

PowerCosting™ Improves Strategic Decision-Making, Increasing Revenue by \$10M



\$10M funding increase to support the Louisiana State University School of Medicine OB/GYN - Baton Rouge Residency Program.

PRODUCTS

- Health Catalyst® Data Operating System (DOS™)
- PowerCosting™

EXECUTIVE SUMMARY

Woman's Hospital (Woman's) was facing increasing costs and needed to make strategic decisions but lacked the cost accounting system and high-value data and analytics required to answer specific questions and generate improvement. The organization leveraged Health Catalyst PowerCosting™ to deliver accurate and actionable activity-based costing data. For the first time, the Woman's team understands the true cost of services the healthcare system provides. The organization can constructively manage the true cost of care, improving revenue performance and the organization's financial viability. Woman's has also enhanced strategic decision-making effectiveness.

ACTIVITY-BASED COST ACCOUNTING SYSTEM IS CRITICAL FOR IMPROVEMENT

Healthcare supply and wage costs have grown by 9.6 percent, while revenue has only increased 5.5 percent, resulting in a gap of 4 percent.¹ Post-pandemic, the median hospital margin is negative 0.3 percent.² Accurate activity-based cost accounting systems are critical for improving operations and operating margins.

THE IMPORTANCE OF AN ACTIVITY-BASED SOLUTION

Woman's was facing increasing costs and the need to make strategic decisions, but it lacked a costing system and data required to answer specific questions and generate improvement. The organization recognized that relative value units and cost-to-charge ratios were insufficient, limiting its ability to identify opportunities for improvement and impeding the strategic planning process. Woman's needed a new solution that would provide an accurate, comprehensive view of its costs at an activity level.

UNDERSTANDING THE TRUE COST OF SERVICES

Woman's implemented PowerCosting to deliver accurate and actionable costing data. The reports in PowerCosting serve up the timely, actionable information critical to improving outcomes today and sustaining the organization over the long term.

For the first time, Woman's understands the true cost of services the healthcare system provides. The organization uses the aggregated data from multiple source systems to assess and understand costs, perform monthly cost closings, identify improvement opportunities, and support strategic planning efforts.

Accurately assessing costs and associated care drives improved program funding

Aware that the number of patients accessing services at the Louisiana State University School of Medicine OB/GYN Residency Program had grown substantially, and with the goal of continuing to support the residency program, Woman's used PowerCosting to assess the costs associated with the delivery of services, comparing cost data to the revenue received for the care provided. Woman's identified the funding received from the Department of Health no longer aligned with the volume of patients receiving care or the costs incurred for delivering services. Woman's used its detailed PowerCosting data to engage with the Department of Health to obtain additional funding for the residency program.

PowerCosting data informs strategic planning

Woman's makes use of PowerCosting for strategic planning. The organization can analyze detailed cost data and look at the contribution margin for every service. Executive leaders use PowerCosting to answer complicated questions about service delivery. For example:

- A provider group contemplated changing the service location for some outpatient labs and procedures. Woman's was able to assess the costs at each site where service was delivered, assessing the impact the change would have on costs and margin contribution.
- Woman's needed better visibility into why some patients had a longer length of stay after delivering a baby than others. It used the detailed costing data in the analytics application to identify, understand, and quantify care variation improvement opportunities.
- Another provider group was interested in changing its working relationship with Woman's and expressed interest in developing a new facility to broaden service offerings. Woman's used the analytics application to assess the cost of the services provided, evaluating supply, equipment, and staffing expenses, revenue for the services provided, and provider variation for each service and procedure. The hospital applied the costing data to make the best business decision for the organization and its patients.



ABOUT WOMAN'S HOSPITAL

Woman's Hospital, one of the nation's first women's specialty hospitals, is a private, nonprofit organization consistently recognized for its care of women and infants. Since opening in 1968, it has welcomed more than 300,000 babies, making it the largest delivery service in Louisiana. For the past 15 years, Woman's has been named one of *Modern Healthcare* magazine's Top Places to Work in Healthcare.



The granularity of data in PowerCosting is significant and profound. It enables us to have conversations and make decisions in a way we've never been able to do before.

Cheri Barker Johnson, MSN, RNC-OB
Sr. Vice President of Patient Care Services and Chief Nursing Officer

Woman's uses PowerCosting to inform capital equipment decisions. The organization uses its costing data, including patient volume, payer mix, and provider utilization, to determine how long it will take to produce a return on investment from capital equipment purchases.

Costing data improves labor management effectiveness

Nursing leadership uses PowerCosting and partnerships with financial analysts to improve the effectiveness of labor management. Leaders use the detailed costing data to answer cost questions quickly and can drill down to the invoice level. Leaders can model, project, and evaluate the impact of potential changes on cost and financial performance. Nursing leadership used the costing data to evaluate its spend on contract nursing labor and assess its ability to decrease contract labor and invest the dollars it was spending into market-based adjustments for its employed nursing staff.

RESULTS

PowerCosting has helped Woman's to constructively manage the true cost of care, improving revenue performance and the organization's financial viability. It has also enhanced strategic decision-making effectiveness.

Woman's results include:

- **\$10M funding increase** to support the Louisiana State University School of Medicine OB/GYN - Baton Rouge Residency Program.
- **Identified opportunity to achieve \$2M labor cost savings**, the result of decreasing contract labor costs while providing market-based salary adjustments for registered nurses and improving retention of highly qualified nursing staff.
- **Avoided potential losses** associated with a strategic decision by understanding its costs and contribution margin.

Woman's also improved the effectiveness of costing activities. The organization:

- Moved from quarterly costing to monthly costing, enabling more timely data for decision-making.
- Saved more than 500 hours annually in manual data review and aggregation.

WHAT'S NEXT

Woman's will continue utilizing its costing data to improve financial performance, decrease clinical variation, and improve the services provided to its patients. 🚀



PowerCosting provides us with the detailed costing data to answer critical strategic questions, identify improvement opportunities, and truly understand and manage cost drivers.

Cheri Barker Johnson, MSN, RNC-OB
Sr. Vice President of Patient Care Services and Chief Nursing Officer



REFERENCES

1. Jackson, N. M. (2022). Inflation rattles hospital supply chain and labor pool with no end in sight. *Healthcare Financial Management Association (HFMA)*. Retrieved from <https://www.hfma.org/topics/hfm/2022/october/inflation-rattles-hospital-supply-chain-and-labor-pool-with-no-e.html>
2. National Hospital Flash Report – September 2022. (2022). *KaufmanHall*. Retrieved from <https://www.kaufmanhall.com/sites/default/files/2022-09/KH-NHFR-09-2022.pdf>

ABOUT HEALTH CATALYST

Health Catalyst is a leading provider of data and analytics technology and services to healthcare organizations, committed to being the catalyst for massive, measurable, data-informed healthcare improvement. Our customers leverage our cloud-based data platform—powered by data from more than 100 million patient records, and encompassing trillions of facts—as well as our analytics software and professional services expertise to make data-informed decisions and realize measurable clinical, financial, and operational improvements. We envision a future in which all healthcare decisions are data informed.

Learn more at www.healthcatalyst.com, and follow us on **Twitter**, **LinkedIn**, and **Facebook**.