

IPU Planning Tool Instructions

The tool helps you

- See how changes in your cost structure affect your income and losses
- See the effect of one cost move or how dozens of cost moves work simultaneously
- Identify the Magic Number—that special bed that must be filled for the unit to breakeven
- Project income and losses years into the future

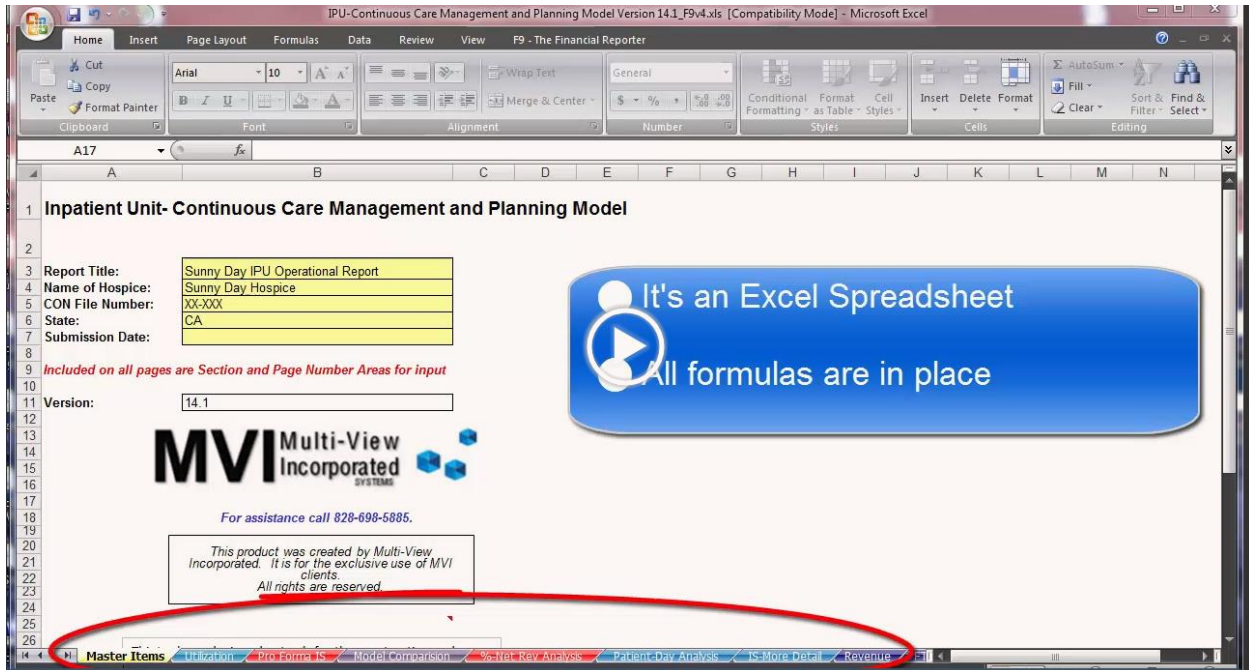


- There are good reasons to having an IP Unit; making money is not one of them
- But many Hospice's see an IP Unit should be part of their mission and that is good
- If your community needs it and if your organization can sustain it then you should work towards that end – but be careful (a poorly planned or weakly managed IP unit can jeopardize your whole organization); we know several Hospice's who have regretted it!
- For more insight as to the Best Practices for the management of IP Units see our website link: <http://www.multiviewinc.com/library/practices>
- The Multiview IP Unit Planning Tool helps you plan your unit if you are building it. And it helps you manage your unit once it's operational.
- The tool also helps you find the magic number – this is the one additional bed that will take your unit from losing money to not losing money.
- Very well planned and rigorously managed we have seen IP Units make money but do not launch an IP Unit with the expectation of making money. Most won't break even.

Here is the IPU Planning Tool:

Your job is to add your IP data and cost into the right places.

1. Start here on the “Master Tab” – this tool can be used to produce reports for your staff (enter information into the gold cells).



2. Click on the Pro Forma IS tab – once all cost and revenue data is entered into the tool, we will come back to this tab to see your present and your future (will see how census possibilities compare).
 - i. Enter into Row 2 your headers (these represent your Scenarios)
 - ii. Enter in census data into Rows 4 & 5
3. Construction Costs & Depr. –
 - i. Construction Costs
 - a. If you are going to build an IPU
 - a. A good rule of thumb is that for every inpatient bed it will take 900 sq ft so you can use that in E7.
 - b. Use an average cost per sq ft (this will vary depending on where it is located)

- b. If you already have an IPU use the formula below to determine the cost per sq ft.

If you already have an IPU, we need to provide the tool the information to calculate cost per square foot.

- Type in the number of beds here
- Divide total square feet of the building feet by the number of beds and put here
- Divide the building cost (from your GL) by total building square feet and put here

- ii. Depreciation (you will get these from your general ledger)
 - a. CON (Certificate of Need) – cost of your application procedure amortized over a number of years (if you don't have values use "1")
 - b. Equipment – pull from your GL or use an estimate (10% of your building construction costs is a good rule of thumb).
 - c. Hit "F9" to calculate depreciation \$

- 4. Utilization - (this is the average # of days that patients will stay in your facility by level of care)
 - i. If your IPU is already running, this information will be in your Patient Management System (PMS)
 - ii. Enter in the number of Licensed Beds in the yellow cells

d.

Beds and Occupancy	#NULL! 0	#NULL! 0	#NULL! 0	#NULL! 0	#NULL! 0	Average
Licensed Beds - Inpatient	8	8	8	8	8	8.0
Licensed Beds - Residential	-	-	-	-	-	-
Occupancy Rate						
Inpatient	50.0%	62.5%	75.0%	87.5%	100.0%	75.0%
Residential	37.5%	37.5%	25.0%	12.5%	0.0%	22.5%
Continuous Care/Respite	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	87.5%	100.0%	100.0%	100.0%	100.0%	97.5%

5. Revenue –

- i. Rate Change % over Base Year – used for projecting the rate of growth at the reimbursement rate; these amounts will be zero if you are comparing scenarios for a single period. If projecting years forward, 2% growth per year is a good rule of thumb.
- ii. Input reimbursement rates and payer mix for each level of care into the yellow cells

Revenue - Acute									
	Rate	Mix %							
MCR IP	660.00	85.0%	561.00	819,060	1,023,825	1,228,590	1,433,355	1,638,120	6,142,950
MCD IP	660.00	8.0%	52.80	77,088	96,360	115,632	134,904	154,176	578,160
PVT INS.	660.00	5.0%	33.00	48,180	60,225	72,270	84,315	96,360	361,350
Indigent		2.0%	-	-	-	-	-	-	-
Other			-	-	-	-	-	-	-
Total IP		100%	646.80	944,328	1,180,410	1,416,492	1,652,574	1,888,656	7,082,460
Allowance/Bad Debt		2.0%		18,887	23,608	28,330	33,051	37,773	141,649
Net Revenue				963,215	1,204,018	1,444,822	1,685,625	1,926,429	7,224,109
Revenue - Residential									
	Rate	Mix %							
MCR	140.00	85.0%	119.00	130,305	130,305	86,870	43,435	-	390,915
MCD	140.00	8.0%	11.20	12,264	12,264	8,176	4,088	-	36,792
PVT INS.	140.00	5.0%	7.00	7,665	7,665	5,110	2,555	-	22,995
Indigent		2.0%	-	-	-	-	-	-	-
Room and Board	200.00	20.0%	-	-	-	-	-	-	-
Total IP		100%	137.20	150,234	150,234	100,156	50,078	-	450,702

Input reimbursement rates
And payer mix
For each level of care

Room & Board Revenue
This is the amount that you intend to charge residential patients for living at your hospice facility. The mix % is the percentage of patients you intend to collect from, usually 50%. This mix percentage is ADDED to 100%. Therefore, if you believe that you will

6. FTE Computations

- i. Use either 12 hour or 8 hour shift model

7. Staffing

- i. Rate Change % over Base Year – used for expected wage increases; these amounts will be zero if you are comparing scenarios for a single period.
- ii. Enter Annual Salaries (do not include benefits as that % will go on row 166)

8. Patient Related

- i. Rate Change % over Base Year – used for projecting cost increases over time; these amounts will be zero if you are comparing scenarios for a single period.
- ii. Fill in the anticipated costs per patient day the simplest way to identify these costs is in Benchmarking (BM).
 - a. If you are building an IPU, project your costs using the median value in BM

9. Operations

- i. Rate Change % over Base Year – used for expected wage increases; these amounts will be zero if you are comparing scenarios for a single period.
- ii. Fill in yellow cells – the cost logic can be different (by patient day, by square foot and/or by annual amounts)

10. Loan Tabs

- i. If applicable, enter in the loan amount, interest rate and number of payments in the yellow cells (leave blank if you have no loans).

11. Pro Forma IS

- i. Enter the days in period to '365' to see the annual effect of our census configuration and costs.
- ii. Hit the F9 key to calculate

iii. In this example below tells us this: at full census the net income of the unit is an annual \$33K loss and one below full census is a significant loss of \$197K

Projected Statement of Income		Sunny Day IPU Operational Report					Version: 14.1
		A	B	C	D	E	Total
Revenue							
Acute Care		944,328	1,180,410	1,416,492	1,652,574	1,888,656	7,082,460
Residential Care		194,034	194,034	129,356	64,678	-	582,102
Continuous/Crisis Care		-	-	-	-	-	-
Less Unpaid Care - Acute		18,887	23,608	28,330	33,051	37,773	141,649
Less Unpaid Care - Residential		3,881	3,881	2,587	1,294	-	11,642
Less Unpaid Care - Crisis Care/Respite		-	-	-	-	-	-
Physician Revenue		-	-	-	-	-	-
<i>Net Patient Revenue</i>		1,161,129	1,401,933	1,576,765	1,751,597	1,850,883	7,817,853
Expense							
Personnel		1,566,860	1,566,860	1,566,860	1,566,860	1,566,860	7,834,302
Patient Related - Acute		103,164	128,955	154,745	180,536	206,327	773,727
Patient Related - Residential		46,866	46,866	31,244	15,622	-	140,598
Patient Related - Crisis Care/Respite		-	-	-	-	-	-
<i>Direct Expense</i>		1,716,890	1,742,681	1,752,850	1,763,019	1,773,187	8,748,627
Contribution Margin		(555,761)	(340,748)	(176,085)	(11,422)	153,241	(930,774)
Operational Costs		144,310	145,040	145,040	145,040	145,040	724,470
Operational Margin		(700,071)	(485,788)	(321,125)	(156,462)	8,201	(1,655,244)
<i>(without Support or Depreciation)</i>							
Community Support		-	-	-	-	-	-
Depreciation		40,862	40,862	40,862	40,862	40,862	204,311
Net Income of the Unit		(740,933)	(526,650)	(361,987)	(197,324)	(32,661)	(1,859,555)
Contribution % without Support		-60.3%	-34.7%	-20.4%	-8.9%	0.4%	<u>Average/Total</u> -24.8%

iv. To see how this plays out in a 30 day month – change days in period to ‘30’ then calculate.

v. ****BENEFIT OF THE TOOL**** Make changes in your cost structure to see how they effect your costs and your income (i.e. go to staffing and remove an LPN).

a. Go back to the Pro Forma IS and see how at full census now the net income of the unit is profitable

Projected Statement of Income		Sunny Day IPU Operational Report					Version: 14.1	Name: Sunny Day Hospice
		A	B	C	D	E	Total	
Less Unpaid Care - Crisis Care/Respite		-	-	-	-	-	-	
Physician Revenue		-	-	-	-	-	-	
<i>Net Patient Revenue</i>		95,435	115,227	129,597	143,967	158,337	642,563	
Expense								
Personnel		119,125	119,125	119,125	119,125	119,125	595,625	
Patient Related - Acute		8,479	10,599	12,719	14,839	16,958	63,594	
Patient Related - Residential		3,852	3,852	2,568	1,284	-	11,556	
Patient Related - Crisis Care/Respite		-	-	-	-	-	-	
<i>Direct Expense</i>		131,456	133,576	134,412	135,248	136,083	670,775	
Contribution Margin		(36,021)	(18,349)	(4,815)	8,199	2,253	(28,212)	
Operational Costs		11,861	11,921	11,921	11,921	11,921	59,545	
Operational Margin		(47,882)	(30,270)	(16,736)	(3,202)	10,332	(87,757)	
<i>(without Support or Depreciation)</i>								
Community Support		-	-	-	-	-	-	
Depreciation		3,359	3,359	3,359	3,359	3,359	16,793	
Net Income of the Unit		(51,241)	(33,628)	(20,094)	(6,560)	6,974	(100,550)	
Contribution % without Support		-50.2%	-26.3%	-12.9%	-2.2%	6.5%	<u>Average/Total</u> -17.0%	

What happens if we make one staffing move?

12. To project income over several years

- i. Go to Pro Forma IS and change a few parameters
 - a. On Row 2 enter the years
 - b. For days in period use '365'
- ii. On Revenue tab, indicate a 2% increase each year
- iii. On the Staffing tab, indicate a 3% increase each year
- iv. On the Patient Related tab, indicate a 3% increase each year
- v. On the Operations tab, indicate a 3% increase each year
- vi. Go back to Pro Forma IS tab and hit F9 to see results over next few years

Projected Statement of Income		Sunny Day IPU Operational Report					Version: 14.1	Narr COR
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Total	
Revenue								
Acute Care		1,416,492	1,444,822	1,473,152	1,501,482	1,529,811	7,365,758	
Residential Care		64,678	65,972	67,265	68,559	69,852	336,326	
Continuous/Crisis Care		-	-	-	-	-	-	
Less Unpaid Care - Acute		28,330	28,896	29,463	30,030	30,596	147,315	
Less Unpaid Care - Residential		1,294	1,319	1,345	1,371	1,397	6,727	
Less Unpaid Care - Crisis Care/Respite		-	-	-	-	-	-	
Physician Revenue		-	-	-	-	-	-	
<i>Net Patient Revenue</i>		1,510,793	1,541,009	1,571,225	1,601,411	1,631,657	7,856,126	
Expense								
Personnel		1,449,354	1,492,835	1,536,316	1,579,791	1,623,277	7,681,579	
Patient Related - Acute		154,745	153,388	164,030	168,672	173,315	820,151	
Patient Related - Residential		15,622	16,091	16,559	17,028	17,497	82,797	
Patient Related - Crisis Care/Respite		-	-	-	-	-	-	
<i>Direct Expense</i>		1,619,722	1,668,314	1,716,905	1,765,497	1,814,088	8,584,526	
Contribution Margin		(108,928)	(127,304)	(145,680)	(164,056)	(182,432)	(728,400)	
Operational Costs	+	144,310	148,639	152,969	157,298	161,627	764,843	
Operational Margin		(253,238)	(275,944)	(298,649)	(321,354)	(344,059)	(1,493,243)	
<i>(without Support or Depreciation)</i>								
Community Support		-	-	-	-	-	-	
Depreciation		40,862	40,862	40,862	40,862	40,862	204,311	
Net Income of the Unit		(294,101)	(316,806)	(339,511)	(362,216)	(384,921)	(1,697,554)	

13. Model Comparison

- i. After you possess a good understanding of your costs and how your income moves with slight changes to costs and census this becomes your most important tab, it's "your report card"
 - a. Input your gl account numbers into the yellow cells
 - b. F9 will pull your actual \$ values into Column J (actual)
 - c. Column H will pull in your model values from your other input entered into the tool (from the 1st column of each tab in the tool)
 - d. Column L - The variance column is your "report card" – are you in your model or are you out???

