

III. Suggested Discovery Questions

Industry Related Questions

High Level - Industry Related Questions

The following trend questions and implications are industry-based (high level) concerns that will help you be credible, demonstrate your expertise in this industry, and formulate relevant questions to your prospect. These questions will provide you with a quick reference to the prospect's challenges and market environment.

Trend Question:

- What are your biggest challenges in attempting to compete with the larger medical facilities and practices in this geographic area?

Implications:

- How have these challenges affected your particular operation here, over the past few years?
- What specific strategies have you developed that have proven to be successful in competing with these larger facilities, i.e. greater operating efficiencies, targeted geographic areas, etc.

Trend Question:

- Would you say that most medical practices, as a general rule, are characteristically labor intensive, in contrast to other industries? And why is this?

Implications:

- What impact does this typically have in areas such as: revenues, profit margins, growth, etc.?
- Have you been able to develop any particular "work arounds" or strategies that are helping you minimize the impact of this inherent labor burden problem?

Job Related Questions

Increase Your Effectiveness with Potential Clients

You know the value of posing the right question, at the right time, to the right person. This can make all the difference, and can significantly increase your effectiveness when interacting with a potential client.

Below are some suggested role or job function related questions, which have been crafted specially to help you articulate and intelligently discuss key business issues.

CEO/Physician Questions:

- What do you feel is your biggest vulnerability within the management of the practice?
- What keeps you from focusing on your actual revenue drivers (i.e. patient care)?
- If you could improve 3 things about how your practice operates, what would they be?
- What do you see as the key elements of running a successful medical practice?

- What are the biggest causes of delinquencies? How does that impact your cash flow?
- What if your staff could focus more time on the submission and collection process?
- How satisfied are you with the current ROI on your staff?

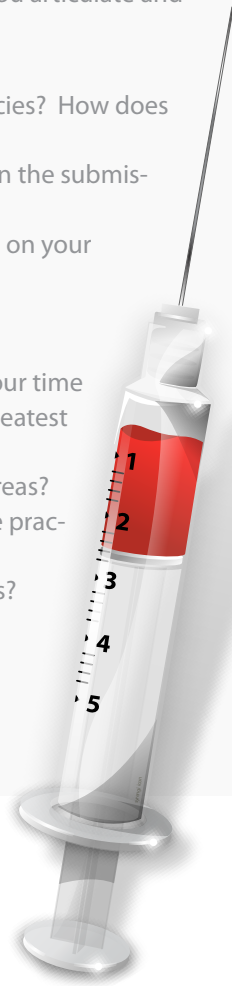
HR Manager/Office Manager:

- Where would you like to spend more of your time within the practice that would have the greatest impact?
- What keeps you from focusing on those areas?
- What is your biggest frustration within the practice?
- What steps have you taken to alleviate this?

CFO/COO Questions:

- Operating efficiency is critical in your industry. What strategies do you employ to increase efficiencies and focus staff on productive activities?
- How do you increase your operating margins?
- Are you currently operating at a reduced staffing level? What impact is that having on your organization?
- What is the average collection period on your accounts receivable?

Understanding your potential client's big picture further establishes credibility on sales calls and meetings. First impressions are critical, so make sure you are well prepared and ready to make the difference.



Healthcare Vertical

I. Industry Overview

The US healthcare sector includes more than 780,000 hospitals, doctor offices, emergency care units, nursing homes, and social services providers with combined annual revenue of about \$2 trillion. The sector is highly fragmented: the top 50 organizations generate just 15 percent of revenue.

Advantages of Large vs. Small Institutions

- **Large companies** have advantages in accessing the latest medical research, buying supplies, offering a wide range of services, and negotiating contracts with health insurers. Major companies include Kaiser Permanente, HCA Healthcare, Ascension Health, and Tenet Healthcare.
- **Small institutions** can successfully compete by serving a limited geographical area, offering specialized services, or building a local reputation for quality care.

II. Industry Pulse | Warm-Up: Insight into Prospect's Problems

Rising costs, the late 2000s recession, and staffing shortages have eroded hospital-operating margins, which range from around 2-4 percent.

- Many hospitals have been making changes to their services to improve margins, identifying low revenue-producing services, and focusing on surgeries and profit centers.
- Hospitals may also partner with physician networks to offer outpatient services at freestanding surgical centers.
- Outpatient services are the largest and growing source of patient care revenue, i.e.: nursing homes are increasingly moving towards a model of performing ancillary services (physical therapy, etc.) on an "outpatient" basis to generate additional revenues. People who are not residents often come to the facilities to get treatments and then go home. This is especially true, as occupancy rates have declined in the past few years.
- Declining operating margins often means that capital improvements are left unfunded or underfunded. Investments in IT and capital purchases are delayed, simply because there is not enough money to pay for them.
- The recession of the late 2000s also delayed capital improvements, as credit was tight.
- While doctor offices can avoid the high operating and overhead expenses of hospitals, receivables can be high -around 30 days for both hospitals and physicians.
- Payments from insurers may not be received for several months after a patient has been treated.
- Disputes with insurers are common, as insurers often deny or reduce reimbursement requests.
- Health care providers can lower the amount of write-offs from uncollected bills by working with federally- or state-run insurance programs to increase the number of patients covered.
- Trend in the reduction of Medicare reimbursements, is requiring health-care organizations to increase volume and stabilize costs.
- Impact of new procedure coding standards (ICD-10) for facilities that provide and are reimbursed by Medicare or Medicaid. ICD-10 stands for the International Statistical Classification of Diseases and Related Health Problems - 10th Revision (known as "ICD-10"). It is a medical classification list for the coding of diseases, signs and symptoms, abnormal findings, complaints, social circumstances, and external causes of injuries or diseases, as maintained by the World Health Organization (WHO).

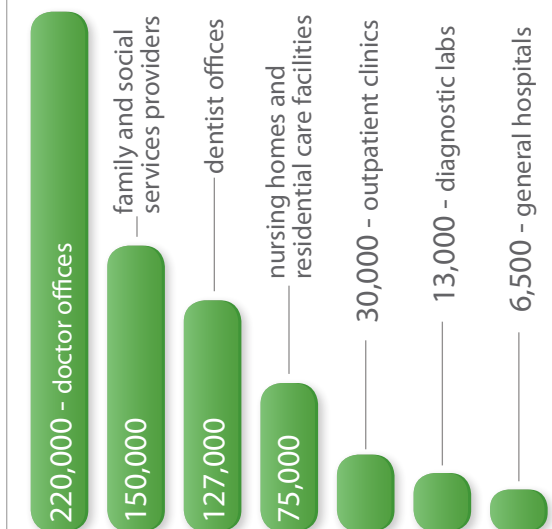
Health care is labor-intensive: average annual revenue per employee for the sector is about \$130,000.

Excluded facilities due to underwriting constraints:

- Home Health Care
- Hospitals providing emergency services, especially those that accept trauma or ambulance patients
- Nursing Homes/Assisted Living Facilities (can be difficult, but may be acceptable if they are "no lift" facilities and have modern patient lifting equipment)

Demand for health care services is driven by demographics and advances in medical care and technology.

Profitability depends on efficient operations, and in the case of many nonprofit health care providers, obtaining grants and federal funds.



Source: First Research, 2012

Warm-Up Cont. See also trend Snapshot

Testimonials

"There were so many things that I had absolutely no idea that I was responsible for as an employer, and every year I was in practice, there were more things that I had to keep up with, and more things that I was doing wrong. It's amazing how much Odyssey OneSource has simplified all that." – Dr. Berland

"...There are a lot of liabilities in being an employer nowadays...you've got to worry about unlawful terminations, sexual harassment – all these things that can come up as an employer. In twenty-five years, there has been a time or two where I've had to consult with an employment lawyer, who was very expensive and time consuming because they were charging by the hour, and they weren't exactly at my convenience. Since I've been with Odyssey, I've had one issue, and it was a complicated issue. I just called up Odyssey, talked to their HR department, and they told me what to do, they were extremely nice; they always answered when I called... it was great advice without the price. That really saved me a lot of aggravation. In general, it is great just to be able to go to one place where you can access all your payroll, unemployment, benefits information, etc..." – Dr. Berland



IV. Presentation | Problem + Solution Trends, Challenges and PEO Value Propositions

Trend: → +

The profitability of facilities across the Health Care Industry increasingly depends upon the efficiency of operations.

Challenges:

- Large companies have the ability to take advantage of economies of scale in many areas.
- The Health Care Industry is inherently labor intensive
- Rising operating costs continue to result in reduced operating margins.
- The recession has caused an on-going need for facilities to operate with a reduced staff

PEO Solutions:

- Outsourcing to a PEO creates an opportunity for integration and vendor consolidation, resulting in cost savings and increasing operational efficiencies. By removing non-core functions, organizations can focus their expertise on executing in areas that drive their revenue, while removing tasks and responsibilities better performed by an organization with the expertise to deliver quality and efficiency in that operational function. Outsourcing organizations that provide related services, like PEO's, in a bundled package have the best chance of providing the most value and quality in an effective and efficient manner. The more integrated the service, the more value that can be delivered.
- Because outsourcing reduces the need for personnel that do not have experience in the client's core business, it eliminates the need for the staff that carry out those non-core functions that distract from revenue producing activities.
- The ability to operate with a reduced staff and/or a more focused staff on the client's revenue goals and targets results in reduced operating costs, increased margins, and increased revenue attainment per employee.
- Outsourcing to a PEO introduces a variable cost model to what is typically a fixed expense. You pay for the overhead based on the number of employees, which means that you pay for the support you use when you use it.

Trend: → +

There is an increasing problem with delinquent receivables, especially those due from insurers.

Challenges:

As with every type of industry and profession, delinquent receivables can create cash flow problems. Collecting from third party insurers can be particularly difficult, due to the claims filing accuracy required.

PEO Solutions:

- PEO's can help you attract and retain the best talent. Attracting better talent to the organization can improve claim filing accuracy and reduce delinquencies, which increases cash flow.
- PEO's can ensure that compensation is properly designed, by making sure that you are able to properly incent, quality employees to stay. Tying compensation structures to goals and performance can also improve claim filing ac-

curacy and reduce delinquency.

- Outsourcing to a PEO ensures that the office manager is able to spend his/her time on value added activities that drive the business forward.
- Not only do A/R collections improve cash flow, but also the PEO's incremental, composite method of invoicing its clients for taxes, workers compensation coverage, benefits, etc.

Trend: ★ +

The recent recession required that many medical facilities cut staff and employee's hours as well.

Challenges:

- The ability to attract and retain employees in rebuilding staff has become quite a challenge.
- There is now an increasing trend in employee turnover nationwide.
- A source of turnover is often in the CNA staff. CNAs tend to have the hardest jobs and make the least money, especially in nursing homes. They will often leave over very small pay rate increases.
- The result is an increased competitiveness in the marketplace for qualified employees.
- Many older staff members in the medical field will be retiring in the next few years.

PEO Solutions:

- Outsourcing to a PEO is reducing the need for most companies to recruit to previous staffing levels.
- When fewer employees are required and revenues begin to increase, "Operating Leverage" begins to occur. The financial impact of this on the company is an improved bottom line.
- The PEO arrangement provides smaller employers the ability to compete with larger companies for staff.
- Not only are sourcing, screening and hiring services available, but also competitive benefit packages.
- The PEO transformational HR approach addresses every aspect of the Employee Life Cycle.
- PEO's help organizations upgrade their talent, by helping them put processes and structures in place to help them identify and eliminate, or develop poor performers.
- Plug and play hiring practices, job descriptions, and interview guides are designed to help you find the best talent.

Trend: ✓ → ⚠

The 2010 Patient Protection and Affordable Care Act fundamentally changes health care.

Challenges:

- An increasing amount of time will be required of health care professionals in interpreting and ensuring compliance with the new Patient Protection and Affordable Care Act.
- This will require that medical professionals, including physicians, spend more time away from the practice of medicine, which is certain to result in a diminished level of income.
- CEO's will continually be required to take part in the process of meeting new regulatory requirements, while attempting to guide their practices toward profitability.

PEO Solutions:

- The PEO can provide a resource for the medical professional, from which he/she will be able to source PPACA information regarding those areas having specific application to his or her practice, along with interpretation and counsel regarding compliance within the employment arena.
- This will also serve to reduce opportunity cost for the medical professional by reducing the amount of time that he or she is distracted from the practice of medicine, which directly equates to lost dollars.
- Through the medium of outsourcing, medical professionals will be allowed to maintain a focus upon those things they went into practice to focus upon.

Trend: ✓ → ⚠

There is an increasing trend toward a greater focus upon in-hospital safety practices

Challenges:

- There is a growing incidence of infection, especially in outpatient surgery centers.
- Infection issues are growing in nursing homes. "Infection Control Procedures" are vital to these organizations.
- The requirement for checklists and other procedures to reduce errors and patient death, is gaining traction in many medical facilities.

PEO Solutions:

- The PEO's Safety and Risk Management department can custom-design safety training, develop training manuals, and conduct on-site inspections to help ensure compliance with existing regulations.
- By helping to manage safety programs that keep medical practices in compliance and their workers safe, the medical professionals themselves will be less distracted with safety compliance, and can return their focus to revenue generating patient care concerns.

Trend: → +

Medical facilities are increasingly turning to the concept of outsourcing many of their services.

Challenges:

- Operating efficiencies are the key to profitability in medical facilities today. This has led many of these facilities to try outsourcing in an effort to boost their margins and increase efficiency.

PEO Solutions:

- Outsourcing to a third party service provider, reduces the time spent on non-patient care functions, which costs the medical professional the opportunity to focus on revenue generating patient care activities. In other words, outsourcing reduces opportunity cost.
- When opportunity cost is reduced and medical professionals return to a focus upon patient care their individual ROI to the practice is automatically increased.
- Outsourcing also reduces vulnerability to key employee turnover. This is especially true in a medical practice where, many times, there is frequent turnover among members of the administrative support staff. With the PEO, when a key support employee suddenly leaves, payroll goes on, taxes are paid, insurance premiums are remitted and life goes on relatively uninterrupted.