

Financial Considerations for Emergency Operations and Business Continuity Planning

Business continuity plans should address the considerations with respect to the continuation of essential services such as payroll, the insurance claims process for both losses and emergency protocols with payers and federal reimbursement procedures following declared disasters.

During a service interruption event or emergency the Incident Commander should appoint a Finance Section Chief. The Finance Section Chief should understand patient intake, insurance, coding and reimbursement.

Essential functions, at a minimum for finance should include:

- Payroll processing
- Financial recording and reporting
- Procurement
- Billing, Payment and Reimbursement
- Claims Processing

Vital Records – Finance

- ☐ Unprocessed gifts and checks
- ☐ A box of check stock
- ☐ A box of deposit slips and stamp
- ☐ Payroll information and personnel files
- ☐ Insurance documentation
- ☐ Last month's bank statements
- ☐ Policy and procedure manual

Payroll Processing

- ☐ Modify process for approving time sheets in the event a supervisor is unavailable.
- ☐ Make provisions for alternate access to payroll systems in the event primary staff are unavailable.
- ☐ Ensure that payroll will be conducted from an alternate/remote site.
- ☐ Arrange for optional cash salary payments if needed.
- ☐ Distribute paper checks if needed. Document the process on how this will be done including who has authority to write checks, location of distribution, who will distribute (manager vs. finance dept) etc.

Financial Recording and Reporting

- ☐ Prepare and maintain cumulative income and expense report during the event.
- ☐ Set-up zero dollar cost centers (2 or more) to capture disaster related charges. Cost codes within the cost center should include labor, supplies, pharmaceuticals, equipment, etc.
- ☐ Retain all invoices, time sheets, etc. to ensure all costs are captured and attributable to the event.
- ☐ Track, record and report all on-duty time for personnel who are working during the event.
 - Establish and maintain documentation of all payroll activities.
 - Ensure records are accurate and complete. All staff must be keeping time sheets (exempt or not) as their time may be reimbursable by insurance.
 - Provide instructions to all employees to ensure time sheets and travel expense claims are completed properly.
 - Ensure that time records, travel expense claims, and other related information are prepared and submitted to payroll.
- ☐ Develop financial reports and use forms that are easy to understand for use by staff and board members. (see forms)

- ❑ Prepare and maintain an expense report for the Incident Commander. The report should include cumulative analyses and total expenditures for the event.
- ❑ Organize and prepare records for audit.

Procurement

Note: Establish emergency procurement procedures before the emergency that comply with state, federal and any applicable local rules. Having a policy in place ahead of time will make it much easier to justify those costs if reimbursement is needed as a result of the disaster.

- ❑ Ensure access to funding and necessary capital to meet operating and recovery needs
- ❑ Determine operating costs on a daily, weekly and monthly basis for the prior 12-month period. Use data as a base to determine revenue that must be available for continuity of operations.
- ❑ Tabulate cash-on-hand. Determine how long operations can be sustained based on existing financial resources.
- ❑ Identify all current sources of income and consider how they may be affected (e.g., if medical record documentation is compromised and claims are submitted with less information than required by payers, reimbursement may be reduced).
- ❑ Project additional cash needs in relation to expected claims reimbursements.
- ❑ Monitor liquidity of assets based on projected expenses during the recovery.
- ❑ Work with Finance and/or Investment committee to determine the allocation of resources during recovery.
- ❑ Establish purchase orders with secondary vendors in the event supplies from primary vendors become limited or depleted.

- ☐ Prepare and sign emergency contracts as needed.
- ☐ Ensure that all contracts identify the scope of work and specific site locations. (note for FEMA reimbursement: 6 months from date of declaration for debris removal and emergency protective measures and 18 months for permanent work)
- ☐ Coordinate with Incident Commander on all expenses exceeding pre-established limits.
- ☐ Establish and maintain documentation of all purchasing activities.
- ☐ Establish and manage disaster funds and general ledger accounts.
- ☐ Establish and maintain all necessary documentation for recovery process.
- ☐ Track costs for use of equipment purchased and leased during the event.

Billing, Payment and Reimbursement

Collect and maintain documentation on all disaster information for claims, payment and reimbursement from private insurance carriers, FEMA, SBA and other agencies.

Claims

- ☐ Investigation of injuries and property and equipment damage claims arising out of the event.
- ☐ Notify insurers and third party administrators.
- ☐ Prepare required documentation (insurance carriers and government agencies) as necessary to recover all allowable disaster response and recovery costs.
- ☐ Provide information regarding insurance coverage as necessary.
- ☐ Track the total inventory of equipment, supplies and other items that have been lost, impacted or damaged.
- ☐ Maintain a chronological log of property damage reported during the event.
- ☐ Coordinate the preparation of appropriate forms for damage claims and forward them to the insurers within the required time frame.

Payers

- ❑ Review payer contracts to see if they include clauses that address utilization management and claims processing during emergencies.
- ❑ Address suspension of contractual obligations or establish memorandums of agreement with health plan providers regarding suspension of (or modifications to) the following processes to reduce interruptions in patient care:
 - Prior authorization
 - Precertification
 - Concurrent review
 - Referrals
 - Notice of admission
 - Claims submission deadlines
 - Retrospective medical necessity reviews
 - Provision of emergency department records
 - Medical record documentation
- ❑ Determine whether payers have modified requirements related to medical record documentation after a state of emergency has been declared.
- ❑ Determine whether specific coding will be required by commercial payers to reflect care that is provided at an alternate care site. Determine which code must be used.
- ❑ Prioritize claim submissions. Consider submitting high-dollar claims first, or those that do not require extensive documentation.

FEMA Reimbursement

- ❑ Determine eligibility for compensation through state or federal funds due to financial losses attributed to a declared disaster or public health emergency.

FEMA may cover:

- Emergency medical care
- Temporary medical facilities
- Sheltering
- Storage and internment of unidentified human remains
- Mass mortuary services
- Overtime pay for regular employees
- Regular and overtime pay for extra hires

FEMA may not cover:

- Inpatient care
- Follow-up treatment
- Costs associated with loss of revenue
- Increased administrative and operational costs due to increased patient load
- Disaster-related recovery

- ❑ Submit Request for Public Assistance (RPA) within 30 days of the date that the affected area is designated a disaster area in a Presidential Disaster Declaration.
- ❑ Kickoff Meeting will be scheduled within one week of FEMA's receipt of the Request for Public Assistance.
- ❑ Damaged facilities and emergency work must be identified and reported to FEMA within 60 days of the Kickoff Meeting.

Completing Work:

- Time starts from the Date of the Declaration.
- Time frames may be adjusted depending on the type and extent of the disaster. Extension of times may be requested.

Forms (use HICS Forms in EOP)

- Claims Report
- Claims Summary
- Procurement Summary
- Emergency Order Form
- Time Sheet

Finance Questions

1. Have you measured the financial impacts of closure of essential service, clinic or hospital?
2. What have you received regarding special procurement requests?
3. How are overtime costs being managed?
4. Are you receiving daily staffing reports? If not how are you addressing this?
5. How are you tracking expenses specific to this event to solicit reimbursement from state and federal government?
6. How are you addressing urgent requests for procurement of additional equipment?
7. Does the organization have access to enough funds to pay for increased staffing and resources?
8. What resources if any can be activated to compensate for decreased revenues if day-to-day patient volume is reduced due to the event?
9. Given that health care systems likely cannot request pre-payment, how will you manage to cover costs until reimbursement occurs?
10. Does your business interruption insurance address financial losses due to interruptions in services as well as closures due to public health emergencies, disasters and possibility of significant reduction in staff as a result?