network helps drive the demand for telehealth services

Telehealth

- **Publicize** practice telehealth capabilities via social media, clinic website, text message alerts, email, etc.
- **Expand your virtual capabilities** to include more appointment types
- **New patients** can potentially make up 40 – 50 % of practice virtual visits, according to reports from hard hit areas

Patient Outreach

- **Inform patients** that practices are operating as **essential businesses**, and healthcare IS available
- **Utilize** patient portals, clinic websites, email and phone message capabilities

REMINDER: Catalyst members can check with their Performance Advocate about text message campaign services

Operational Levers Through Accounts Receivable (AR)

What to Expect

- **Continued collections**; dependent on average collection time (MGMA Family Medicine Median: 33.5 days), of settled AR from prior periods
- **Reduced “current” AR** (invoices aged 0-30 days) associated for periods that incur reduced billing activity and increased no-shows/patient cancellation rates
- **Increased “Days in AR”** (the distance in time from billed date to date of payment) resulting from slowed collection periods, relative to total balance outstanding
- **Reduced revenue** in the upcoming periods (April, May) resulting from the current decline of billed charges

NOTE: Because practices are challenged with unavoidable disruptions in volume, it is financially imperative to sustain all revenue streams. Practices that improve control of collection activities are better positioned to protect their bottom line

Operational Levers Through Accounts Receivable (AR)

1 AR: Deep Dive

- Produce AR Aging reports
- Assess outstanding balances owed to your practice

- Prompt note closures
- Coding compliance & appropriateness
- Management of rejected claims

2 Reduce Billing Delays

Expand Payment Options 4

- Payment plan programs for overdue, unpaid balances
- Amend practice payment policy (as needed)
- Educate staff and notify patients accordingly

Maximize Time of Service (TOS) Revenue 3

- Collect overdue balances during scheduling
- Collect deductibles, co-payments, and coinsurance at check-out
- Educate staff to request TOS payments during patient interactions, as needed





Operational Levers: Expense

Operational Levers Through Physician Compensation

INITIATIVE:

Physician Compensation

CONSIDERATIONS:

Manage Physician Compensation for operating cashflow

Shareholder Compensation

- Shareholder Comp: Estimate change as range
 - Project 2020 shareholder comp reduction as range, rather than absolute amount
- Consider Options: Base vs. distributions
- Manage partnership track: evaluate deferral options if applicable
- Consult tax and legal prior to implementing any comp changes

Employed Physician Comp

- Review Contracts
- Consider Short term modifications

Prioritize Communication

- Establish strong, supportive communication
- Comp deferral vs. reduction:
 - Focus changes in comp as deferral rather than permanent reduction
- Prioritize patient care
- Emphasize long-term goals for practice

ACTION ITEMS:

- Forecast Operating Cash Needs through YE 2020
- Estimate Shareholder Compensation Range
- Establish Strong, Supportive and Ongoing Communication
- Consult tax and legal advisors

Fixed Variable Expenses in the Clinic

Organizations that have a **High Fixed Cost Footprint** are highly sensitive to revenue and volume related fluctuations

Fixed Expenses

- Typically make up 50-80% of the total clinic expense
- Any fluctuations in revenue will have a large impact on cashflow and managing these fixed expenses during difficult times is necessary to survival

Variable Expenses

- Expected to decrease during transition period to Telehealth-based visits

Examples of Expense parsed by Fixed Variable:

<u>Fixed</u>	<u>Variable</u>
Payroll and Related	Medical Supplies
Rent & Utilities	Hormone Expenses
Telephone	Immunizations
Professional Fees	Billing & Collection Services
Insurance	Office Supplies
Marketing	Lab Services
Interest Expense	CC Processing
Depreciation & Amortization	Taxes
Dues and Subscript.	

Operational Levers Through Staffing & Scheduling

Strategy – In the Clinic

- Establish **Core Staffing Model** to identify key personnel to remain productive
- Consider ways that you could **strategically reduce staff** in non-essential roles
- **Evaluate reduced hours** so that you can maintain all staff and have the burden be shared
- **Billing staff** is business as usual to enter charges, post payments, and follow up on aged Accounts Receivable.

Operational Levers Through Staffing & Scheduling



Governmental Assistance for Impacted Staff

- **TWC Encourages Employers to Enroll in Shared Work Program**
 - Supplement their employees' wages lost because of reduced work hours with partial unemployment benefits.
 - Reduce normal weekly work hours for employees in an affected unit by at least 10 percent but not more than 40 percent; the reduction must affect at least 10 percent of the employees in that unit.
- **H.R.6201 - Families First Coronavirus Response Act:**
 - Both new Sick and FMLA rules:
 - Are effective within 15 days
 - Apply to employers with fewer than 500 employees.
 - Include exceptions to their respective requirements for:
 - An employer of an employee who is a healthcare provider or an emergency responder may elect to exclude those employees, and
 - Two additional exceptions designated in forthcoming regulations under the Department of Labor.
 1. Paid FMLA Leave for "Public Health Emergency"
 2. Emergency Paid Sick Leave

Operational Levers Through Vendor Management

INITIATIVE:

Manage Vendor Agreements

CONSIDERATIONS:

Prioritize vendor agreements with potential for financial impact

Lease Obligations

- Facility Lease Options
 - Defer rent options
 - Renegotiate lease terms
 - Assess space reduction
 - Assess secondary locations
 - Know revised market rates
- Equipment Lease Options
 - Negotiate deferrals
 - Negotiate / revised terms

Drugs, Medical Supplies

- Short-term priorities
 - Extend short term current obligations
- Mid-term & Ongoing
 - Renegotiate ongoing payment terms & pricing
 - Plan ongoing negotiations

Other Contract Services

- Prioritization
 - Focus efforts towards greatest cost savings
- Short-term
 - Defer current obligations
- Mid-term & Ongoing
 - Renegotiate ongoing payment terms & pricing



RESULTS

- Reduce Expense Burden
- Improve Liquidity

ACTION ITEMS:

- Identify and Prioritize: Identify and prioritize vendor agreements that warrant renegotiation efforts
- Proactive Negotiation: Contact vendors, discussions, suggest revised terms (both short-term and long-term), ask for / be open to options
- Assess and Execute: Assess terms, execute revised agreements
- Ongoing: Plan for ongoing renegotiation efforts; contact vendors that may have previously

Operational Levers Through Managing Variable Expenses

Total general operation costs will decrease due to less patient volume in the office setting

- **Assess current inventory** of all medical supplies, drugs, and immunizations
- **Be mindful of supplies** with nearing expiration dates
- Work with vendors to **understand replacement cost** and delivery timeline for high demand items
- Explore acceptable **substitutions** for supplies
- **Reduce future order** size to reflect current volume needs
- If you have excess supplies of drugs/immunizations work with your vendor to **return inventory** for cash or credit on outstanding invoices
- **Communicate to staff** about conservation of supplies if/when possible
- **Lock essential supplies** at night if 3rd party janitorial services is used



Financial Levers

Financial Tax Relief Levers

Coronavirus Tax Relief

- IRS has announced a series of steps to assist taxpayers impacted by COVID-19.
- Coronavirus-related paid leave for workers and tax credits for businesses (IR-2020-57)
- Tax Deadline Changed – Deadline to File and Pay Federal Income Tax extended to July 15, 2020 (IR-2020-58)
- IRS People First Initiative include (IR-2020-59)
 - Existing Installment Payments are suspended
 - Suspends Key Compliance Program
- Information available at irs.gov/coronavirus



***NOTE:** StratiFi Health is not a CPA Firm – please consult with your Tax Advisor*

Net Cash Provided by Financing Activities

INITIATIVE:

Financing Options through your Banking Relationship

CONSIDERATIONS:

Proactively Manage Financing Relationships to Understand Options

Short-term Financing

- Short-term Financing options at favorable terms due to COVID-19
- Loan amounts up to \$500k
- Favorable rates @ prime + 1.75%
- Interest only pmts for 6 mos

Frost Bank example. More information to be distributed.

Long-term Financing

- SBA Loan:
 - One-time financing program through SBA
 - Part of U.S. Federal stimulus package
 - Favorable rates due to COVID-19
 - Loan up to \$2m; or 4 mo. OpEx, with add'l 4 mo available
- Time to act
 - Strongly recommend submitting application ASAP in consideration of processing time

Assess Options & Plan for Financing

- Proactively communicate with existing financial institutions
- Assess short-term and long term needs
- Establish multiple channels for financing

ACTION ITEMS:

- Start Now: Strongly recommend submitting application for SBA Loan, if needed for long-term financing, ASAP
- Contact Existing Partners: Schedule communication with existing financial partners to assess related options
- Short-term Financing: Short-term option being made available for rapid, urgent cash needs

SBA Loan Process



Identify Your Need

- Disaster declaration is made for your geographic area
- Working capital is insufficient to sustain operations
- Loan is necessary for your organization's financial security



Apply for Loan

- Apply online, at a disaster center, or by mail
- Small businesses may borrow up to \$2 million for economic injury



Property Verified and Loan Decision Made

- Credit review completed
- Loan officer to determine eligibility
- Loan officer works with you to reach a loan determination. (Estimated: 2 to 3 weeks)
- Loan officer will contact you to discuss recommendation and next steps.



Loan Closed and Funds Disbursed

- Closing documents sent to you for signature
- Initial disbursement of \$25,000 will be made within 5 days of receiving signed documents
- An assigned case manager will work with you regarding loan conditions and additional disbursements

SBA Loan Program Options



SBA Loan Options and How to Apply

Which option is right for me?

First United Deferral Program*

SBA Disaster Relief Loans**

Program Benefit

90 day deferral

Long term repayment

Loan Amount

Under \$250,000

Up to \$2 million

Processing Fees

\$50

None

Interest Rate

Subject to credit approval

For profit businesses 3.75%; Nonprofit 2.75%

Timeframe

Before April 30, 2020

December 31, 2020

Repayment

Deferred payments balloon at maturity

Extended options, up to 30 years pending situation

Caveat for Funding

Must be less than 30 days past due

Ineligible if credit is available elsewhere; Business must be independently owned and operated

*90 Day Loan Deferral Program. (n.d.). Retrieved March 25, 2020, from <https://www.firstunitedbank.com/90-day-loan-deferral>

**Disaster Loan Assistance. (n.d.). Retrieved March 25, 2020, from <https://disasterloan.sba.gov/ela>

Net Cash Provided by Financing Activities



SBA Loan Options and How to Apply

Where do I go to apply?

First United Deferral Program

SBA Disaster Relief Loans

Website

firstunitedbank.com/90-day-loan-deferral

disasterloan.sba.gov/ela

Phone Number

(800) 924-4427

1-800-659-2955 (SBA Customer Service Center)

How much do I Request?

Recommended Documents

- IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50% ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management).
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available.
- Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member.
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).
- Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.
- If the most recent Federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for that tax year is acceptable.
- A current year-to-date profit and loss statement.
- Additional Filing

Executive Summary



Let our team be the calm in a storm of uncertainty

Financial planning and advisory services will help you deal with unexpected events, shifting demands and services, providing peace of mind during this volatile economy

Our concern for **independent practice** and **valued-based healthcare services** lets providers continue caring for patients while retaining their liberties as a small business

NEXT STEPS: Schedule a consultation with us today!

Model will be distributed this afternoon.

At no additional cost Catalyst members can schedule a **30 minute consultation** with one of our Financial Professionals at info@catalysthealthnetwork.com or consult with your Performance Advocate

Existing StratiFi Health Clients will be able to work through their SFH Advisor



Q & A



Reminders

Reminders



Patient Resources

Website

www.catalysthealthnetwork.com/coronavirus

Hotline

(214) 964-0319

Practice Resources

Care Alerts

Released every Monday, Wednesday, and Friday

Catalyst Resource Page

Bookmark this page in your internet browser for easy access

[View Care Alert #11 and Additional Practice Resources](#)



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COVID-19 Webinar 8

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Reviving the Heart of Healthcare