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How much is referral leakage costing your organization and what are you doing about it? Network referral capture and leakage rates are baseline metrics every health system should be tracking to inform strategy and tactics to build loyalty and grow revenue. A comprehensive understanding of physician referral patterns and patient capture allows organization to answer such questions as:

- How well are we managing our provider relationships?
- How are referral patterns changing and where are we vulnerable?
- Are we making the right physician alignment decisions?
- Where do we need to focus efforts to strengthen provider loyalty?
- Where are our opportunities for revenue growth?

**New Data Deadline for $2.3 Billion Payment Shift**

Industry advisers are urging hospitals to double-check their charity care reporting this month in preparation for a major Medicare charity care policy change that is expected to shift the distribution of $2.3 billion annually among hospitals. The massive nationwide redistribution of Medicare disproportionate share hospital funding is expected to shift funds from Medicaid expansion states to non-expansion states. The Centers for Medicare & Medicaid Services (CMS) offered hospitals a chance this month to amend their data ...

**More Details**

**Getting a Handle on Referral Leakage**

How much is referral leakage costing your organization and what are you doing about it? Network referral capture and leakage rates are baseline metrics every health system should be tracking to inform strategy and tactics to build loyalty and grow revenue. A comprehensive understanding of physician referral patterns and patient capture allows organization to answer such questions as:

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- How are referral patterns changing and where are we vulnerable?
- Are we making the right physician alignment decisions?
- Where do we need to focus efforts to strengthen provider loyalty?
- Where are our opportunities for revenue growth?

**More Details**

Questions or comments? Email Clay Owsley at clayton.owsley@nortonhealthcare.org

Don’t forget to follow us on Twitter @KYHFMA and LinkedIn- Kentucky Chapter HFMA
All,

I hope all is well and that you are enjoying the Fall weather. As a reminder, our Fall Institute is less than a week away, on October 26th at the Embassy Suites in Lexington, KY. We hope you can join us for this one day event and catch up on current topics and network with peers. If you haven’t already done so, please register at http://hfmaky.org/meetinginfo.php.

If you are unable to make it to the Fall Institute, we have several other meetings coming up, including the Mid-South Conference on January 18th and 19th, 2018 in Memphis, TN, which is jointly hosted by the Arkansas, Kentucky, Mississippi, Missouri & Tennessee Chapters. If you can’t make the Mid-South meeting, our Annual Spring Institute will be held in Louisville on March 27 and 28th, 2018 and we look forward to seeing you there. For more information and to register for these events please visit http://hfmaky.org/meetinginfo.php.

With all that being said, the Tristate Fall Institute concluded a few weeks back and was a great event. Just want to take a moment to thank the education committee and the other committees, comprised of representatives from Kentucky, Ohio and Indiana, for all of their hard work in planning this event. Without the support and dedication of our volunteers we would not be able to provide the quality education programming and networking opportunities that we do each year. Your time and support is truly appreciated.

Finally, Nick Ficklin, President-Elect attended the Fall President’s Meeting in September on behalf of our Chapter. This meeting provides an opportunity for our leaders to share ideas with leaders from all other chapters and to discuss strategies for improvement going forward. Based on feedback from Nick, there are several exciting things going on within HFMA at a National level, as HFMA continues to modernize and enhance its membership and education offerings, in addition to some initiatives to reduce the administrative burden on the volunteer group.

Until next time, feel free to reach out to me if I can be of any assistance, if you want to volunteer or if you would like to provide any feedback regarding the quality of our sessions, venues, etc....

Sincerely,

Chris Graff
FY17/18 KYHFMA President
Fall Institute — Don’t miss out!!!

October 26, 2017 - October 26, 2017

Register Now

8:00 AM - 5:00 PM

Embassy Suites
1801 Newtown Pike
Lexington, KY

$200.00 Member Registration
$250.00 Non-Member Registration
$0.00 Speaker
$20.00 Student Registration
$0.00 Past President
$0.00 Gold and Platinum Sponsor Registration

2017 Fall Institute Agenda

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<tr>
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<th>End Date &amp; Time</th>
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<td>Registration &amp; Breakfast</td>
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<tr>
<td>Welcome and Opening Remarks</td>
<td>7/20/17 8:15 AM</td>
<td>7/20/17 8:30 AM</td>
<td>Chris Graff</td>
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<td>Keynote: The Fine Art of People Power</td>
<td>7/20/17 8:30 AM</td>
<td>7/20/17 9:30 AM</td>
<td>Jonathan Michael Bowman, J.D.</td>
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<tr>
<td>Break</td>
<td>7/20/17 9:30 AM</td>
<td>7/20/17 9:45 AM</td>
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<td>“Survival of the Fittest” — How Providers Adapt to</td>
<td>7/20/17 9:45 AM</td>
<td>7/20/17 10:45 AM</td>
<td>Karen Veselky, KentuckyOne Health and Greg Jelinek, PNC Healthcare</td>
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<td>Changes in U.S. Healthcare</td>
<td>7/20/17 10:45 AM</td>
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<tr>
<td>Break</td>
<td>7/20/17 10:45 AM</td>
<td>7/20/17 11:00 AM</td>
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<td>Supply Chain and Pharmacy Costs</td>
<td>7/20/17 11:00 AM</td>
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<td>Lunch</td>
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<td>7/20/17 1:00 PM</td>
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<tr>
<td>Effective Physician Contracting</td>
<td>7/20/17 1:30 PM</td>
<td>7/20/17 2:30 PM</td>
<td>Cathy Zito, Lighthouse</td>
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<tr>
<td>Break</td>
<td>7/20/17 2:30 PM</td>
<td>7/20/17 2:45 PM</td>
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<td>Data Collection Best Practices</td>
<td>7/20/17 2:45 PM</td>
<td>7/20/17 3:45 PM</td>
<td>Stephen Smay, Datawatch</td>
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<td>Break</td>
<td>7/20/17 3:45 PM</td>
<td>7/20/17 4:00 PM</td>
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<td>CEO’s Perspective on Finance Operations and Revenue</td>
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<td>Joe Avelino, CEO - College Medical Center</td>
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<td>Cycle</td>
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<td>Networking Happy Hour</td>
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Long considered an objective basis for benchmarking provider productivity in fee-for-service (FFS) environments, the use of Work Relative Value Units (wRVUs) may begin to lose some relevance as value-based reimbursement becomes more of a reality. Federal regulations such as the Medicare Access and CHIP Reauthorization Act (MACRA) as well as the economics of healthcare spending in the U.S. will inevitably result in a transition from traditional production and compensation models based upon quantitative measures such as wRVUs and wRVU-related benchmark data to value-based payment programs that rely on more qualitative criteria. In fact, in Patient Centered Medical Homes (PCMHs), Accountable Care Organizations (ACOs), bundled payment programs, and other value over volume payment initiatives, wRVUs can in some regards be considered counterproductive to these quality driven programs. This will likely result in a shift from commonly used production based compensation plans to value-based models that account for the ever increasing importance of quality of care, patient outcomes, resource utilization, and patient/provider satisfaction.

Work Relative Value Units are a component of the Centers for Medicare and Medicaid Services’ (CMS) Resource Based Relative Value System (RBRVS), which is primarily used to determine reimbursement for the professional component of Designated Health Services (DHS) provided to governmental health plan (e.g. Medicare) beneficiaries. Work Relative Value Units are a measure designed specifically to reflect the work, effort and intensity required of the provider (e.g. physicians, mid-levels, certain therapists, etc.) in providing a specific service. These wRVUs are weighted by CMS based upon the type of service being provided, and therefore the annual total of these wRVUs for a specific provider or group of providers are often used to benchmark overall productivity.

A benefit of this method of comparison is that the wRVU is a universal measure of the volume and complexity of services provided. That is to say that when we would like to compare the relative productivity of providers where reimbursement rates and payor mixes vary, wRVUs provide a common basis for measurement that is not dependent on financial circumstances that are typically out of the direct control of the provider. Because of this, hospitals and health systems commonly use wRVUs as a basis for determining provider compensation. Production-based compensation models are often based upon a certain dollar value per wRVU “produced” by a provider, creating an incentive for the providers be as “productive” as possible without the burden of billing and collecting for the services provided.

A disadvantage of production-based compensation models is that since they typically do not directly account for reimbursement rates, payor mix, and other factors impacting net revenue, there can be a disconnect between the actual financial performance of a practice/provider and the compensation paid based upon wRVUs. It is not uncommon for hospital-based practices to realize annual net losses after all operating expenses including provider compensation.
Add to this the fact that payors, most notably Medicare, have continued to advocate for reimbursement models that place more importance in value over volume, and our traditional production-based compensation models come into question. While a production-based model may be for the most part effective when reimbursement is based upon the volume of services provided, they typically do not consider the “value” of those services, where value is defined as follows:

\[
\text{Value} = \frac{\text{Quality}}{\text{Cost}}
\]

When considering “value” in a FFS environment, we are most likely referring to the reimbursement for services provided. Medicare specifically calculates reimbursement “value” for services rendered by providers (i.e. Physician Fee Schedule (PFS) reimbursement) through the following (albeit simplified) formula:

\[
\text{FFS Value} = (\text{peRVU} + \text{mpRVU} + \text{wRVU}) \times \text{Conversion Factor}
\]

The peRVU and mpRVU are defined as the Practice Expense Relative Value Unit and Malpractice Expense Relative Value Unit respectively. These values are combined with the corresponding wRVU value for each service included in the PFS and multiplied by the current conversion factor, which for 2017 is $35.7751, to determine the Medicare reimbursement for the service (there are typically other geographic adjustments made as well, however these have been omitted for purposes of this discussion).

This perspective on Medicare reimbursement being representative of “value” presents somewhat of a paradox when we specifically consider value-based payments under MACRA and the Quality Payment Program (QPP). These initiatives are intended to move the Medicare program from a strictly volume based reimbursement model to one that provides incentives for high value (and penalties for poor value). There are several components that will be factored into the various programs under MACRA and the QPP, however it is expected that quality and cost will given the greatest weighting in the ultimate determination of value-based performance. Quality will be measured by a variety of clinical best practices and outcomes-based criteria, whereas cost will be measured by the Medicare reimbursement paid under an episode of care, on a per Medicare beneficiary basis, or some other comprehensive measure of Medicare’s cost (i.e. reimbursement paid).

Even under this value-based model, however, Medicare will initially continue to reimburse under the current FFS model, with adjustments for value-based performance assessed after a period of time required to compile and evaluate provider data (there is expected to be a two-year period before performance results will be reported and bonuses are paid/penalties are assessed). As a result, volume-based production will continue to have a financial incentive with some accounting for value after the fact. This is where the paradox lies in this methodology, since when we overlay the two value formulae discussed previously we have the following:

\[
\text{Value-Based Payments} = \left[ \frac{\text{Quality}}{(\text{peRVU} + \text{mpRVU} + \text{wRVU}) \times \text{Conversion Factor}} \right]
\]

Since providers will initially be reimbursed under the existing FFS model under MACRA (and potentially other value-based payment models), the incentive remains to drive volume which in turn increases the denominator and lowers value equation above. Because of this, the initial incentive to drive volume can turn out to be counterproductive if there is not a corresponding indication of quality in the numerator of the equation to offset the FFS cost. As a result, traditional wRVU-based compensation models will not be able to match financial
Incentive to desired outcomes (i.e. high value) without factoring quality as a measure of relative productivity.

It is important to note that a value-based production and compensation model will be directly dependent on the value-based reimbursement programs available. Although Medicare has defined its own pathway to placing more importance in value over volume, value-based compensation will be most effective if there is greater participation across all payors. However, with Medicare establishing a precedent for weening providers from FFS reimbursement and considering the economics of most provider groups, the move to value-based production and compensation is likely more feasible than it has ever been.

Jeff Moffatt, CPA/ABV/CITP, CVA
Senior Manager
Blue & Co., LLC
(317) 275-7405
jmoffatt@blueandco.com
Volunteer Spotlight
- Getting to know your KY Chapter leaders

Heather Gilbert

Current chapter role: Volunteer for Sponsorship Committee

Current employer and title: TJ Regional Health/Director or Patient Accounting

Family: Husband-David; son-Phillip who is a Freshman at Glasgow High School in Glasgow, Kentucky; daughter-Elizabeth who is in 6th grade at Valor Collegiate Academy in Nashville, Tennessee

When you were young what did you want to be when you grew up:

I dreamed of being a surgeon. I volunteered at a local hospital as a Candy Striper in the Emergency Department and loved the patient interaction and fast paced environment.

Favorite college team:

University of Alabama. Roll Tide!

What music is on your phone:

Latest download was Buena Vista Social Club. I loved the album in college and misplaced it years ago. I found it on iTunes and love listening to it while I work out.

Favorite song:

Brown Eyed Girl

TV shows:

I love Reality TV! My husband and I enjoy watching Big Brother right now.

Hobbies:

Reading, traveling, scrapbooking, and other creative projects.

Most prized possession:

My children, I would go crazy without them!

Something that most people don’t know about you:

I am afraid of raccoons. As I child, I thought that a family of raccoons lived under my bed. If I got up at night, I thought their little claws would reach out and grab my ankles. Needless to say, I stayed in my bed all night!

Pet peeve:

Poor manners

How do you relax:

I enjoy working out. That is my stress relief! I don’t get to as often as I would like now, but I do try to get in a sweat session at least twice a week.

Guilty pleasure:

Sleeping in on Saturday mornings!

Dream job:

VP of Revenue Cycle
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<td>October 22-24th</td>
<td>Orlando, FL</td>
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<td><strong>Fall Institute</strong></td>
<td><strong>October 26th</strong></td>
<td><strong>Lexington, KY</strong></td>
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<td>KY Rural Health Association Conference</td>
<td>November 16-17th</td>
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<td>Mid-South Conference</td>
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<td>Spring Institute</td>
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<td>ANI</td>
<td>June 24-27th</td>
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For more information about our upcoming meetings please [visit our website](#).
Be sure to check out all of our 2017-2018 sponsors by clicking on their names.

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# Happy Anniversary!

**20 Years**
- Jake Carnazzo
- Michelle Hayden
- Vicki Parks

**5 Years**
- Joel Conner
- Melinda Hamilton
- Thomas Leach
- Taylor Bockweg

**10 Years**
- Sandra Thacker
- Dominic Adiutori
- Adam Shewmaker

**1 Year**
- Priya Pasala
- Justin Perry
- Mary Dickman
- Claudia Dampier
- Cole Zook
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ablackwell@bkd.com

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nficklin@blueandco.com

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Phone: 502-523-0636
tchristian@frost-arnett.com
We Have An APP!

We have been working hard to put together a KY Chapter HFMA app to keep you up to date on all the events, agenda, speakers, announcements, and past presentations.

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experience direction

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- Managed Care Contract Negotiation
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