

Optimizing the Enterprise Net Revenue Function

Healthcare Summit 2018:
Simplifying Healthcare

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Your Presenters



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- Optimizing the Net Revenue Function
- Implementing and Adopting RCA
- Leveraging RCA Post Implementation

Agenda

Optimizing the Net Revenue Function

Getting the most out of our People, our Processes, and our Technology

Implementing and Adopting RCA

Why Crowe RCA?

- New Revenue Recognition ASC 606 reporting requirements effective January 2018
- Automated Hindsight Analysis
- Explaining Net Revenue efficiently
 - Rate, Mix, Volume
 - Change in Prior Estimates (Out of Period Net Revenue Impact)
- Supply CFOs with valuable information to explain Net Revenue variances
- Implemented in 800+ facilities nationwide: Ascension, CHI, LifePoint, MedStar, Vanderbilt etc.

Our Process Thus Far

- Rapid Assessment mid-2016 (review prior to FY16 close)
- Complete Implementation Spring/Summer 2017
- Corporate “Parallel” Month End Close: 8/31/2017 to 12/31/2017
- Training Sessions: 4 Regional two-day Sessions
- Site “Parallel” Month End Close: 1/31/2018 to 9/30/2018
 - Calibrate model to UHS data – testing various assumptions (not a cookie-cutter approach)
 - Test parallel close against current UHS results
 - Test modeling assumptions against historical UHS reserves
 - Test modeling assumptions against historical cash collections
- Integrate/Train UHS team in the Crowe process

How to align your finance team?

- Decentralized vs Centralized
- Corporate Team: Director and Managers
- Market/Site Teams

Challenges/Wins

- Recruiting
- Training
- Reporting Data to different audiences
- Data Transparency and Trends

Difference In Reserve Methodology



Debit AR

- UHS: Debits and Credits are combined
- RCA: A/R is split between debit and credit and reserved separately

Bad Debt

- UHS: Fully Reserved > 180 days, Self Pay Fully Reserved > 90 days
- RCA: Based on historical write-offs for each payor and aging bucket, Fully > 360

Charity

- UHS: Fully reserve Charity; Reserve portion of Medicaid Pending
- RCA: Based on historical write-offs for each payor and aging bucket

Denial

- UHS: Static reserve applied by corporate office based on historical
- RCA: Based on historical write-offs for each payor and aging bucket

Recovery/ Takeback

- UHS: No accrual monthly (In quarterly historical hindsight)
- RCA: Accrual established using hindsight data (Net Recovery)

Credit A/R

- UHS: Credits sit on Balance Sheet at Gross A/R
- RCA: Hindsight data used to establish Net Credit Liability < 100% of Gross

Difference in Hindsight Analysis



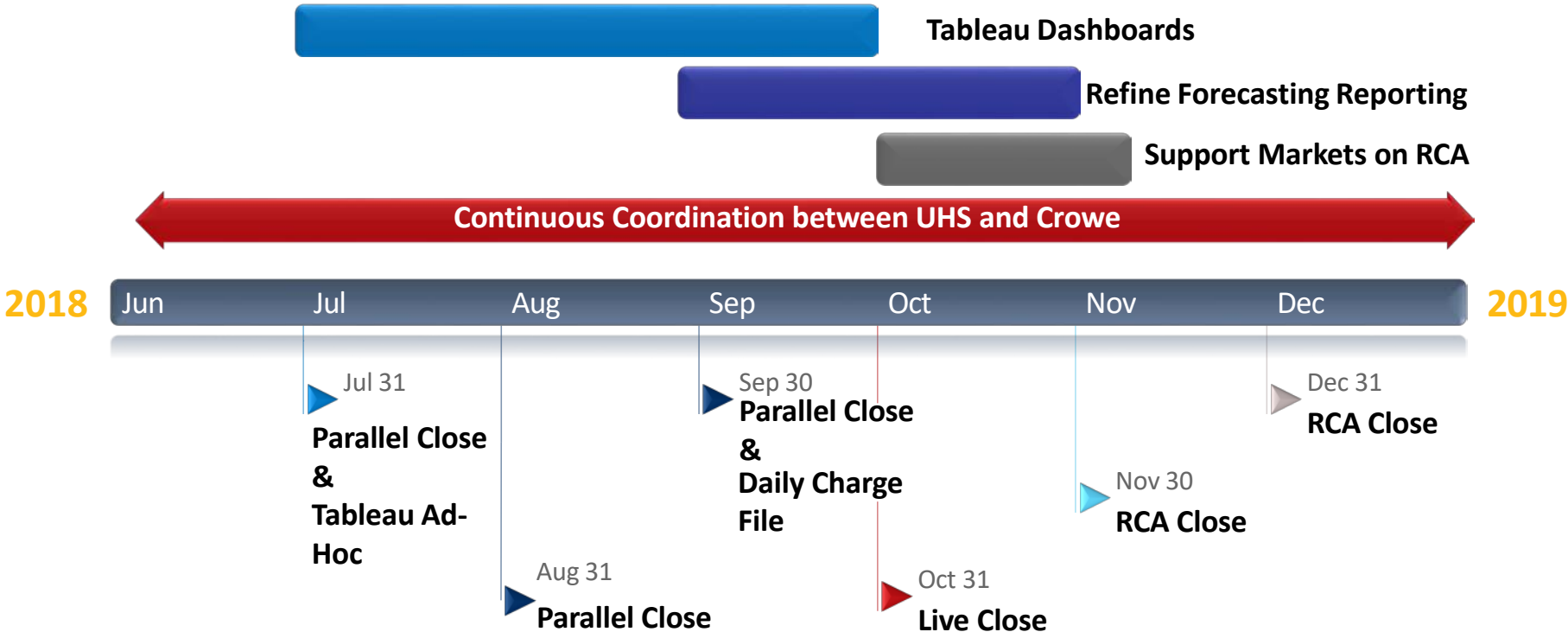
UHS

- Looks at cash collections over a 12 month period
- Includes only billed A/R
- Includes Debit & Credit A/R in one population
- **Used for quarterly review by UHS Corporate**

RCA

- Categorizes cash collections over multiple user defined time periods (18 months)
- Groups hindsight activity by Payor and Aging Bucket
- Includes Billed and Unbilled A/R
- Analyzes Debit and Credit A/R separately
- Automated / on-demand calculation within web interface
- **Foundation of monthly reserve process**
- **Quarterly Review by UHS Corporate will continue**

Next Steps & Timing



Leveraging RCA Post Implementation

Closing With RCA



Place Holder

ASC 606 Revenue Recognition



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- Testing Approach
 - Application Methodology
 - Lessons Learned

Questions...





Thank you