Home Health Bad Debt Management
Current State Overview, Pilot Results & Proposed Next Steps

Current State Overview

The Home Health practice has wide variation in Bad Debt financial results and processes to manage Bad Debt. In addition, the practice has a significant compliance risk due to outstanding orders.

Bad Debt & Unbilled

Home Health bad debt typically falls under 2% for the practice average, which is in line with industry best. However, a third of Home Health Divisions are typically above 2%, with the highest divisions peaking over **5%**. Total Unbilled for the Home Health practice is **$23M**; **50%** of which is due to outstanding orders.

Days to Bill

Home Health average Days to Bill is **29 days** and the best division is **20 days**; industry best is less than 10 days. (A day is worth approximately $40k in annual savings for the practice.)

Order Compliance

Only **62%** of all outstanding orders in Home Health are within compliance (i.e. less than 28 days old). Order compliance ranges by Division from **43% - 90%** of orders signed within 28 days. Only one Division is at 90%, which is in line with industry best.

Process Variation

Some HH Divisions have centralized administrative teams who manage order tracking and F2F while others do not have centralized support. However, ownership of the entire pre-bill process is undefined across the practice. The practice lacks standardization of processes and clear guidelines for "what good looks like," resulting in noise and uncertainty.

The Pilot

In Q3 2020, a team began a 6-month pilot to determine how best to streamline and standardize Pre-Bill management, with the specific goals of reducing impact to Bad Debt/Unbilled, minimizing compliance risk, and reducing variation and noise.

The pilot focused on the Ocotillo Division in Tucson, Arizona, which has historically struggled with orders, F2F, and overall bad debt management. The pilot consisted of a 4-person centralized team managing all bad debt administrative responsibilities and 1 manager accountable for holistic Pre-Bill strategy, oversight and coordination between operational and billing leadership.

Pilot Results

Pilot Highlights:

- **Process Expertise –** Created standardized training materials, success measures and consistent expectations.
- **Communication –** Streamlined touchpoints with service offices to provide specific, actionable insight and recommendations.
- **Targeted Strategies –** Identified specific trends within markets and successfully involved the sales team to help with relationship management and physician education.
- **Enhancements –** Introduced a HCHB bolt-on software with more efficient and automated outbound orders tracking (Worldview) and outsourced key repeatable tasks to offshore BPO partners (GoodWorks).

Financial and Compliance Results:

Total pilot cost was **$112k** and the results created **$1.6M** in savings. More specifically, the team made significant improvement for the Ocotillo Division in the following areas:

	Pre-Pilot	Pilot End
Bad Debt (%)	2.7%*	-3.5%
Unbilled ($)	$2.9M	$1.4M
Days to Bill (days)	48 days	40 days
Order Compliance (% compliant)	39%	57%

2.7% was the bad debt % prior to payor-related credits – see Appendix for additional information.

Pilot Feedback:

"I am speechless! Incredible work! Thank you thank you thank you!" – Loreto Echevarria, Director

"The focus and trouble-shooting as well as education to the team is stellar!" – Emerald Edgecombe, Area Director

"When CSMs are given more time to manage teams and intake, growth follows!" – Jaime Farmer, Divisional CSM

"Key players were identified early, and trust was established quickly and maintained. There was consistent and transparent reporting-out on both sides to ensure accountability. From the service office perspective, I noticed a revamp of engagement by all "owners" of action items because of intentional and transparent weekly report-outs." — Kelly Seimetz, Bonsai Director

The Opportunity for the Home Health Practice

Given the current state, there is significant opportunity to improve financial health, mitigate compliance risk and reduce inefficiency by adopting the successful pilot model. A streamlined, centralized Pre-Bill management system would close the existing gaps across the practice and allow us to achieve results in line with industry standards.

For orders compliance, operating within industry standard would mean improving our current practice average of 62% of orders within compliance to **90%** of orders signed within 28 days, which represents a significant reduction in risk.

In terms of financial impact, producing results at 2% Bad Debt for the one-third of HH Divisions who are consistently outside of that standard would result in **$2M** in annual savings.

As proven by the pilot, introducing a holistic approach to Pre-Bill management with clear processes, standards, and accountability is the key to obtaining lasting results.

Next Steps

Based on successful pilot results, the ultimate goal is to implement a centralized Pre-Bill management function for the whole practice, with clear ownership and oversight. Next steps on the path toward that future state:

1. Transition Ocotillo from pilot to operational and continue to monitor results. *(in progress)*
2. Recreate the findings of the pilot on a much larger scale – the Aspen Region, which has an existing Central Admin Team. This will also have the dual purpose of significantly impacting overall practice Bad Debt. *(in progress)*
3. Establish Pre-Bill Practice Lead and continue centralizing Pre-Bill management for Divisions who either opt in or do not meet defined standards.

Appendix

Click the arrows below to expand a topic

Current State Overview

	Bad Debt % (as of Q2'20)	Unbilled $ (as of 2.9.2021)	Days to Bill (as of 2.2.2021)	Orders Compliant % (as of 2.2.2021)
Home Health Practice	**2.00%**	**$23,641,600**	**29**	**62%**
Amaryllis	1.60%	$2,166,300	31	65%
Bleeding Heart	14.80%	$227,200	31	75%
Bluestar	2.70%	$938,700	23	58%
Calla Lily	2.60%	$3,711,600	41	47%
Camellia	1.40%	$2,487,700	36	43%
Cosmos	1.20%	$739,700	27	86%
Firewheel	1.50%	$647,000	20	74%
Iris	0.80%	$658,600	20	90%
Ivy	1.00%	$1,584,400	22	67%
Lilac	2.00%	$747,400	59	62%
Moccasin	5.10%	$3,960,800	37	59%
Morning Glory	2.40%	$521,900	27	63%
Ocotillo	-0.50%	$1,132,800	34	57%
Peach Blossom	1.20%	$1,216,900	28	71%
Pikake	1.70%	$1,394,000	34	80%
Shooting Star	1.60%	$1,506,600	24	66%

Days to Bill

There is a borrowing rate of 4%. For each day saved, this would equate to 4% x the $ amount of potential cash (or average revenue) per day. For the practice, this amounts to approximately $1M per day billed. So for each day saved for the practice, this would be: 4% x $1,000,000 = $40,000 per year in savings per day

Pilot Results

Pilot Cost

Project Oversight	$12,137
Project Team	$96,653
GoodWorks (labor)	$3,120
Worldview (technology)	$552
Total Cost	**$112,462**

Pilot Savings

Pilot Savings were $1.6M ($1.5M from Unbilled savings + $19k due to reducing days to bill)

Bad Debt

Bad Debt at pilot start (Q2) was 1.4% on the Simple Income Statement; however, this was artificially low due to atypical payor-related credits. Working with the VRS team, it was determined that a more accurate representation of Ocotillo bad debt in Q2 is 2.7%.

Days to Bill

There is a borrowing rate of 4%. For each day saved, this equates to 4% x the $ amount of potential cash (or average revenue) per day. Ocotillo has $60,500 per day in billed revenue, which equates to $2,420 for each day saved. The pilot saved 8 days, which amounts to $19,360 in annual savings.

Home Health Opportunity

	Q4'2020 Data					
	Q4'20 Bad Debt	avg weekly rev Q4'20	Current Rev $ reserved (weekly)	future bad debt	rev savings (weekly)	rev savings (annual)
Bleeding Heart	13.1%	$ 120,486	$ 820,751	2.0%	$ 13,374	$ 695,445
Calla Lily	2.2%	$ 1,040,028	$ 1,189,792	2.0%	$ 2,080	$ 108,163
Cosmos	4.2%	$ 511,402	$ 1,116,902	2.0%	$ 11,251	$ 585,044
Ivy	2.1%	$ 613,881	$ 670,358	2.0%	$ 614	$ 31,922
Lilac	6.0%	$ 172,705	$ 538,840	2.0%	$ 6,908	$ 359,226
Moccasin	2.7%	$ 657,940	$ 923,748	2.0%	$ 4,606	$ 239,490
Pikake	2.7%	$ 436,928	$ 613,447	2.0%	$ 3,058	$ 159,042
			$ 5,873,837		$ 41,891	$ 2,178,332