Understanding Health Center Dental Program Financials

Chris Shea, MUP

Sunday, October 23, 2011
Presentation Objectives

✓ To explore the relationship of finance to the clinical practice of oral health
✓ To see how tracking can improve your practice productivity and quality
✓ To understand the benefits of working as part of the leadership team and in a team with other dental staff
✓ To learn about additional information on FQHC oral health financial issues
Chris Shea

• Spent most of the last 30 years directing urban and rural health centers

• Long time advocate for enhanced oral health services in FQHC’s

• CEO of Michigan’s largest oral health program for the underserved and largest FQHC

• Know something about administration but only enough about finance to be dangerous or misleading
Wall of Fame- Kent County dental services for low income patients
Wall of Shame – Kent County unmet need for dental services for low income patients
Part of NNOHA’s developing Practice Management Resources

Current chapters in development for the Operations Manual for Health Center Oral Health Programs include:

– Health Center Fundamentals
– Leadership
– Financials
– Risk Management
– Quality - Published
– Integrating Specialty Care Services
– Workforce and Staffing (coming soon)
– Understanding Reimbursements (coming soon)
Main Sections of Financials

- Relevant Regulations
- Health Center History
- Funding Considerations
- Revenues
- The Balancing Act
- Sliding Scale
- Dental Clinic Start-Up Costs
- Salaries

- Myths
- Resources for Self-Learning
- Top 10 Financial Benefits
- Funding Opportunities
- Basic Accounting Terms and Tools for Oral Health Programs
Relevant Regulations

- Authorizing Legislation - Section 330 of the Public Health Service Act
- Policy Information Notice (PIN) 98-23: Health Center Program Expectations
A health care entity that has been GRANTED certain BENEFITS and RESPONSIBILITIES by the FEDERAL GOVERNMENT in exchange for providing HEALTH CARE SERVICES to the VULNERABLE.

FQHC = Health Center
Types of Health Centers

1. CHC – Community Health Center (330(e))
2. HCH – Health Care for the Homeless (330(h))
3. MSFW – Migrant & Seasonal Farm Worker (330(g))
4. PHPC – Public Housing Primary Care (330(i))

- Not mutually exclusive
- Generically called “CHCs”, or “Health Centers”
Status of Health Centers

- Health Centers today, approximately
  - 1,200 organizations
  - 8,000 sites
  - 19 million patients
  - 800+ (70 percent) delivering dental services to 2.8 million individuals
Funding Considerations

• A Health Center must not deny services to any member of its patient population due to their inability to pay.
• A Health Center is obligated to offer a sliding fee scale for services to patients with incomes between zero to 200 percent of the federal poverty level (FPL).
• A Health Center is expected to be financially viable
The Vulnerable

• Living at or below 200% of Federal Poverty Guidelines
  – Includes Medicaid
  – Includes a large portion of Medicare
  – Includes CHIP and a number of other public resources
  – Includes a huge portion of the uninsured and/or underinsured (Caid limitations)
Sliding Scale the Vulnerable Without Resources

- Vulnerable – Living at or below 200% of Federal Poverty Guidelines
  - Single Person @ 100% = $10,890
  - Add $3,600 for each dependent
  - Family of 4 @ 100% = $22,350
  - Family of 4 @ 200% = $44,700
  - 40-45% of US population
### Sliding Fee Scale

Based on Family Income and Size:

<table>
<thead>
<tr>
<th>FAMILY SIZE</th>
<th>DISCOUNT 100%</th>
<th>DISCOUNT 75%</th>
<th>DISCOUNT 50%</th>
<th>DISCOUNT 25%</th>
<th>DISCOUNT 0%</th>
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<tbody>
<tr>
<td>($15 MIN)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td>10890</td>
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<td>16335</td>
<td>21780</td>
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<td>75260</td>
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</table>

2011

ANNUAL INCOME

Based on ANNUAL INCOME
Funding Considerations

- A Health Center must have an appropriately configured community Board.
Why Not Be A Health Center?

Perceived Disadvantage of FQHCs:

• Governance is, both in substance and in form, by a community board:
  – 9 – 25 board members
  – At least half must be “users” (patients, or guardian of patient)
  – No more than 25% of the board members can make more than 10% of their income from healthcare
  – No Center employees on board
Why Not Be A Health Center?

Not only has our community board NOT been a problem, our community board has truly made us better. They care about the community and our ability to provide high quality primary healthcare services to our community and, as a group, bring specific expertise that is very helpful.
Why Be A Health Center?

The Mission
To increase access to, and reduce the disparities in the provision of, primary health care services

“Basically, you provide as much primary health care services to the poor as you can”
Top 10 Financial Benefits of Health Centers, and Their Application to Oral Health

1. Cost- or Prospective Payment System- (PPS) Based Reimbursement
2. Federal Tort Claims Act Protection
3. Public Health Service Pricing (Section 340 B) on Pharmaceuticals
4. Section 330 Grant Funding
5. National Health Service Corps Resources
6. NNOHA
7. National Association of Community Health Centers Resources
8. State & Regional Primary Care Associations
9. Philanthropic Support
10. Academic Affiliations
Why Be A Health Center?

“I get it. People don’t go into business to lose money. No margin, no mission.”

Barack Obama, President of the United States
Basic Accounting Terms & Tools for Oral Health Programs

- Balance Sheet
- Income Statement
- Current Ratio
- Margin
Myths

- Health Centers are “free clinics”
- Health Center oral health programs create unfair competition with private practice
- Health Centers must provide care no matter what
“When you have seen one CHC, you have seen one CHC”.

Jose Camacho, JD
Executive Director
Texas Association of Community Health Centers
Revenues

- Medicaid & CHP+ Reimbursements
- 330 Grant
- Private grants & Donations
- Other Public Funds such as tobacco taxes
- Insurance/ Private insurance and patient fees
- Uninsured patients represent 39% of all Health Center Patients
Revenues

A not-for-profit can have margin (profit), providing that it reinvests the margin into its mission.

A not-for-profit can make a profit. It’s just that its mission is to serve, and making a margin is what it takes to serve more and better.
## Dental Dashboard

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<thead>
<tr>
<th>Provider</th>
<th>19-Oct</th>
<th>20-Oct</th>
<th>21-Oct</th>
<th>22-Oct</th>
<th>23-Oct</th>
<th>Total</th>
<th>Avg/day</th>
<th>Prod %</th>
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<td>12</td>
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<td>54</td>
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<td>10</td>
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<td>87</td>
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<td>14</td>
<td>107</td>
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<td><strong>Total:</strong></td>
<td>167</td>
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<td>175</td>
<td>153</td>
<td>801</td>
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<td>86</td>
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<tr>
<td><strong>Avg</strong></td>
<td>19</td>
<td>17</td>
<td>17</td>
<td>19</td>
<td>17</td>
<td>62</td>
<td></td>
<td></td>
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</tbody>
</table>
Analyzing the Parts of the Process

Productivity with 2nd Assistant-Encounters/hr.

- Prior qtrs.: 1.58
- Oct.: 1.51
- Nov.: 1.76
Ethical Billing Practices

- Fee-For-Service (FFS) reimbursement
- Capitation reimbursement systems
- PPS reimbursement (form of FFS) system
- NNOHA strongly discourages Health Centers from engaging in “churning” because it puts the organization at risk of legal and financial exposure. NNOHA cautions Health Centers regarding possible fraud and abuse violations under federal and state laws.
# Payor Mix, Sliding Fee Scale, Encounter Rates (Caid Reimbursement), Write offs

<table>
<thead>
<tr>
<th>Payor</th>
<th>Visits</th>
<th>Unit Charge</th>
<th>Gross Charge</th>
<th>Cont. Adj</th>
<th>Net Charge</th>
<th>Collect. Rate</th>
<th>Collect</th>
<th>Payor Mix</th>
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<tbody>
<tr>
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<td>2500</td>
<td>$165</td>
<td>$412,500</td>
<td>$0</td>
<td>$412,500</td>
<td>100.000%</td>
<td>$412,500</td>
<td>85.46%</td>
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<tr>
<td>Private Ins.</td>
<td>215</td>
<td>$145</td>
<td>$31,175</td>
<td>$65</td>
<td>$17,200</td>
<td>80.000%</td>
<td>$13,760</td>
<td>2.85%</td>
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<tr>
<td>Self Pay 100%</td>
<td>215</td>
<td>$145</td>
<td>$31,175</td>
<td>$0</td>
<td>$31,175</td>
<td>90.000%</td>
<td>$28,058</td>
<td>5.81%</td>
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<td>Self Pay SFS</td>
<td>1161</td>
<td>$145</td>
<td>$168,345</td>
<td>$105</td>
<td>$46,440</td>
<td>33.333%</td>
<td>$15,480</td>
<td>3.21%</td>
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<tr>
<td>CHIP</td>
<td>215</td>
<td>$145</td>
<td>$31,175</td>
<td>$85</td>
<td>$12,900</td>
<td>100.000%</td>
<td>$12,900</td>
<td>2.67%</td>
</tr>
</tbody>
</table>

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**Diff = Contractual write off**

$674,370

**Diff = Bad Debt Write Off**

$520,215

$482,697 100%
Fee for Service (including PPS)
Salaries

FHC Expenses

- 75% Salaries
- 1% Comp.
- 1% Supplies
- 2% Rent
- 2% Drugs
- 1% Repair
- 1% Travel
- 6% Utilities
- 5% Other
- 7% Fees

Legend:
- Comp.
- Supplies
- Rent
- Drugs
- Repair
- Travel
- Utilities
- Other
- Fees
Salaries

- Salaries = Biggest portion of your budget
- NNOHA & the Baylor College of Dentistry conducted a salary survey in 2009
  - 27% of Health Center dentists are paid within the $95,000-$110,000 range and another 25% of respondents were in the $110,000-$125,000 range.
- Employer Compensation Analysis available on NNOHA’s website
## Encounter Collections (Medicaid)

<table>
<thead>
<tr>
<th></th>
<th>Traditional (Non- FQHC)</th>
<th>Encounter</th>
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<tbody>
<tr>
<td>Visit</td>
<td>$75</td>
<td>$165</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total</td>
<td>$100</td>
<td>$165</td>
</tr>
<tr>
<td></td>
<td>All FQHCs</td>
<td>CSHS</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------</td>
<td>-------</td>
</tr>
<tr>
<td>Medicaid Revenue</td>
<td>$150</td>
<td>$165</td>
</tr>
<tr>
<td>Cost per Dental Encounter</td>
<td>$156</td>
<td>$126</td>
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<tr>
<td>Margin (Deficit)</td>
<td>($6)</td>
<td>$39</td>
</tr>
</tbody>
</table>
## Margin (Deficit) Per Visit - FHC

<table>
<thead>
<tr>
<th></th>
<th>Collect</th>
<th>Cost</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid FFS</td>
<td>$165</td>
<td>$126</td>
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<tr>
<td>Private Ins.</td>
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<td>($26)</td>
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<tr>
<td>Self Pay 100%</td>
<td>$126</td>
<td>$126</td>
<td>$0</td>
</tr>
<tr>
<td>Self Pay SFS</td>
<td>$17</td>
<td>$126</td>
<td>($109)</td>
</tr>
<tr>
<td>CHIP</td>
<td>$100</td>
<td>$126</td>
<td>($26)</td>
</tr>
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</table>
Margin Enhances Mission

• For every 3 Medicaid patients, HOTCHC can provide uncompensated care to 1 no-pay patient

• Important to remember that all 4 patients are vulnerable
The Balancing Act

- Some experts suggest that the source of funding for a healthy program be equally divided among federal grants, patient revenues and other sources.
- Your ideal payor mix will be based on your needs assessment and the resources available to address those needs.
Funding Opportunities

- The growing uninsured population seeking dental services in Health Centers can place a strain on the financial viability of the HC dental department, which has inherently higher costs of delivering care than the medical side.

- Community Groups
  - Rotary, Kiwanis, and Lions clubs

- Events and other creative ways
Dental Clinic Start-up Costs

- There are some basic costs associated to starting up a Dental Program: construction, equipment, supplies, salaries, utilities, etc.
  - For more information, please refer to the Safety Net Dental Clinic Manual at http://dentalclinicmanual.com/
Dental Clinic Start-Up Costs

- Figure $45,000 per chair to do a nice job
- Figure $140 per square foot for nice new construction
- Figure 2,500 square feet for a nice 5-chair clinic, up by 1,000 square feet for each additional 3 chairs
Resources for Self-Learning

a) Read the online Safety-Net Dental Clinic Manual;
b) Partner with your CFO and Executive Director;
c) Attend the National Association of Community Health Center’s 2-day seminar on Health Center Financial and Operations Management;
d) Attend the National Primary Oral Health Conference;
e) Attend commercially focused dental practice conferences; and
f) Make the most of available resources.
QUESTIONS?
THANK YOU

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Cherry Street Health Services
NNOHA Board Member
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Better Alternative:
Allen Patterson, CPA, FACMPE, MHA
Chief Financial/Operating Officer
NNOHA Board Member
APatterson@wacofpc.org
Heart of Texas Health Center

NNOHA
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