Going back to Basic with Cost Accounting

Presented by Terrin Lands
Director-Cost Reporting and RVU Development
Ascension is the largest Catholic health system, the largest private nonprofit system and the second largest system (based on revenues) in the United States, operating in 23 states and the District of Columbia.
## FACILITIES AND STAFF (as of June 30, 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locations</td>
<td>1,900</td>
</tr>
<tr>
<td>Acute Care Hospitals</td>
<td>101</td>
</tr>
<tr>
<td>Rehabilitation Hospitals</td>
<td>4</td>
</tr>
<tr>
<td>Psychiatric Hospitals</td>
<td>6</td>
</tr>
<tr>
<td>Long-term Acute Care Hospitals</td>
<td>3</td>
</tr>
<tr>
<td>Joint Venture Hospitals (&lt;50% ownership)</td>
<td>17</td>
</tr>
<tr>
<td>Available Beds</td>
<td>21,936</td>
</tr>
<tr>
<td>Associates</td>
<td>153,000</td>
</tr>
</tbody>
</table>
Symphony

• The “Symphony” Project is the Ascension Health name for the business transformation initiative enabled by a common PeopleSoft platform. “Symphony” is intended to facilitate efficiency, focus resources, and provide analytic capabilities that will improve operational and clinical outcomes.

• Since it’s beginning in 2009, we brought over 23 Ascension Health hospital systems and 4 supporting organizations live on one common platform for Human Resources, Payroll, Finance, and Supply Chain. Our project was delivered on-time, under-budget with significant ROI.
Overview: Integrated Cost Solution

- General Ledger
  - Daily Revenue to GL
  - Monthly General Ledger, Detail Expense & Revenue

- Patient Accounting
  - Monthly Rev and Usage, subsystem files, and CDM file
  - Dept xwalk

- Common CDM
  - Monthly Rev & Usage CDM, Item Cost
  - Dept xwalk
  - Daily CDM to Common CDM Crosswalk

- Performance Manager
  - Monthly YTD Cost Factors
  - Dept xwalk

- Data Warehouse
  - Daily Patient Accounting Data
  - Dept xwalk
System Set-up

3310 GL Accounts
6250 Depts.
227 Cost Components

13 Summary Components for Reporting
Monthly Cost Accounting Process

Integrate Data
- Maintenance of Common Tables
- Receive Files from Source Systems
- Balance to source systems

Department Cost Allocation
- Dept & Acct Mapping
- Offsets & Remaps
- Supply Component Adjustment
- Overhead Allocations
- Recon to GL

Service Item Allocation
- Price & Volume using Rev & Usage
- Create or Update RVUs
- Calculation of Unit Cost
- Reconciliation

Patient Encounter Costing
- File created in PM to MIC
- Applied to Patient Detail
- Reconciliation to PM & GL

October 2, 2015
Keys to Success

- Clear definitions
- RVU development
- Realistic
- Service costing methods
- Naming conventions
- Document
- System tools
- Feedback
- Leadership support
- Defined process
- Service costing methods
- Stakeholder expectations
- Data governance
Keys to Success

Naming Conventions
- File names
- Datasets
- Components
- Remaps
- Worksheets
- Batches

Clear Definitions
- Departments
  - patient care vs overhead
- Accounts
  - fixed vs variable
  - direct vs indirect
- Components
Key to Success – Defined Process for All

Integrate Data
- Maintenance of Common Tables
- Receive Files from Source Systems
- Balance to source systems

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October 2, 2015
# Keys to Success – Service Costing Methods

<table>
<thead>
<tr>
<th>CDM Type</th>
<th>Service Costing Allocation Method</th>
</tr>
</thead>
</table>
| **Supply & Drug Items** | • Acquisition cost (3 month weighted average) are used for Chargeable Supplies and Drugs  
• Labor - ratio of cost to charges [RCC] |
| **Procedures**       | • Relative Value Units - *expected costs of inputs* - labor minutes, supplies (for supplies included in the procedure), equipment, other expenses [80/20]  
• RVUs are utilized for Highest Volume and Highest Dollar procedures  
• Common RVUs are utilized wherever possible  
• Established accepted practice RVUs are used  
  • Laboratory use Industry standard RVUs  
  • CHi Solutions  
  • Respiratory Therapy use Industry standard RVUs  
  • AARC  
  • Physician Practices & Clinics use CMS – RBRVS |
### Keys to Success – RVU Development

**Common - RVU Development**
- Behavioral Health
- Cardiology
- ER & Trauma & Urgent Care
- Heart [Cath & EP Labs]
- Imaging Services
- Interventional Rad & Spec Proc
- Neurology & Sleep Med
- Oncology & Infusion
- Outpatient Services
- Rehab Therapy
- Wound Care

**Local RVU Development**
- Endoscopy & GI Lab
- Mammography
- Surgery
- Woman's Services

**Item Cost - 3 Month Avg**
- Labor RCC
- Pharmacy
- Central Supply

**RCC**
- Residential Care
- Nursing Units
Keys to Success

Documentation
• Master Configuration Workbook
• Facility Specific Configuration Workbook
• Process Documentation
• Checklist

• Data Governance
• Leadership Support
• Understand Stakeholder Expectations
• Feedback Loop with users
Keys to Success

Use System Tools
- Saved Data Selections
- Linked SDS
- Automate with stops at audit points
  - Batches
  - Shell Scripts
  - Custom Interfaces

Be Realistic
- Understand Resources
  - Staff (team)
  - System
- Continuous Quality Improvement
Final Notes

Our Team is able to:

- Process 69 facilities monthly
  • 4 hours per facility
- Build a New facility in 1 to 4 days

With a team of…
## Success Measures

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Measure</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Centralizing the costing function and improve the quality of the data for 23 Health Ministries</td>
<td>Elimination of consultants and partial FTE’s</td>
</tr>
<tr>
<td>Quality</td>
<td>Future plans for clinical outcome initiatives</td>
<td>To follow</td>
</tr>
<tr>
<td>Utilization</td>
<td>Comparable reporting across Ascension Health with standard data definitions and cost process while using facility data</td>
<td>Leverage best practice amongst all facilities</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Creation of cost factors with lean staff</td>
<td>Monthly for 69 facilities with staff of 4</td>
</tr>
</tbody>
</table>
Questions?

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