Money matters

Budgeting for automation

The 3 financial statements

Budgeting is associated with the income statement.

Income Statement (P+L)

Purpose: The income statement provides a summary of a company's revenues and expenses over a specific period, usually quarterly or annually.

The income statement helps assess the profitability of a business during a specific period, showing whether it is making a profit or incurring a loss.

Balance Sheet

Purpose: The balance sheet provides a snapshot of a company's financial position at a specific point in time, typically the end of a fiscal quarter or year.

The balance sheet illustrates the company's financial health by showing its assets, liabilities, and equity. Assets = Liability + Equity

Cash Flow

Purpose: The cash flow statement tracks the inflow and outflow of cash over a specific period, categorizing activities into operating, investing, and financing activities.

The cash flow statement provides a detailed analysis of how changes in balance sheet accounts and income affect cash and cash equivalents.

Audience is everything

Who is your audience and what do they care about?

VP of revenue cycle

Focus: Optimizing financial operations

- Revenue and cost management (Cash, aged A/R, Denials, etc.)
- Claims management (lifecycle of a claim)
- Financial reporting and analysis
- Technology
- Patient experience
- Compliance
- Staffing and training
- Automation

Chief Financial Officer

Focus: Financial health of the entire organization

- Financial strategy and planning
- Financial and compliance reporting and analysis
- Risk and investment management
- Financial operations
- Capital management
- Contracting
- Audit and internal controls

What resonates with your VP of Rev Cycle?

Note: not an exhaustive list of responsibilities

Importance of a budget and a plan

Budgets are fundamental to effective financial management and plans prove you know the path.

A budget provides a structured approach to planning, allocating resources, controlling expenses, and achieving financial goals.

Establishing and sticking to a budget is a top management concern. Remember, everything in a budget gets justified year over year.

GOOD NEWS!

***Automation programs will HELP budgets*, as they provide a clear return on investment.**

Creating the ROI roadmap

Below are steps required to create an accurate roadmap and support budget conversations.

1. Determine your automation goals
   - How big do you want your program to be in the next few years?
2. Back into your investments to support the program goals
   - For example, Tarpon estimates 4-5 new automations/developer in addition to maintenance each year. If you anticipate building 6 automations your first year, consider hiring 1 full time developer, and hiring a second mid-year
3. Create a roadmap of automation opportunities
   - Focus on volume and feasibility. It's not necessary to outline all the design details at this point
   - This is the most time intensive component from your Solution Architect and operations team
     - Validate assumptions with stakeholders for alignment and support
   - Use the roadmap to support a budget conversation

Additional thoughts:

- It's ok if your pipeline isn't 100% accurate and that you don't know exactly which automation you'll be pursuing in year 3.
- Don't be afraid of a negative year one ROI. This is true for many investments!

Program Investment

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Below is a sample program investment.

	Investment			
Category	**Year 1**	**Year 2**	**Year 3**	**Total**
Platform (Licenses + Enterprise Support)	150,000	180,000	180,000	510,000
RPA Program Manager	45,000	87,500	115,000	247,500
Developer 1	84,000	84,000	84,000	252,000
Developer 2		50,000	100,000	150,000
Solution Architect	45,000	90,000	90,000	225,000
Tarpon Community	60,000	60,000	60,000	180,000
Tarpon Consulting (Roadmap, Design, Development)	150,000			150,000
Total	**$534,000**	**$551,500**	**$629,000**	**$1,714,500**

Estimating an increase in platform costs each year to accommodate new bots

Assumes a ramp up of the RPA program manager over time as the automation program grows

Tarpon recommends a second developer to continue building new bots while maintaining existing

Tarpon recommends hiring an internal solution architect in year 1 for continued design of automations identified in the Tarpon consulting roadmap

Tarpon community and consulting accelerates time to value

Program Return

TARPON HEALTH

Below is a sample program return.

	Return			
Category	**Year 1**	**Year 2**	**Year 3**	**Total**
Eligibility Denials (26/27)	37,500	50,000	50,000	137,500
Patient Refunds	112,500	150,000	150,000	412,500
Charge Reconciliation	90,000	120,000	120,000	330,000
Auth Status - Availity	100,000	200,000	200,000	500,000
Auth Denials - Availity	30,000	60,000	60,000	150,000
Referral Status - Availity	50,000	200,000	200,000	450,000
Medicaid Eligibility		135,000	135,000	270,000
Provider Enrollment		90,000	120,000	210,000
Insurance Credits		45,000	90,000	135,000
Medical Records Denials - BX		60,000	120,000	180,000
Auth Submission - Availity		50,000	200,000	250,000
Paper Denials Correspondence		50,000	200,000	250,000
Automation 13 - 20			400,000	400,000
Total	**$420,000**	**$1,210,000**	**$2,045,000**	**$3,675,000**

All automation return has been prorated the year it goes live to account for anticipated implementation time frames throughout the year

Tarpon estimates 4-5 new automations/developer in addition to maintenance each year. In this model, there is 1 full time developer + Tarpon development consulting in Year 1

Year 2 assumes two developers, one full time and one part time to allow for hiring and onboarding This would allow for 6 automations in maintenance and 6 new automations

Year 3 assumes two full time developers, allowing for 8 new automations in addition to 12 automations in maintenance. Tarpon uses a conservative estimate of $50K/automation return until the Year 3 roadmap is created

Program ROI

Below is a sample program ROI.

	Return on Investment			
Category	**Year 1**	**Year 2**	**Year 3**	**Total**
Investment	534,000	551,500	629,000	1,714,500
Internal Program	324,000	491,500	569,000	1,384,500
Tarpon	210,000	60,000	60,000	330,000
Return	420,000	1,210,000	2,045,000	3,675,000
Cumulative ROI	**-$114,000**	**$658,500**	**$1,416,000**	**$1,960,500**

Tarpon recommends a 3 year horizon for RPA as its important to show how the investment scales over time.

How will you grow your program?

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How you sequence hiring will impact your ability to meet your automation goals.

Example 1: Your organization has maxed out your developer resources and wants to start building a new automation in 3 months.

- Will you need a recruiter for hiring a new developer? Will you look internally or externally?
- How much time do you need to post a job and vet candidates?
- What is the minimum amount of time you need for training and development?
- When do you need to start developing the design for the automation?

Example 2: You just got approval to start your automation program, and you need to build 5 automations in the first year…

- Do you know what roles and responsibilities you'll fill internally and externally?
- At what point in the year can you transitioning people to your team? Do they start as a full-time FTE or can you ramp up their responsibilities over time? Do you have a transition plan in place for their current responsibilities?
- How much time do you need for platform selection?

ROI conversations

You must differentiate between hard and soft savings. It matters.

Hard Savings

Truly earned savings or cash.

Examples: Vendor savings, Overturned denials from baseline, FTE Reduction

Soft Savings

It likely will not hit their balance sheet.

Examples: FTE hours/man hours savings or repurposing, cash acceleration

Metrics to impact

AR Days, Yield, Vendor Spend, Cash

Need to obtain baseline data to show improvement in particular in soft savings (cash acceleration, man hours)

Other messages that resonate

Money matters the most, but keep these messages top of mind.

Strategic alignment: Explain how the program aligns with the organization / department financial objectives.

Scalability: Illustrate how RPA enables the organization to scale operations efficiently without a linear increase in costs. For example, you could take on more work (i.e., a new service line or facility) without hiring.

Timelines: No one likes a project that never ends. Reiterate the timeline and highlight quick wins or early successes that demonstrate the program's effectiveness.

Innovation: Showcase how automation can be a part of the organization's innovation strategy and will contribute to maintaining a competitive edge. Especially against payers and vendors.

Risk mitigation: Address how automation helps mitigate risks associated with manual processes, such as data entry errors and manual calculations.

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