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Executive Briefing
Survey Findings - Community Health Centers Financial Reporting
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Summary
Community Health Centers often struggle to get accurate and timely financial reporting. Integrating the applications they have from third parties is sketchy at best and home grown solutions are expensive and take a lot of maintenance. It turns out there are some common reasons for this and some common solutions may be on the horizon.

We have worked with several Community Health Centers (CHCs) over the years either. We have mainly served them by doing projects for their software providers. During the course of time, we observed that many CHCs struggle with generating accurate and timely financial reporting.

The CHCs are able to pull the data together. At the end of the quarter, everyone eventually compiles financial statements that represent the operation. The struggles are focused on the time to retrieve the data, verifying the accuracy of it and the gyrations people go through to actually retrieve it.

To find out if we were just seeing anomalies or trends, we put out a series of surveys coupled with some follow-up meetings to prove out the evidence either way. The answer is these financial reporting issues are more of a trend than an anomaly. There were other interesting discoveries along the way. Stay tuned for other white papers for our findings.

Below are the common circumstances and reasons why financial reporting is a struggle for so many CHCs:

- Most CHCs have a Practice Management (PM) system. This is the common entry point for the financial data
- The financial data is either re-keyed or transferred into the accounting system using homegrown means
- The PM reporting by default becomes the most common reporting system for finances and operational performance
- Most CHCs do not have an ad-hoc reporting capability or reporting alternatives

Practice Management – It makes sense that this is the front line for where the financial reporting starts. It is here that the operations of a CHC happen. More importantly, this is where the claim data, outgoing and incoming, is captured. Where ever the claim activity is, the financial activity starts. The data captured by the PM systems becomes the basis for accurate and timely reporting.

The fact that the data starts at the PM is not bad. It has to come from somewhere. We start going downhill by how, and how long, the data gets out of here and to where it needs to be.

Accounting Systems – In a perfect world, we want the financial reporting of any operation, not just CHCs, to come out of the accounting systems. Many CHCs want to do this, but either are not or cannot.

First, a large number of PM systems provide no interface capabilities to accounting systems. No PM will integrate seamlessly with every third party accounting system, but it is surprising how many do not even send files over to Microsoft Dynamics, one of the more popular accounting systems.

This leaves many CHCs to re-key the data. Human error is always an issue clouding manual data entry. No one has any real issue with the human error component and when it does happen, it is easily corrected. The bigger issue is the CHC uses certain reports to key from. These reports are often not intended to be a data dump. They are built to provide a specialized financial point-of-view and point-in-time. Complex transactions are not always fully appreciated on these reports. Therefore all the data does not make it into the accounting application and its own reports.

CHCs with IT staffs have routinely tapped into the PM databases to extract the data they need. While this consistently provides better data than re-keying from a report, it becomes expensive for the CHC to implement and maintain. CHCs need to focus their human resource on providing care, not one-off computer programming efforts.

PM Reports – You are not going to find a PM system without reporting capabilities. The challenge in pulling accounting reports from the PM system lies in the fact that the PM reports are designed to meet operational, not financial, needs. There are PMs out there that are built with the accounting model in mind. Even if they are built with an eye towards accounting, they still do not capture the account for interest earned from the bank, payroll or several other accounting-only examples. Why would it? That has nothing to do with the operations of running a practice.

PMs fall short of being accounting systems. This is not a bad thing. There are plenty of accounting packages out there that are good at what they do. Let the accounting system do the accounting and the operational system run the operations.

While it makes sense to have each system perform the functions it is intended to perform, there is a tendency within CHCs to rely on the PM for the financial perspective. It is easy to see how the CHC arrives at this spot. The PM has the important data. It has it real time. No waiting for it to be re-keyed or for that interface to be completed. Everyone knows it is there. There are usually reports available that provide the much sought after financial data.

There is a cycle we have seen in many PM systems. They start off delivering a suite of operational reports. Client requests (a.k.a. demands) start coming in asking for modifications of these reports, always adding financial information. A report intended to provide a picture of provider efficiency suddenly becomes a report to represent aged slide adjustments.

The PM software providers are often unaware of this trending. The CHCs are not coming to them asking for a declared set of financials. Instead the change requests trickle in from multiple clients. Unless they have someone with the time and vision to stand up and evaluate the change request and really ask “where are the clients going with this?”, no one knows what is happening.

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What eventually happens is the PM software vendors have suite of reports with inconsistent data elements, reports do not add the way the CHCs think they should and the CHC is still not getting the financial picture they need. Nobody wins.

Ad-Hoc Reporting / Reporting Tools – Whether a report comes from a PM, EMR or an accounting system, the CFO and their team will want to see something from a different point of view. No two CFOs are looking at the same environment nor do they have the same viewpoints on how to analyze the operation.

The answer is to either pay for the software developers to create a report suite that the CFO wants, have the CFO change their expectations, or have a reporting tool that the CFO and their team can both use. One of these is not ever going to happen.

There is a frustration with the third party software providers changing the report suites in their products. The release cycles are long, an individual CHC needs are made secondary to other clients of the software company and the end result is not always what they wanted. CFOs who have their own reporting tool circumvent this whole process. They report want they want when they want it.

The reporting tool needs to have access to PM and non-PM data. It also needs to be usable by an intelligent accounting resource. Asking a minimum-wage data entry clerk to create an aging report and blaming the tool when the report doesn't work is a bad idea.

An overwhelming number of CHCs agree with the need for personalized ad-hoc reporting. They overwhelmingly agree that they would like to have access to the data, get a confidence level about what is in there vs. not in there, receive some training and then be left alone with their own creation.

Having their own reporting tool also forces them to understand the micro-elements of their transactions. If a CHC sends a claim to Payer A only to have it denied 30 days later, the natural thing to do is send a claim to Payer B. If Payer B's claim is not created until 30 days after the physical encounter, what month should the charges be posted under? Every CFO reading this will have an answer on what to do, but there is another CFO who disagrees. A CHC having their own reporting tool forces these types of issues into the forefront and forces the CFO to know exactly how each transaction type is dealt with as opposed to relying on the PM software provider to decide for them.

All of this begs the question - With the demand so high for a solution that solves so many problems, why do most CHCs still not have a reporting tool?

Not part of the package – Many third party software providers do not come with a reporting tool. Those that do, do not always have all the data represented in the tool. It is no small affair to incorporate a reporting tool into a software product. Most software companies are struggling to meet current client demands and have to weigh these demands against the ever growing functionality list in their product road map.

Cost – for the third party providers that have a reporting package, that package is not free. Going out to the open market for reporting tools will reveal consistent price tags over $75,000 before monthly maintenance fees.

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The reason these tools cost so much is that they are marketing themselves as Business Intelligence (BI). BI goes beyond financial and ad-hoc reporting. True BI takes the same data, couples it with key-performance indicators and distributes it as-needed through an enterprise. Some will argue it is an over-sell in order to charge more. Regardless, there is no shortage of people will to pay the license fee they are asking.

The CHCs expressed an urgency to have a reporting tool that they can use just to provide themselves an accurate and timely picture of the financial health of their organization. There is a difference between their needs of today and the promise of what BI provides. While no one discounts the benefits of BI, the CHCs want to go for a jog instead of a tempo run to qualify for the Boston Marathon.

What the CHC does instead is beg / fight / grovel / cajole their PM software providers to provide the data the way they want to see it, or spend way too much time trying to figure out a way to get the raw data into their accounting system so they can report then.

The Need - This leads us with a gap in the CHC market space. The CFOs of these organizations need more control over how the financial data is presented to them. They currently spend their time aggregating and verifying it instead of performing forward-looking analysis of it.

The existing software providers do not provide them with everything they need. The CHCs are also somewhat complicit in the current state of the market in that they unintentionally steer the software manufacturers in the wrong direction. While the software company is adding fields onto existing reports they do it at the expense of developing interfaces to the accounting system.

The majority of reporting tools gravitate towards BI, which delivers more than the CFO needs or can afford.

The need is an affordable reporting tool that ties in to multiple systems and allows the CFO and their team the ability to query on what they want.

Decide Consulting is performing additional evaluations on reporting tools to see if any can fill this need.

About the Author

David Moise is the founder and president of Decide Consulting. Started in 2002, Decide Consulting has been servicing multiple healthcare companies since then. Healthcare has continued pressing needs to expand access and care and still control costs. Decide Consulting understands that increased efficiency is the answer. For more information on Decide Consulting, please visit http://www.decideconsulting.com