KaufmanHall

LIFEPOINT HOSPITALS®

Challenges:

- Time intensive, manual processes to get cost data and reporting

- Lack of transparency into the costing data causing doubt in metrics

Solution:

- Implemented Kaufman Hall's cost accounting solution

Results:

- Streamlined reconciliation and validation tasks associated with cost data

- Improved executive reporting with timely, comprehensive views of service line performance

- Gained visibility to crucial granular detail to control costs and achieve budget

- Shifted the focus away from auditing tasks toward more strategic analysis

LifePoint Hospitals improves cost accounting data accuracy and efficiency to drive strategic planning with Kaufman Hall

Challenges

LifePoint Hospitals is a community hospital provider operating 61 hospital campuses in 20 states with more than $3.7 billion in revenues, 32,000 employees and 3,400 physician partners. As costs rose and reimbursements continued to shrink, Brentwood, Tennessee-based LifePoint Hospitals had some important decisions to make to ensure profitable growth in both the short-term and long-term. However, their costing system was fraught with issues that wouldn't support their growth strategy. Time intensive, manual processes were preventing them from providing timely cost data for critical decisions. "We were doing costing but it was so time and labor intensive. Our analysts were only doing maintenance in the system but they weren't analyzing anything," says Aaron Frazier, Manager of Strategic Resource Group at LifePoint Hospitals.

Reporting on the cost data required exporting to another system for cleansing, analyzing and reporting. But the largest issue was the lack of transparency into the costing data which left decision makers with little confidence in costing metrics. "The old system was a black box. We put data in but we didn't know how costs were calculated."

" The CFO can click 3 buttons and get 90% of his questions answered by service line, by physician, etc with over 25 variables they can choose from. **"**

Solution

LifePoint Hospitals chose Kaufman Hall's costing solution, part of the Axiom Software Suite, and implemented a more streamlined, automated process that involves taking a series of financial and clinical inputs, applying value-added processing to transform the data, and generating outputs that support strategic and tactical planning. The resulting data takes the form of a series of reports (some of them online and interactive, others off-line) that encompass service line and payer trends, population and physician analysis, strategic modeling, and workload projections.

Results

Strategic impact

"We take a data-driven approach to everything at LifePoint," says Frazier. Since implementing Kaufman Hall's cost accounting solution, LifePoint Hospitals has made some very important, strategic business decisions directly from the data. "We have recently divested four hospitals and the costing data was very heavily utilized in that decision," says Frazier. LifePoint Hospitals analyzed many scenarios of how they could adjust services at several unprofitable hospitals to continue operations but after detailed modeling and analytics it became clear that they could not support a viable path forward. The costing data was instrumental in this process. Additionally, costing data including contribution margin per service and per encounter has played a critical role in determining market opportunity and investing in growing service lines. The organization also uses volume, costs, and contribution margin data to negotiate with payers at the service line level for reimbursement rates which has helped keep them competitive and profitable.

Transparency and confidence

One of the goals of this new costing solution was to give hospital CFOs and service line leaders an intuitive model that showed clearly where their general ledger (GL), year-to-date costs were coming from and how each cost should be allocated for each procedure. "In the Kaufman Hall solution, costs and cost allocations are very transparent. Users have access to see what overhead departments are being allocated to their departments," says Frazier. Today, executive reports are tailored to show precisely how dollars map from indirect to direct departments, and to identify areas where costs could be allocated directly to patients. Hospital CFOs and service line managers understand how costs are allocated and trust the data for use in decision making. They can access interactive reports ongoing to answer their questions and inform decisions. "The CFO can click 3 buttons and get 90% of his questions answered by service line, by physician, etc with over 25 variables they can choose from."

Efficiency, Accuracy and Scalability

With the new solution in place, data processing and reconciliation now takes four days instead of four weeks. Rather than auditing cost allocations at 61 hospitals each month, LifePoint now conducts automated, scheduled audit checks that issue alerts to hospital CFOs and service line leaders when more than 2% variance exists in the data, ensuring that costs are fully allocated. The scalability of the solution and the accompanying process is imperative as LifePoint frequently adds new hospitals to their network. Frazier states, "We can get new hospitals up and running in two weeks."

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