

Improving Profitability and Performance

Project Background

The Affordable Care Act generated significant strategic uncertainty for this independent hospital system in the Southern United States. Patient quality metrics showed an exemplary level of care indicative of strong, consistent leadership, and high employee morale.

However, the mix of patients (inpatient versus outpatient; level of Medicaid and Medicare) was changing. Profitability and cashflow were not at levels the leadership team felt would be necessary to respond to future needs and asked SBTI to help them drive a step change performance improvement and build a robust continuous improvement capability.

Initial Analysis

Financial analysis reveal gross revenues had been increasing yet those revenues were not manifesting in superior profitability and cashflow was unpredictable.

Only 49% of billed revenues were being realized. Key losses were driven by patient mix--many patients were uninsured and insurance providers had a different "price" they were willing to reimburse for each treatment or procedure.

A significant unbilled element was found to be excessive length of stay. Each procedure has a length of stay the insurance providers are willing to cover. If the patient exceeds that length (through complications or poor scheduling) the hospital incurs additional cost and those days are not reimbursed.

A significant erosion of profit and cash was discovered in the form of bad debts.

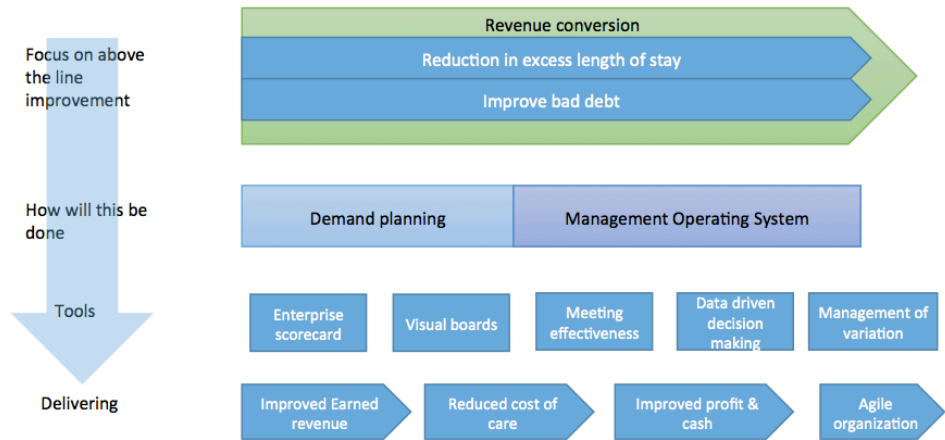
The Program

A holistic program was put in place to improve revenue conversion into gross profit by reducing the incidence of extended length of stays and reduction of bad debts.

Additional benefits would accrue from better management of demand and by creating better transparency through installing a management operating system.

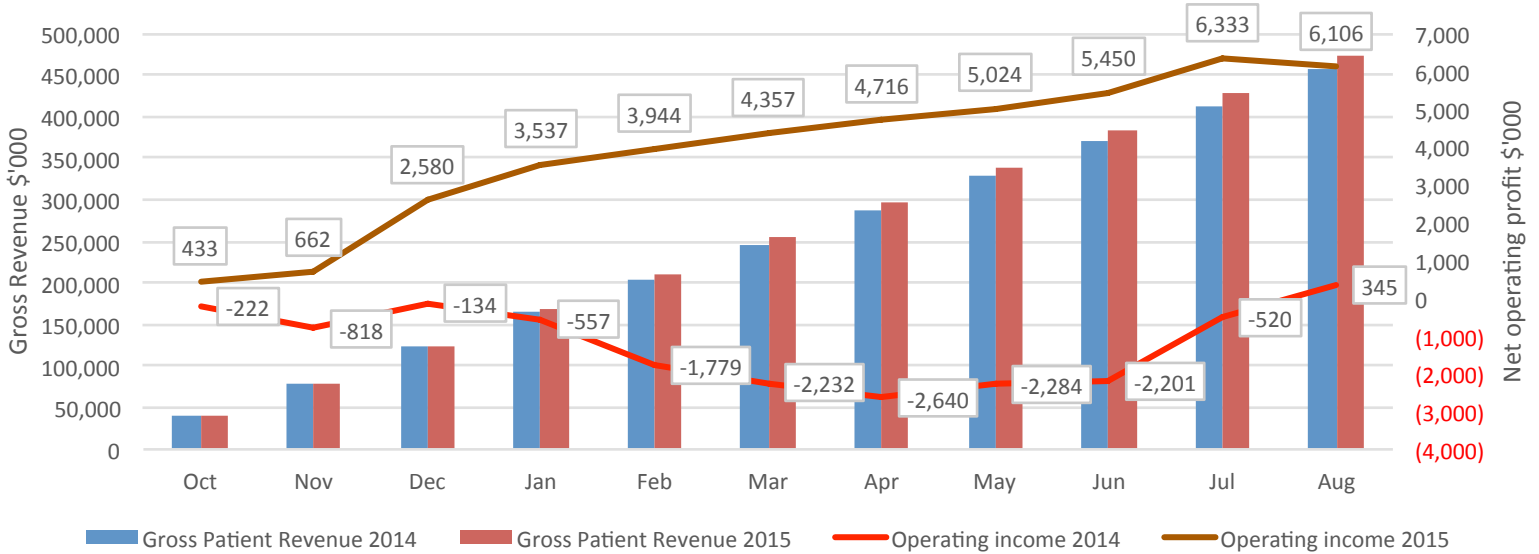


CASE STUDY



Results

Cumulative consolidated gross revenue to net operating profit



The program was successful in increasing gross revenues. Critically, these revenues were converted into significantly higher levels of profitability. Key achievements included:

- Net operating profit increased by over \$5million
- Bad debts were reduced by 15%
- Extended lengths of stay were reduced by 11%
- Operational cashflow reached a 4 year high
- An improvement methodology and system was put into place