



**Activity Based Costing: It's Here, It's
Real! Elevate Financial Analysis to
Achieve Financial Transformation**



Agenda

- Today's challenges for Healthcare Systems
- A new approach to improving financial performance
- Case Studies
- Sample Reports
- Questions



The New Competitive Landscape for Healthcare

Vertically Integrated Insurers



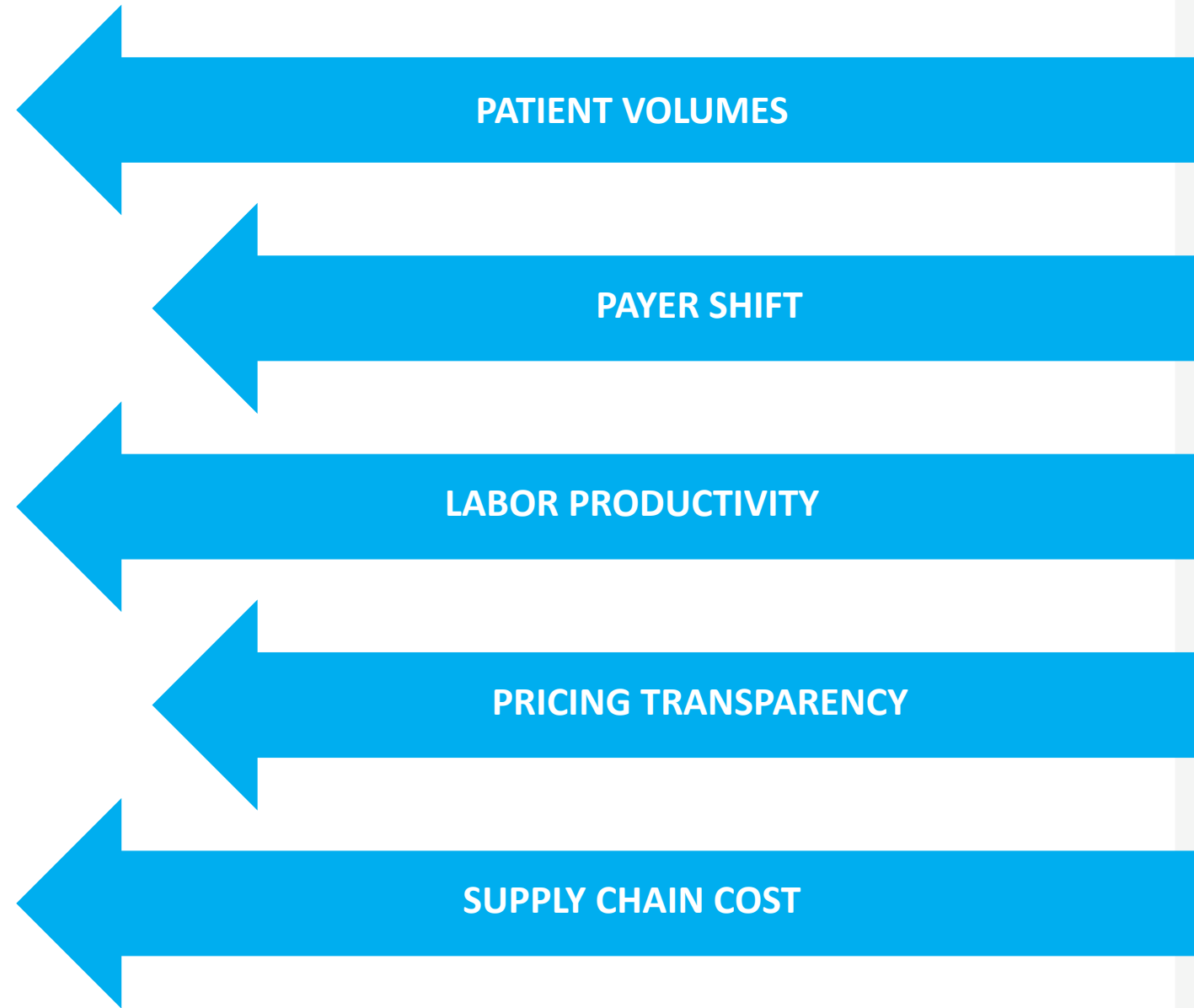
Innovative Care Delivery



Large Corporations



Financial Headwinds Impacting Revenue Growth



Healthcare Finance Today

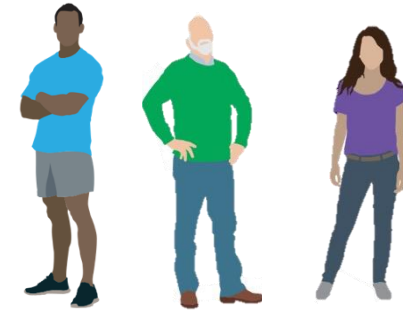
Traditional approaches are ill equipped for an increasingly complex environment

- Assumptions
- Approximations
- Allocations
- Averages



Managing Costs by Patient Pathway

3 patients having the same procedure

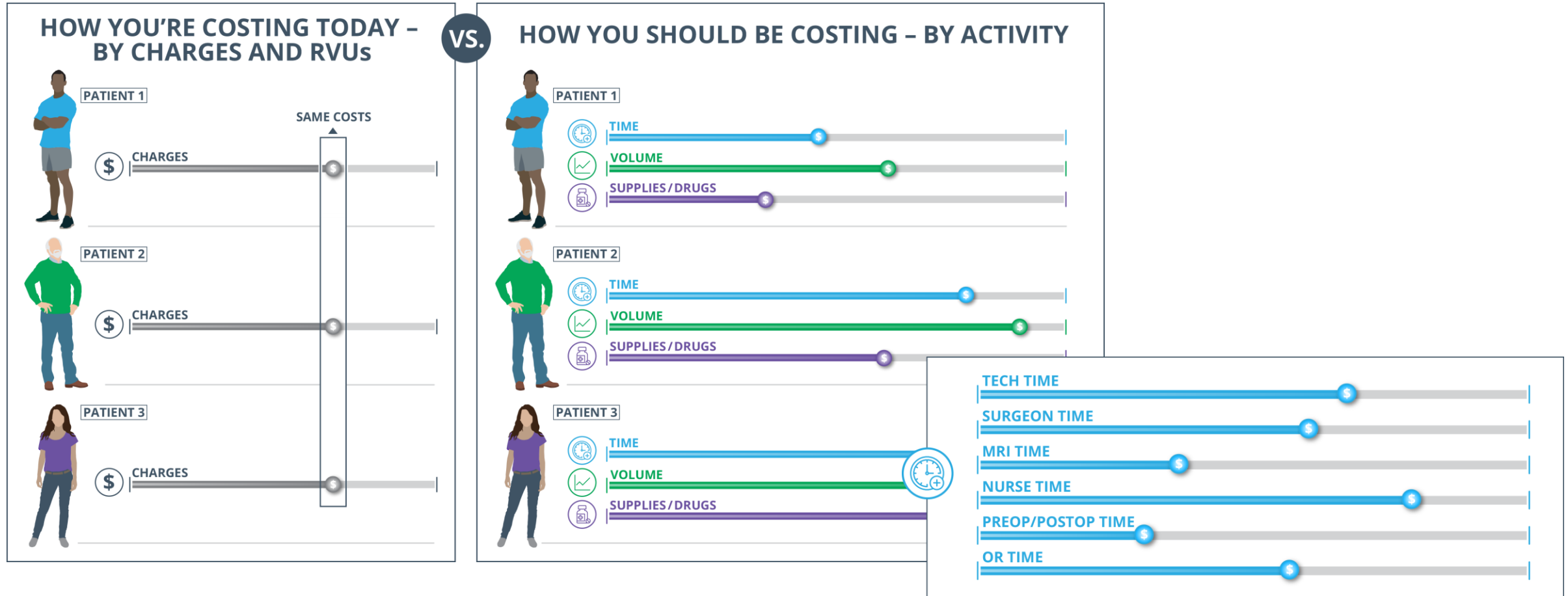


Patient 1 Patient 2 Patient 3



Activity-Based Costing

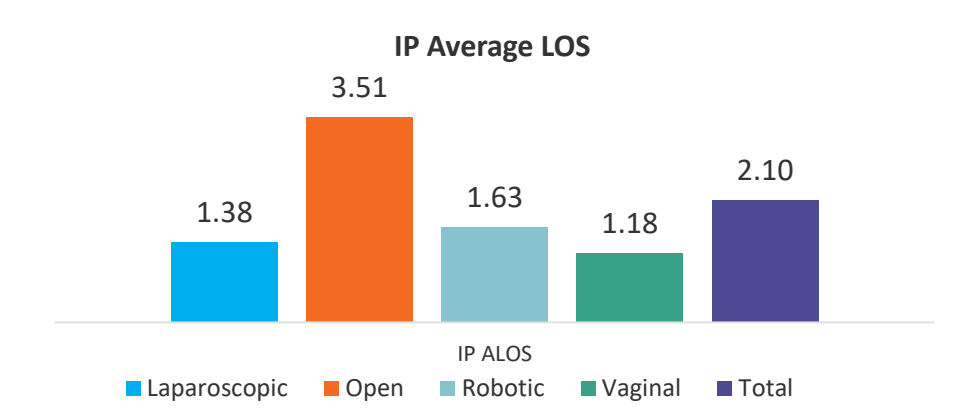
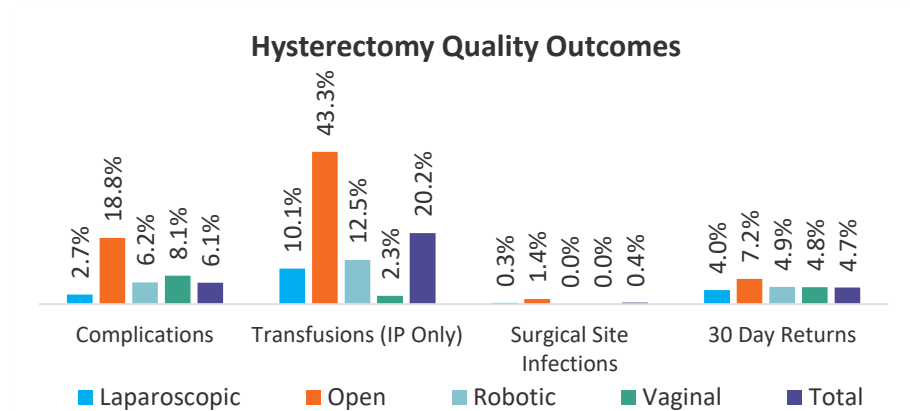
A paradigm shift affording greater visibility into the true costs of service delivery



Example: Strengthen Strategic Decision Support

Data showing that more expensive procedures to not always yield better outcomes

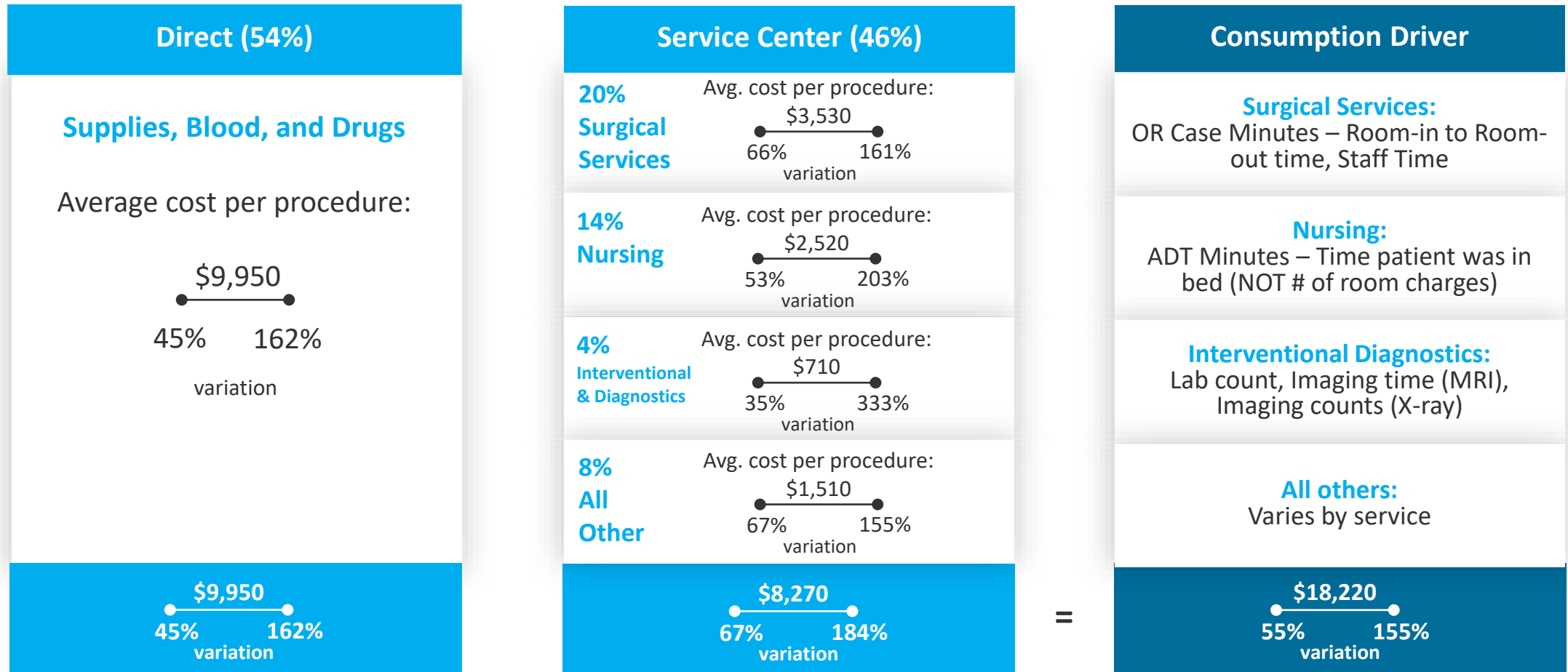
		Laporoscopic	Vaginal	Robotic	Open	Total Hysterectomies
	Cases	870	250	330	280	1,730
Per Case	Revenue	\$ 6,207	\$ 10,480	\$ 5,152	\$ 7,036	\$ 6,757
	Direct & Indirect Expense	\$ 5,397	\$ 4,400	\$ 6,803	\$ 7,893	\$ 5,925
	Margin	\$ 810	\$ 6,080	\$ (1,651)	\$ (857)	\$ 832



*Sample data for illustrative purposes.

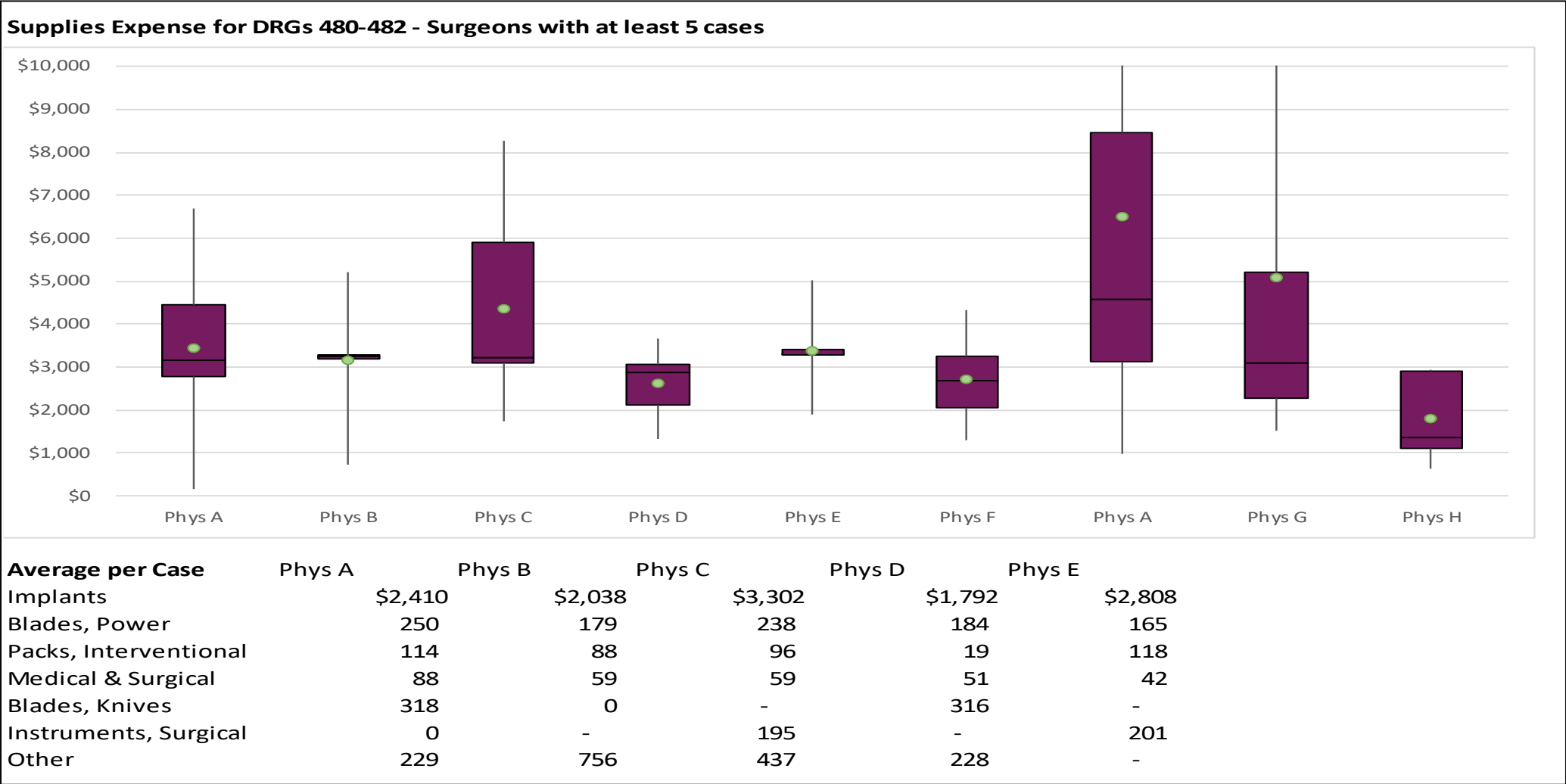
Example: Empower Change with Trustworthy Data

Full Consumption Costing and Clinical Variation



Example of Lumbar Spinal Fusion (n=852)

Physician Variation



Patient & Item Grain Ad-Hoc Analysis

File Home Insert Page Layout Formulas Data Review View Analyze Design Tell me what you want to do...				
Clipboard Font Alignment Number Styles Cells Editing				
A5 FacilityAccountID				
	A	B	C	D
1				
2	PeriodEndDT	1/31/2019		
3	CostCenterDSC	31787 MERCY-OR MERCY		
4				
5	FacilityAccountID	Explicit Cost	Allocated Cost	Total Cost
6	0000277XXXXXX	\$6,926.79	\$9,440.06	\$16,366.85
7	0000519XXXXXX	\$11,536.52	\$22,129.41	\$33,665.93
8	0000531XXXXXX	\$2,030.64	\$10,602.96	\$12,633.60
9	0000536XXXXXX	\$536.17	\$4,993.65	\$5,529.82
10	ADAPTER URO CATH BALL FIT UROLOK II 10/BX(N)M0067301401	\$24.17		\$24.17
11	BASKET STN RETRV 2.2FRX115CM NCIRCLE FLT URO URIN 1/EA(S)G18778	\$174.00		\$174.00
12	CATH FOLEY 18FR 5ML 2W ANTMIC LUBRISL IC LF SHRT 12/CA(S)17585I18	\$8.84		\$8.84
13	CATH POLLACK 5FR FLEXI-TIP LF PVC 70CM PVC URET 10/BX(S)G14521	\$10.93		\$10.93
14	CONTAINER SPEC SURG 5OZ STRL 100/CA(S)2600SA	\$1.42		\$1.42
15	DRAPE EQUIP 42X72IN CARM LF F/MBL XRAY STRL DISP 10/CA(S)07-CA104	\$2.33		\$2.33
16	GW URO 0.035INX150CM SNSR STR DBL FX HYDRPHL 5/BX(N)M0066703081	\$152.76		\$152.76
17	IRRIGATING SET FLD WRM SURG LEV 1 DISP 1/EA(N)IR600	\$5.06		\$5.06
18	PK CUSTOM CSCP SURG 3/CA(S)DYNJ34299K	\$54.88		\$54.88
19	PK ECLIPSE PERI 102X97X35IN DRAPE PCH 10/CA(N)DYNJP9130	\$8.95		\$8.95
20	SOLUTION IRR 3000ML 0.9NS UROMTC STRL 4/CA(S)2B7127	\$13.02		\$13.02
21	STENT URET 6FRX28CM INLAY OPTM DBL PIG TAPR ULTRA 1/EA(S)788628	\$79.00		\$79.00
22	SYRINGE MED 10ML LL 0.2ML GRAD 200/BX 2/CA(S)302995	\$0.21		\$0.21
23	TUBING SUCT 0.25IN ARGYLE 12FT PVC LF PVC NCDTV 20/CA(S)8888301622	\$0.60		\$0.60
24			\$4,993.65	\$4,993.65
25	000127XXXXXX	\$238.55	\$1,026.09	\$1,264.64
26	BAG URO 2000ML RND TRDRP ANTRFLX CHMBR SP LF IC 20/CA(S)154004	\$3.59		\$3.59
27	CATH POLLACK 5FR FLEXI-TIP LF PVC 70CM PVC URET 10/BX(S)G14521	\$10.93		\$10.93
28	GLOVE SURG SZ7.5 LTX PROTEGRT LGT BRN PF BEAD CUF 50/BX 4/CA(S)2D72NS75X	\$1.36		\$1.36
29	GOWN SURG 2XL POLY-REINF PE 18/CA(S)DYNJP2206S	\$5.98		\$5.98
30	GW URO 0.035INX150CM SNSR STR DBL FX HYDRPHL 5/BX(N)M0066703081	\$76.38		\$76.38
31	LINER SUCT 3000ML MEDIVC GRDN PLST SHT-OFF VLV 50/CA(S)65651530	\$1.25		\$1.25
32	PK CUSTOM CSCP SURG 3/CA(S)DYNJ34299K	\$54.88		\$54.88
33	SOLUTION IRR 3000ML 0.9NS UROMTC STRL 4/CA(S)2B7127	\$5.18		\$5.18
34	STENT URET 6FRX24CM INLAY OPTM DBL PIG TAPR ULTRA 1/EA(S)788624	\$79.00		\$79.00
35			\$1,026.09	\$1,026.09
36	000204XXXXXX	\$4,192.70	\$4,720.03	\$8,912.73
37	APPLICATOR PREP 26ML CHLORPR HI-LT ORNG TN 2% CHG 25/CA(S)260815	\$6.01		\$6.01
38	ARMBOARD PSTN UNIV 8X20X2IN 12/CA(S)NON081343	\$5.56		\$5.56
39	BLADE SAW 25X70MM 6CTLO 80MM 13TTH/CA(S)13108105000	\$38.00		\$38.00

PivotTable Fields

Show fields: (All)

Search

Encounter

Facility Account

☐ APRDRG
 ☐ AttendingProviderID
 ☐ ClinicalProgramNM
 ☒ FacilityAccountID
 ☐ FacilityAccountSourceDSC
 ☐ MSDRG
 ☐ PrimaryDiagnosisCD
 ☐ PrimaryPayorNM
 ☐ PrimaryProcedureCD
 ☐ PrimarySpecialtyNM

Drag fields between areas below:

FILTERS

PeriodEndDT

CostCenterDSC

COLUMNS

Σ Values

ROWS

FacilityAccountID

ItemDSC

VALUES

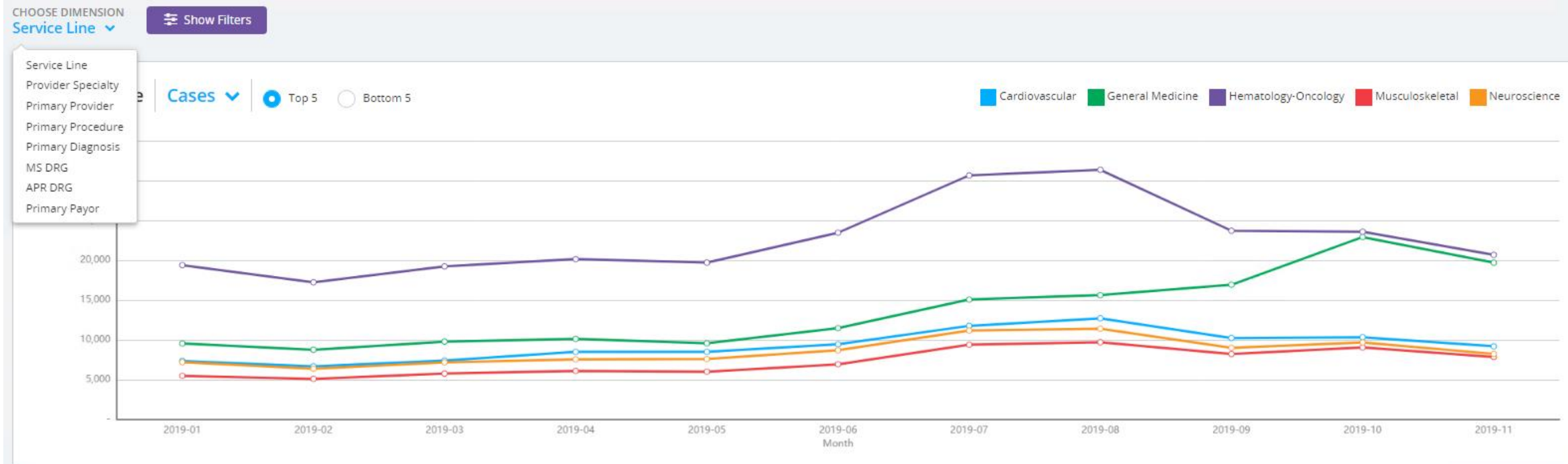
Explicit Cost

Allocated Cost

Total Cost

☐ Defer Layout Update
 UPDATE

Cost Comparison Reporting



Export Table

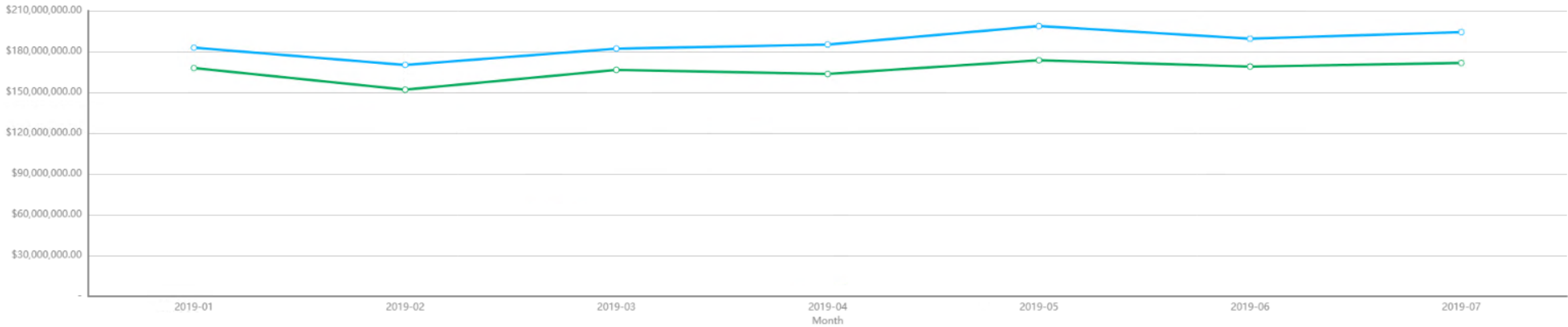
COST PER CASE									
Service Line	Cases	Direct Supply	Direct Drug	Direct Labor	Direct Other	Indirect Cost	Total Cost	Average Length of Stay	
Imaging Clinical Support Service	569	\$65.95	\$265.47	\$495.39	\$46.22	\$289.41	\$1,162.43	1.21	
General Medicine	19,697	\$174.77	\$165.47	\$679.79	\$61.81	\$363.56	\$1,445.41	1.03	
Neuroscience	8,237	\$146.85	\$133.34	\$675.15	\$61.98	\$362.82	\$1,380.16	1.01	
Women and Newborns	4,798	\$243.35	\$428.40	\$776.26	\$74.54	\$426.00	\$1,948.55	1.00	

Margin Reporting

Year To Date

Total Cost ▼

Current Year ■ Prior Year ■



[Export Table](#)

Category ↑↓	CURRENT MONTH		PRIOR THREE MONTHS		YEAR TO DATE	
	Jul 2019 ↑↓	Jul 2018 ↑↓	Mar - Jun 2019 ↑↓	Mar - Jun 2018 ↑↓	Jan - Jul 2019 ↑↓	Jan - Jul 2018 ↑↓
Total Charges	\$751,180,438.69	\$631,004,538.38	\$716,332,665.15	\$603,977,820.63	\$702,885,397.61	\$599,654,886.84
Total Payments	\$153,858,945.20	\$136,007,435.85	\$152,488,087.44	\$134,766,356.27	\$148,375,154.99	\$133,187,357.85
Total Variable Cost	\$147,377,953.72	\$129,838,300.90	\$143,722,385.85	\$127,154,770.39	\$140,398,075.03	\$125,554,140.65
Contribution Margin	\$6,480,991.48	\$6,169,134.95	\$8,765,701.59	\$7,611,585.88	\$7,977,079.96	\$7,633,217.20
Contribution Margin %	4.21%	4.54%	5.75%	5.65%	5.38%	5.73%
Total Indirect Cost	\$49,097,457.78	\$41,908,104.40	\$49,489,731.83	\$41,562,422.12	\$47,578,105.53	\$41,112,251.02
Total Cost	\$194,273,792.55	\$171,616,019.60	\$191,102,071.57	\$168,653,498.81	\$186,097,714.99	\$166,263,906.49
Cases	134,698	80,077	97,341	80,077	47,578,106	78,597
Variable % of Total Direct	95.21%	93.86%	94.77%	93.56%	94.74%	93.70%
Reimbursement %	20.48%	21.55%	21.29%	22.31%	21.11%	22.21%

Validation Reporting

Costing Summary													
		CODE	PERIOD										
		All Codes	2015-12-31										
		Sort & Filter											
		Source Amount	Excluded Amount	Reclass Amount	Overhead Amount	To Be Costed Amount	Explicit Amount	Allocated Amount	Allocated Cost	Explicit Cost	Total Cost	Total Costing Variance	Total Costing Variance Per
	▼ Imaging Total	\$3,860,193.00	\$0.00	\$41.80	\$1,374,590.34	\$5,234,825.14	\$1,100,034.40	\$4,134,790.74	\$2,737,367.72	\$1,100,034.40	\$3,837,402.12	\$1,397,423.02	
	▸ 74302 Radiology General	\$228,311.50	\$0.00	\$2.09	\$195,686.04	\$423,999.63	\$0.00	\$423,999.63	\$423,999.63		\$423,999.63	-\$0.00	
	▸ 74303 Rad Nuclear Medicine	\$316,131.52	\$0.00	\$2.09	\$42,915.48	\$359,049.09	\$0.00	\$359,049.09	\$359,049.09		\$359,049.09	-\$0.00	
	▸ 74305 Radiology CT	\$222,203.41	\$0.00	\$2.09	\$91,234.47	\$313,439.97	\$0.00	\$313,439.97	\$313,439.97		\$313,439.97	\$0.00	
	▸ 74307 Rad Sonography	\$92,345.82	\$0.00	\$2.09	\$50,459.90	\$142,807.81	\$0.00	\$142,807.81	\$142,807.81		\$142,807.81	-\$0.00	
	▼ 74308 Interventional Radiology Total	\$1,843,106.90	\$0.00	\$2.09	\$252,710.07	\$2,095,819.06	\$1,046,260.98	\$1,049,558.08	\$16,928.85	\$1,046,260.98	\$1,063,189.83	\$1,032,629.23	
	Benefits	\$33,859.43	\$0.00	\$0.66	-\$2.52	\$33,857.57	\$0.00	\$33,857.57	\$16,928.78		\$16,928.78	\$16,928.79	
	Contract Labor	\$56,874.40	\$0.00	\$0.00	\$3.61	\$56,878.01	\$0.00	\$56,878.01				\$56,878.01	
	Depr - Bldg	\$0.00	\$0.00	\$0.00	\$20.75	\$20.75	\$0.00	\$20.75				\$20.75	
	Depr - Equip	\$0.00	\$0.00	\$0.00	\$37.16	\$37.16	\$0.00	\$37.16				\$37.16	
	Drugs	\$2,581.56	\$0.00	\$0.11	\$0.00	\$2,581.67	\$0.00	\$2,581.67				\$2,581.67	
	Equipment	\$54,779.05	\$0.00	\$0.11	\$0.00	\$54,779.16	\$0.00	\$54,779.16				\$54,779.16	
	Implants	\$540,874.28	\$0.00	\$0.00	-\$1.53	\$540,872.75	\$539,589.62	\$1,283.13		\$539,589.62	\$539,589.62	\$1,283.13	
	Medical Supplies	\$856,765.57	\$0.00	\$0.22	-\$0.51	\$856,765.28	\$506,671.36	\$350,093.92		\$506,671.36	\$506,671.36	\$350,093.92	
	Other Expense	\$5,078.78	\$0.00	\$0.44	\$55.05	\$5,134.27	\$0.00	\$5,134.27				\$5,134.27	
	Overhead - Indirect	\$0.00	\$0.00	\$0.00	\$252,574.35	\$252,574.35	\$0.00	\$252,574.35				\$252,574.35	
	Physician Fees	\$0.00	\$0.00	\$0.00	\$0.07	\$0.07	\$0.00	\$0.07	\$0.07		\$0.07	-\$0.00	
	Plant and Utilities	\$597.89	\$0.00	\$0.00	\$0.05	\$597.94	\$0.00	\$597.94				\$597.94	
	Professional Fees	\$380.00	\$0.00	\$0.00	\$17.31	\$397.31	\$0.00	\$397.31				\$397.31	
	Salaries	\$291,315.94	\$0.00	\$0.55	\$6.28	\$291,322.77	\$0.00	\$291,322.77				\$291,322.77	