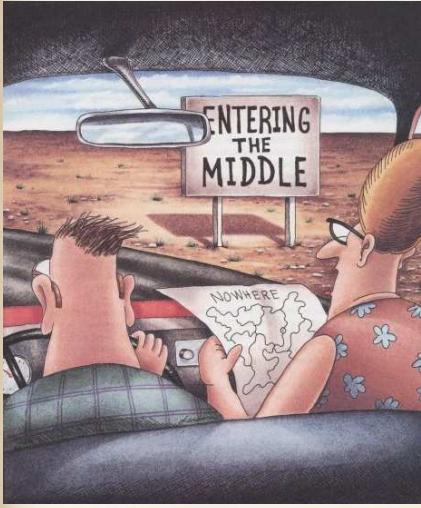


KPIs
and Success
in
Managed Care
Contracting

*"Well, this is just going
from bad to worse."*



WHAT ARE KPIS?

KPIs are Key Performance Indicators.
Among other things, they are:



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Among other things, they are:

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- A performance snapshot



WHAT ARE KPIS?

KPIs are Key Performance Indicators.

Among other things, they are:

- Standardized, essential metrics
- A specific measurement of progress toward a goal
- A performance snapshot
- Indicators of numerical and/or qualitative measurements



MANAGED CARE KPIS

The Selection Criteria for Managed Care Contracting KPIs are:

- Do the KPIs promote profitable operations?
- Do they measure managed care contracting outcomes?
- Do they reflect the managed care contracting strategy?
- Are the KPIs a roadmap to contracting improvement and success?
- Do the KPIs compare you with other institutions with the same demographics?

MANAGED CARE KPIs

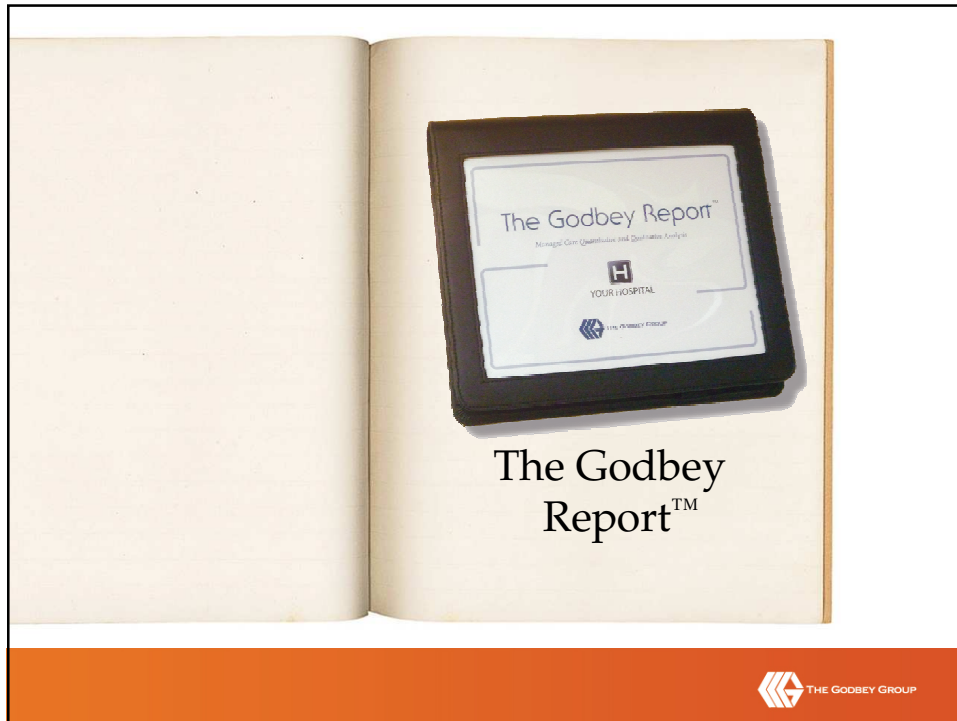
A few examples of Managed Care KPIs are:

- Case Mix Adjusted
 - Charge/Case
 - Revenue/Case
 - Revenue/Days
- Average Length of Stay (ALOS)
- Cost-to-Charge Ratio and Margin
- Volume
- Administration Burden

MANAGED CARE KPIs

Why use Managed Care KPIs to track performance?

- Aids in preparing for contract negotiations
- Positions you for:
 1. Long-term viability
 2. Financial stability and capital needs
 3. Improved quality
 4. Expansion of community services



THE GODBEY REPORT: ORIGINS

Here's **why** we developed The Godbey Report:

- You deserve to know where you stand
- You need to understand your financial future so you can make smart decisions today
- You need a cost effective tool to evaluate and benchmark managed care contract performance
- To assist with service line planning and initiatives
- To help avoid missed opportunities
- To help you communicate to your Board and internal and external stakeholders



THE GODBEY REPORT INCLUDES:

THE REPORT

- Charts, Graphs and Analysis
- Benchmarks

THE EXECUTIVE SUMMARY

- Detailed Observations and Findings
- Customized Based on Expert Evaluation

THE DEBRIEFING

- Post-Report Delivery Consultation with The Godbey Group Team
- Discussion of Questions, Recommendations and Future Strategy



THE GODBEY REPORT: KPIs

Client Provided Financial Data - Comparison by Source

	BILLED CHARGES	REVENUE	COST	MARGIN	% MARGIN	% of TOTAL BILLED CHARGES	% of TOTAL REVENUE	% YIELD
MEDICARE	Inpatient:	501,592,527	118,257,283	143,455,463	-25,198,180	-21.31 %	60.78 %	54.46 %
	Outpatient:	201,624,870	33,332,872	44,357,471	-11,024,599	-33.07 %	38.98 %	27.61 %
	Combined:	\$703,217,397	\$151,590,155	\$187,812,934	\$-36,222,779	-23.90 %	52.38 %	44.87 %
MEDICAID	Inpatient:	103,470,777	26,390,680	29,592,642	-3,201,962	-12.13 %	12.54 %	12.15 %
	Outpatient:	75,650,529	8,989,638	16,643,116	-7,653,478	-85.14 %	14.62 %	7.45 %
	Combined:	\$179,121,306	\$35,380,318	\$46,235,759	\$-10,855,441	-30.68 %	13.34 %	10.47 %
COMMERCIAL (1)	Inpatient:	166,230,559	65,857,917	47,541,940	18,315,977	27.81 %	20.14 %	30.33 %
	Outpatient:	187,464,990	74,512,894	41,242,298	33,270,596	44.65 %	36.24 %	61.71 %
	Combined:	\$353,695,549	\$140,370,811	\$88,784,238	\$51,586,573	36.75 %	26.35 %	41.55 %
OTHER	Inpatient:	53,932,911	6,625,194	15,424,813	-8,799,619	-132.82 %	6.54 %	3.05 %
	Outpatient:	52,564,017	3,904,191	11,564,084	-7,659,893	-196.20 %	10.16 %	3.23 %
	Combined:	\$106,496,928	\$10,529,385	\$26,988,896	\$-16,459,511	-156.32 %	7.91 %	3.12 %
GRAND TOTAL	Inpatient:	825,226,774	217,131,074	236,014,857	-18,883,783	-8.70 %	100.00 %	26.31 %
	Outpatient:	517,304,406	120,739,595	113,806,969	6,932,626	5.74 %	100.00 %	23.34 %
	Combined:	\$1,342,531,180	\$337,870,669	\$349,821,827	\$-11,951,158	-3.54 %	100.00 %	25.17 %



THE GODBEY REPORT: KPIs

MARGIN
% MARGIN

Client Provided From Source	Margin	% Margin
MEDICARE	-25,198,180	-21.31 %
MEDICAID	-11,024,599	-33.07 %
COMMERCIAL (1)	\$-36,222,779	-23.90 %
OTHER	-3,201,962	-12.13 %
GRAND TOTAL	-7,653,478	-85.14 %

Category	BILLED CHARGES	REVENUE	% of TOTAL REVENUE	% YIELD
MEDICARE	501,592,527	118,257,280	8 %	54.46 %
MEDICAID	201,624,870	33,312,870	8 %	27.61 %
COMMERCIAL (1)	5708,217,397	\$15,590,150	8 %	44.15 %
OTHER	103,470,777	26,390,668	4 %	25.50 %
GRAND TOTAL	6,384,885,964	193,551,068	3 %	30.32 %

MANAGED COST? BETTER CODING?

THE GODBEY REPORT: KPIs

BLUE: All Managed Care Volume

ALOS	Case Mix Index	Non-Case Mix Adjusted Metrics				Case Mix Adjusted Metrics				% Yield	% Margin	Percent of Billed Charges					
		Average Billed Charge / Case	Average Revenue / Case	Average Billed Charge / Day	Average Revenue / Day	Average Billed Charge / Case	Average Revenue / Case	Average Billed Charge / Day	Average Revenue / Day			Implants/ Prosthetics	High Cost Drugs	% of Billed Charges	% of Revenue		
3.0	0.94	29,637	6,855	9,943	2,300	31,511	7,289	10,572	2,445	23.13 %	23.64 %	0.10 %	0.27 %	8.61 %	7.05 %		
4.6	3.35	101,069	29,738	21,781	6,409	30,156	8,873	6,499	1,912	29.42 %	2.80 %	3.80 %	0.48 %	27.06 %	28.22 %		
3.9	0.96	25,804	6,987	6,608	1,789	26,922	7,290	6,894	1,867	27.08 %	-5.63 %			3.84 %	4.68 %		
5.6	2.14	61,356	16,831	11,047	3,030	28,661	7,862	5,161	1,436	27.43 %	-4.26 %			4.87 %	4.73 %		
2.8	0.59	6,402	3,985	2,284	1,422	10,878	6,772	3,881	2,436	62.25 %	54.06 %			1.38 %	3.04 %		
3.6	1.03	28,154	7,760	7,837	2,160	27,395	7,551	7,626	2,102	27.56 %	-8.76 %	0.11 %		3.83 %	2.96 %		
2.3	1.26	45,523	9,358	19,715	4,053	36,089	7,418	15,629	3,213	20.56 %	-39.13 %	1.07 %	0.27 %	0.84 %	0.61 %		
2.5	0.62	17,832	4,526	7,133	1,810	28,782	7,305	11,512	2,922	25.38 %	-12.69 %	0.08 %		4.45 %	4.00 %		
5.9	1.75	49,235	15,515	8,398	2,646	28,202	8,887	4,810	1,536	31.51 %	9.24 %	0.03 %	0.09 %	2.02 %	2.26 %		
3.0	0.81	19,557	5,932	6,518	1,977	24,211	7,344	8,069	2,448	30.33 %	5.72 %			0.75 %	0.80 %		
2.9	2.15	61,253	16,032	21,478	5,621	28,547	7,472	10,010	2,620	26.17 %	-9.27 %	0.05 %		14.05 %	13.04 %		
4.0	1.30	34,034	9,763	8,544	2,451	26,216	7,520	6,581	1,888	28.69 %	0.30 %	0.12 %	0.06 %	29.12 %	29.60 %		
INPATIENT TOTAL		3.6	1.42	39,354	11,304	10,866	3,066	27,753	7,880	7,663	2,162			1.10 %	0.18 %	100 %	100 %
OP-ER				4,879	1,492					30.58 %	28.06 %	0.07 %	0.11 %	23.25 %	22.45 %		
OP-Surgery				24,950	5,114					20.50 %	-7.34 %	0.35 %		15.52 %	10.05 %		
OP-Other				1,668	582					34.91 %	36.98 %	1.49 %	0.16 %	61.23 %	67.50 %		
OUTPATIENT TOTAL				2,375	752					31.67 %	30.52 %	0.98 %	0.13 %	100 %	100 %		
TGG AVERAGE																	

THE GODBEY REPORT: KPIs

	Non-Case Mix Adjusted Metrics					% Yield	% Margin	Percent of Billed Charges			
	Average Billed Charge / Case	Average Revenue / Case	Average Billed Charge / Day	Average Revenue / Day	Average Billed Charge / Case			Implants/ Prosthetics	High Cost Drugs	% of Billed Charges	% of Revenue
Cardiology	6,577	6,855	9,943	2,300	31,511	23.13 %	-23.64 %	0.10 %	0.27 %	0.06 %	28.22 %
Cardio-Inv	2,069	29,738	21,781	6,409	30,156	29.42 %	2.80 %	3.80 %	0.48 %	27.06 %	3.68 %
GI	804	6,987	6,608	1,789	26,922	27.08 %	-5.63 %	0.13 %		4.87 %	4.73 %
GI-Surg	356	16,831	11,047	3,030	28,661	27.43 %	-4.26 %	0.11 %		1.38 %	3.04 %
Neonatal	402	3,985	2,284	1,422	10,878	62.25 %	54.06 %	1.07 %	0.27 %	0.84 %	0.61 %
Neurology	154	7,760	7,837	2,160	27,395	27.56 %	-3.76 %	0.08 %	0.09 %	4.45 %	4.00 %
Neuro-Surg	523	9,358	19,715	4,053	36,089	20.56 %	-39.13 %	0.03 %	0.02 %	2.02 %	2.26 %
Obstetrics	832	4,526	7,133	1,810	28,782	25.38 %	-12.69 %	0.05 %		14.05 %	13.04 %
Oncology	235	15,515	8,398	2,646	28,202	31.51 %	9.24 %	0.12 %	0.06 %	29.12 %	29.60 %
Orthopedics	557	5,932	6,518	1,977	24,211	30.33 %	5.72 %	1.10 %	0.18 %	100 %	100 %
Ortho-Surg	253	16,032	21,478	5,621	28,547	26.17 %	-9.27 %	0.07 %	0.11 %	23.25 %	22.45 %
Other	668	582				28.69 %	0.30 %	0.35 %		15.52 %	10.05 %

WHAT IS DRIVING BELOW COST REIMBURSEMENT?

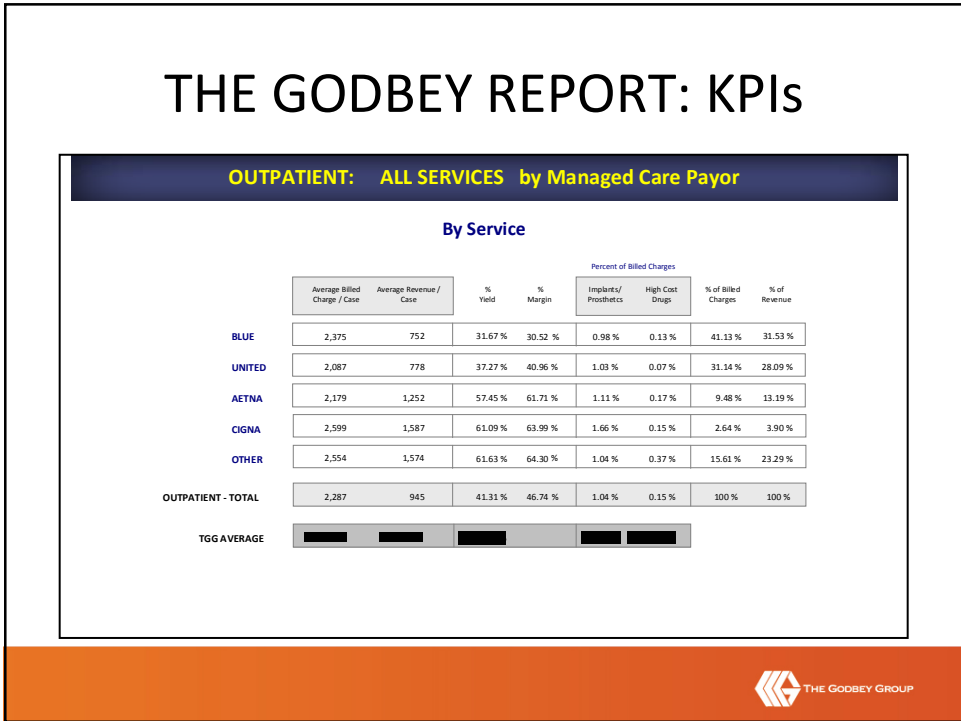
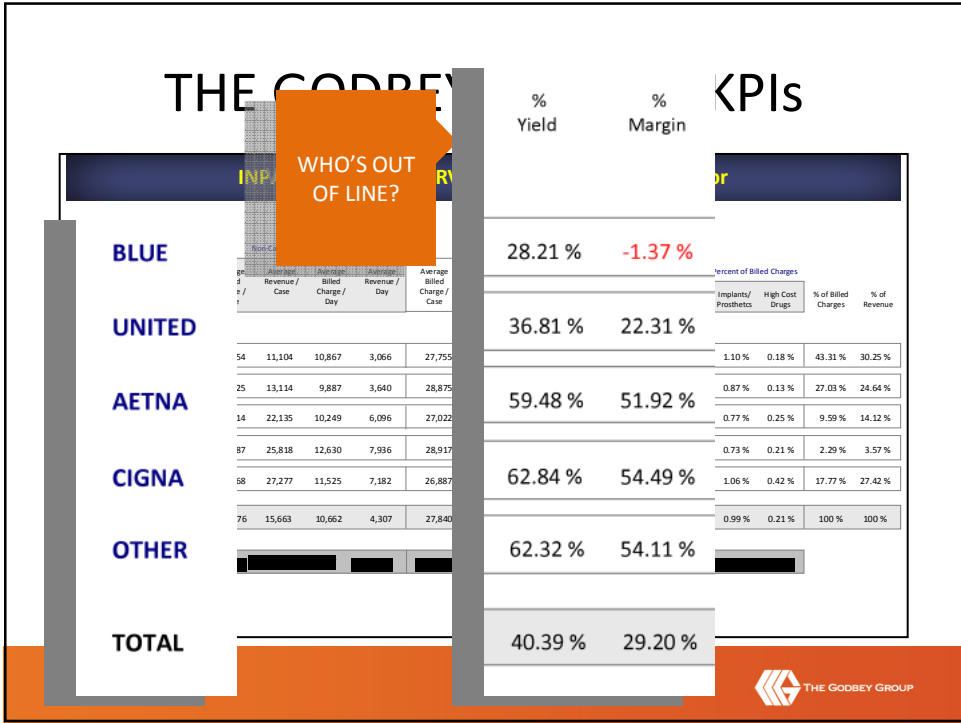


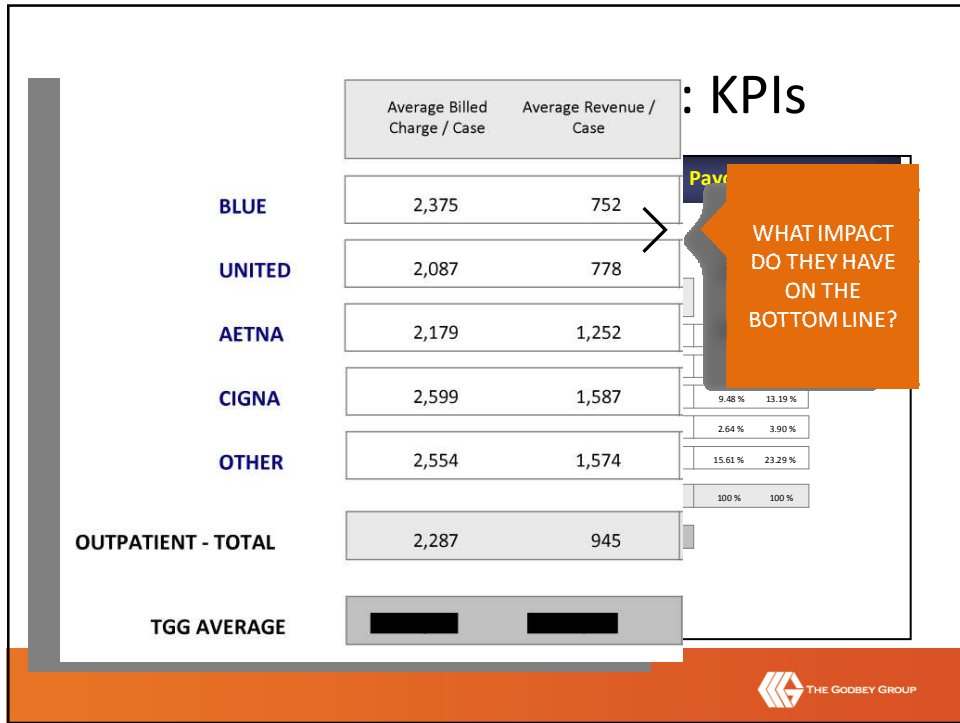
THE GODBEY REPORT: KPIs

ALOS	Case Mix Index	Non-Case Mix Adjusted Metrics				Case Mix Adjusted Metrics				% Yield	% Margin	Percent of Billed Charges				
		Average Billed Charge / Case	Average Revenue / Case	Average Billed Charge / Day	Average Revenue / Day	Average Billed Charge / Case	Average Revenue / Case	Average Billed Charge / Day	Average Revenue / Day			Implants/ Prosthetics	High Cost Drugs	% of Billed Charges	% of Revenue	
BLUE	3.6	1.42	39,354	11,104	10,867	3,066	27,755	7,831	7,664	2,162	28.21 %	-1.37 %	1.10 %	0.18 %	43.31 %	30.25 %
UNITED	3.6	1.23	35,625	13,114	9,887	3,640	28,875	10,629	8,014	2,950	36.81 %	22.31 %	0.87 %	0.13 %	27.03 %	24.64 %
AETNA	3.6	1.38	37,214	22,135	10,249	6,096	27,022	16,073	7,442	4,426	59.48 %	51.92 %	0.77 %	0.25 %	9.59 %	14.12 %
CIGNA	3.3	1.42	41,087	25,818	12,630	7,936	28,917	18,171	8,889	5,586	62.84 %	54.49 %	0.73 %	0.21 %	2.29 %	3.57 %
OTHER	3.8	1.63	43,768	27,277	11,525	7,182	26,887	16,756	7,080	4,412	62.32 %	54.11 %	1.06 %	0.42 %	17.77 %	27.42 %
TOTAL	3.6	1.39	38,776	15,663	10,662	4,307	27,840	11,246	7,655	3,092	40.39 %	29.20 %	0.99 %	0.21 %	100 %	100 %

TGG AVERAGE









THE EXECUTIVE SUMMARY

The Godbey Report™ is a lengthy, in-depth report. But it starts with a concise Executive Summary of key observations, findings and insights.

- Financial Observations
- Payor Source Observations
- Individual Payor Observations
- Observations by Service Line
- Easy-to-Read Charts and Graphs
- Qualitative and Quantitative Analysis
- Recommendations

CASE STUDY: A TEXAS HOSPITAL



CASE STUDY: THE CHANGE PROCESS



CASE STUDY: THE CHANGE PROCESS

What? So What? Now What?



WHAT WE'RE DOING:

What?

- Below the market rate confirmed
- Lines of business losing money

So What?

- Below market is not prudent or sustainable
- Losing on lines of business is not sustainable



WHAT WE'RE DOING:

Now What?

- Establish rate threshold for large volume payers
- Establish margin threshold to support mission
- Closer review of specific service line performance
- Rebase pricing of service lines
- Ensure overall rate meets established thresholds



VALUE STATEMENTS

The Value of The Godbey Report to Hospitals:

- The Executive Summary: More than just a short recap, this document is full of findings, insights and recommendations
- A look outside your "Silo"
- Benchmarks your payors and 12 inpatient service lines
- Benchmarks your data to your peers nationally
- Discovers anomalies and identifies areas recommended for change/improvement
- A business tool to support planning
- Customized communication for target audiences
- A cost effective effort



Thanks to KPIs
and
The Godbey Report,
this story has a
very happy ending.



Yours could, too.

