Intellitec Solutions

Upgrading an Accounting System: What EVERY Long-Term Healthcare Facility Should Know

White Paper

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Summary

The business environment within Long-Term Healthcare Facilities poses unique challenges to profitability. By replacing outdated accounting systems with more powerful solutions, small independents can reap many benefits – higher efficiency, more productivity, faster growth. A successful systems upgrade depends on several key factors: adequate planning, a realistic budget, the proper technology and a knowledgeable solutions provider.

INTRODUCTION

Modern financial management technology can help Long-Term Healthcare (LTHC) facilities manage the multiple challenges of rising resident populations, high rates of staff turnover and increasingly complex reporting requirements. By following best practices for planning, budgeting, and implementing, LTHC finance directors can ensure the success of initiatives to replace or upgrade inefficient accounting systems.

Part I explores the issues many small independents face when upgrading accounting systems, outlines a planning roadmap and offers suggestions for evaluating resellers. Part II will look at software considerations, describe what to expect during implementation, provide guidelines on maintaining productivity, and review maintenance options.

KEY TRENDS MAKE AN IMPACT

Several trends are converging to exert extraordinary pressure on independent LTHC operators:

- **Demographics.** From 2005 to 2015, the number of Americans aged 65+ will increase 25%; by 2030, that number is projected to reach 71 million.
- **Profitability pressures.** While demand for nursing care is linked to demographics, profitability of individual facilities depends on efficient operations, since revenue per patient is controlled by big government insurance programs, Medicare and Medicaid. Large companies can achieve economies of scale in administration and purchasing, but small operators must focus on better service and higher efficiency to compete.
- **Compliance pressures.** About 60% of LTHC revenue is derived from Medicare and Medicaid, and financial reporting requirements are both highly complex and fluid. To remain in good standing with government agencies, accurate and timely reporting is more critical than ever.
• **Labor pains.** Labor is the number one cost for nursing homes, and often the number one headache. Annual turnover rates of 100% are not uncommon, in part because average pay for LTHC employees is 20 percent lower than for other US workers.

• **Consolidation.** The US nursing homes and assisted living industry includes about 75,000 establishments (single-unit facilities and branches of multi-unit companies) with combined annual revenues of about $165 billion. As small independents struggle with profitability, industry consolidation is increasing. Major companies include Sunrise Senior Living, Kindred Healthcare, Golden Horizons (owned by GGNSC Holdings) and SunBridge Healthcare.

**PRESSING NEEDS FOR A BETTER ACCOUNTING SOLUTION**

Many small LTHC operators see robust financial management software as the cornerstone of efficiency and profitability, and have these common needs:

• Need invoice and claims submissions to conform to complex rules and regulations of third-party healthcare billing systems
• Need to track receivables accurately so that bills (and revenue!) are not lost when insurance companies and Medicaid delay claims processing
• Need extensive financial reporting capability and a flexible chart of accounts structure to meet Government reporting requirements
• Need to automate financials with patient census data, so that profitability can be established on a per patient or per situation basis
• Need to measure profitability by program; since patient care involves numerous components (labor, materials, new facilities), and funding may come from diverse sources (Government, Insurance, patient, private foundations), tracking the profitability of a particular program is crucial, given the slim profit margins

**FACING UNDER-FUNDED BUDGETS AND OVER-EXTENDED STAFF**

Obtaining funding for accounting system upgrades is a challenge for many independent operators. For one thing, costs to provide resident care are always rising, thereby limiting available funds for new systems. Facility budgets often overlap multiple business units, departments and agencies. Therefore, competition for funding is intense, and getting an accurate accounting of available funds can be confusing.
Staffing issues add more budget pressure. With turnover ranging between 70 and 100 percent annually, training new staff is a costly budget item. Many facilities are chronically understaffed, forcing aides and nurses to carry heavier workloads. Multi-tasking staffers must complete accounting and administrative duties quickly in order to devote time to resident care. Any new accounting software must be “easy to learn” and “user-friendly” to ensure staff acceptance.

A ROADMAP TO SUCCESS

The solution for tackling these challenges is a planning “roadmap” all stakeholders approve and agree to follow. The first step is a thorough needs assessment, as the implementation of a new accounting system often impacts multiple business units and the flow of data between departments. Our LTHC experience reveals several key factors for success:

1. **Designate and empower a Project Leader.**
   Depending on the size of the operation, an individual or a steering committee (with five to seven stakeholders) should be named Project Leader and put in charge of the needs assessment and selection process. The project leader may be actively engaged in procuring departmental input and making selections, or simply oversee the process, and delegate work to others.

2. **Is an outside consultant necessary?**
   Independent consultants can save time and provide valuable expertise, depending on the operation’s size, system requirements and internal capabilities. For complex initiatives that are broad in scope, consultants often get involved early on and oversee the needs assessment. In other cases, the needs assessment is conducted internally and product selections are narrowed before a consultant is hired. Then again, many facilities successfully manage the entire assessment and selection process on their own.

3. **Take an inclusive approach.**
   Key managers within each department should be brought into the planning process to optimize cooperation and buy-in. To identify problems and bottlenecks, solicit feedback from personnel at all levels who: interact with the accounting system; input patient financial and census information; or generate reports based on financial data. Ask IT staff for advice on technology platforms best suited to the organization’s systems and skill sets. The more inclusive the process, the more cooperative stakeholders will be, making a successful implementation more likely.

4. **Think long term.**
   It’s not enough for a new accounting solution to manage current needs or integrate with current hardware. All potential solutions must be able to support projected long-term growth as well.
a more robust accounting solution will facilitate faster growth, it makes sense to first find accounting software powerful enough to grow with you, and then determine the best hardware to run it. Hardware is by far the least expensive component of a new system, so if current equipment is inadequate, purchasing new hardware is a good investment.

5. **Set a realistic budget.**

   According to research conducted by software consultants Edward Koscic & Associates, LTHC facilities should expect to allocate .005% - .01% of the annual budget to a new accounting package. That covers software and implementation, including customization and training. Allocate funds to four categories:
   - New software
   - New hardware
   - Implementation and training
   - Ongoing support and product upgrades

Finance companies specializing in software and computer systems will work with operators to set lease payments that spread purchase costs across several years, which alleviates pressure on cash flow. Depending on the circumstances, there may be tax advantages to long-term financing as well.

**SELECTING A SOLUTIONS PROVIDER**

Choosing the right reseller is crucial, but with so many resources making similar claims, it can be confusing to sort through credentials. Here are some suggestions for evaluating partners:

**Check experience.** Is a particular reseller well-versed in the unique needs and “pain points” of LTHC facilities? That’s the number one question. One important caveat: If you contact a software publisher directly for a referral, you may be directed to the next reseller on the list, and wind up with a less-experienced resource. To avoid this mistake, ask potential partners:

- How many years have you been in business? How large is your client base?
- Can you provide case studies of LTHC engagements?
- Have you worked with Clinical EHR and EMR systems?
- Have you written 990 or Medicaid reports?
- Will you provide references of current or past LTHC clients?
Check methodology. The best resellers have a proven, peer-reviewed process that includes:

- Diagnostics & Analysis – Review and document processes, define scope
- Design – Create a plan that integrates needs, process, people and product
- Development – Adapt existing features, create new features, migrate and test data
- Deployment – Set up operational environment on-site

Check training and support resources. Make sure there are at least three consultants on staff who have LTHC experience, are fully certified and receive product education annually. To control the cost of training new hires, make sure the reseller has at least one resource dedicated to phone and remote support.

Check the contract. Before signing on the dotted line, the legal department or company attorney should review all documents and contracts, including any support agreements. Make sure contracts spell out what ongoing maintenance costs are required. Know what legal recourse you have if the software or reseller does not perform as promised.

Check your gut. To determine your comfort level with potential partners, ask yourself: Do they communicate clearly and effectively? Do they respond to requests quickly and thoroughly? Do they understand the unique demands of the LTHC industry? Can they explain and demonstrate technology in language all employees will understand? Are they open, and friendly?

**Technology: Build on or Start Over?**

During the planning phase, one of the first big considerations your Project Team will face is whether to salvage existing systems and software, or start fresh and build an accounting solution from the ground up. To help you answer that, let’s briefly discuss a fundamental issue facing many LTC facilities.

LTC managers often face a dilemma: what’s the best way to maintain the balance between centralizing and decentralizing IT infrastructure? On the one hand, all information needs to be centrally stored to avoid duplication across the extended enterprise. But many LTC facilities, especially those that have grown via acquisition, have several centers with very divergent IT needs, and need IT flexibility among branch locations.
When choosing accounting software, managers struggle to reconcile these conflicting organizational needs. In order to integrate and control information across various core business divisions, such as accounting and clinical operations, they deploy monolithic software solutions that are often complex and costly. Integration is achieved, unfortunately, by sacrificing agility and flexibility at local facilities.

The alternative solution, seen in more decentralized LTC facilities, is to allow divisions and subsidiaries to deploy the software and system solutions that best meet their specific needs. Individual facilities thus retain agility and responsiveness, but the drawback is limited visibility and insight across the organization as a whole. In the long run, this approach can be very costly and can make government reporting even more difficult.

So, in order to answer the question “build on or start over,” ask yourself:

- **What level of integration do we need?** The larger the organization, the more challenging it is to connect systems, processes and people. Rapid growth or a business acquisition can transform a midsize organization into a large organization overnight. Without effective connectivity across departments, efficient work processes are compromised. Poorly integrated business processes and limited visibility into workflow are not only costly, but they have a considerable negative impact on organizational agility and competitiveness.

- **Is our ERP solution the one we need?** Most LTC facilities already have an integration solution in place. These Enterprise Resource Planning (ERP) solutions are typically monolithic and proprietary (non-standards based), and difficult to customize or add new functionality to in response to changing business needs.

- **How can we balance greater efficiency with optimal patient care?** The argument for greater central control of branch and subsidiary resources is fairly clear: alignment of business goals can more readily be accomplished by standardizing clinical processes across the organization. Yet despite this, many organizations maintain decentralized clinical practices for one compelling reason – patient needs are often better supported by local adaptation rather than central standardization. The net result, unfortunately, is that many large organizations have systems in place that were intended to be monolithic centralized systems but instead have been deployed in a decentralized fashion, reducing the level of integration and increasing costs, precisely what ERP systems were designed to control.

As you work through the answers to these questions, you may conclude that a comprehensive financial management upgrade makes the most sense. Upgrading to an improved ERP solution such as Microsoft Dynamics GP can give your organization the tools it needs to run facilities with the greatest efficiency and insight. It can sharply reduce the time and effort for key accounting tasks, provide easy access and
analysis of integrated, updated information, and connect smoothly with operations across your entire organization.

**INTEGRATING ADMISSIONS SYSTEMS WITH AR AND BILLING**

Another key consideration is whether to integrate critical information captured in the census and clinical systems to the appropriate financial area for application of charges and billing. Though the task of doing this may seem large, having a system-wide integration allows LTC facilities to reduce administrative overhead and increase the timeliness and availability of financial information to department managers and executives throughout the organization. Among the benefits you can achieve:

- Streamline billing with integrated census and clinical information
- Automatically apply room charges to resident bills
- Audit all adjustments to accounting entries
- Manage unlimited payer plans and instructions
- Manage trust accounts effortlessly
- Easily track collection notes and tasks
- Utilize any third party accounting system through integration
- Drive billing from provided census information
- Automatically bill resident accounts with electronic payment
- Provide a single bill for resident couples
- Manage leaves and holds to avoid complicated billing procedures
- Bill residents upon demand
Software as a Service (SaaS) or “cloud computing” is a delivery method for software in which the applications are hosted by a third party, rather than reside on your servers. To access the software, you pay monthly subscriptions fees based on the number of users. At first glance, this model seems very attractive – no upfront software costs, fast implementation, no new hardware to purchase and maintain. But there are many critical factors to take into account if you are considering a SaaS solution:

- **Someone else will own YOUR financial data!** If a third party is hosting your ERP software, then your General Ledger, payables – in fact, all your confidential data – will reside on a server owned by another company. Who truly owns the data? What happens to your data if that company goes bankrupt? These are risks you need to consider.

- **There are costs down the road.** While $60 a month per user sounds great when compared to $2,250 per user to purchase software, make sure you are calculating the true cost. SaaS typically is on a named-user basis; on-premise ERP software like Microsoft Dynamics GP is purchased on a concurrent user basis. Over three years, subscription-based pricing probably will cost more. Plus, with low-cost leasing options, purchasing software does not necessarily mean you have to pay a lot upfront.

- **You will still have hardware to maintain.** Many companies believe that SaaS will allow them to retire existing hardware. But a recent Forrester Research report, *The ROI of Software-as-a-Service*, found that most companies deploying a SaaS environment still need to maintain some on-premise software to fill in gaps that the hosted solution doesn’t address. With the cost of hardware going down, the savings may not be that great.

- **You may lose features you like.** SaaS solutions promote the fact that upgrades to new versions are automatic. But beware: a feature you like and depend on could be retired in a new version. If that is the case, you will have no choice but to make do once a new update is pushed down to you. Imagine launching your ERP software one day, and finding critical information gone. With on-premise software, the current and previous version of software are supported, so changes are not forced on you.

In the end, you will probably find that an on-premise installation of a robust ERP solution like Dynamics GP is cheaper, more flexible, and better-suited for the needs of LTHC facilities.
Long Term Care

LTHC Implementations May Take Longer

Most new accounting software implementations take six to nine months to complete, with actual schedules depending heavily on the availability of key staff. Since many LTC organizations require staffers to perform double duty (adding patient care to administrative tasks or IT responsibilities, for example), implementations may take longer. A nine to twelve-month timeframe may be more realistic. Be prepared to allocate time and internal resources to:

• An executive workshop to identify and define critical business issues and processes
• A walkthrough of existing systems to diagnose efficiencies and inefficiencies and identify clinical functions that must interface
• A pilot run of the new system to capture additional requirements and map them to software functionality
• A gap analysis to identify any required features that do not map to the new system
• Company-wide implementation of the new software system
• Staff training

Maintenance: Getting More for Your Money

At about 20% of the overall purchase, a maintenance contract represents a significant investment. What do you get for your money? The biggest benefits are easy access to upgrades and support. Service plans, however, have not always been as flexible as many would like. Now, thanks to the influence of SaaS and its subscription-based pricing model, software vendors are giving customers more leeway to negotiate the scope and cost of maintenance contracts.

The Microsoft Enhancement Plan for Microsoft Dynamics, for example, strives to deliver value by protecting your investment and improving productivity. Updates – which include product upgrades, and tax and regulatory releases – ensure legal and regulatory compliance but also help keep your solution running securely and uninterrupted. An online portal empowers employees to resolve small technical issues on their own, and get answers to everyday support questions quickly. Another benefit: predictability. With Microsoft’s Protected List Price feature, which shields you from price fluctuations, you can budget more accurately for service plan renewals.

Every LTC manager should try to develop a spending plan that is structured to the facility’s unique requirements for ongoing maintenance and training. Make sure that all software that is being licensed is in fact being used because licenses purchased but not deployed still incur maintenance fees. When the
time comes to negotiate renewals, be prepared – know exactly what your needs are, what you have paid for each support incident, and know what alternatives you have. If you are unhappy with current terms, let your service rep know; your supplier should be willing to work with you and adjust to your needs.

THE ADVANTAGE OF UPGRADING NOW

As we have attempted to demonstrate, the competitive pressures and business demands small and midsized LTC operators face make running an error-free, high performance financial management system a must. The process of upgrading and integrating a new system may be daunting, but the payoff in improved efficiency, insight and long-term savings is great. With an experienced solutions provider as your partner and software from a world-class technology leader like Microsoft, updating your accounting software solution may be your most potent competitive advantage.