

Case Study

Bennett County Hospital & Nursing Home

The Challenge: *Severe Cash Flow Problems*

South Dakota critical access hospital, Bennett County Hospital and Nursing Home, was experiencing severe cash flow problems that threatened their future survival. These problems stemmed from a number of economic issues—decreasing Medicaid reimbursement rates, the downward spiral of a recession, rising healthcare costs and lack of coverage from Indian Health Services.

The Solution: *Interim Controllership Services*

CP&A had worked with the rural hospital located in Martin, South Dakota as its audit and cost report provider for numerous years. During the course of this work and other consulting tasks, CP&A was able to identify a number of opportunities to turn the hospital's financial position around. Unfortunately, the level of service necessary to capitalize on those opportunities would prohibit the firm from providing audit services under accounting professional standards. Accordingly, the firm assisted the hospital in engaging a new auditor and CP&A began providing monthly controllership services.

“As a new controller, Casey Peterson & Associates gave us the hands-on approach we needed to get things turned around. Before their help, we were wondering if we could continue to stay open or possibly have to close our doors. They made changes in the short-term to help with our cash flow, and now we are implementing new programs so that we are successful for years to come. They put their heart and soul into helping this hospital continue to care for the residents of this area.”

- Judy Soderlin, CFO

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One such example of the benefit of this arrangement came when CP&A became involved in communications with the State of South Dakota to provide the state with accurate information on the hospital. This discourse led to an increase of the hospital's nursing home rates, producing approximately \$204,000 in additional cash flow over a six-month period. Upon reviewing of current hospital Medicaid rates, CP&A discovered that the hospital would receive an immediate cash settlement from the state Medicaid program if cost report settlements were accelerated. The final settlement occurred six months earlier than expected. This process generated an immediate \$234,000 in cash flow for the hospital. This significantly increased the hospital's inpatient and outpatient Medicaid rates which generated an additional \$90,000 in cash flow over the next 12 months. CP&A also amended prior year cost reports which resulted in the hospital receiving an additional \$175,000, and we identified \$25,000 more in reimbursement stemming from bad debts that were not submitted on prior year cost reports.

CP&A's role as interim controller has helped to improve the hospital's financial information, as well as put the firm in contact with the hospital's management team and Board of Directors. This arrangement has allowed management to make more informed decisions. CP&A continues to be involved on a monthly basis in the training and educating of hospital employees. The hospital continues to thrive and has recently implemented electronic medical records and expanded its ancillary services.

Results

The Results

In a four month period, CP&A assisted Bennett County Hospital in increasing its cash flow by \$728,000, while at the same time providing valuable information, training and education to help secure the hospital's long-term success.

