

Hospice Key Performance Indicators - March 2018

| Key Performance Indicator | State of Minnesota | | | Nation | | |
|--|--------------------|--------|---------------------|-----------------------|--------|---------------------|
| | Lowest Performance | Median | Highest Performance | Lowest Performance | Median | Highest Performance |
| Direct compensation costs as a % of revenues | 40.5% | 30.4% | 23.5% | 35.1% | 28.1% | 21.6% |
| Total direct patient care costs as a % of revenues | 74.5% | 63.1% | 52.1% | 69.2% | 57.7% | 47.6% |
| Total indirect costs as a % of revenues | 28.6% | 23.6% | 18.4% | 41.1% | 27.4% | 19.8% |
| Number of agencies in database | Total agencies: 25 | | | Total agencies: 3,097 | | |

Direct compensation costs as a % of revenues reflects total direct compensation costs as a percent of total revenues. Direct compensation costs include wages for nursing care, therapies, medical social services, spiritual and other counseling, aide and homemaker services. This indicator does not include benefits or contract labor costs.

Total direct patient care costs as a % of revenues reflects total direct costs as a percent of total revenues. Total direct patient care costs include direct compensation costs as defined above, along with other direct costs, such as pharmacy, durable medical equipment, patient transportation, medical supplies, and other similar costs.

Total indirect costs as a % of revenues reflects total indirect costs as a percent of total revenues. Total indirect costs include administrative and general, fundraising, volunteer services, facility, and other similar costs.

How Can This Data Be Useful To Me?

Data is most useful when it can be turned into meaningful information. The first step in using data is understanding its source and age. This data was compiled by BKD, LLP from Medicare cost reports for freestanding hospice agencies with fiscal years ended in 2016. Below are thoughts on making this data useful. What other ways could this data be useful to you?

Thought 1: Employee compensation is the largest expense of any hospice. The ability to effectively manage direct compensation through productive personnel and process while optimizing patient experience is critical in achieving operational and financial goals. If direct compensation costs as a % of revenues in your hospice is higher than other hospices in your state or the nation, this may suggest opportunities to improve productivity or process. How does your hospice compare?

Thought 2: In order to be a successful hospice there must be effective management of direct patient care costs. If total direct patient care costs as a % of revenues for your hospice is higher than other hospices in your state or the nation, this may suggest opportunities to more effectively manage such costs. A more detailed analysis would need to be conducted to identify specific expense areas that need to be managed. While compensation is the highest direct patient care cost, other costs often need to be assessed, such as pharmacy, medical supplies, or employee benefits. How do your costs compare?

Thought 3: Hospice operations require support of back-office functions, such as intake, billing and collections, and other similar functions. Hospices that rely on community financial support often require significant fundraising initiatives and all hospices require volunteer services and coordination. Costs related to these activities indirectly contribute to patient care. For successful hospice operations both direct and indirect costs must be effectively managed. If total indirect costs as a % of revenues for your hospice is higher than other hospices in your state or the nation, this may suggest opportunities to more effectively manage processes or specific costs that support patient care activities. Where might your hospice have specific opportunities to improve indirect cost management?

Other questions? Contact a BKD advisor by phone at 417.865.8701 or e-mail at:

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