

Cost Restructuring in a Fee-for-Service Environment

As a part of its effort to provide guidance to providers during this challenging budgetary environment, DHS/DMH, with assistance from Parker Dennison & Associates, developed a list of issues and techniques for providers to consider in absorbing the recent contract reductions. Although DHS/DMH has not fully transitioned to a fully retrospective fee-for-service environment, billing levels are important for determining contract amounts and payments. Accordingly, it is important that providers develop cost restructuring plans in the context of a fee-for-service environment whereby billing is maintained while expenses are reduced.

- **Focus on maintenance of stability of core services to consumers.** This will vary by each provider's service array, but would generally include crisis, community support, case management, ACT, psychiatric and medication management services. Also, to ensure, effective service delivery, mental health assessment and treatment plan development are included. Residential programs should be sustained to avoid additional homeless situations. Timeliness of responses in each of these areas should be monitored to make sure essential supports are present.
- **Thoughtfully communicate changes to consumers.** Make sure all consumers have similar information regarding the necessity of changes, how their personal recovery goals can still be supported, and what they can do should they feel a need to express their concerns or questions.
- **Thoughtfully communicate changes to staff.** Communication should include, the agency's commitment to consumers and the importance of maintaining appropriate boundaries and consistent communication between staff and consumers. There should also be opportunities for staff to discuss the changes with management and ask questions.
- **Maintain direct service positions.** Any delays in hiring new positions or staff reductions should be focused on non-direct service positions in order to maintain consumer access and billing levels. Any reductions in available direct service staff may reduce billing levels and could result in future contract reductions.
- **Productivity management.** Maintaining or improving productivity is critical to on-going operations, and productivity monitoring and management should be a priority during re-alignment of staff resources. In addition, if staff reductions are necessary in direct service positions, productivity performance should be considered as a

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portion of the criteria for determining which positions should be retained.

- **Emphasis on group services.** As clinically appropriate for client needs, group services allow providers to extend services to a larger number of clients and reduce the impact of no show rates. Group services also increase the revenue per hour of service if group enrollment and attendance are managed appropriately.
- **Management and administrative positions.** In considering staff re-alignment, the number of administrative support positions (receptionists, secretaries, clerks, etc.) should be reviewed across the organization to determine if any consolidations can be achieved. The number of managers and supervisors should also be reviewed, particularly for areas where the ratio of staff to supervisors is small or where more than one layer of supervision exists. The primary objective is to maximize direct service staff resources available to consumers. In addition, rather than complete elimination of staff positions, the use of temporary furloughs can be considered to facilitate recovery when resources permit.
- **Billing other payers.** Providers should review front desk procedures designed to capture information about all possible payment sources for a client and assure that other payers are billed in timely manner. Routine procedures should be in place for follow-up on accounts receivable balances to assure maximization of revenues and cash flow.
- **Medicaid eligibility screening.** To continue efforts to maximize federal resources available to the community mental health system, providers should screen clients for Medicaid eligibility at admission and throughout the treatment episode. If it appears that the client or family may be eligible, the provider should support efforts to apply for Medicaid.
- **Restructuring sites and/or hours of operation.** Rather than eliminating sites or programs completely, providers should consider adjusting hours of operations or reducing the number of days per week a satellite office is open. This will facilitate the recovery of service levels in the future when resources permit. Please note that Contract Attachment B requires notification 30 days prior to the elimination of any service.
- **Staffing PSR, ACT and CST programs.** Desired and required staffing ratios should be compared to actual attendance and caseloads instead

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of enrollment. If staffing ratios are too high, enrollment or caseloads should be increased if there is additional demand for the service. If enrollment increases are not likely or feasible, the staff positions should be reassigned to other direct service vacancies, or eliminated.

- **Reduce or eliminate overtime.** Overtime should be tightly managed to control costs, including in direct service positions. Overtime should be tracked and analyzed to identify the underlying cause and appropriate corrective action measures.
- **Line of credit or mortgages.** Although more difficult in the current environment, nonetheless, to help bridge delays in payments, providers should seek out or increase lines of credit or consider mortgaging real estate. These strategies should be used only for cash flow needs associated with payment delays, and debt should not be increased to fund operating losses. Operating losses should be addressed through revenue increases or expense reductions, not by increased debt.
- **Timely billing.** Current procedures and flows to capture and submit claims should be reviewed to assure that time between date of service and claims submission is minimized. Best practices are to bill within 7 – 14 days of the service date and performance should be monitored regularly. Timely billing will improve cash flow and maximize billing levels at a point in time.