



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



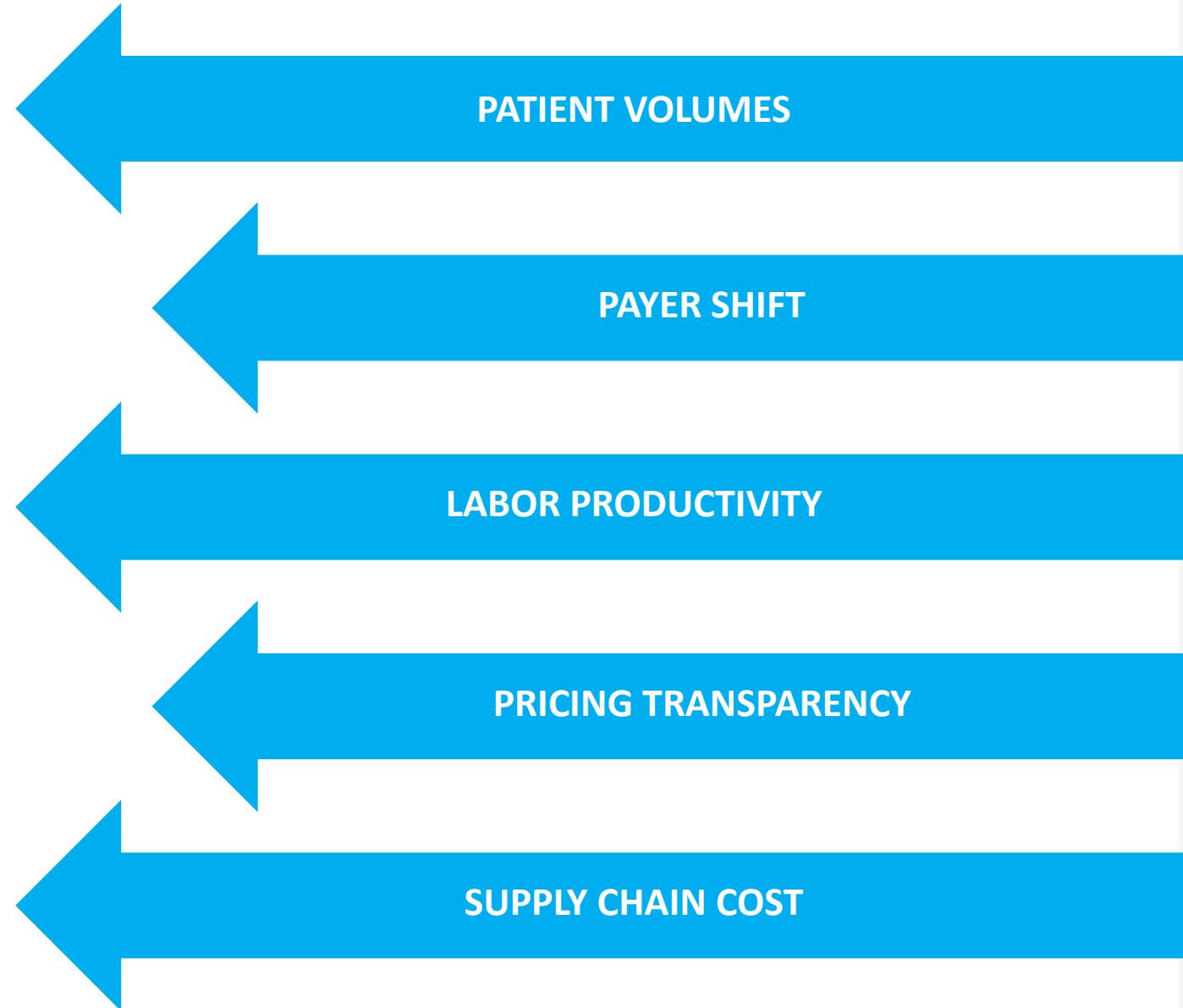
Innovative Care Delivery



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

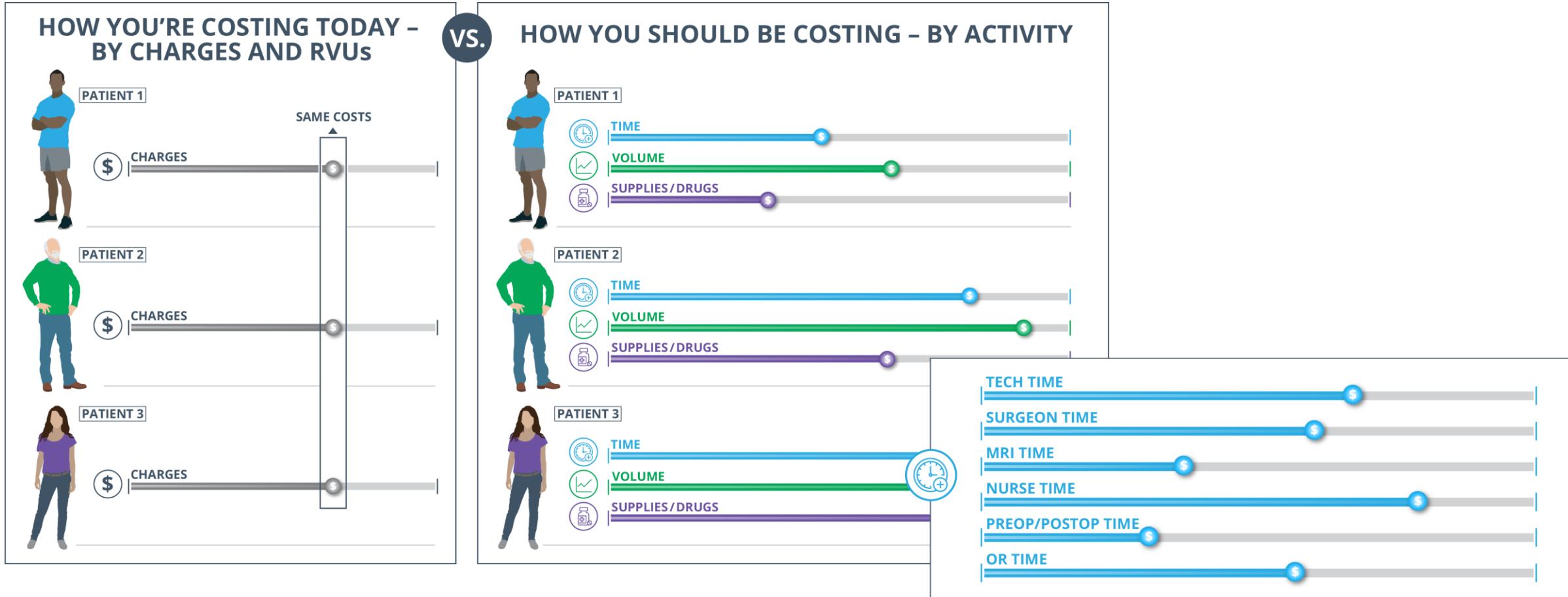


Patient 1 Patient 2 Patient 3

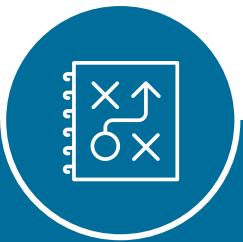


Activity-Based Costing

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



The Value of a Financial Empowerment Suite for Health Systems



**Strengthen Strategic
Decision support**



**Empower Change with
Trustworthy Data**



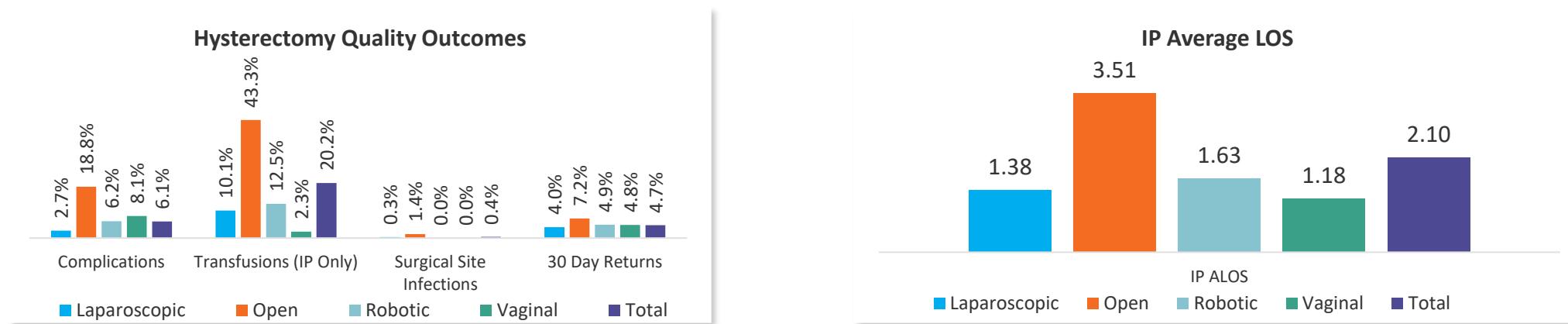
**Optimize Speed and
Accuracy of Financial
Planning**

Powered by comprehensive, integrated data and automated activity-based costing

Example: Strengthen Strategic Decision Support

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

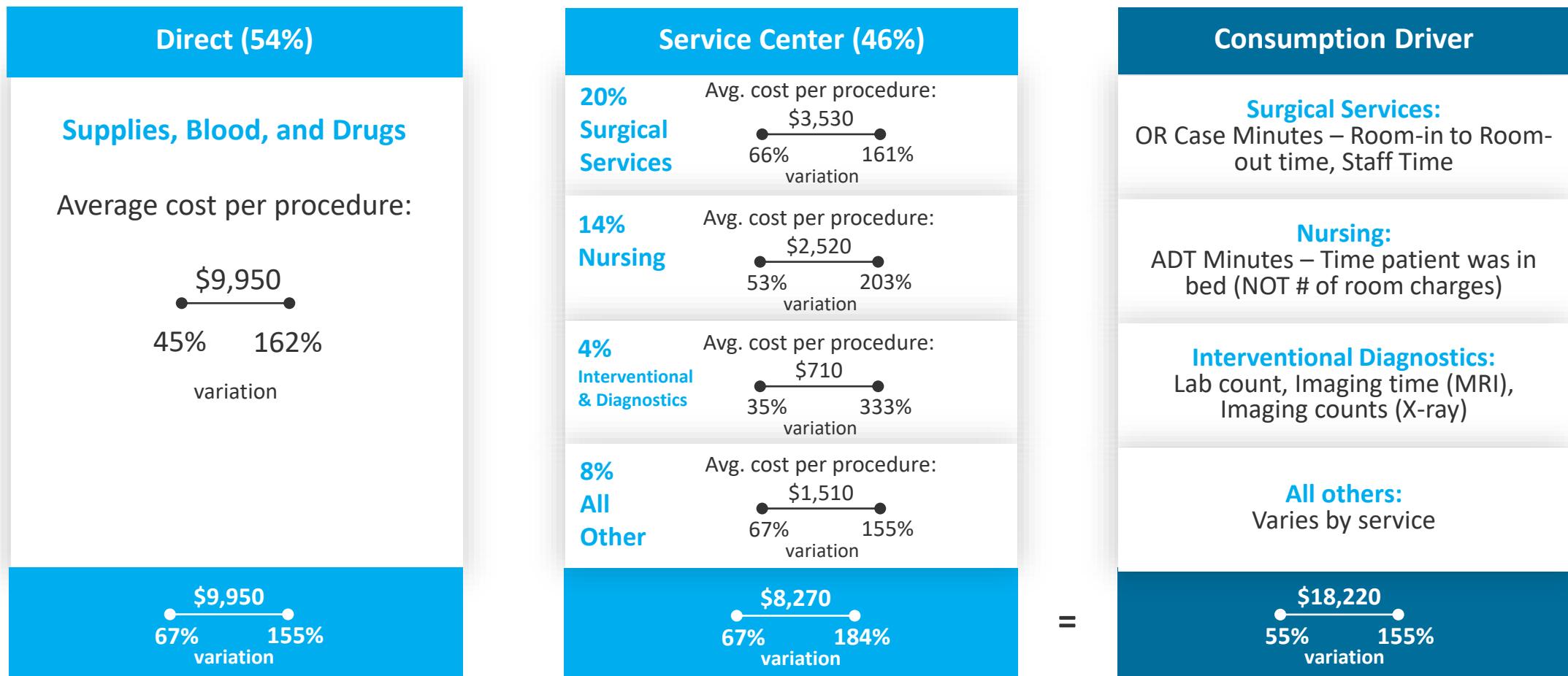
		Laparoscopic	Vaginal	Robotic	Open	Total Hysterectomies
Per Case	Cases	870	250	330	280	1,730
	Revenue	\$ 6,207	\$ 10,480	\$ 5,152	\$ 7,036	\$ 6,757
	Direct & Indirect Expense	\$ 5,397	\$ 4,400	\$ 6,803	\$ 7,893	\$ 5,925
	Margin	\$ 810	\$ 6,080	\$ (1,651)	\$ (857)	\$ 832



*Sample data for illustrative purposes.

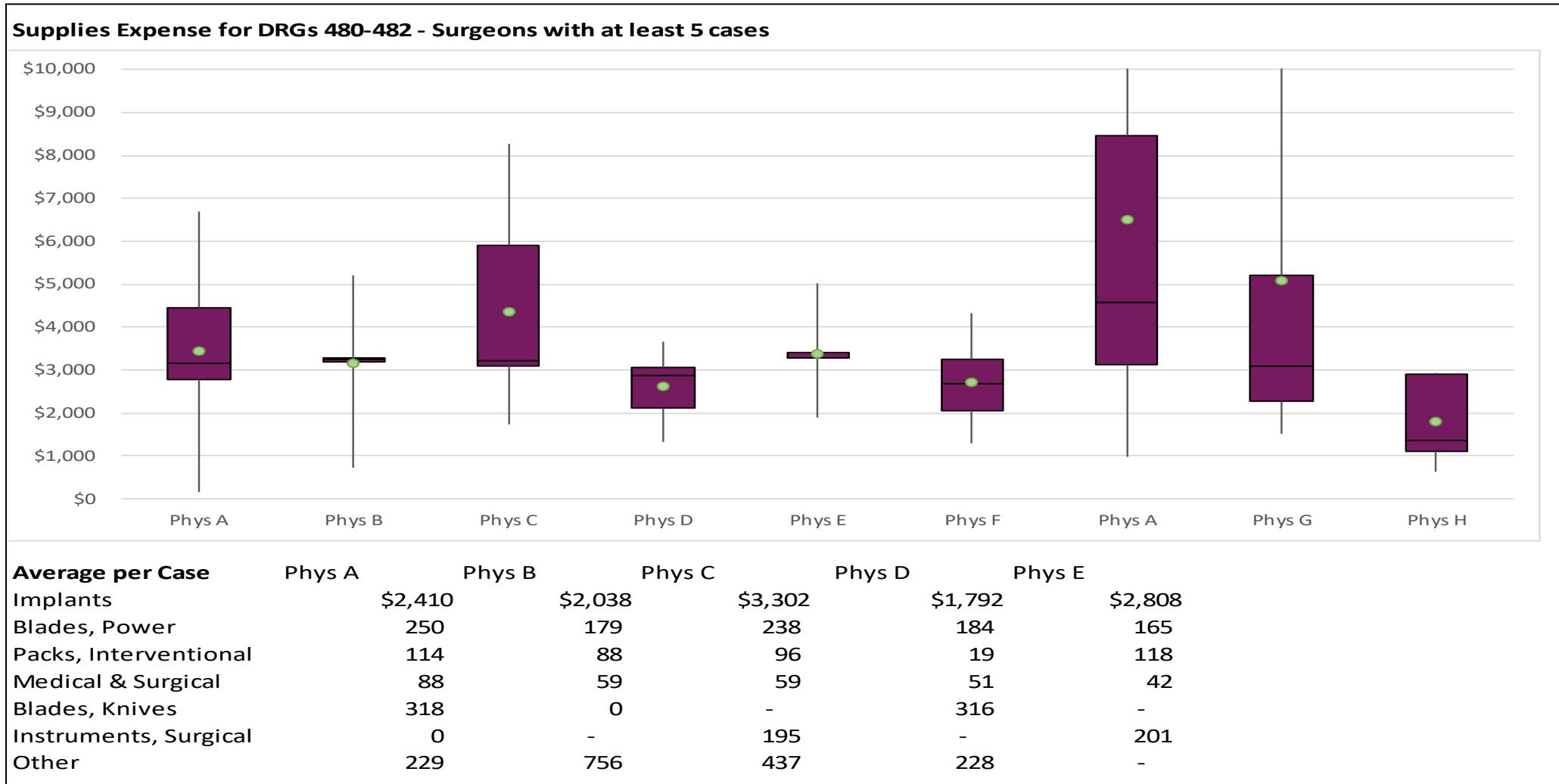
Example: Empower Change with Trustworthy Data

Full Consumption Costing and Clinical Variation



Example of Lumbar Spinal Fusion (n=852)

Physician Variation

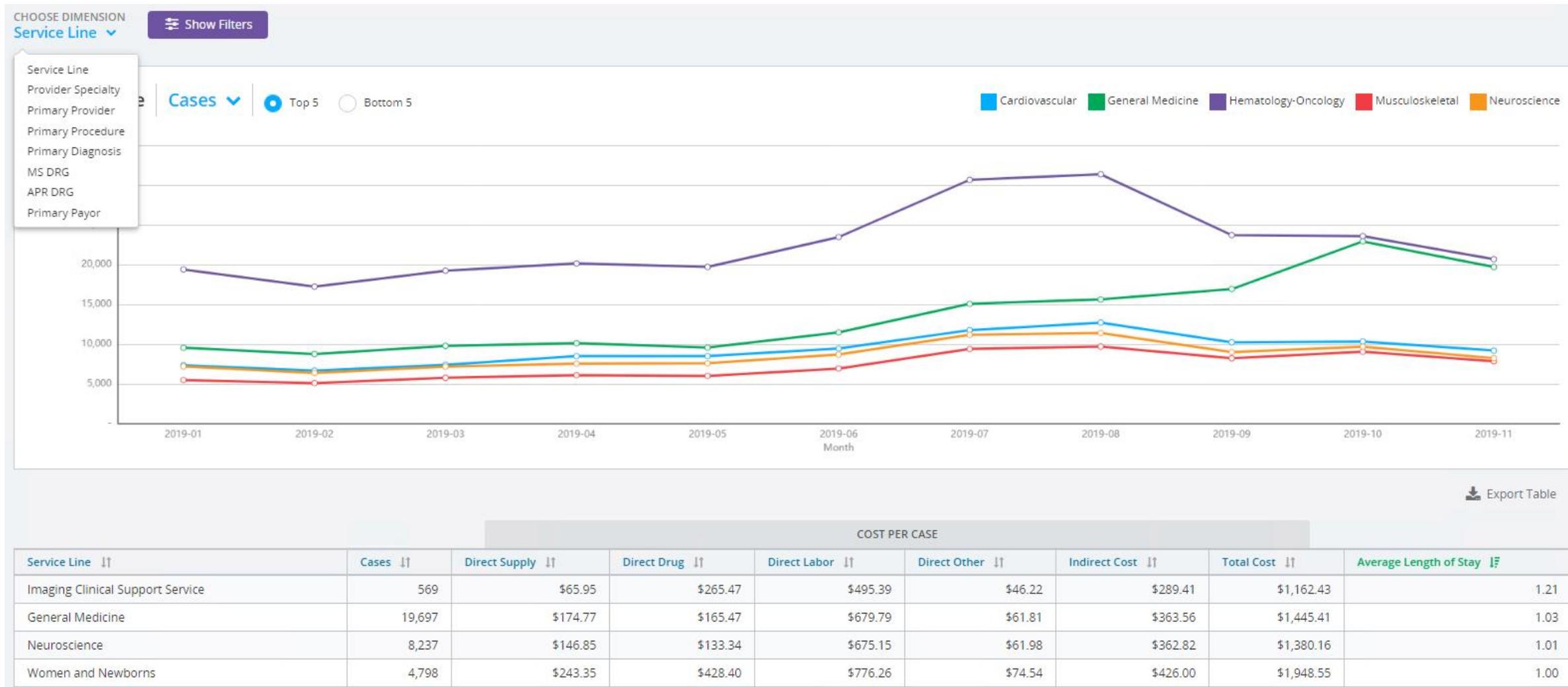


Patient & Item Grain Ad-Hoc Analysis

The screenshot shows a Microsoft Excel spreadsheet titled "FacilityAccountID" in cell A5. The PivotTable Fields pane on the right is configured to analyze data by Facility Account, with FacilityAccountID as the Row label and Explicit Cost, Allocated Cost, and Total Cost as the Values. The PeriodEndDT and CostCenterDSC are set as Filters. The PivotTable displays detailed cost data for various items and facility accounts, including sub-totals for each account.

FacilityAccountID	Explicit Cost	Allocated Cost	Total Cost
0000277XXXXXX	\$6,926.79	\$9,440.06	\$16,366.85
0000519XXXXXX	\$11,536.52	\$22,129.41	\$33,665.93
0000531XXXXXX	\$2,030.64	\$10,602.96	\$12,633.60
0000536XXXXXX	\$536.17	\$4,993.65	\$5,529.82
ADAPTER URO CATH BALL FIT UROLOK II 10/BX(N)M0067301401	\$24.17	\$24.17	
BASKET ST RETRV 2.2FRX115CM NCIRCLE FLT URO URIN 1/EA(S)G18778	\$174.00	\$174.00	
CATH FOLEY 18FR 5ML 2W ANTMIC LUBRISL IC LF SHRT 12/CA(S)1758S18	\$8.84	\$8.84	
CATH POLLACK 5FR FLEXI-TIP LF PVC 70CM PVC URET 10/BX(S)G14521	\$10.93	\$10.93	
CONTAINER SPEC SURG 5OZ STRL 100/CA(S)2600SA	\$1.42	\$1.42	
DRAPE EQUIP 42X72IN CARM LF F/MBL XRAY STRL DISP 10/CA(S)07-CA104	\$2.33	\$2.33	
GW URO 0.035INX150CM SNSR STR DBL FX HYDRPHL 5/BX(N)M0066703081	\$152.76	\$152.76	
IRRIGATING SET FLD WRM SURG LEV 1 DISP 1/EA(N)IR600	\$5.06	\$5.06	
PK CUSTOM CSCP SURG 3/CA(S)DYNJ34299K	\$54.88	\$54.88	
PK ECLIPSE PERI 102X97X35IN DRAPE PCH 10/CA(N)DYNJP9130	\$8.95	\$8.95	
SOLUTION IRR 3000ML 0.9NS UROMTC STRL 4/CA(S)287127	\$13.02	\$13.02	
STENT URET 6FRX28CM INLAY OPTM DBL PIG TAPR ULTRA 1/EA(S)788628	\$79.00	\$79.00	
SYRINGE MED 10ML LL 0.2ML GRAD 200/BX 2/CA(S)302995	\$0.21	\$0.21	
TUBING SUCT 0.25IN ARGYLE 12FT PVC LF PVC NCDTV 20/CA(S)8888301622	\$0.60	\$0.60	
	\$4,993.65	\$4,993.65	
000127XXXXXX	\$238.55	\$1,026.09	\$1,264.64
BAG URO 2000ML RND TRDRP ANTRFLX CHMBR SP LF IC 20/CA(S)154004	\$3.59	\$3.59	
CATH POLLACK 5FR FLEXI-TIP LF PVC 70CM PVC URET 10/BX(S)G14521	\$10.93	\$10.93	
GLOVE SURG SZ7.5 LTX PROTEGRT LGT BRN PF BEAD CUF 50/BX 4/CA(S)2D72NS75X	\$1.36	\$1.36	
GOWN SURG 2XL POLY-REINF PE 18/CA(S)DYNJP2206S	\$5.98	\$5.98	
GW URO 0.035INX150CM SNSR STR DBL FX HYDRPHL 5/BX(N)M0066703081	\$76.38	\$76.38	
LINER SUCT 3000ML MEDIVC GRDN PLST SHT-OFF VLV 50/CA(S)65651530	\$1.25	\$1.25	
PK CUSTOM CSCP SURG 3/CA(S)DYNJ34299K	\$54.88	\$54.88	
SOLUTION IRR 3000ML 0.9NS UROMTC STRL 4/CA(S)287127	\$5.18	\$5.18	
STENT URET 6FRX24CM INLAY OPTM DBL PIG TAPR ULTRA 1/EA(S)788624	\$79.00	\$79.00	
	\$1,026.09	\$1,026.09	
000204XXXXXX	\$4,192.70	\$4,720.03	\$8,912.73
APPLICATOR PREP 26ML CHLORPR HI-LT ORNG TN 2% CHG 25/CA(S)260815	\$6.01	\$6.01	
ARMBOARD PSTN UNIV 8X20X2IN 12/CA(S)NON081343	\$5.56	\$5.56	
BLADES SW 25/70MM ACCTL 0.80MM 12TBL/CA(S)1210810E000	\$28.00	\$28.00	

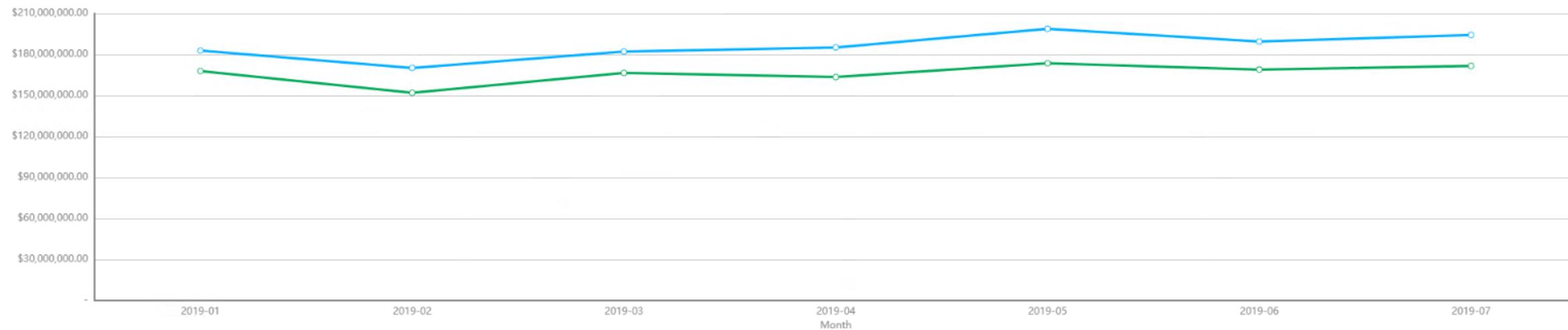
Cost Comparison Reporting



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 All Codes ▾	PERIOD 2015-12-31 ▾											Sort & Filter	Download
		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			