

Hospital News

Gordon J Husk, Chairman, Board of Governors, Shriners Hospital for Children-Chicago®

Shriners Continue to Help Kids

As we thank Nobles, their ladies and all supporters of Shriners Hospitals for Children® for their wonderful help in the past, we look to the future with a firm belief those supporters will continue their efforts. We need that dedicated support. The future will find us filing claims with insurance companies for medical services. At the Imperial Council Session in San Antonio, representatives voted to begin accepting third-party pay, to help us continue providing world-class medical care, while we experience increasing need and higher costs.

Imperial Sir Doug Maxwell, Chairman of the Board of Shriners Hospitals for Children® Board of Trustees, recently released updated information for the third-party pay initiative. Some projected results of diligent effort and expense of preparation are shown below. While more complete details will be available later, this article will give interesting information for your consideration.

As of October 8, 2010, six of our hospitals were submitting insurance claims. Philadelphia, Portland, Lexington and Spokane began July 1, 2010 (three months). Salt Lake City and Tampa began October 4 (five days). For that short time, those hospitals filed claims for 4,245 procedures amounting to \$13,102,382.14. Our contractor is projecting a 54% payment rate, with the likely amount of collections \$7,075,286.33. Claims on hold represent 3,144 procedures of \$11,558,294.98. Other claims which are being held for later filing are for 2,140 procedures of \$8,367,695.48 (Spokane's billings await filing of a Certificate of Need with the State of Washington), plus \$4,465,809 being "scrubbed" for accuracy.

The totals of claims described above:

\$13,102,382.14 Claims submitted for Payment

\$11,558,294.98 Claims on hold for Medicaid concurrence

\$8,367,695.48 Claims on Hold for Spokane's CON

\$33,028,372 x 54% = \$17,835,321 expected from 4 hospitals for 3 months and 2 hospitals for 5 days. Cash received during this start-up period from Jul 1, 2010 thru Oct 8, 2010 = \$508,829.57

Establishing the claims system has involved some expenses, such as the contractor Price Waterhouse Coopers, software billing programs from Cerner Corporation, 23 new employees at Headquarters and at the hospitals currently filing claims. These expenses as of October 8 were \$5.855 million.

These start-up expenses and first year costs are in preparation for subsequent years. As the additional hospitals begin billing, 2011 billing revenue is projected at \$128 million, while 2012 billing projections are \$175 million.

5 Year Projections of Revenue and Expenses

Shriners Hospitals for Children

ROI Calculation - Outsource Version with Medicaid delay for Phases I & II and Spokane CON delay

	Start-up	(000s)				
		Year 1	Year 2	Year 3	Year 4	Year 5
Revenue:						
Gross Patient Revenue						
Inpatient Revenue		\$77,850	\$578,410	\$807,380	\$808,690	\$808,690
Outpatient Revenue		7,350	51,120	69,120	69,190	69,190
Professional Revenue		2,540	17,390	23,370	23,380	23,380
Total Gross Revenue		87,740	646,920	899,870	901,260	901,260
Deductions from Revenue		78,910	518,580	724,490	725,800	725,800
Net Patient Revenue		\$8,830	\$128,340	\$175,380	\$175,460	\$175,460
Less Expenses:						
Operational Expenses	\$0	\$1,690	\$3,270	\$2,920	\$2,920	\$2,920
Billing Fees	-	350	5,130	7,020	7,020	7,020
Implementation Costs	340	4,750	3,740	-	-	-
Information Technology	2,400	2,170	1,270	1,270	1,270	1,270
Contingency Fund	410	1,040	750	190	190	190
Total Expenses	\$3,150	\$10,000	\$14,160	\$11,400	\$11,400	\$11,400
Excess of Revenue Over Expenses	\$ (3,150)	\$ (1,170)	\$ 114,180	\$ 163,980	\$ 164,060	\$ 164,060
Cumulative Excess (Deficit)	(\$3,150)	(\$4,320)	\$109,860	\$273,840	\$437,900	\$601,960
Cumulative Expenses	\$3,150	\$13,140	\$27,310	\$38,710	\$50,110	\$61,510
5 Year Return on Investment (ROI)		-0.3	4.0	7.1	8.7	9.8

1) Medicaid cash delayed for Phase I and Phase II hospitals until March 2011

2) Spokane cash delayed until May, 2011 due to CON issues

3) Commercial cash delayed until October due to delays with go-live issues (3M grouper, R&B charges, etc).