



Catalyst

HEALTH NETWORK

TAFP COVID-19 Webinar: Business Continuity

March 31st, 2020

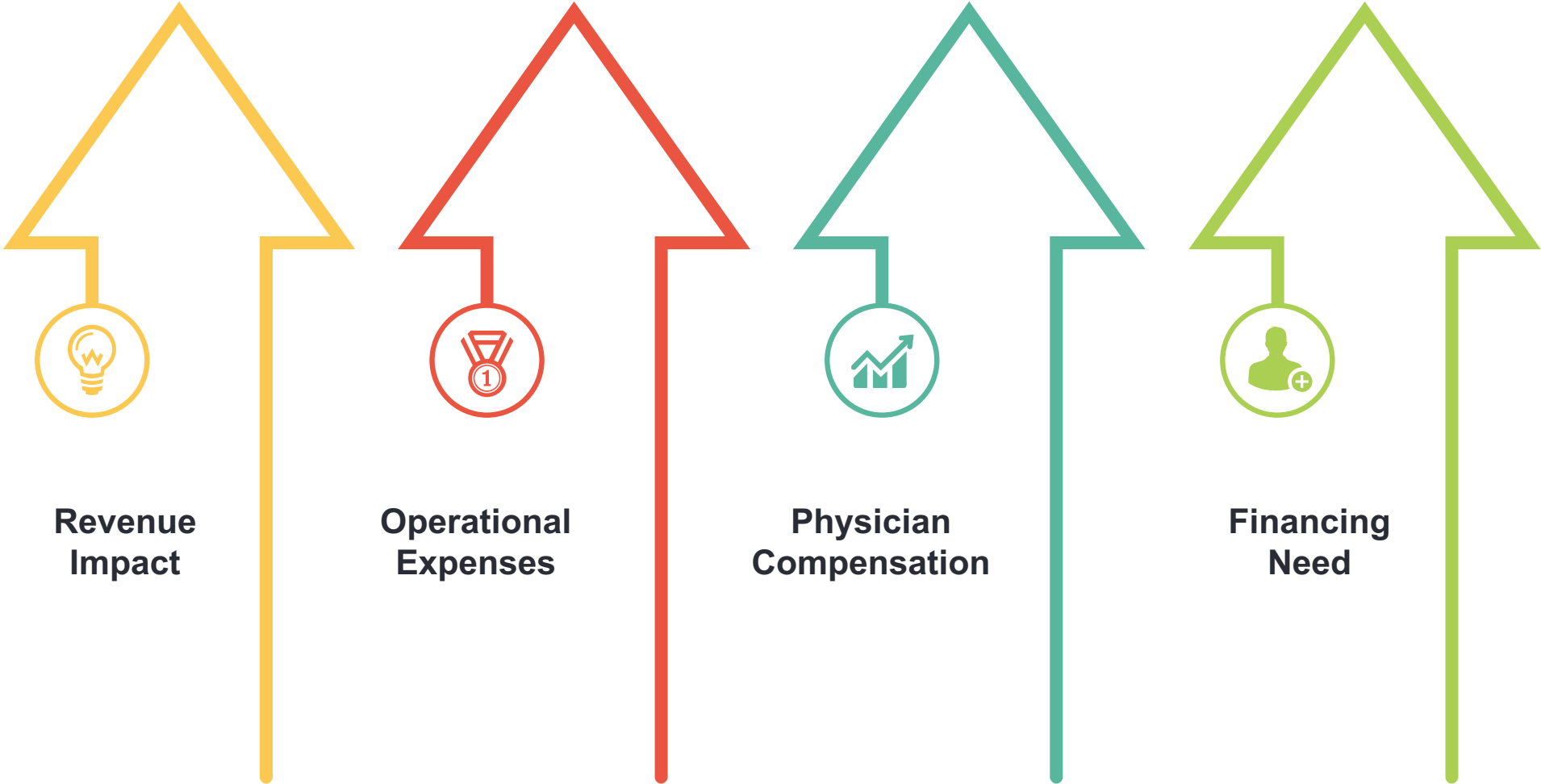
Tool Kit Inventory

- **Business Continuity – Four Steps to Understand Your Situation**
- **Operational Levers**
 - Revenue management
 - Expense management
- **Financial Levers**
 - Banking relationship
 - Govt' resources available



Business Continuity

Business Continuity Considerations



Executive Summary

Financial Management Timeline – 120 Days

Starting at the first day a clinic adopts a telehealth strategy



Executive Summary

Step 1: Revenue Shift

Revenue Implications (Monthly)			
Visits Breakdown		Collections per Visit	
Current FFS Visits	2,000	E&M Related	124.00
		Non-E&M Related	34.98
		Blended rate	\$ 158.98
Volume % Incr / (Decr)	-50%	Telehealth Reimb % Dec (1)	-4%
Adjusted FFS Visits	1,000	% of Time Reimb (Telehealth)	92%
		E&M Related	109.50
		Non-E&M Related	-
		Blended rate	\$ 109.50
	Actual (Average)	Projected	Variance
Total Revenue	317,960	111,976	(205,984) -65%

Key Revenue Assumptions:

- **Five** Provider practice seeing **400** patients per month each
- **50%** total volume decrease during COVID-19 pandemic crisis
- Loss of 95% of Non-E&M related revenue
- **4%** decrease in reimbursement per visit
- **92%** of Visits fully adjudicated

Takeaway:

- **65%** drop in monthly Fee-For-Service revenue
- No impact to prospective payment revenue

Executive Summary

Step 2: Expense Management

Expense Implications (Monthly)

Average Overhead Rate	75%	Average Overhead	238,470
Fixed Component of Overhead	70%	Variable Overhead Component	30%
Fixed Overhead	166,929	Variable Overhead	71,541
Fixed Overhead Reduction	-	Variable Overhead Reduction	46,346

	Actual (Average)	Projected	Variance
Overhead Comparison	238,470	192,124	(46,346) -19%
<i>Fixed Component</i>	166,929	166,929	- 0%
<i>Variable Component</i>	71,541	25,195	(46,346) -65%

Key Expense Assumptions:

- **No Physician Compensation included in overhead**
- Average overhead rate of **75%** with a **70%/30%** split on Fixed/Variable overhead
- Variable Overhead decreases with volume/revenue
- **No reduction** in fixed costs without operational intervention

Takeaway:

- **19%** drop in monthly overhead which helps but does not negate the decrease in revenue

Executive Summary

Step 3: Impact on Profitability

Profitability Implications (Monthly)

	Pre-Pandemic	Pandemic	Variance
Revenue	317,960	111,976	(205,984)
Operating Expenses	238,470	192,124	(46,346)
Physician Comp Pool	79,490	(80,148)	(159,638)
Physician Base Salaries	75,000	75,000	-
Net Income	4,490	(155,148)	(159,638)

Monthly net income
(Pre-Pandemic)

Assuming \$180k
Physician Salary (5
providers in this
example)

New Monthly Net
Income or "Cash
Deficit"

Difference in
between
Earnings

Executive Summary

Step 4: Duration and Financing

Financing Needs

Monthly Cash Deficit

(155,148)

Months of Disruption

4.00

Expected Cash Needs

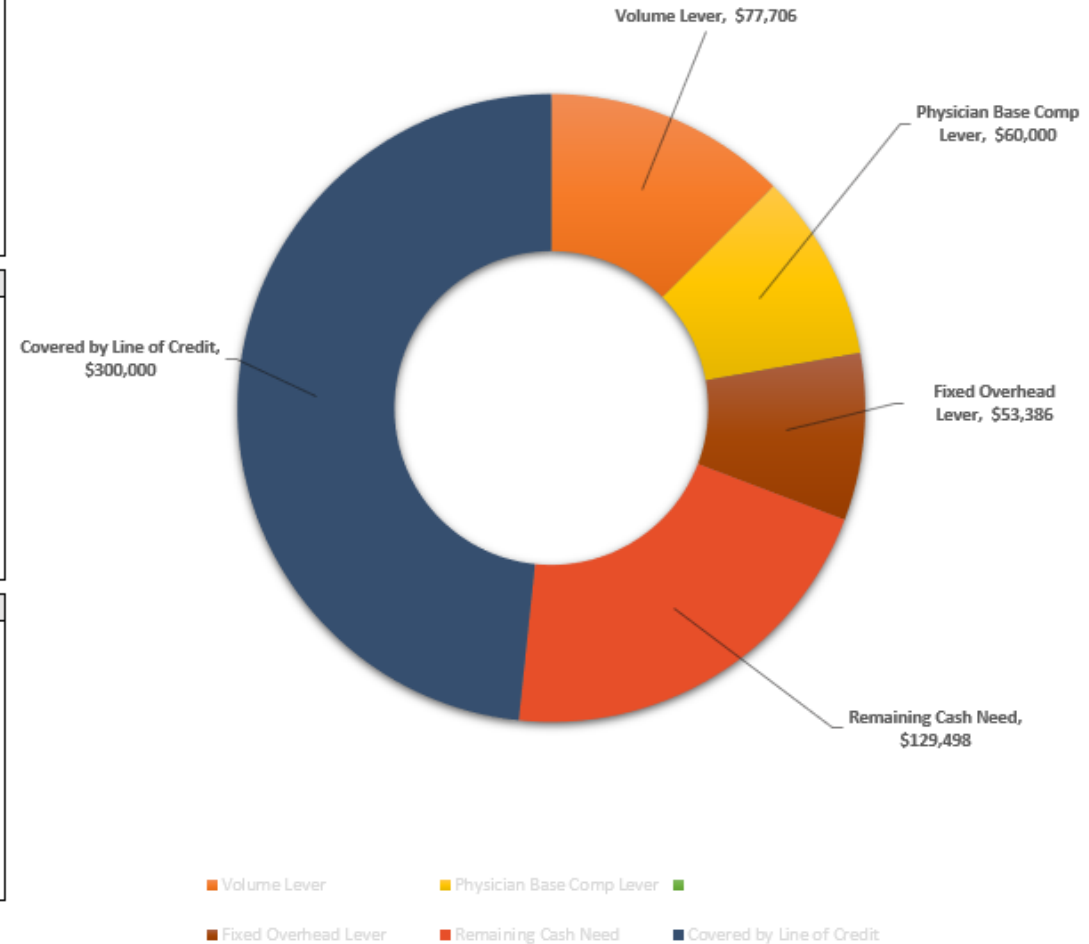
\$ (620,590)

Financing options and Recommendations outlined in later slides

Executive Summary

	Monthly	Entire Disruption Period
Cash Deficit	(155,148)	(620,590)
Visit Volume Lever		
	Monthly	Entire Disruption Period
Average Visits	2,000	8,000
% Incr / (Decr) in Visits	-40%	-40%
Resulting Collections	\$ 131,403	\$ 525,611
Net Impact to Deficit (Compared to Model)	\$ 19,427	\$ 77,706
Physician Base Comp Lever		
	Monthly	Entire Disruption Period
Average Physician Base Comp	\$ 75,000	\$ 300,000
% Incr / (Decr) in Phys Base Comp	-20%	-20%
Resulting Physician Base Comp	\$ 60,000	\$ 240,000
Net Impact to Deficit (Compared to Model)	\$ 15,000	\$ 60,000
Fixed Overhead Lever		
	Monthly	Entire Disruption Period
Average Fixed Overhead	\$ 166,929	\$ 667,716
% Incr / (Decr) in Fixed Overhead	-8%	-8%
Resulting Fixed Overhead	\$ 153,583	\$ 614,330
Net Impact to Deficit (Compared to Model)	\$ 13,346	\$ 53,386
Adjusted Cash Deficit	(107,374)	(429,498)
Amount Available on Line of Credit		300,000
Remaining Cash Need		(129,498)

COVID-19 Business Continuity Plan



Executive Summary

Paycheck Protection Program			
Options:	Option 1	Option 2	Option 3
Description	Retain all staff at full pay; 8 weeks	Retain all staff at 80% pay	Furlough/Term Staff
Average Payroll	\$100,000	\$100,000	\$100,000
Modifier	2.5	2.5	2.5
Loan Amount	\$250,000	\$250,000	\$250,000
Forgiveness	\$200,000	\$200,000	\$0
Monthly Wage Expense	\$200,000	\$160,000	Reduced Staff Wages for Furloughed/Termed Employees
Additional Working Capital Created	\$0	\$40,000	Reduced Staff Wages for Furloughed/Termed Employees
Benefit	Retain full staff for when volumes resume	1) Retain full staff, but incur \$40K in savings 2) Institutional knowledge base is preserved for when volumes resume	Limits the short term financial risk of the business
Risk	Most expensive tactic	Balance of cost, savings, and employee satisfaction	1) Impact to loan forgiveness 2) Potential for attrition 3) Time consuming and expensive to rehire and train new staff 4) Efficiencies may be lost when volumes resume



**Operational
Levers:
Revenue**

Operational Levers Through Telehealth



Virtual Visits

With the prevalence and spread of COVID-19, there has been a mass migration from In-Office Visits to Virtual (Telehealth) Visits, opening opportunities for more convenient patient care.

Visit Volume

During this time of uncertainty, many practices are seeing a large increase in cancellations. Even with the availability of Telehealth, these cancellations are resulting in a significant decrease in visit volume. Consider, educating patients on the benefits of Virtual Visits vs. In-Office Visits to stabilize volume

Reimbursement

Many practices are experiencing ambiguity around billing/collecting for Virtual Visits. It's important to understand patient benefits to ensure proper patient collections so you receive full payment.

Ensuring Payment

We are seeing a decrease in the portion of Virtual Visits that are fully adjudicated compared to In-Office visits. This is largely due to the regulations around Employer-Funded insurance plans where benefit design plays the biggest role in whether a Virtual Visit is paid or not.

Operational Levers Through Telehealth

In-Office Visits ⁽¹⁾		Televisits ⁽¹⁾		Variance
CPT Code	Blended Rate	CPT Code	Blended Rate	
99213	\$ 97.00	99213	\$ 92.05	-5%
Avg. Visit Time (Min.)	20.00	Avg. Visit Time (Min.)	15.00	-25%
Visits per Day	24.00	Visits per Day	28.13	17%
<i>Time Needed (Hours)</i>	<i>8.00</i>	<i>Time Needed (Hours)</i>	<i>7.03</i>	-12%
% of Time Reimbursed	91%	% of Time Reimbursed	82%	-10%
Revenue per Day	\$ 2,126	Revenue per Day	\$ 2,126	0%

Footnotes:

(1) Modeled off a practice with Payor Mix as follows: 40% BCBS, 20% UHC, 15% Cigna, 15% Aetna, 5% Medicare, & 5% Medicare Adv.

Operational Levers Through Building Demand



Catalyst Health Network helps drive the demand for telehealth services

Telehealth

- **Publicize** practice telehealth capabilities via social media, clinic website, text message alerts, email, etc.
- **Expand your virtual capabilities** to include more appointment types
- **New patients** can potentially make up 40 – 50 % of practice virtual visits, according to reports from hard hit areas

Patient Outreach

- **Inform patients** that practices are operating as **essential businesses**, and healthcare IS available
- **Utilize** patient portals, clinic websites, email and phone message capabilities

Operational Levers Through Accounts Receivable (AR)

1 AR: Deep Dive

- Produce AR Aging reports
- Assess outstanding balances owed to your practice

- Prompt note closures
- Coding compliance & appropriateness
- Management of rejected claims

2 Reduce Billing Delays

Expand Payment Options 4

- Payment plan programs for overdue, unpaid balances
- Amend practice payment policy (as needed)
- Educate staff and notify patients accordingly

Maximize Time of Service (TOS) Revenue 3

- Collect overdue balances during scheduling
- Collect deductibles, co-payments, and coinsurance at check-out
- Educate staff to request TOS payments during patient interactions, as needed





Operational Levers: Expense

Operational Levers Through Physician Compensation

INITIATIVE:

Physician Compensation

CONSIDERATIONS:

Manage Physician Compensation for operating cashflow

Shareholder Compensation

- Shareholder Comp: Estimate change as range
 - Project 2020 shareholder comp reduction as range, rather than absolute amount
- Consider Options: Base vs. distributions
- Manage partnership track: evaluate deferral options if applicable
- Consult tax and legal prior to implementing any comp changes

Employed Physician Comp

- Review Contracts
- Consider Short term modifications

Prioritize Communication

- Establish strong, supportive communication
- Comp deferral vs. reduction:
 - Focus changes in comp as deferral rather than permanent reduction
- Prioritize patient care
- Emphasize long-term goals for practice

ACTION ITEMS:

- Forecast Operating Cash Needs through YE 2020
- Estimate Shareholder Compensation Range
- Establish Strong, Supportive and Ongoing Communication
- Consult tax and legal advisors

Fixed/Variable Expenses in the Clinic

Organizations that have a **High Fixed Cost Footprint** are highly sensitive to revenue and volume related fluctuations

Fixed Expenses

- Typically make up 50-80% of the total clinic expense
- Any fluctuations in revenue will have a large impact on cashflow and managing these fixed expenses during difficult times is necessary to survival

Variable Expenses

- Expected to decrease during transition period to Telehealth-based visits

Examples of Expense parsed by Fixed Variable:

<u>Fixed</u>	<u>Variable</u>
Payroll and Related	Medical Supplies
Rent & Utilities	Hormone Expenses
Telephone	Immunizations
Professional Fees	Billing & Collection Services
Insurance	Office Supplies
Marketing	Lab Services
Interest Expense	CC Processing
Depreciation & Amortization	Taxes
Dues and Subscript.	

Operational Levers Through Staffing & Scheduling

Strategy – In the Clinic

- Establish **Core Staffing Model** to identify key personnel to remain productive
- Consider ways that you could **strategically reduce staff** in non-essential roles
- **Evaluate reduced hours** so that you can maintain all staff and have the burden be shared
- **Billing staff** is business as usual to enter charges, post payments, and follow up on aged Accounts Receivable.

Operational Levers Through Vendor Management

INITIATIVE:

Manage Vendor Agreements

CONSIDERATIONS:

Prioritize vendor agreements with potential for financial impact

Lease Obligations

- Facility Lease Options
 - Defer rent options
 - Renegotiate lease terms
 - Assess space reduction
 - Assess secondary locations
 - Know revised market rates
- Equipment Lease Options
 - Negotiate deferrals
 - Negotiate / revised terms

Drugs, Medical Supplies

- Short-term priorities
 - Extend short term current obligations
- Mid-term & Ongoing
 - Renegotiate ongoing payment terms & pricing
 - Plan ongoing negotiations

Other Contract Services

- Prioritization
 - Focus efforts towards greatest cost savings
- Short-term
 - Defer current obligations
- Mid-term & Ongoing
 - Renegotiate ongoing payment terms & pricing



RESULTS

- Reduce Expense Burden
- Improve Liquidity

ACTION ITEMS:

- Identify and Prioritize: Identify and prioritize vendor agreements that warrant renegotiation efforts
- Proactive Negotiation: Contact vendors, discussions, suggest revised terms (both short-term and long-term), ask for / be open to options
- Assess and Execute: Assess terms, execute revised agreements
- Ongoing: Plan for ongoing renegotiation efforts; contact vendors that may have previously



Financing Levers

CMS Accelerated & Advanced Payment Program



ACCELERATED/ADVANCE PAYMENTS:

- Expedited payments provided by the Center for Medicare & Medicaid Services (CMS) to increase cashflow to providers financially impacted by the COVID-19 pandemic
- A request form is made available through the *Provider Enrollment Gateway* on <https://www.novitas-solutions.com/> and may be submitted electronically, by fax, email or mail.

ELIGIBILITY AND PROCESS

- Billed Medicare claim within 180 days prior to date of request
- Not be in bankruptcy
- Not be in active medical review or integrity investigation
- Not have any outstanding Medicare overpayments

PAYMENT AMOUNT:

- Most Part B providers are eligible to receive up to 100% of their historical Medicare payment for a 3 month period
- CMS expects to process and issue advance payments within **7 days** of an approved request
- Providers can submit and receive full payments, as usual, for their Medicare claims in the 120 days (delay period) following the date the accelerated/advance payment is issued

REPAYMENT PROCESS:

- Repayment for advanced payments will begin after the **120-day** delay period from the date the accelerated/advance payment is issued
- Payments associated with newly submitted Medicare claims (after the 120-day delay period) are offset to reduce the accelerated/advanced payment balance which must be fully repaid for Medicare Part B services before **210 days** from the date the accelerated payment was made

* Novitas Solutions, Inc. - Jurisdiction H & Jurisdiction L
(AR, CO, DE, DC, LA, MS, MD, NJ, NM, OK, PA, TX, (includes Part B for counties of Arlington and Fairfax in VA and the city of Alexandria in VA))
The toll-free Hotline Telephone Number: 1-855-247-8428
Hours of Operation: 8:30 AM – 4:00 PM ET

SBA – Executive Summary



	SBA 7(a) Express Loan	SBA 7(a) Paycheck Protection Program	SBA Economic Injury Disaster Loan (EIDL) Loan/Grants
When can I apply	Now	Unknown at this stage; possibly 1-2 weeks while SBA gets lending rules to banks	Now
Who Qualifies	Business < 500 employees; Independent Contractors, Sole Proprietors	Business < 500 employees; Independent Contractors, Sole Proprietors	Business < 500 employees; Independent Contractors, Sole Proprietors
Where to go:	Any Local SBA 7(a) lender	Any Local SBA 7(a) lender	www.sba.gov/disaster
Details/Descriptions			
Loan amounts	Originally \$350K now up to \$1M Similar to a conventional RLOC Type Loan w/ an SBA	Upto \$10M or 2.5X the average monthly payroll cost	Upto \$2M in loans
Rates / term	Backing for the bank	fixed-capped 4% / 10 Yr Term	fixed 3.75% / 30 Yr Term
Eligibility decision	Lender	Lender	SBA
Allowable Uses of Funds	Payroll, Fixed Debts, Accounts Payable, other expenses that can't be paid due to the disaster	Only for employee salaries, medical benefits, retirement, employer payroll taxes, certain types of sole proprietors and independent contractors, mortgage interest, rent and utility costs.	Payroll, Fixed Debts, Accounts Payable, other expenses that can't be paid due to the disaster
Restrictions	None	Can't be used for staff > \$100K annually	Can be used on all business related expenses UCC lien on assets of the business; PGs on loans >\$200K;
Fees/collateral	Normal fees; could be subject to change	All waived	No real estate liens
Deferral of payment	No deferral at this time	6 month payment deferral; interest accrues	12 month payment deferral; interest accrues
forgiveness	0% is eligible for forgiveness	Full or partial forgiveness based on retention of staff; Pending final rulings. Loan recipients will be able to apply for loan forgiveness over 8-weeks for eligible payroll costs, mortgage interest, rent and utility costs. All cancelled debt will be excluded from taxable income.	0% is eligible for forgiveness
Turn around time	36-Hr Turnaround	Unknown at this time.	2-3 weeks plus 5 days funding
Other		Good faith Certification required as to use	Upon applying, eligible to apply for \$10K immediate disbursement (no repayment) no matter of loan decision; funds available in 3-days

Financing Considerations

CONSIDER THIS:

- Start Now:** Strongly recommend submitting application for SBA Loan, if needed for long-term financing ASAP (recommend starting with Paycheck Protection Program)
- Work through existing bank relationship (if possible):** Schedule communication with existing financial partners to assess related options
- Application efforts:** We recommend focusing efforts towards PPP loans as first priority (Apply for no more than one SBA program concurrently)

Financial Tax Relief Levers

Coronavirus Tax Relief

- IRS has announced a series of steps to assist taxpayers impacted by COVID-19.
- Coronavirus-related paid leave for workers and tax credits for businesses (IR-2020-57)
- Tax Deadline Changed – Deadline to File and Pay Federal Income Tax extended to July 15, 2020 (IR-2020-58)
- IRS People First Initiative include (IR-2020-59)
 - Existing Installment Payments are suspended
 - Suspends Key Compliance Program
- Information available at irs.gov/coronavirus



NOTE: *StratiFi Health is not a CPA Firm – please consult with your Tax Advisor*

Reminders

Patient Resources

Website

www.catalysthealthnetwork.com/coronavirus

Hotline

(214) 964-0319

Practice Resources

Care Alerts

- Released every Monday, Wednesday, and Friday

Catalyst Resource Page

- Bookmark this page in your internet browser for easy access
 - Click here for additional practice resources & to sign up for Care Alerts:
 - <https://www.catalysthealthnetwork.com/network-resources>
-

TAFP Contact:

- Tom Banning, CEO – tbanning@tafp.org



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Reviving the Heart of Healthcare



Appendix

Operational Levers Through Managing Variable Expenses

Total general operation costs will decrease due to less patient volume in the office setting

- **Assess current inventory** of all medical supplies, drugs, and immunizations
- **Be mindful of supplies** with nearing expiration dates
- Work with vendors to **understand replacement cost** and delivery timeline for high demand items
- Explore acceptable **substitutions** for supplies
- **Reduce future order** size to reflect current volume needs
- If you have excess supplies of drugs/immunizations work with your vendor to **return inventory** for cash or credit on outstanding invoices
- **Communicate to staff** about conservation of supplies if/when possible
- **Lock essential supplies** at night if 3rd party janitorial services is used

Operational Levers Through Staffing & Scheduling



Governmental Assistance for Impacted Staff

- **TWC** Encourages Employers to **Enroll in Shared Work Program**
 - Supplement their employees' wages lost because of reduced work hours with partial unemployment benefits.
 - Reduce normal weekly work hours for employees in an affected unit by at least 10 percent but not more than 40 percent; the reduction must affect at least 10 percent of the employees in that unit.
- **H.R.6201** - Families First Coronavirus Response Act:
 - Furloughing staff as of 3/31/20. A furlough is not a layoff and they can all return to work when you re-open. However, before doing this, we advise you to contact your health insurance carrier to see how this action will impact your team's health insurance.
 - Your staff will be eligible for the super-charged unemployment benefits under the new law and can apply as soon as they are furloughed. In general, everyone who makes \$46,000 a year or less will be made whole and will receive unemployment benefits that completely replace their salary.
 - You can also apply for unemployment personally. The State of Texas has said that any COVID-19 related claims will not adversely affect employers the way regular claims do.
 - If you need some of your staff now during the disruption period, you can immediately rehire them on an hourly basis. Whatever they receive in hourly pay will reduce what they receive in unemployment, but in total, they should still come out whole.