



TRANSITIONAL CARE Scenario

Type of Care Provided

Transitional Care is a moderate to long term facility that focuses on therapy, wound care, and medical management of chronic diseases. Individuals within transitional care can range from low need or minimal care to individuals who are total care patients need 24 hour nursing assistance. These facilities are often known as Long Term Care, Skilled Nursing Facility or Subacute Rehab.

Scenario

Patients who do not return home directly from the hospital are transferred to a lower level of care. Transitional care can take place in many different types of health care settings, such as a skilled nursing facility, long-term care facility, or subacute unit specializing in rehabilitation therapy, wound care, IV therapy, and/or postacute cardiac care. There are various staff arrangements based on the focus of care, but generally there is a registered nurse (RN) in charge, who may only work the day shift with the assistance of licensed practical nurses (LPNs) and certified nursing assistants (CNAs), and a medical director who may visit the facility daily (or 2-3 days per week) but who is on call for emergencies.

This specific transitional care unit consists of a 35-bed unit located within a 300-bed skilled nursing facility and is generally close to the patient's home. There are RNs (staff) on duty 24/7 with a physician or nurse practitioner 7 days per week. The facility is a nonprofit, community-affiliated organization with a community board of directors that oversees the operations of the facility. The facility has a strong history of delivering quality services and high patient satisfaction. The facility is known for the implementation of the latest electronic medical record (EMR) technology. It has a five-star rating from the Department of Health and Commission on Medicare and Medicaid (CMS) with The Joint Commission Certification.

You have just been notified of a situation that has occurred in the facility. A patient was admitted to the transitional care unit and was assessed by both nursing staff and physical therapy staff in order to develop a plan of care for the patient to return home. It was initially anticipated that following IV therapy the patient would be discharged home in 5 days (this is the standard stay, including the staffing ratios, in the operational budget). However, the patient developed an infection and has to have an additional 6 days of antibiotic fluids, which increases his stay from 5 to 11 days. As the administrator, you now need to evaluate the financial impact to your organization, keeping in mind that the insurance is only paying 50% of the IV therapy and only 35% of the extension of stay beyond the original authorization.

Question 1

What is the financial impact of this situation on the organization? Develop a short plan for how you would compensate for this situation.

Question 2

What is the importance of an administrator understanding how private and government payers impact actual reimbursement (payment for services and methods of payment). From the perspective of an administrator in this scenario, why would monitoring reimbursement be so critical?

Question 3

Is there a possibility of patient litigation surrounding this issue? How would you handle this situation?

Budget Considerations

Operational Budget – This budget focuses on a broader view of the total operations of the organization in which all departments are reviewed for both their income potential and the costs associated with the work activities used to generate projected revenues. Each department will have its own budget for the managers to follow and on which to base the activities of the department in order to meet its contribution to the total revenues and the associated costs of the organization.

Dietary Services – This is a departmental budget focused on the costs and potential reimbursement for the organization. The operation is overseen by a dietitian or nutritionist who is responsible for supplying the nutritional needs of the patients within their care. This department may utilize the services of several consultants or contract this service to an outside organization.

Medical Supplies – This budget is focused specifically on the requirement-based services being delivered by the hospital professional, which are often referred to as nondurable disposable items. This budget includes specific items for the surgeon or professional performing the services. These may include such things as oxygen supplies, diabetic supplies, ostomy supplies, bandages, and related supportive items. These items are generally manufactured for one-time use. They are not reused due to the inability to sterilize them. The items that are reusable are classified under capital assets and have a use-time identified with the specific piece of equipment.

Human Resources – This budget indicates the finances needed to support the organization's objectives, from a personnel perspective. Full-time equivalent (FTE) calculations are used to project the personnel budget. These individuals could include nonskilled laborers to professional licensed physicians and various job descriptions within the categories. In addition to listing the FTEs, the associated benefits of the FTEs would be projected within this department for each FTE within the organization. This will generally include line items for consultants and temporary positions based on the needs of the organization.

Maintenance/Facility Operations – This departmental budget focuses on the overall upkeep of the building and the related equipment and machines to provide a safe and comfortable environment for both the patients and workers. This budget includes all FTEs and may also include line items for consultants and outside sources based on needs of the facility.

Vendor/External Suppliers – Health service organizations have special needs and may require certain external items and/or services. Most organizations have projected budgets to include the purchase of supplies and services for outside contractors (vendors) who specialize in installation, monitoring, and the repair of specialized equipment or technology being utilized by the specific health care delivery system.

Departmental Costs – This budget focuses on the specific department and its overall needs, costs, and potential revenue in relation to the overall goals of the organization's strategic plan. The manager's primary responsibility is to monitor the operational efficiency of the department, including all areas that directly impact and support the generating of revenue for the organization. Managers may be required to present an analysis of the weekly or monthly operational analysis to the Chief Financial Officer of the organization or a lead manager.

Budget Spreadsheet

Statement of Operations Data:	2011	2012	2013
Net Revenue	1,250,000	2,220,000	2,115,740
Cost of Care	1,000,150	987,000	988,700
Operating Expenses	452,100	557,000	518,000
Depreciation and Amorization	37,000	52,000	64,000
Interest Expense	2,050	2,370	2,850
Interest Income	-8,150	-7,575	-8,080
Income Before Income Taxes	187,600	256,400	263,050
Provision for Income Taxes	33,500	53,400	64,050
Net Income	2,954,250	4,120,595	4,008,310
Balance Sheet Data:	2011	2012	2013
Current Assets	714,045	908,300	855,750
Current Liabilities	429,000	466,250	500,700
Property and Equipment, Net	109,000	118,000	127,400
Total Assets	928,000	1,658,000	734,000
Total Debt and Capital Lease	400,000	1,000	12,000