

# Show Me the Money!

Michael K. Cahalan, MD

Professor and Chair

Department of Anesthesiology

University of Utah

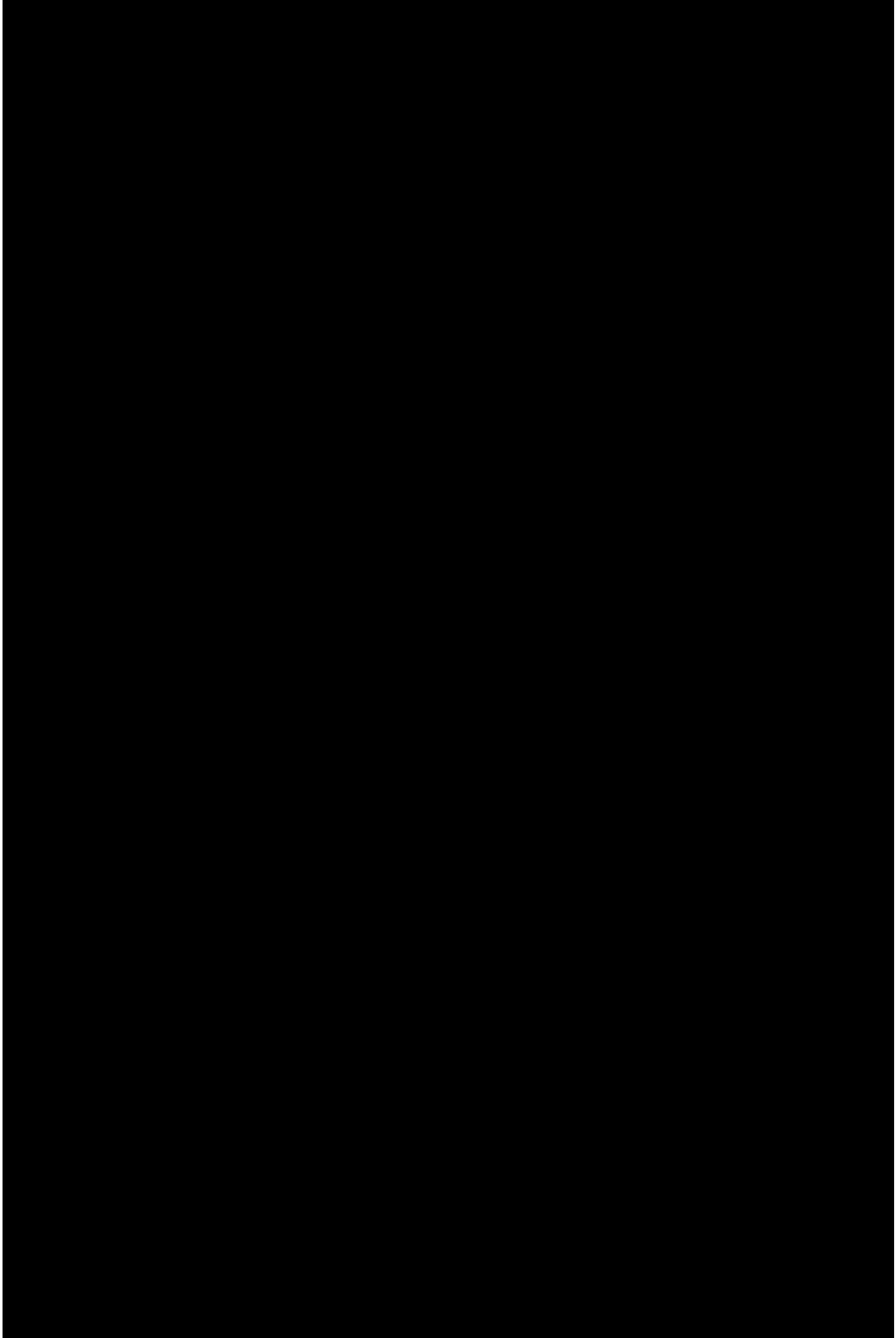
# Lecture Objectives

- Fiscal competency & credibility
- Departmental accounting 101
- Billing & collections basics
- Good business practices & fraud

**You are a CEO!**

**No Conflicts of Interest**

# New Chair Requesting Funding

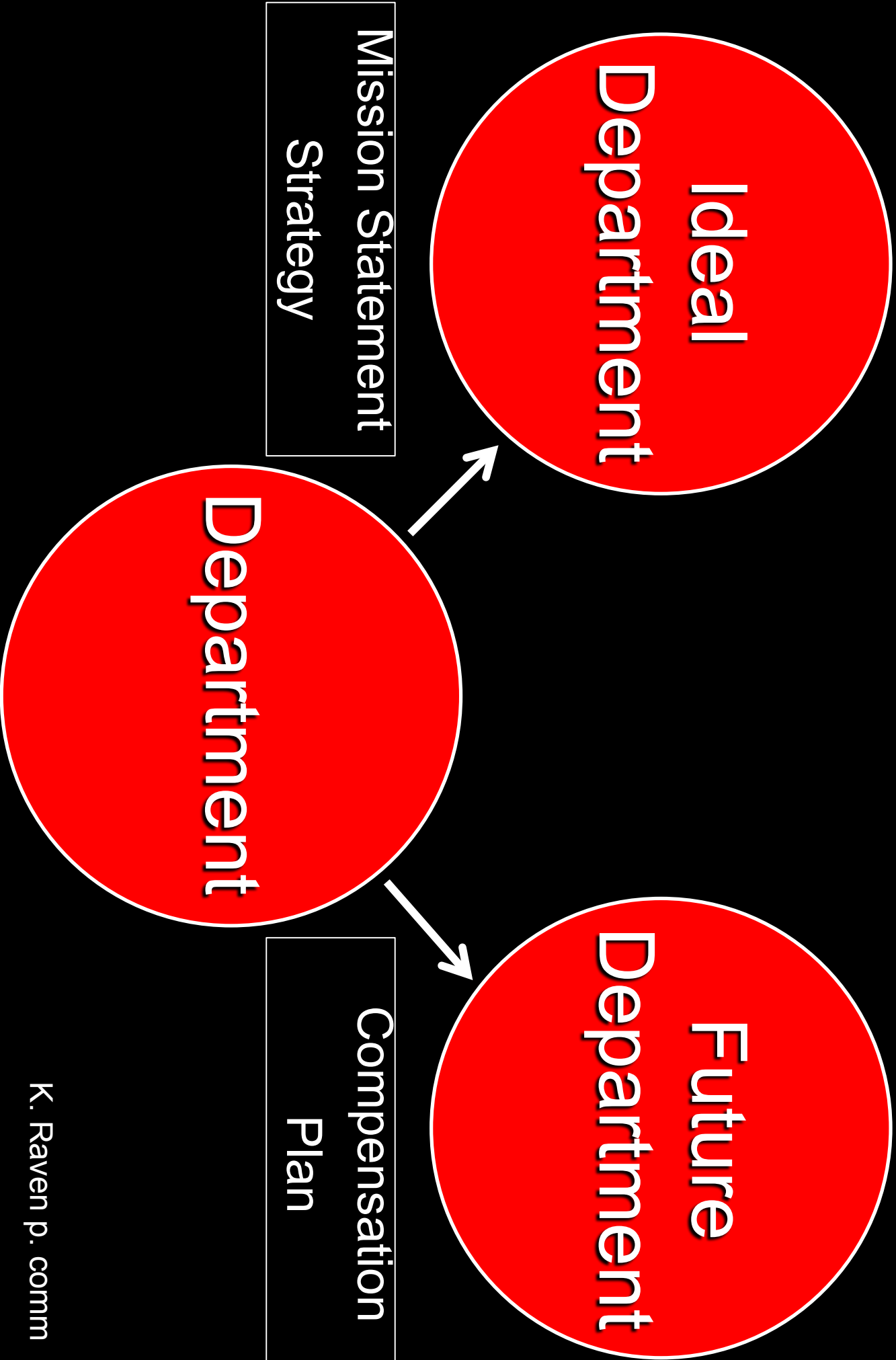


If you have seen one  
academic department  
you have seen one  
academic department.

But

# Some Universal Facts

- Big money at stake ~\$20-\$100 million
- \$120,000 institutional support/FTE\*
- Health care expenditure under siege
- Uncertainty with insurance reform
- Greater demands for service



# Ideal Compensation Plan

- Easy to understand
- Incentives desired behavior
- Objective & consistent (fair)
- Transparent
- Market sensitive (AAMC, NIH)\*

# Fiscal Competency

- Money physiology
- Where does every \$ come from?
- Where does every \$ go?
- Are there \$ left behind?
- Are the \$ best spent?

**Is your department a good value?**

**Fiscal Competency**



**Credibility**



**Negotiating Success**

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Answers to Ten Questions People Ask**

# GETTING TO YES Negotiating Agreement Without Giving In

**Roger Fisher and William Ury**  
& for the Second Edition, Bruce Patton  
of the Harvard University Negotiation Project

**LOS ANGELES TIMES BEST-SELLER**

**"One of the 10 best business books of the year"**  
—TORONTO GLOBE AND MAIL

# the GONTR ARIAN'S Guide to Leadership

**Steven B. Sample**  
PRESIDENT, UNIVERSITY OF SOUTHERN CALIFORNIA  
Foreword by Warren Bennis

# Core Principles

Objectivity

Consistency

Transparency

# Accounting 101

- Cash vs. accrual: cash by account
- Profit and loss reports (annualized)
- Revenue must cover expenses
- Special deals aren't
- Bad news rarely gets better

**Why Do You Cost So Much?**

# Benchmarking

- AAMC 2012 50<sup>th</sup> percentile salaries:
  - Instructor \$298,920
  - Assistant Professor \$323,300
  - Associate Professor \$347,680
  - Professor \$364,640

**MGMA: 80% Clinical Commitment**

# Faculty Cost/OR

- 215 available workdays/yr
- $0.8 \times 215 = 172$  clinical days/yr
- Rank averaged salary \$340,000
- 17% benefit costs \$57,800
- $249/172 = 1.45$  faculty/site

$$1.45 \times (\$397,800) = \$576,810/\text{OR}$$

# Benefits of Benchmarks

- National standards
- Easily available
- Fairness argument & perception
- BANTA resource – your red line

**But**

# OR Utilization

- 80% occupancy about “ideal” (7-3)
  - In room time during benchmark period
  - No credit for use at other times/give backs
- Units/hr OR, service & surgeon/OR (7-3)
- \$/hr by service & surgeon/OR (7-3)
- \$ & units/hr by service & surgeon (>3)
- \$ & units/hr for call team nites & weekends

## ■ ECONOMICS

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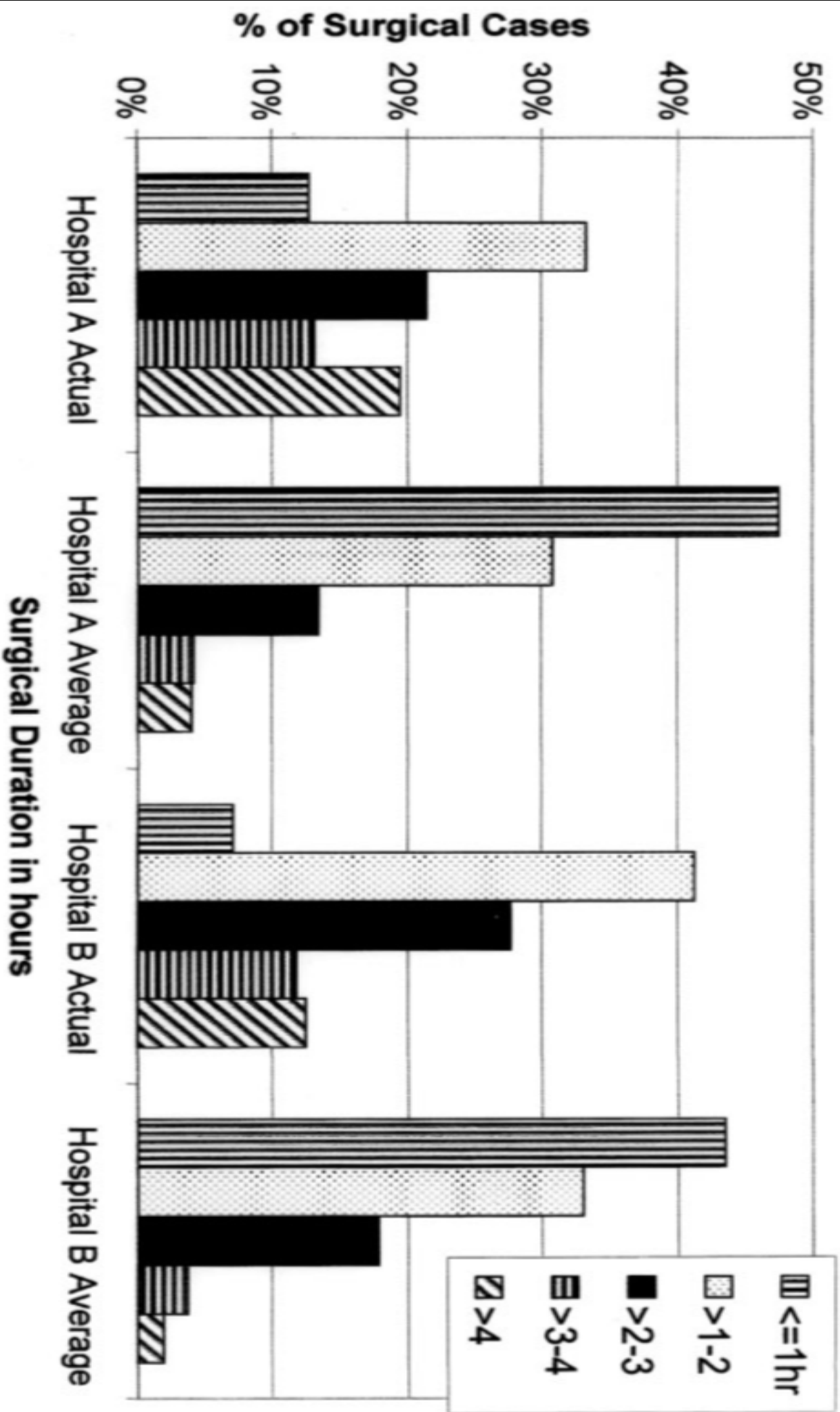
Anesthesiology 2004; 100:403-12

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# *Quantifying Net Staffing Costs Due to Longer-than-average Surgical Case Durations*

Amr E. Abouleish, M.D., M.B.A., \* Franklin Dexter, M.D., Ph.D., † Charles W. Whitten, M.D., ‡ Jeffrey R. Zavaleta, M.D., §  
Donald S. Prough, M.D. ||

- CMS assigned time for CPT code vs. actual
- 1 yr data from 2 academic hospitals
- Additional costs \$672,000 to \$1,688,000



**Perspective: Hospital Support for  
Anesthesiology Departments: Aligning  
Incentives and Improving Productivity**

Laureen L. Hill, MD, MBA, and Alex S. Evers, MD

**Acad Med. 2012;87:348-355.**

**Risk sharing?**

# Medicare Inequities

- July 2007 GAO report:
  - Anesthesia paid 33% of market
  - Other physicians 80% of market
- 3 or 4 residents: payment decrease
- Bundling all services

**Uniform % Medicare – No Go Zone**

**Is every billable  
service  
billed?**

# Reconciliations

Surgery Schedule

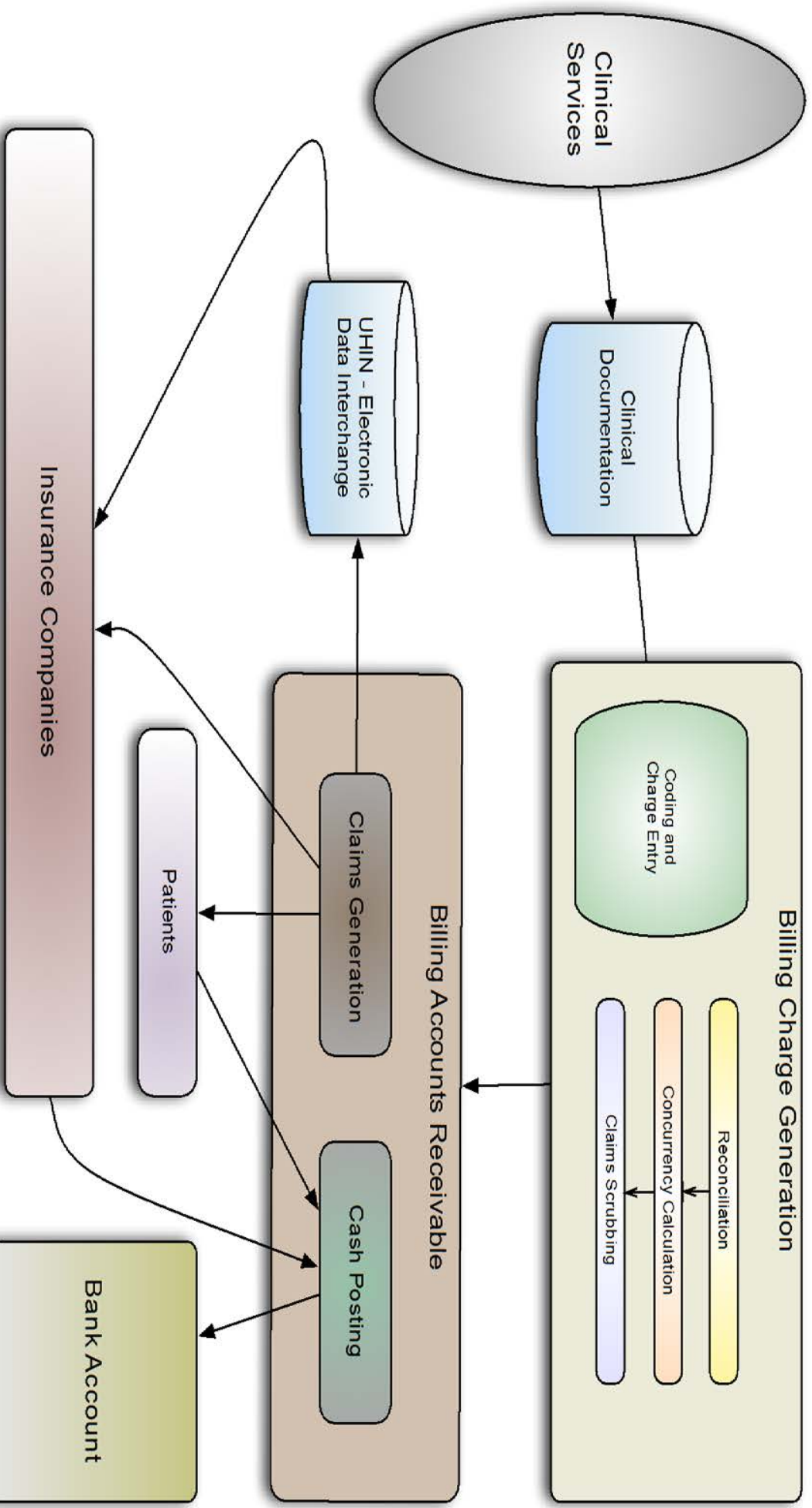
Anesthesia Records

Pharmacy Billings

Operative Notes

Procedure Notes

# Revenue Cycle



# Accounts Receivable (AR)

Billed amount:

- ✓ not yet paid
- ✓ not yet written off

## Days in AR

Ratio:  $AR \div$  average daily collections

# Reconciliations

Primary/secondary

Amount Billed

Co-insurance

Contractuals

Collections

# Billing & Collections Report

- By provider, site, and service
  - Current,  $\Delta$ , %FYTD, vs. Prior FYTD
- Payer metrics
  - Ditto plus AR, AR>120 days, AR days
  - Contract performance

Contracting Committee

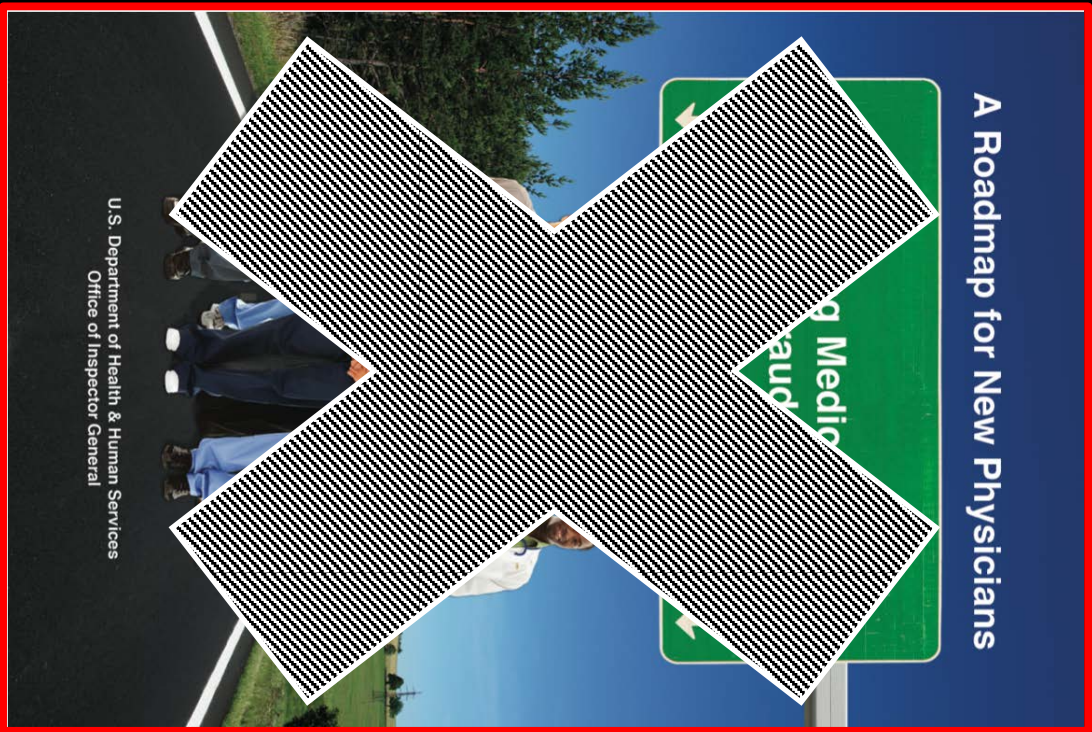
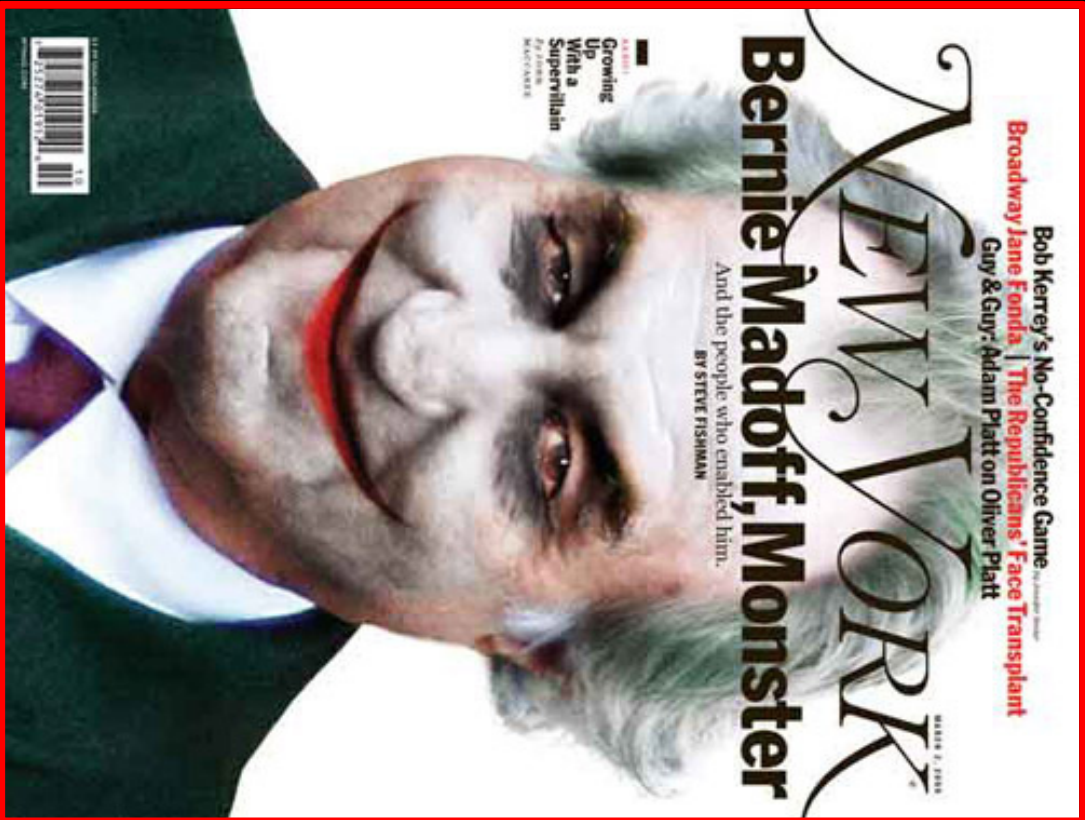
# Billing Performance

- Lag times: yours (3) & theirs (7-10)
- Collections: gross, net, to collections
- Rejections: causes and outcomes
- Costs: fixed or % collections
- AR days, aged AR, write offs

# Billing & Collections

- Easiest place to lose money
- Best place to find money
- Easiest place to break the law
  - » Start and stop times
  - » Concurrency
  - » Modifiers

# Fraud

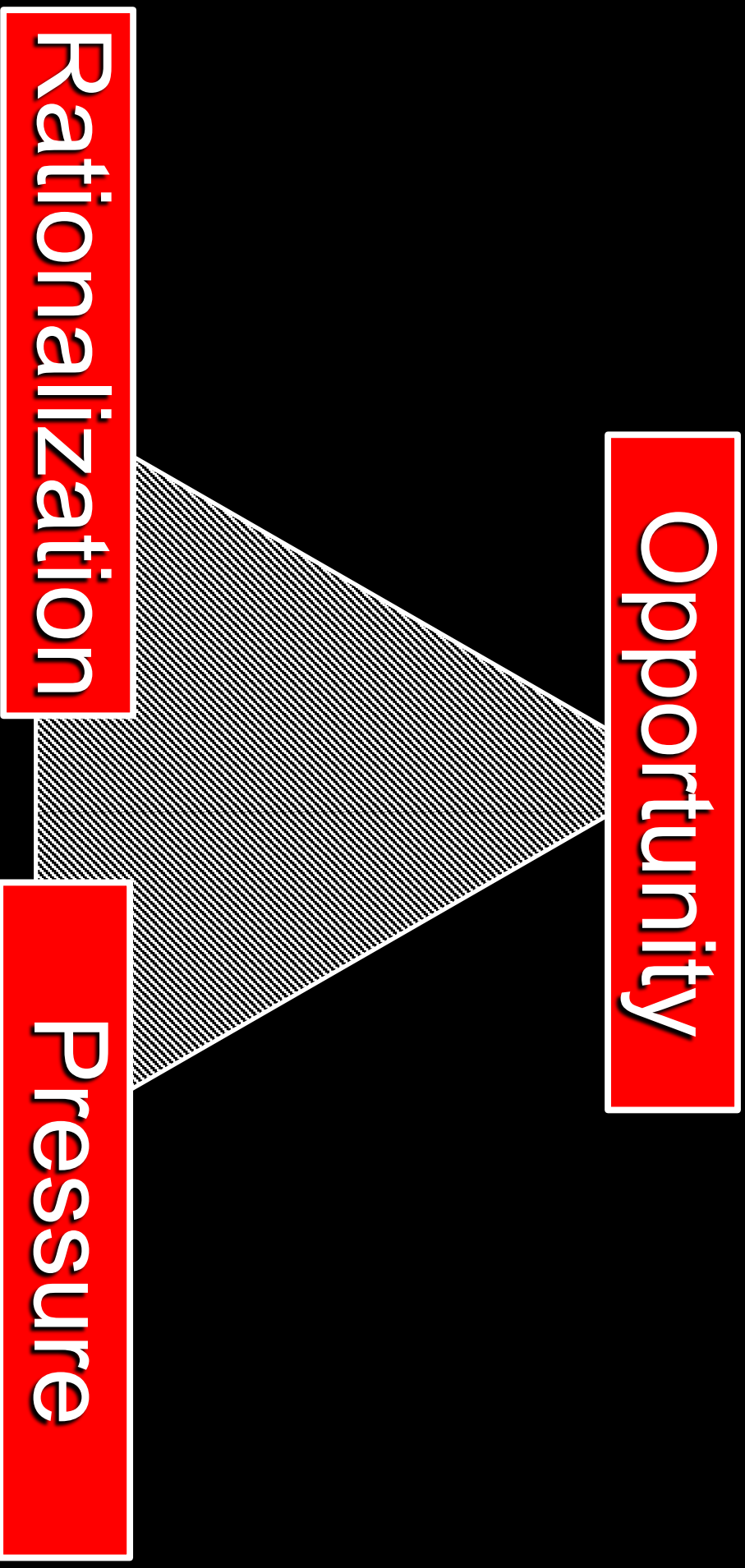


# \$ Fraud in Academics

Opportunity

Rationalization

Pressure



# Opportunity

- Access to:
  - ✓ Funds
  - ✓ Inventory
  - ✓ Transactions
  - ✓ Purchasing Cards

# Examples

- Billing agent creates phony insurance companies – sends refunds to them.
- Purchasing agent buys computers & documents delivers that never occurred.

# Implications

- Loss of department resources
- Legal entanglements
- Prison time for perpetrator
- Department demoralization
- Loss of your business credibility
- Loss of your job

# Good Business Practices

- University Policies & Procedures
- Separation of duties
- Reconciliation documentation:
  - Orders, payments, deliveries
- Reporting system – shadow system
- Impromptu audits

# Other Preventive Measures

- Leadership sets the tone
- Welcome inquiries (40% tips)
- Financial transparency
- Cross training of personnel
- Document financial P&P

# Red Flag Warnings

- Complaints, rumors, and tips
- Unexplained variances from budget
- Lack of reconciliations/documents
- Employee declines time away
- Even amounts on checks
- Non-original receipts

# Timing of Detection

## Median Duration of Fraud Based on Victim Organization Type

<b>Organization Type</b>	<b>Median Months to Detection</b>
Government Agency	24
Not-for-Profit	24
Private Company	24
Publicly Traded Company	18

# Summary

- Financial competency vital
- Benchmarking is your friend
- Financial reporting crucial
- Billing & collections best bet
- Fraud can be prevented

**Fiscal Competency**



**Credibility**



**Negotiating Success**

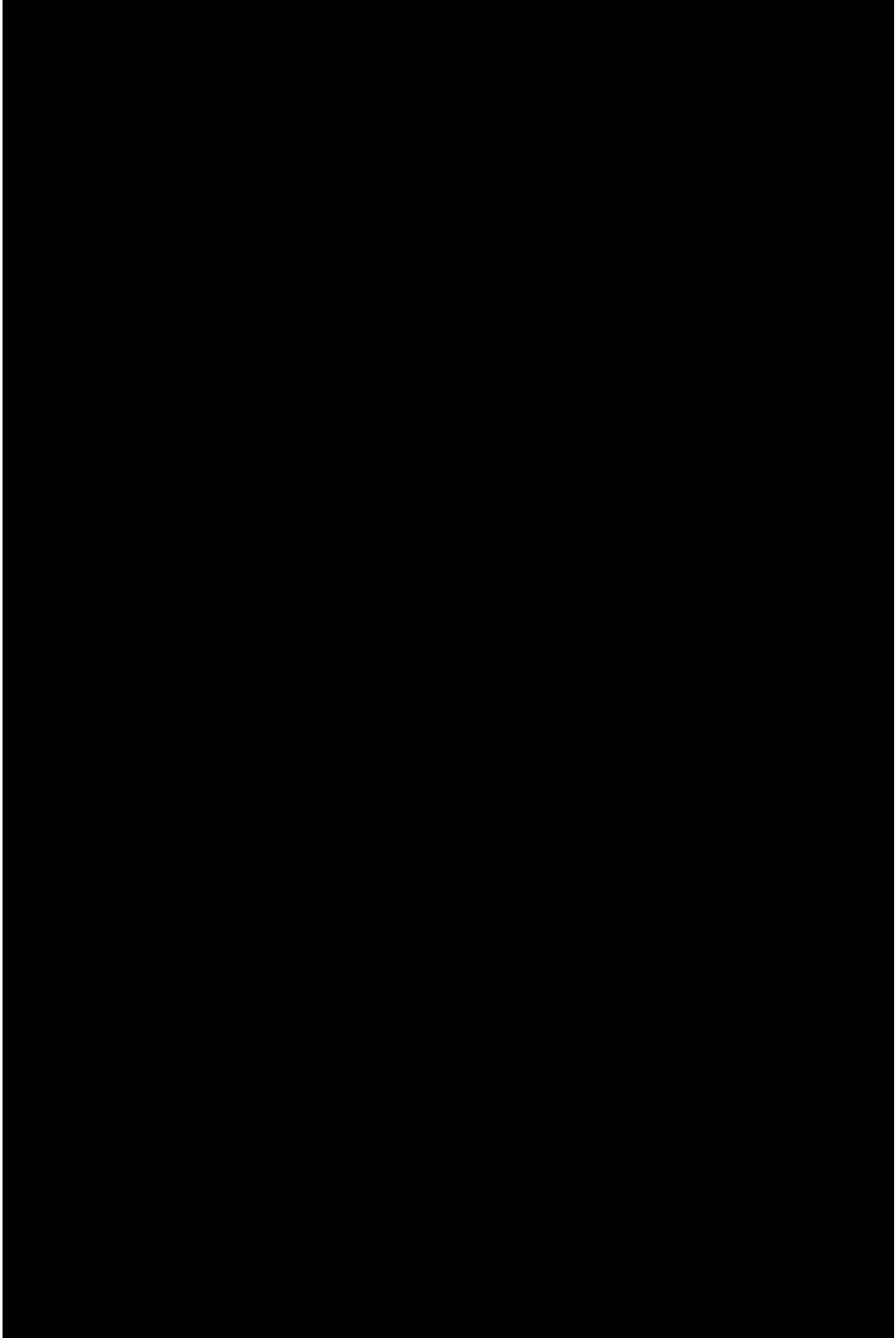
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# New Chair Concluding Negotiations



**Three  
End**