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Optimizing Hospital Revenue: Tackling Leakage through Chargemaster Accuracy, Revenue Integrity, and Strategic Financial Planning

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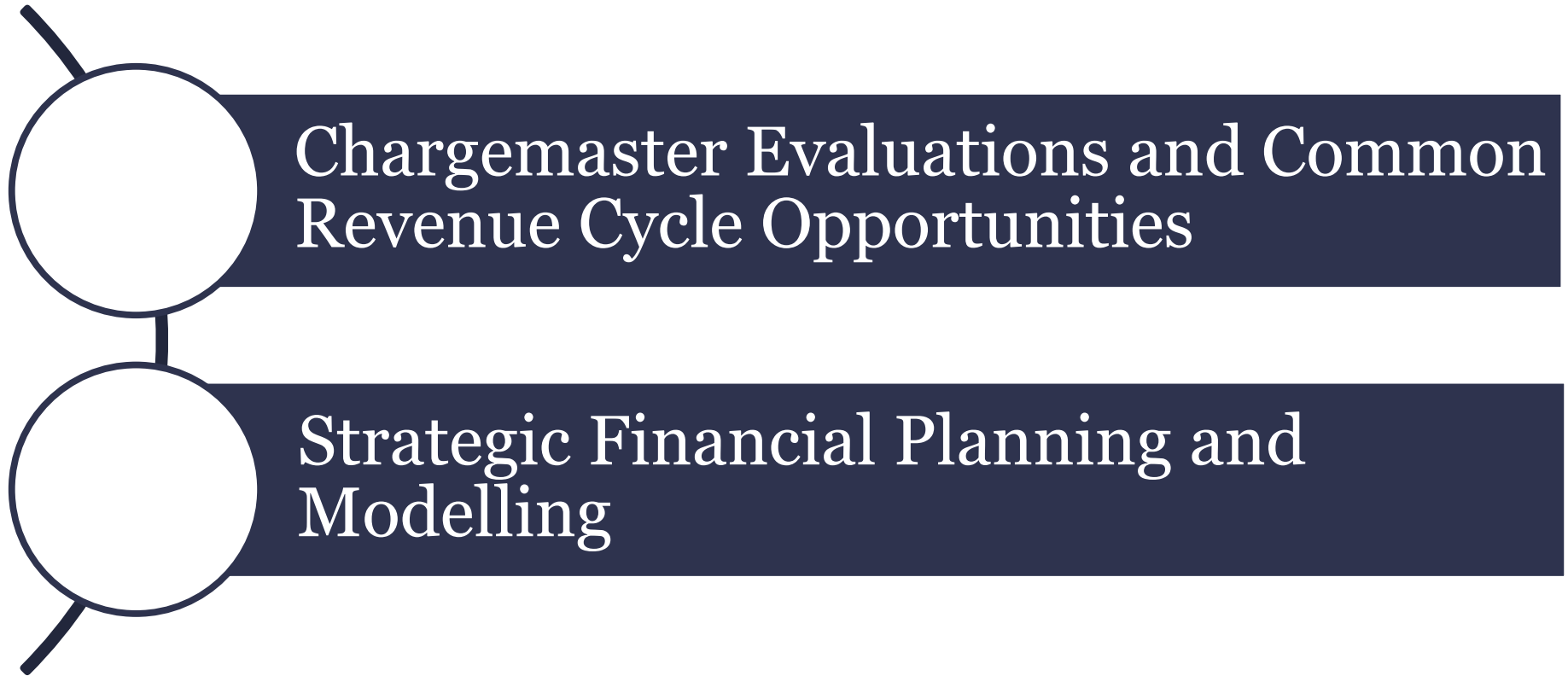


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Agenda





Revenue Integrity and Chargemaster Evaluation Focus

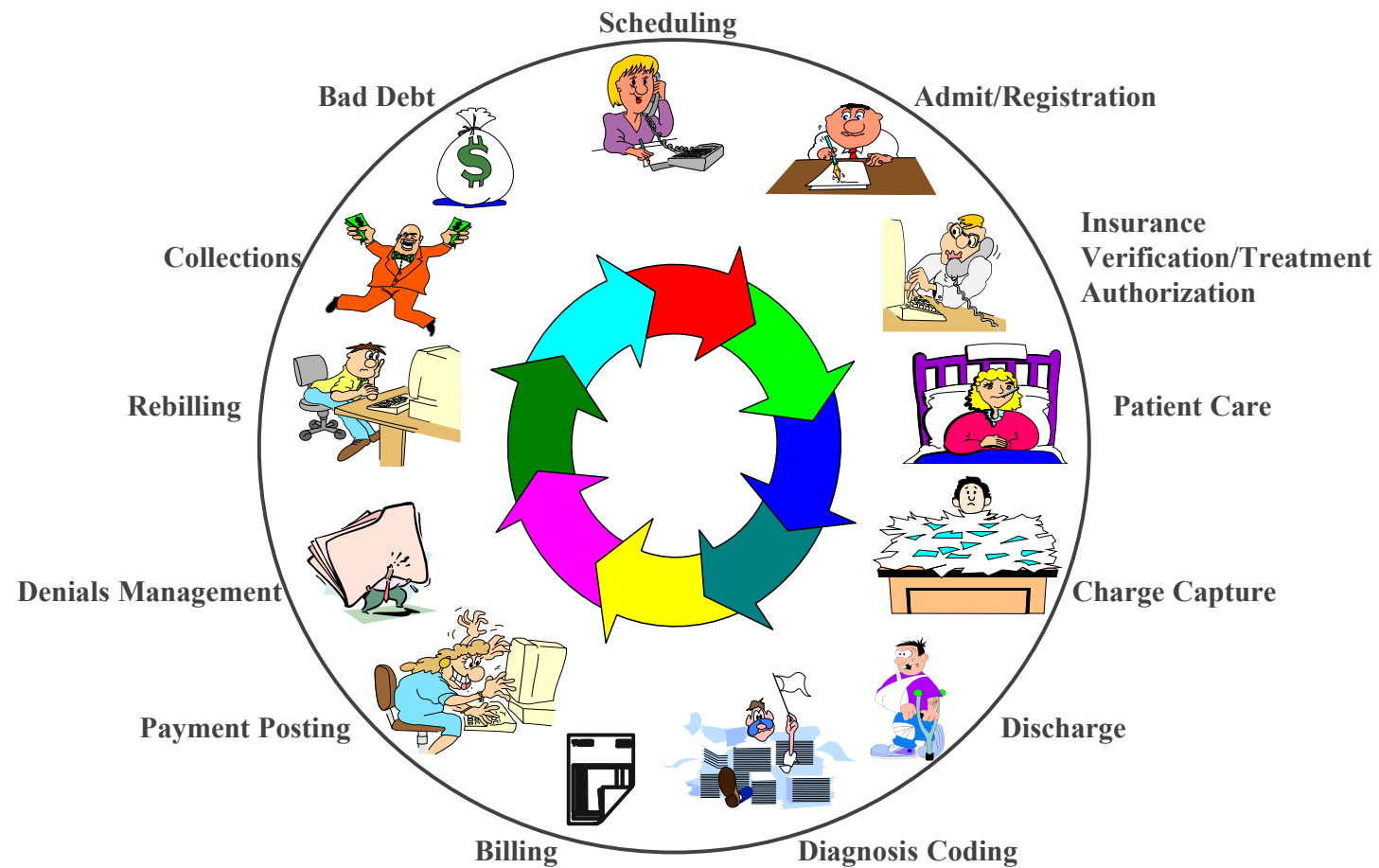


“Hospitals are experiencing 4-5% revenue leakage due to revenue cycle mismanagement.”

-Healthcare Advisory Board



Revenue Cycle Overview



Revenue Cycle Management Focus Areas

Hospitals are experiencing

Bad Debt Expense <ul style="list-style-type: none"> Increasing levels of bad debt Poor data quality Poor Vendor Agency Mgmt 	Staffing Challenges <ul style="list-style-type: none"> Ineffective staff Unfilled positions Organizational structure not supportive of environment Lack of trained rev cycle professionals 	Poor front end data quality <ul style="list-style-type: none"> Disparate registration points Reporting relationships not optimized for best results Technology limitations Insurance verification not performed at all sites
Denials and Underpayments <ul style="list-style-type: none"> Increasing levels of denials Underestimation of magnitude of true denial/rejection volume Inability to monitor/control underpayments 	Increased Patient Financial Responsibility <ul style="list-style-type: none"> Increased copayment and deductible requirements Greater numbers of uninsured Lack of appropriate identification of patient financial responsibility 	Existing Backlogs <ul style="list-style-type: none"> Accounts Receivable Credit Balances Unbilled accounts – HIS and Billing Scrubber Denials Received
Billing <ul style="list-style-type: none"> Lack of insurance verification Claims not submitted timely Difficult claims editing processes 	Technology Challenges <ul style="list-style-type: none"> Underutilizing existing technology Outdated technology Missing key technology bolt-ons 	Coding Opportunities <ul style="list-style-type: none"> Reimbursement methodologies Outdated charge master ICD-10 challenges
Increased A/R Aging <ul style="list-style-type: none"> Aging over 90 exceeds 15 to 20% A/R days increasing 	Scheduling Challenges <ul style="list-style-type: none"> Non integrated scheduling function Control point not maximized 	Charge Capture Opportunities <ul style="list-style-type: none"> Increased lost charges Delay processing claims
DNFB <ul style="list-style-type: none"> Increased accounts unbilled from HIS Un-coded accounts 	Excessive cost to collect <ul style="list-style-type: none"> Increasing agency fees Increasing staffing Increasing technology costs 	Clinical Documentation Opportunities <ul style="list-style-type: none"> Documentation not capturing the severity of services provided



What is a typical chargemaster evaluation?

Pricing

Line-Item Detail Verification

Departmental Interactions

Claims Verification

Cost Report Alignment Check



Examples of CDM Opportunities and Risks Located During Recent Chargemaster Evaluations

Incorrect set up in
EHR link to CDM
resulting in inaccurate
charging

Lack of reconciliation
between professional
and technical charges
leading to missed
charge opportunities

Manual bundling of
charges at the claim
level leading to cost
report misalignment
issues and payment

Trauma activation
charges



Examples of CDM Opportunities and Risks Located During Recent Chargemaster Evaluations

Supply and Implant
expense charge
capture and expense
alignment issues

Pricing
inconsistencies

Lack of front-loaded
charges

Accommodation
and recovery charge
opportunities on the
floor



Examples of CDM Opportunities and Risks Located During Recent Chargemaster Evaluations

Pharmacy Unit
Multiplier and
Pricing Issues

CRNA charge
capture issues

Reconciliation
of charges
between service
lines

Cost report
misalignment of
revenue codes
from the PS&R



Examples of CDM Opportunities and Risks Located During Recent Chargemaster Evaluations

Provider based
split billing set
up errors

Provider based
clinic cost
reporting errors

Ambulance
service
strategies

and more.....

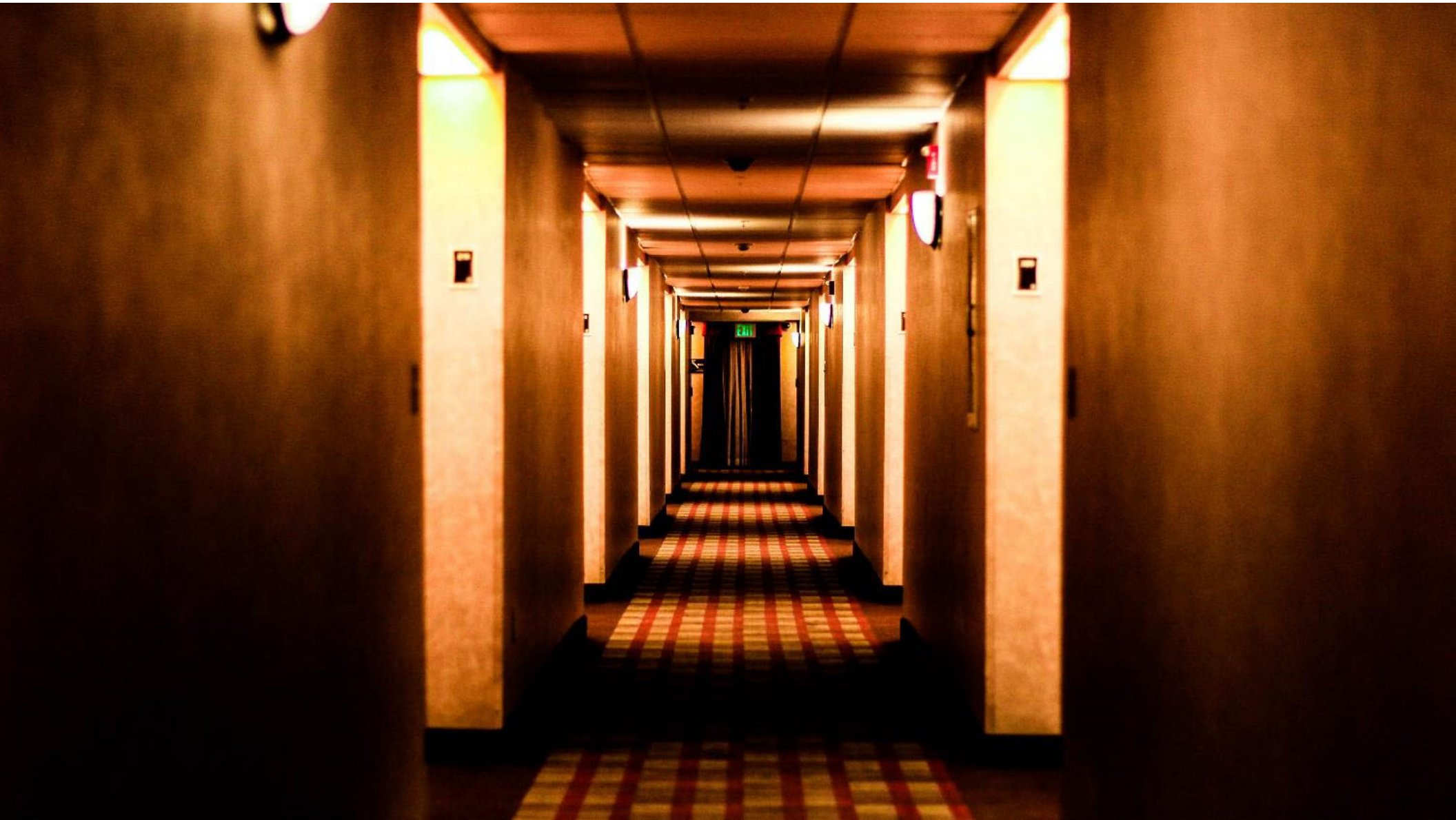




Strategic Financial Planning and Modelling







INFORMATION
20 YEARS AGO



INFORMATION
TODAY



Bringing it All Together With a Story



We Believe...

...the current environment poses great threats and potential opportunities

...strong financial indicators are becoming more critical by the day

...understanding where you have been is critical in determining where you are going

...organizations create their own financial success



How are Business Decisions Being Made In Your Organizations?



- Gut feel
- Wind direction of the day
- Influence

- DATA
- Financial Information
- Operational KPI's



The Vision

DATA



SORTED



ARRANGED



PRESENTED
VISUALLY



EXPLAINED
WITH A STORY



The Challenge

Many hospitals struggle to access and organize the information they need to make timely decisions.

Software Sprawl

Best in breed software, mountains of data, how to take advantage?

Pressure to do more with less

Short staffed, budget constrained, need “good enough” solution

Competition for resources and talent makes digital capability a cost of entry

Everything is Manual

Multiple disparate systems, murky process, requires “reinventing the wheel” every time anyone needs data

Seemingly endless cycle of manual reporting exhausts staff

Lack of Clarity About What Data Matters

Translating the vision of your strategic plan into simple, measurable, and consistent KPI's.



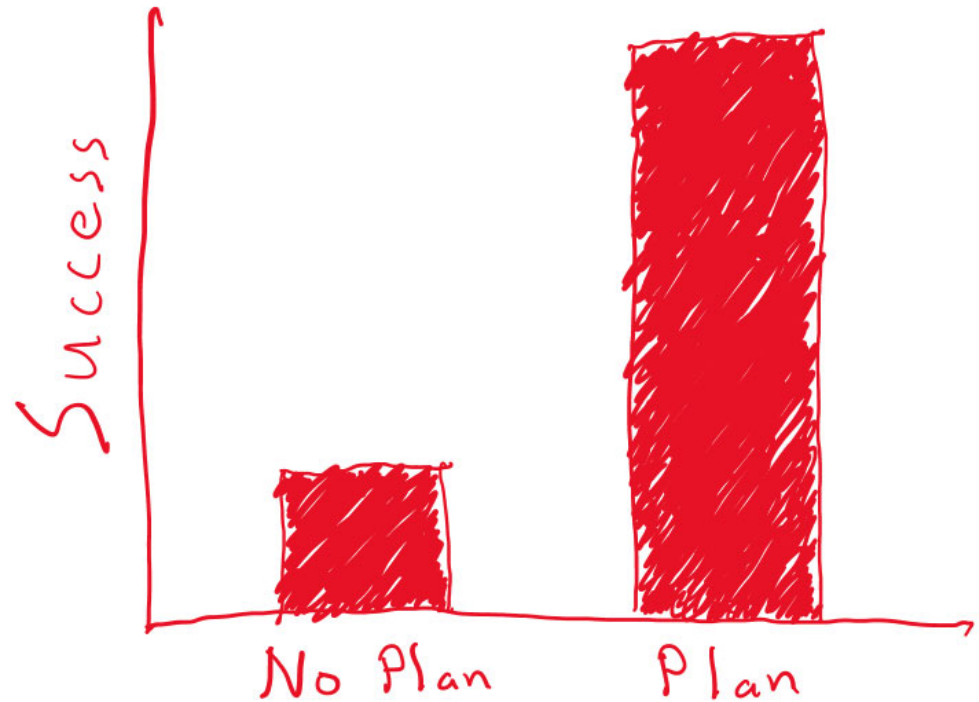
Strategic vs Tactical Financial Management



Why we plan

We believe
success is
CREATED!

Disclaimer: Goal is not to
actually “predict” the future,
just understands the
possibilities

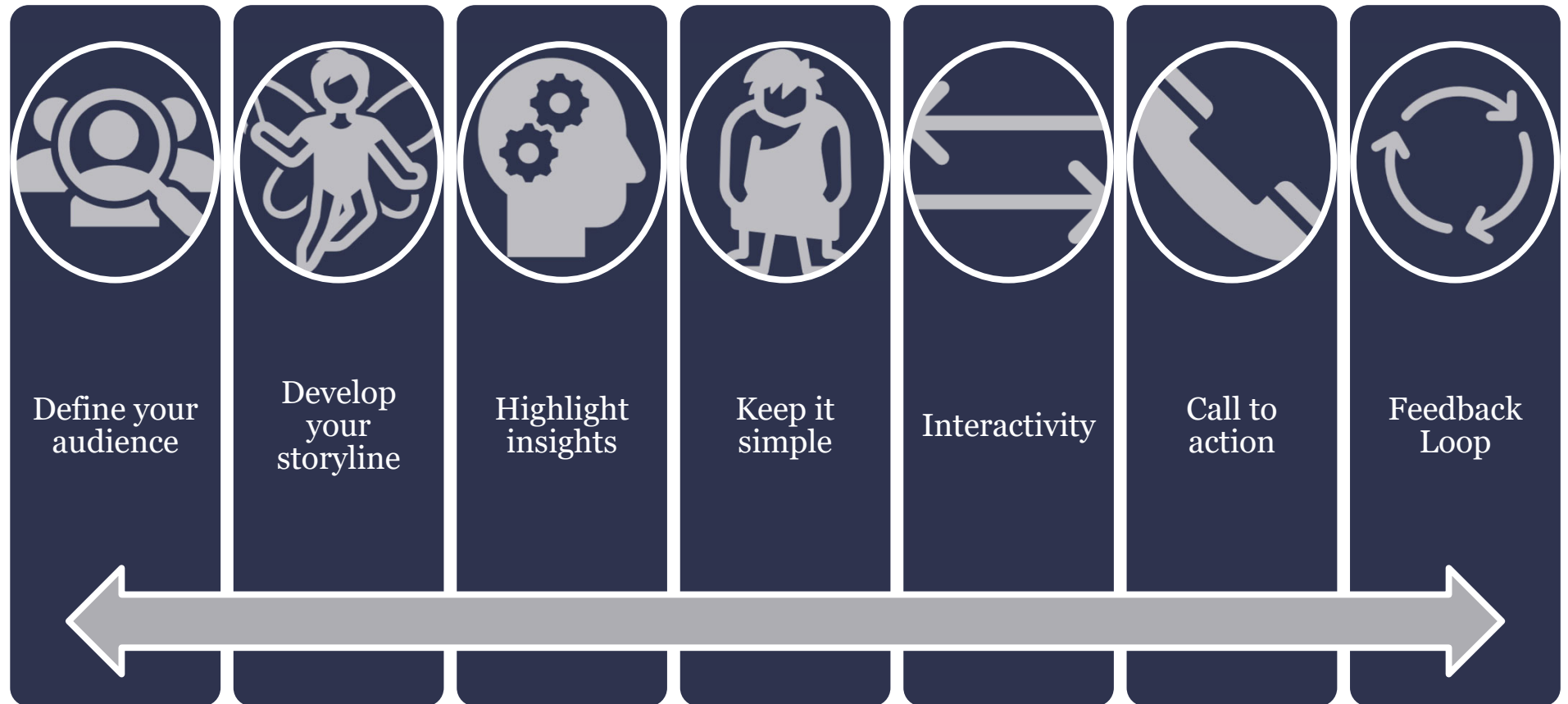


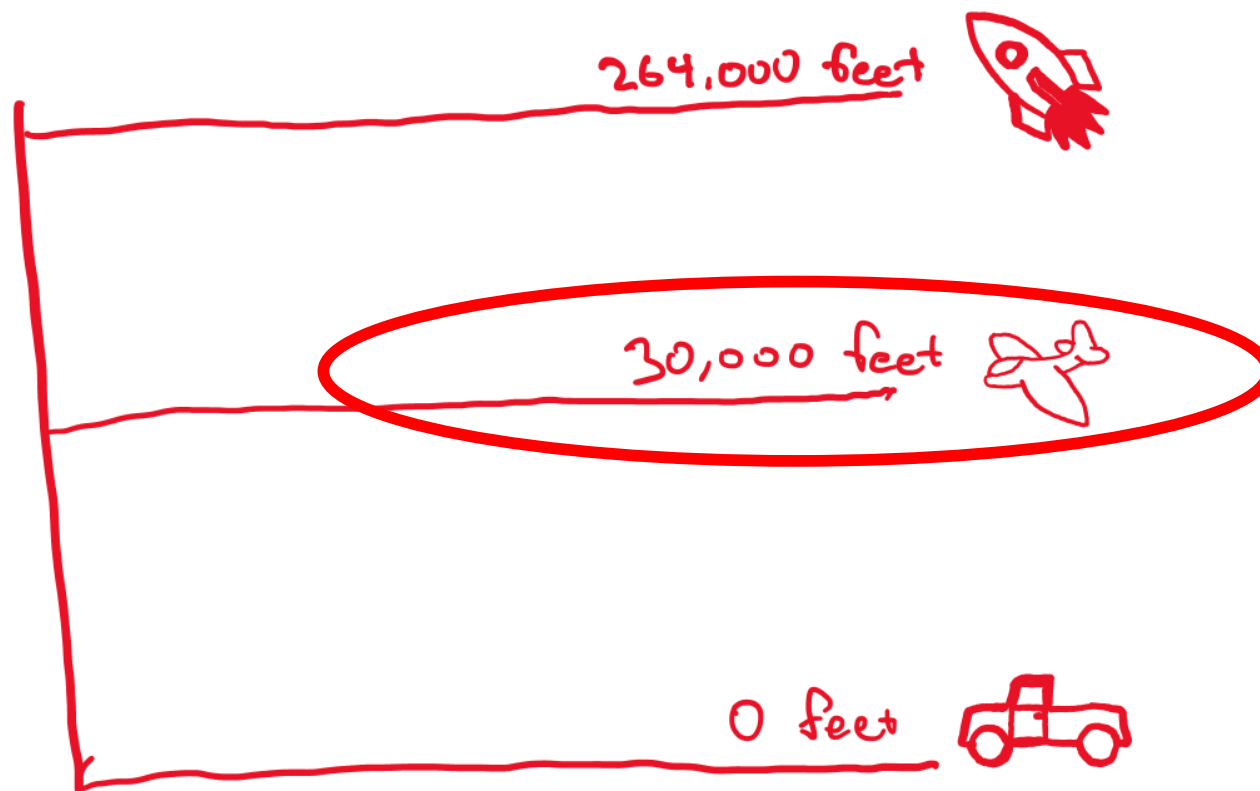
No one ever made
a decision because
of a number. They
need a story.

Daniel Kahneman



Key Area of Focus For Decisions





**A discipline
process at the
right level**
“Not too high,
not too low,
just right”
Goldilocks

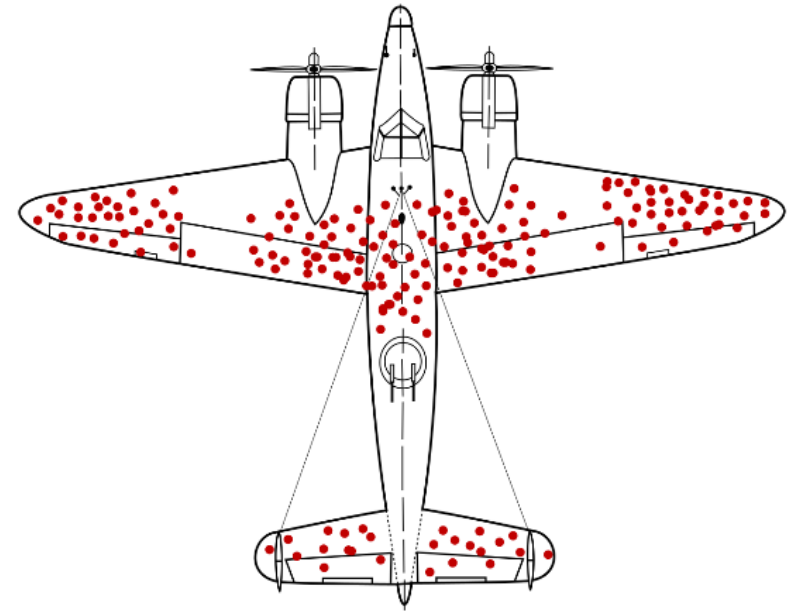
**Not to Scale – No Assurance
Provided**



Why is a Story Important?

The dots on the right are an example of where returning planes were getting shot

- Do you want to increase armor on the spots with or without bullet holes?



We Believe...

...the current environment poses great threats and potential opportunities

...strong financial indicators are becoming more critical by the day

...understanding where you have been is critical in determining where you are going

...organizations create their own financial success



**Quicker &
Better
Decisions**

**Drive
Consensus**

**Create a path
to financial
success**



**Ease of
Use**

**Sensitivity
Testing**

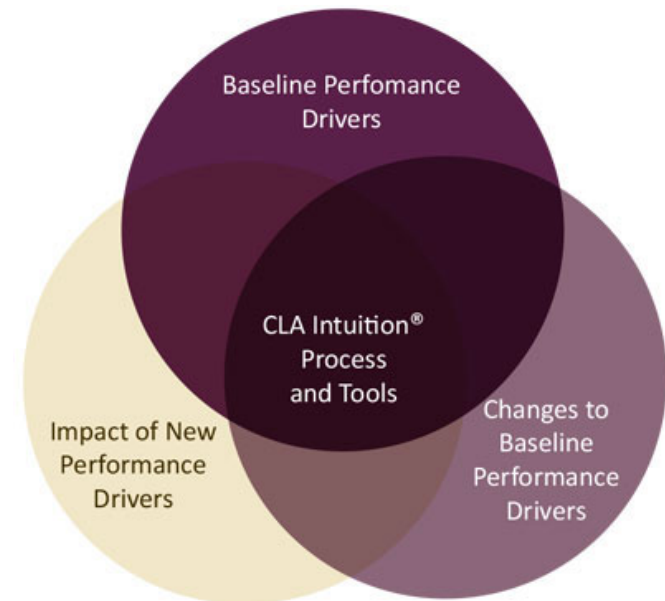
**Actionable
Financial
Intelligence**



Elements of Successful Long Range Financial Plan

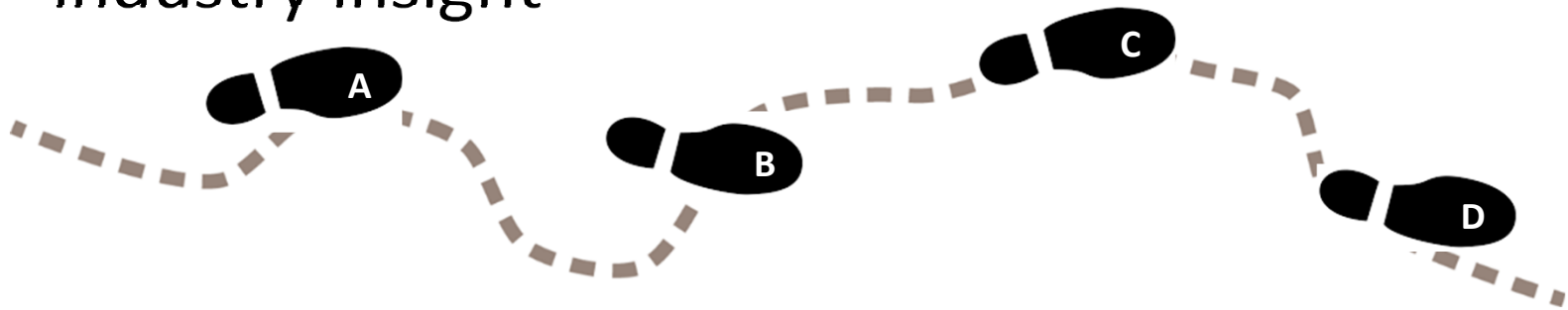
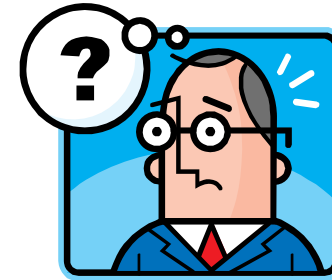
Based on our experience in developing hundreds of long range financial plans, we believe the following are key elements of a successful long range financial model development process:

- Identify **baseline performance drivers** and expected changes
- Identify **new performance drivers** and incorporate potential impacts
- Engage Planning team in an **interactive** financial conversation
 - C Suite
 - Key Operators
- Identify critical elements of **financial “Success”** plan
- **Assess risks** to financial “success”
- Track key success metrics
- Adjust trajectory and plan as necessary



How would you project financial statements???

A ***process*** which identifies and models key financial performance drivers using industry insight



Critical Success Factors of Modeling Strategic Decisions

Interactive

- Allows “If, if, if...” Scenarios
- Impactful Real Time Analysis

Easy of Use

- Easily Modified
- User Friendly

High Level

- Insight Instead of Detail
- CEO / Board / Management Level



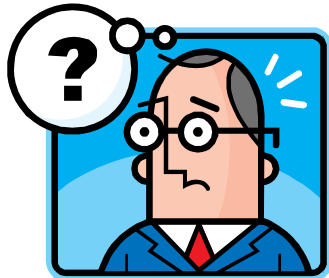
Financial Modeling Basics

From the Process --->

- Understand the organization
- Know key performance drivers
- Assess the environment
- Determine Strategies

...to the Financial Model

- Baseline financial inputs
- Establish baseline assumptions
- Estimate future impact
- Scope impact of strategies



What are two traits you need to succeed in the future?

- + The ability to deal with ambiguity
- + The ability to calculate and take risks



Basics of the Process (+ +)

Baseline



Environment



Strategy

- Assess Current Performance
- Scope Inflation & Volume Trend

- Reimbursement Changes
- Demographic Shifts

- What if we change patient access?
- Build a new clinic?



Case Study Example




My Sample CAH

- \$16.5M Operating Revenues
- Performance Indicators
 - -\$3.5M Operating Margin
 - -\$300 Total Margin
- Liquidity and Reserves
 - \$1M Cash & Reserves
 - 20 Days Cash on Hand
- Debt and Capital Structure
 - No Long Term Debt

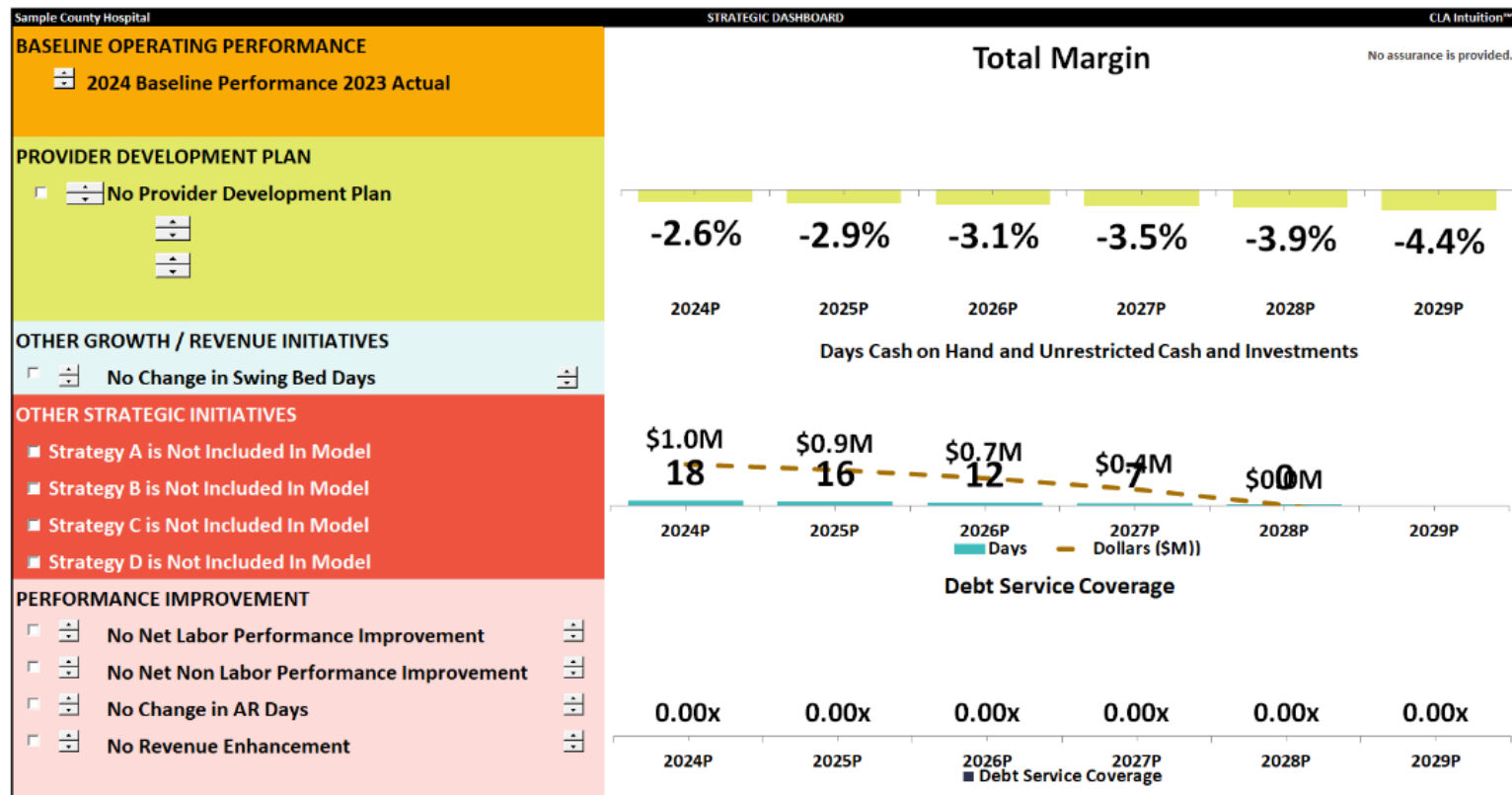


Key Strategic Opportunities

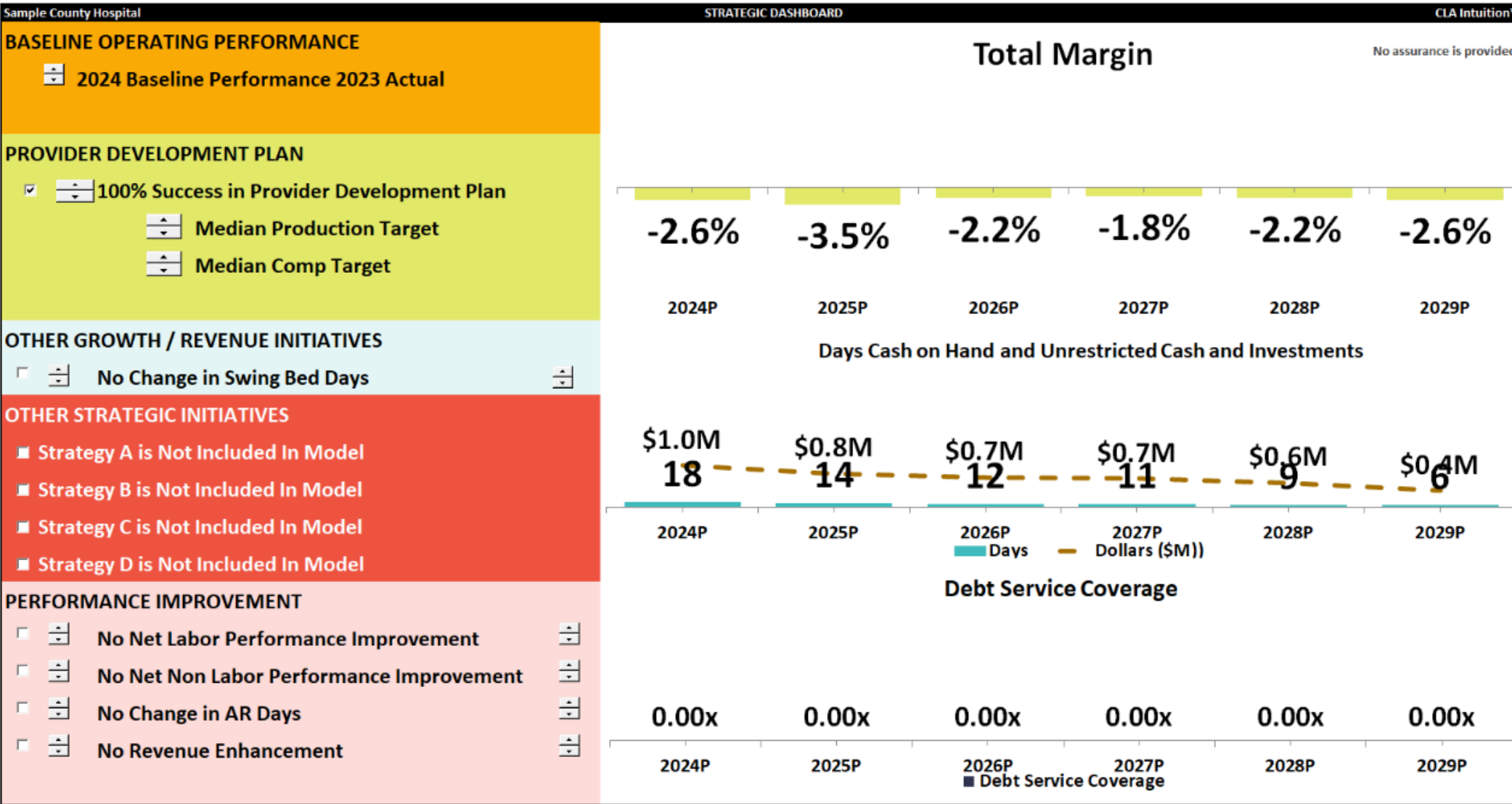
- Acquire Physicians 
- Increase Swing Bed Census
- Costs Savings
- AR Reductions
- Hopefully Future Capital Projects

Baseline (Ostrich - No MGMT Changes)

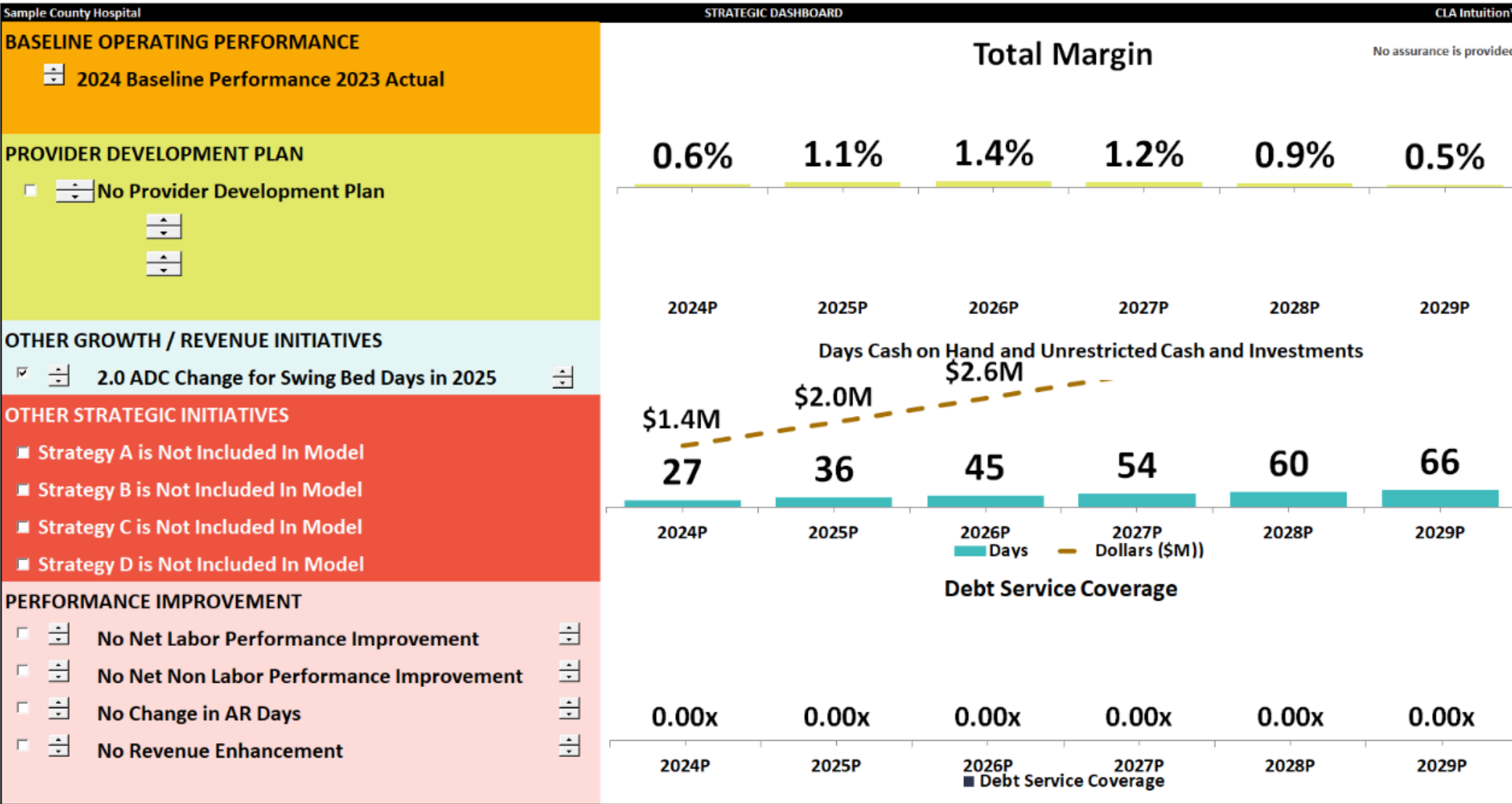
This would be called the Ostrich or “Head in the Sand” scenario with no management action that highlights the importance of focusing on improving financial performance



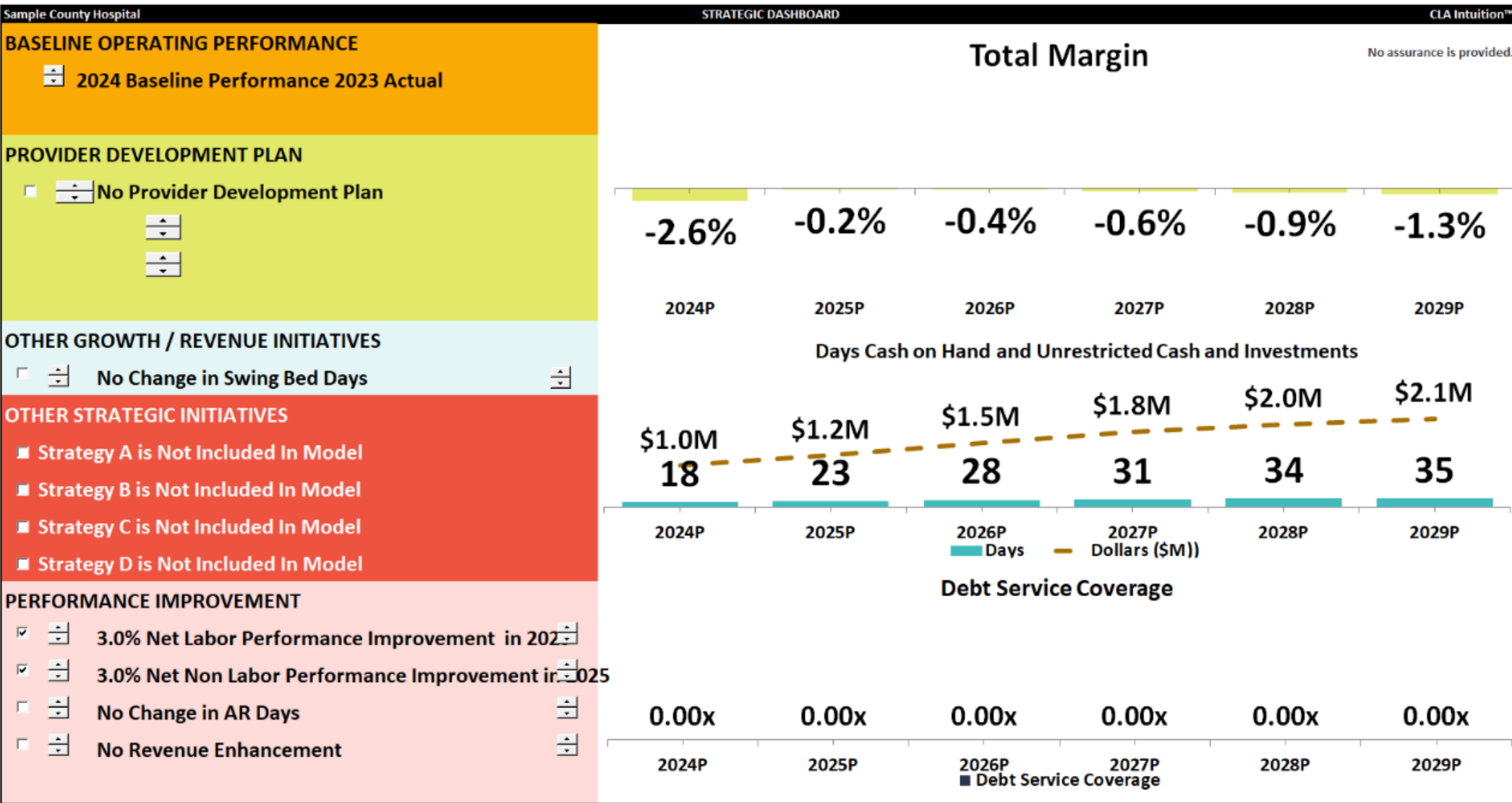
Provider Development Plan



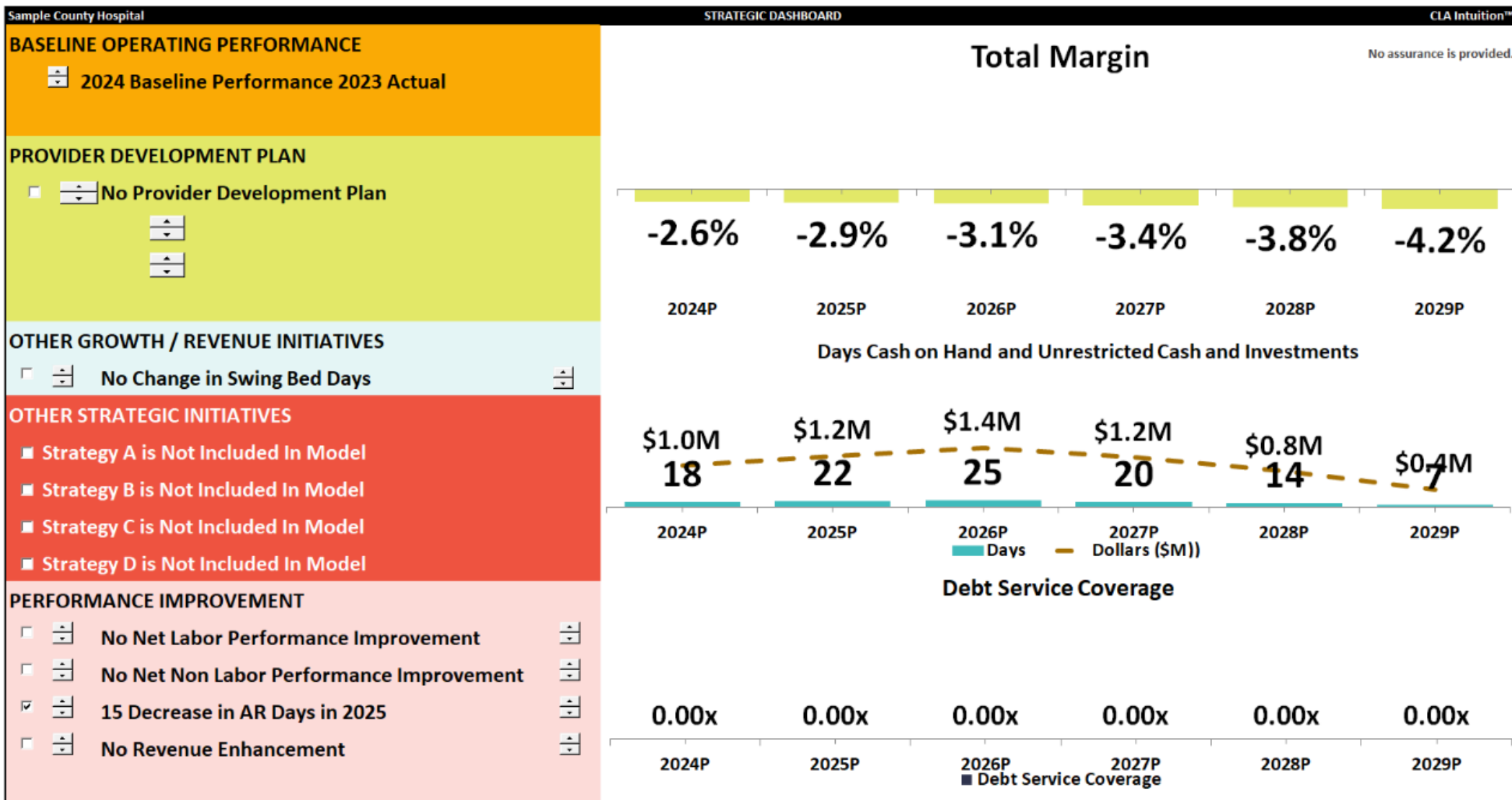
Swing Bed Days



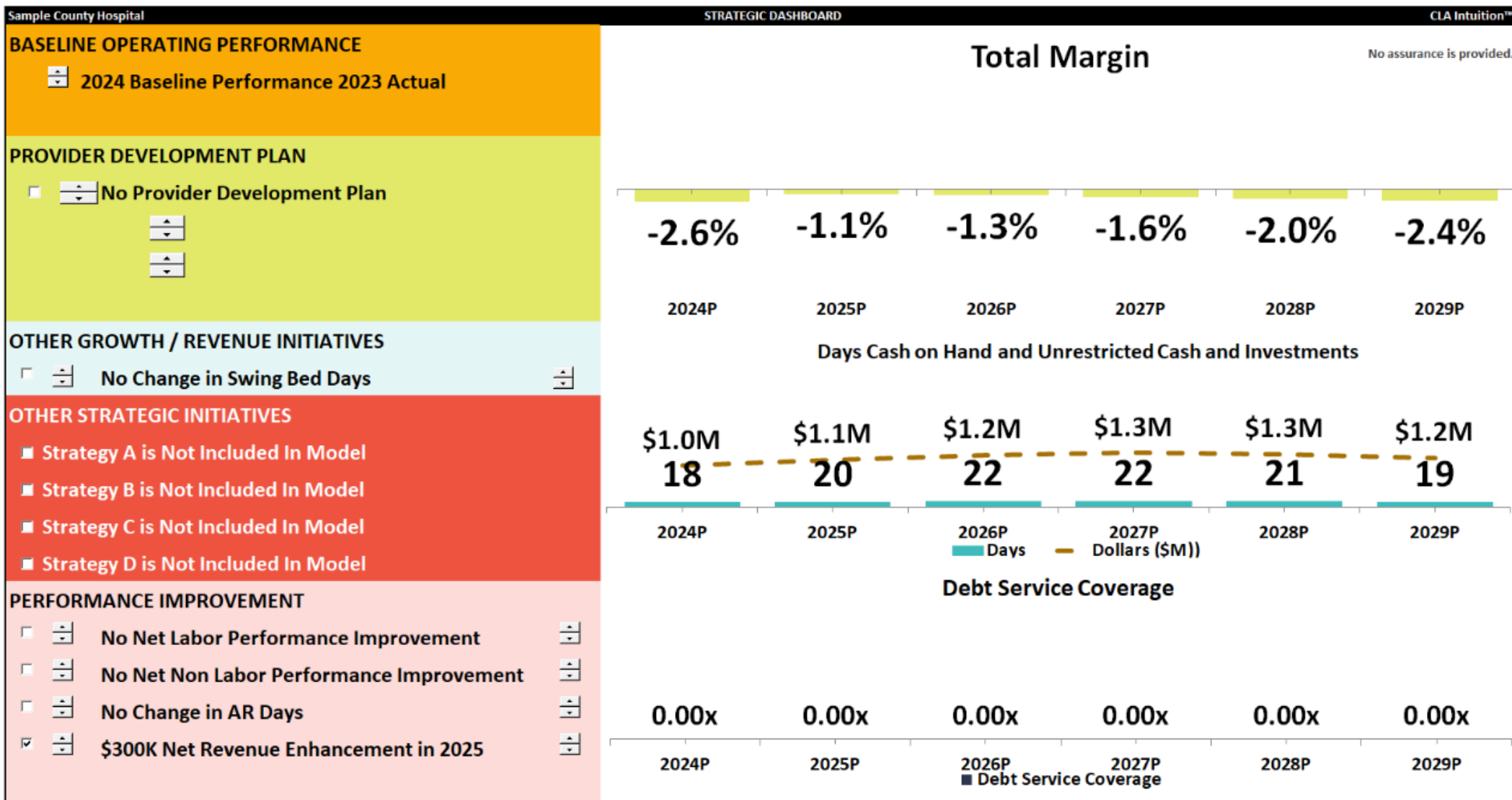
Performance Savings



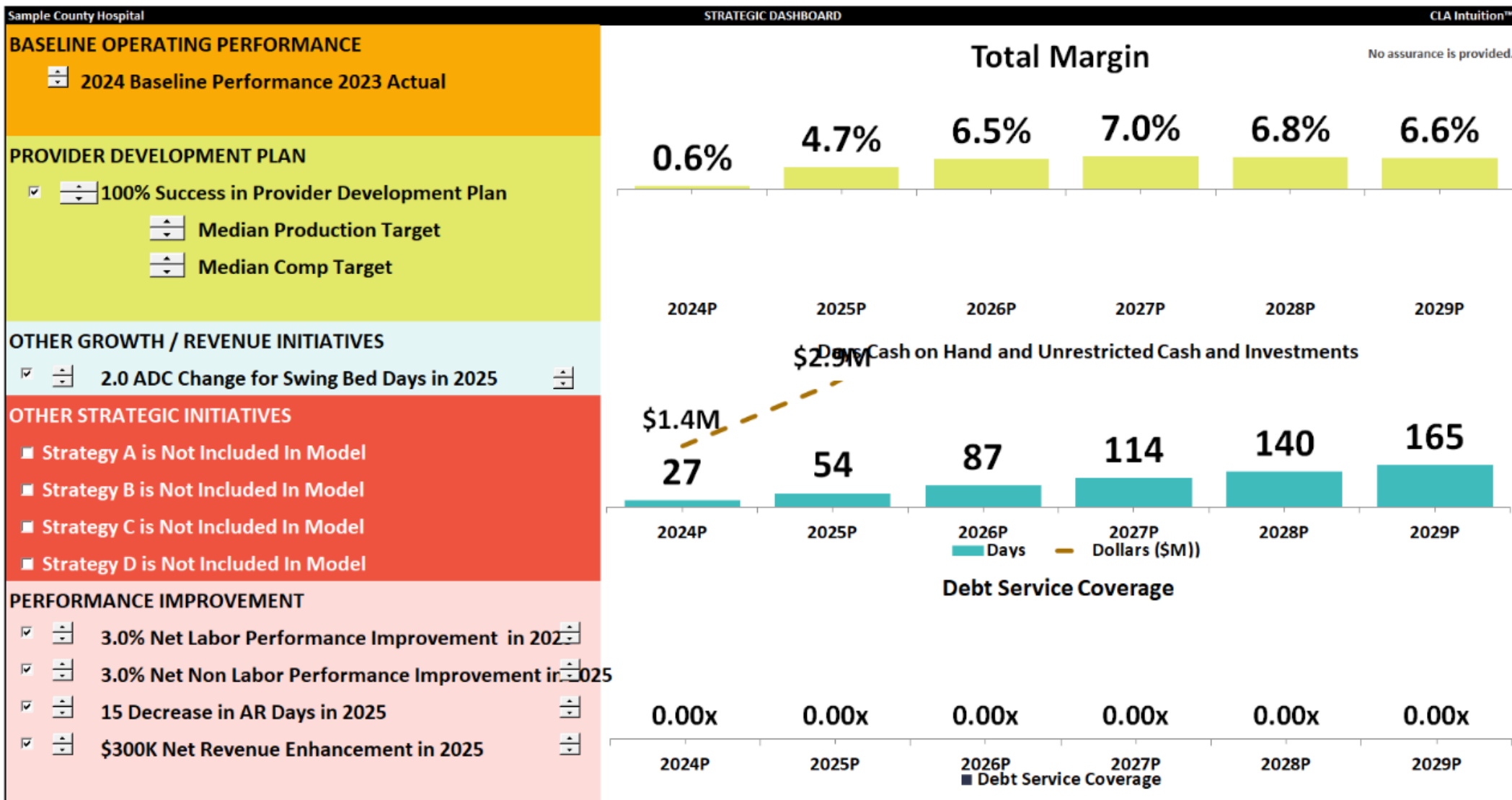
AR Days Reduction



Chargemaster Revenue Improvement



All Strategies at 100%



Discussion and Questions



Thank you!

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