

Assessment of Financial Condition



Presented to:

Board of Directors, Cascadia Behavioral Health
Multnomah County Dept. of Human Services

September 10, 2008



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I. Statement of Work

Work initiated on 25-Aug-2008 pursuant to contract with Multnomah County

- **Assess Cascadia's current business plan**
- **Develop remediation plan that is:**
 - **"realistic, attainable and feasible"**

- **Provide recommendations on:**
 - **Creation of new business plan**
 - **Cash controls**
 - **Financial projections**

Can Cascadia be a viable and sustainable business?

I. Statement of Work

- **A&M staff onsite at Cascadia since 25-Aug**
 - Financial and operating expertise
 - Reimbursement and billing cycle expertise

- **Analysis of data and discussions with staff**
 - Senior management
 - Clinical directors
 - Accounting and billing staff

II. Findings

Current Situation

➤ Positives

- Essentia platform roll-out
- Core accounting systems functional and stable
- Internal candidates identified for certain key positions
- Effort and enthusiasm focused on productivity improvement

➤ Negatives

- Unflattering media coverage
- Difficult recruiting environment
- Fee-for-Service management

Cascadia needs to use its recent progress as a springboard to building a sustainable and viable business.

II. Findings

Several focus areas for improvement

➤ Revenue Cycle

- *Includes the billing and collection process starting with patient scheduling and ending with collection and reconciliation of cash*

➤ Productivity Management

- *Includes the management of Cascadia's Fee-for-Service (FFS) billings, which comprise 30%+ of revenues*

➤ Management and Board Reporting

- *Includes operational and financial metrics to be measured and discussed each month with senior management, the board, and key outside constituents.*

II. Findings, Revenue Cycle

Recommendations

- Hold weekly Revenue Cycle meetings with stakeholders to achieve consistency and improve communication between clinical sites and CBO
- Define Up-Front collection policies and work toward consistency among all sites
- Activity forms should be universal among sites so any pre-biller can input charges into the system quickly and accurately. This will help with staffing in the CBO as well as increase productivity
- Educate Site Staff on the enrollment process to ensure proper information is reported in the Essentia System. Reimbursement source data must be entered correctly at enrollment to ensure proper billing and reimbursement
- Track all denials by reason code to determine sources. Work cooperatively with payors to minimize denials
- Prioritize denials work to improve efficiency
- Track the success of denial overturns
- Work closely with Verity to monitor caps on a monthly basis

II. Findings, Revenue Cycle

- **Standardize processes around Essentia platform**
- **Collect A/R above 60 days**
- **Hire strong manager to direct billing office**

II. Findings, Productivity

➤ **Designate a productivity Czar**

- Create single point of accountability/ownership for FFS business
- View improvement as an ongoing process, not a destination
- Achieve 50% productivity, as forecasted in FY2009 budget

➤ **Create appropriate metrics**

- Motivate staff with measurement of trailing 90-day and trailing 30-day performance
- Avoid single point-in-time measurements/conclusions
- Address PTO issue
- Deliver/discuss results with all constituents

II. Findings, Productivity

- **Manage productivity at the level of Clinical Director**
 - Push responsibility to field managers, not the players (clinicians)
 - Allow Directors to mix and match staff, schedules, duties in order to hit team-level productivity targets
 - “Local Knowledge” from Directors will inform productivity numbers, and most importantly, the productivity trends

- **Treat productivity as part of overall solution**
 - More group sessions
 - Smarter scheduling
 - Respect reimbursement caps

II. Findings, Management and Board Reporting

- **Standardize key metrics across company**
 - Monthly reporting package to include financial statements, productivity measures, billing/collecting measures, employee turnover, and tracking of all other metrics key to the viability of the organization
 - Package should contain executive summaries, as well as detailed tables of data and management commentary
- **Create accountability deep into the organization**
 - Productivity and billing metrics should touch all managers and most employees
 - Combine with measures of patient care and quality for a complete picture of the company
- **Arrange face-to-face monthly meetings with key board member(s)**
 - Senior management to present results v. plan each month, vetted by key board member prior to board meeting
 - Feature an employee or team each month to make a short presentation to the board – in person

III. FY2009 Budget

- **Budget process needs to be formalized**
 - Involvement from stakeholders across the company
 - Iterative and collaborative process
- **Financial toolsets are good**
 - General ledger and budgeting systems are easy to work with and staff are comfortable with them
 - Company has the ability to change assumptions and reproduce budget in near real-time
- **Financials reporting needs to mirror organizational structure**
 - Financial responsibility spread across several business units or profit centers, each with an individual accountable for all results
 - Eliminate/reduce myriad and mostly inconsequential allocations of costs and staff
 - Everybody needs a boss

III. FY2009 Budget

- **Current draft budget indicates average loss of approximately \$60k/month**
 - Budget and organization realigned according to business units
 - Reasonable assumptions made throughout, does not include unrealistic changes to the company
- **Where is the low-hanging fruit to improve next iteration of the budget?**
 - Divest Downtown Clinic \$35k to \$60k per month
 - Consolidate admin staff \$15k to \$40k per month
 - Realign clinical unit management \$10k to \$25k per month
- **Next budget iteration should be able to produce breakeven or better results without stretching assumptions**
 - Ongoing analyses should be of the “run-rate” of Cascadia as it divests businesses and realigns costs
 - Monthly profitability should be targeted for mid-FY2009, with key changes and improvements to occur during the next 90 days

III. FY2009 Annual Budget

	Clinics	Other	Ops	Admin	TOTAL
Revenue	11.9	28.8	40.7	0.0	40.7
Direct Expense	(5.8)	(16.8)	(22.6)	0.0	(22.6)
Indirect	(5.1)	(8.8)	(13.9)	(4.9)	(18.8)
Net Contribution	1.0	3.2	4.2	(4.9)	(0.7)

III. FY2009 Budget, Monthly Savings Opportunities

	Low	High
Eliminate Downtown Center	35	60
Admin staff	15	40
Benefits/OT/PTO	20	40
Other Admin	10	25
Clinical Units	10	25
Maintenance reserves	10	20
Janitorial	10	15
HUD property	10	15
Residential oversight	5	10
Prop Mgmt	5	10
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	130	260
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IV. Action Items for Cascadia

- **Analyze Budget v. Actual Performance for Jul-Aug**
 - Assess new profit-center configuration
 - Appoint lead director
 - Initiate monthly reporting package
- **Clean-up Accounts Receivable**
 - Meet with payers, collect everything over 60 days
 - Adopt processes to reduce denials, improve collections in future
 - Remember that garbage in equals garbage out
- **Make Productivity a Positive, not a Negative for Cascadia**
 - Design and implement measurement systems
 - Resolve PTO issues
 - Involve all stakeholders

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