

# HFMA Certification

Overview  
Revenue Cycle

## Revenue Cycle Functions

- 21%-25% of exam
- Functional focus
  - Data collection
  - Charge capture
  - Documentation
  - Billing
  - AR; collections
  - Payor payment audits

## Revenue Cycle Functions

Fundamental functions:

- Data collection
- Charge capture
- A/R posting
- Collections/reimbursement

## Revenue Cycle Functions

Data collection

- Access
  - Adequate and correct patient information
  - Example of complete information: Name and other identifiers such as sex, date of birth, race, social security number, and marital status...

## Revenue Cycle Functions

Data collection

➤ Access

- Accurate information: Key information should be verified



HIM & Medical Record

## Revenue Cycle Function

Data Collection

Charge Capture in  
Charge Master



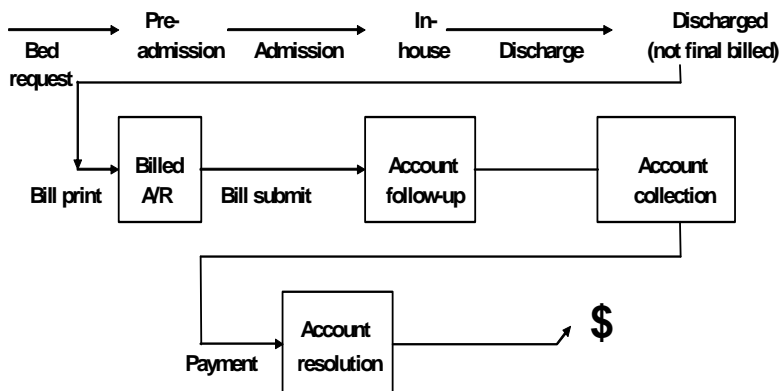
Patient Financial Services

## Revenue Cycle Functions

PFS:

- Gather charges for services provided
- Assemble charge in proper format on the claim
- Submit timely claims to payors
- Collect balances due and manage AR

## Revenue Cycle Function



# HFMA Certification

Overview  
Disbursement Functions

## Disbursement Function

- 4% - 8% of exam
- Functional focus: 2 areas
  - 1) Payroll:
    - Regulatory employee and contractor financial data collection (e.g. I-9; W-4, W-9)
    - Work load data collection

## Disbursement Function

- 4% - 8% of exam
- Functional focus: 2 areas
  - 2) Purchasing:
    - Requisitions
    - Authorizations
    - Procurement
    - Verification/approval
    - Payment processing/posting

## Disbursement Function

### Payroll:

- Ensures authorized wages are paid
- May capture independent contract work fees
- Collaborate with AP in issuing 1099s

## Disbursement Function

### Payroll – Over view

- Salaries and wages
- Labor related expenses
- Professional fees and salary expenses excluded from payroll processing

## Disbursement Functions

All managers have payroll related responsibilities:

- Ensuring that an employee is present and working for each position and for every shift required for that position.
- Ensuring required positions are properly staffed but not overstaffed.

## Disbursement Function

### FTE's

- An employee (annualized)
- A position (staffed)

## Disbursement Function

### Purchasing

- The planning and control of the functions supporting the complete cycle (flow) of materials

## Disbursement Function

### Materials Management:

- Includes these functions:
  - (1) identification of products,
  - (2) cataloging of inventory,
  - (3) standardization of similar products used throughout the organization,
  - (4) need determination,
  - (5) scheduling orders,
  - (6) procurement (ordering),
  - (7) inspection of the product received for defects/damage,
  - (8) quality control,
  - (9) packaging products in usable quantities,
  - (10) storage,
  - (11) inventory control,
  - (12) distribution, and
  - (13) disposal.<sup>1</sup>

Source: Adapted from (1) <http://www.businessdictionary.com/definition/materials-management.html>

## Disbursement Function

### Materials/supplies monitoring:

- Inventory
- Demands for services
- Ordering behaviors
- Department changes in suppliers or ordering patterns

# HFMA Certification

Overview

Budgeting & Forecasting

## Budgeting & Forecasting Function

- 18%-22% of the exam
- Functional focus:
  - Data collection & analysis
  - Projections
  - Capital planning
  - Cash flow
  - Budget analysis & monitoring
  - Financing options

## Budgeting & Forecasting Functions

### ➤ Fundamental Functions:

- Data collection
- Projections
- Budget analysis & monitoring

## Budgeting & Forecasting Function

### Data collection

- Developing a budget requires data collection e.g.
  - historical data on costs and volumes by accounting periods
  - the volume of activities (patient visits, tests, surgeries, etc)
  - Current and anticipated expenses and revenues
  - Capital needs
  - Rates

## Budgeting & Forecasting Function

### Budgeting – the process

- Establish goals and objectives
- Determine the budget calendar
- Distribute budget instructions, input forms, and projected inflation rates
- Obtain historical data on costs and volumes by accounting periods
- Analyze internal and external forces that could affect historical patterns
- Project the volume of activities (patient visits, tests, surgeries) using all the above information — a total budget will include statistics, operations defining expense and revenues, capital, and cash flows
- Project expenses and revenues
- Determine the other capital needs (equipment, debt service, and working capital)
- Establish revenue and rates schedule, net of reductions from revenue required to generate sufficient cash to cover the operating costs and capital needs
- Submit the budget if required to others for final approval

## Budgeting & Forecasting Function

### Projections

- A critical feature of performance measurement
- Main objectives:
  - Forecasting cash needs
  - Valuing an organization, products and services
  - Assessing actual performance to objectives

## Budgeting & Forecasting Function

### Ratio Analysis

- Liquidity
- Solvency
- Profitability

## Budgeting & Forecasting Function

### Cash flow

- Cash receipts, cash payments and net change in cash resulting from operating, investing and financing activities
- Cash budgeting

## Budgeting & Forecasting Function

Cash budgeting

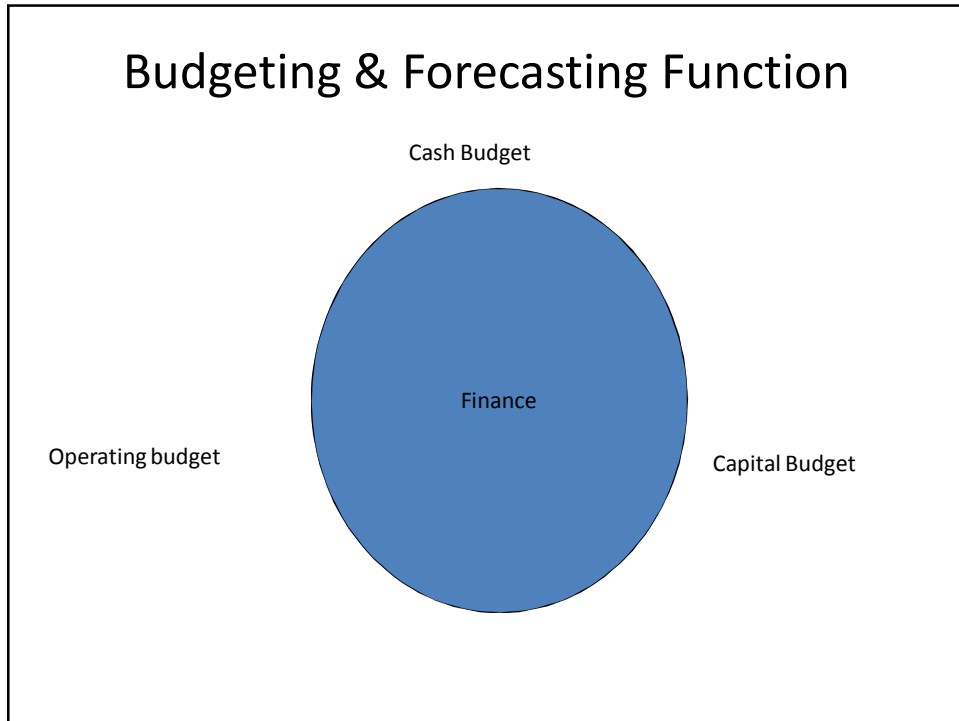
3 components:

- Total cash available
- Total cash disbursements
- Total cash needed

## Budgeting & Forecasting Function

Cash management principles

- Increase speed of collections on receivables
- Keep inventory low
- Delay payment of liabilities
- Plan the timing of major expenses
- Invest idle cash



## Internal Control Functions

- 15%-19% of the exam
- Functional focus:
  - Segregation of duties
  - Safeguarding of assets
  - Safeguarding of data
  - Regulatory compliance
  - Billing compliance
  - IT systems validation

## Internal Controls Function

- Internal control is most effective when controls are built into the entity's infrastructure and are an essential element of the enterprise.
- Management is ultimately responsible for an organization's system of internal controls.

## Internal Controls Function

Key exam focus: regulatory compliance

- HFMA Principles and Practice Board Issue Analysis 98-1

## Internal Controls Function

Corporate Compliance

- Failure to comply with regulations and statutes may result in charges

## Internal Control Functions

### Regulations:

- Healthcare is governed by many regulations and standards.
- Health information management (HIM) department contends with many of the regulations, standards and regulatory entities.

## Internal Control Functions

### Regulations

- HIM must ensure:
  - Patient information is protected from unauthorized access, safeguarded against destruction and tampering
  - The integrity of the data
  - Timely access to authorized individuals
  - Information is released in accordance with governmental and organization policies and procedures (internal control system)

## Internal Controls

Question:

Why emphasize internal control of computerized and other financial and patient information?

## HFMA Certification

Overview

Financial Reporting Function

## Financial Reporting Function

- 16%-20% of exam
- Functional focus:
  - Preparing financial statements
  - Governmental reporting
  - Internal management reporting
  - Ratio analysis

## Financial Reporting Function

Financial Accounting Standards Board (FASB)

FASB standards rest on certain assumptions:

- Monetary unit
- Economic entity
- Time period
- Going concern

## Financial Reporting Function

FASB

Two key principles

- Cost principle
- Full disclosure principle

## Financial Reporting Function

Generally Accepted Accounting Principles  
(GAAP)

- Consistency
- Relevance
- Reliability
- Comparability

## Financial Reporting Function

Financial Statements

For Profit	Not-for-Profit
Balance Sheet	Statement of Financial Position
Income Statement	Statement of Operations
Statement of Cash Flows	Statement of Cash Flows

## Financial Reporting Function

Accepted Accounting Methods

- Accrual
- Cash
- Fund

## Financial Reporting Function

### Financial Statement Presentation

- Two years are displayed
  - Prior year to the right of the current year
- Statement of Operations or Income Statement are for a period of time—typically a month
- Statement of Cash Flows reflects a period of time consistent with the Statement of Operations or Income Statement—typically a month
- Statement of Financial Position or Balance Sheet reflect the status of Assets, Liabilities, and Net Assets/Shareholders' Equity as of a day.

## Financial Reporting Function

### Ratio Analysis

- Liquidity Ratios
- Profitability Ratios
- Asset Efficiency Ratios
- Capital Structure Ratios
- Operating Indicators

## Financial Reporting Function

### Ratio Analysis

#### ➤ Liquidity

- Current ratio
- Quick ratio

## Financial Reporting Function

### Ratio Analysis

#### ➤ Profitability

- Operating margin
- Return on assets

## Financial Reporting Function

### Ratio Analysis

- Asset efficiency
  - Total asset turnover
  - Inventory turnover

## Financial Reporting Function

### Ratio Analysis

- Capital structure
  - Debt to Capitalization
  - Debt service coverage

## Financial Reporting Function

### Ratio Analysis

#### ➤ Operating indicators

- Length of stay
- Occupancy rate
- Case mix index
- Labor as a % of operating revenue
- Net days in receivables
- Days in revenue outstanding

## Financial Reporting Function

### Ratio Analysis

#### ➤ Operating indicators

- Days cash on hand, short sources
- Days cash on hand, all sources
- Days in accounts payable

## Financial Reporting Function

### Variance analysis

➤ Three principal types of expense variance:

- Price variance
- Volume variance
- Efficiency variance

## HFMA Certification

Overview

Contract Management

## Contract Management Function

- 13% - 17% of the exam

Functional focus:

- Monitoring contracts to ensure performance compliance

## Contract Management Function

- What makes a contract valid?
  - Provisions
  - Price
  - Authority
  - Legal services and products

## Contract Management Function

### Assessing a contract

- Understand legal terms
- Read the contract for the financial benefits it offers
- Summarize the 'gives' and 'takes' of the proposal
- Identify loopholes

## Contract Management Function

Boilerplate Provisions	
• Choice of law	• Notice
• Modification of Agreement	• Entire Agreement
• Severability of Agreement	• Execution
• Separate Exhibits	• Force Majeure
• Survival	• Necessary Acts
• Confidentiality	• Survival
• Representation/Signatories	• Ambiguities

## Contract Management Function

### Common Uses of Contracts in Healthcare Finance

- Services of an external auditor
- Health plan/payer contracts
- Banking services
- Collection agency
- Contracting for temporary billers or other staff
- Engaging a scanning company to scan files and destroy paper files
- Equipment maintenance (shredders, copiers, printers and other equipment)
- Maintaining applications by providing upgrades to and education for the software used

## Contract Management Function

### Contracts with Health Plans & Payers

- Indemnity/commercial insurers,
- Preferred provider organizations (PPOs),
- Managed care organizations (MCOs) such as health maintenance organizations (HMOs), exclusive provider organizations (EPOs), and accountable health plans (AHPs),
- Other health plan/payer related entity

## Contract Management Function

### Common Health Plan Contract Provisions and Definitions

- Claims submission requirements
- Clean claim
- Claims payment requirements
- Definition of day in per diem contracts
- Definition of emergency services

## Contract Management Function

### Common Health Plan Contract Provisions and Definitions

- Incorporation of other documents
- Access to data
- Unilateral changes
- Cost of living rate adjustments
- Retrospective Payment Denial
- Dispute resolution

## Contract Management Function

### Common Health Plan Contract Provisions and Definitions

- Allowance/prohibitions against litigation
- Appeals

## Contract Management Function

### Evaluating health plan/payer contracts

- Contract language
- Reimbursement levels
- Financial, operational and legal parameters acceptable to both parties

## Contract Management Function

### Contract evaluation model

- Payment rates
- Covered lives
- Claim complexity
- Preapproval/utilization review requirements
- Carve- outs
- Risk for the provider