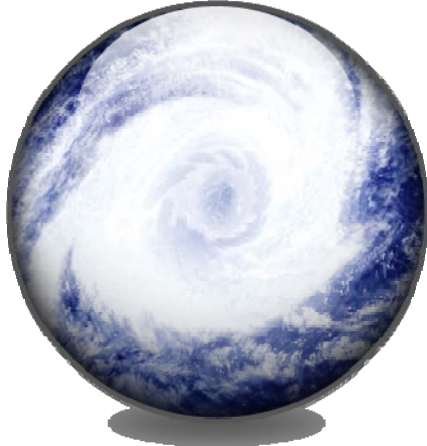


Estimate of the Situation

Critical Information for Critical Times, Edition of Wednesday, January 8, 2014



The Affordable Care Act: Real World Impacts and Options, Part IV

"In any moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing."-Theodore Roosevelt

Hospitals, health systems, and physicians enter 2014 facing unprecedented uncertainty. Failure to act is a common and understandable coping tactic in the face of the unknown. It just seems reasonable to postpone action until the operating environment is more clearly defined.

The problem is that the *Affordable Care Act's* still-evolving scope is going to shape both service demand and reimbursement in unpredictable ways far into the foreseeable future. Revenue forecasting and resource management are critical to success, a fact that makes executive inaction very dangerous. Postponing action is also unnecessary because there are powerful steps that can and should be taken as the situation evolves to enhance revenue forecasting and resource management.

The Affordable Care Act affects both service demand and payment for hospital and physician services. The effects will vary by payer. The magnitude of impact on any given hospital or office practice will be dependent upon network composition, required co-payments, deductible amounts, and payer mix. Because of elasticity in demand for primary care services, these effects may be profound, particularly in smaller community acute and critical access hospitals. Disruptions in referral patterns will ultimately be felt in specialty areas and larger medical centers as well.

If it hasn't already been done, we recommend priority implementation of a management system to track and trend at least the following data by payer (not payer class) per month, both retrospectively and going forward.

1. Number of inpatient admissions
2. Number of other occasions of service
3. DRG Code
4. ZIP Code
5. Total Charges
6. Total Payments

Analysis of even these basic data will disclose utilization and payment history and support the projection of trends going forward. Depending upon the power and sophistication of your information system, it may be possible to go far beyond this very basic step, drilling down to the impact on individual physician and specialty group admission patterns for example. We recommend that at least the previous two years be included in the analysis because significant changes in utilization and average payment trends by payer may have preceded the Affordable Care Act's impact.

This *Estimate of the Situation* issue describes one approach to data capture to facilitate revenue forecasting going forward. Subsequent issues will provide specific and practical action steps to materially improve resource management.



brady & associates .

7667 N.W. Prairie View Road, Suite 204
Kansas City, Missouri 64151
(816) 587-2120
<http://bradyinc.com>