

# **The CEO Dashboard**

## **The Agile Solution for Small Hospitals**

By:

Michelle Donaldson, Chief Strategy Officer

Fe Sendaydiego, Chief Information Officer

# Presenters



*Michelle Donaldson, BSN, MHA  
Chief Strategy Officer  
Sonoma Valley Hospital*



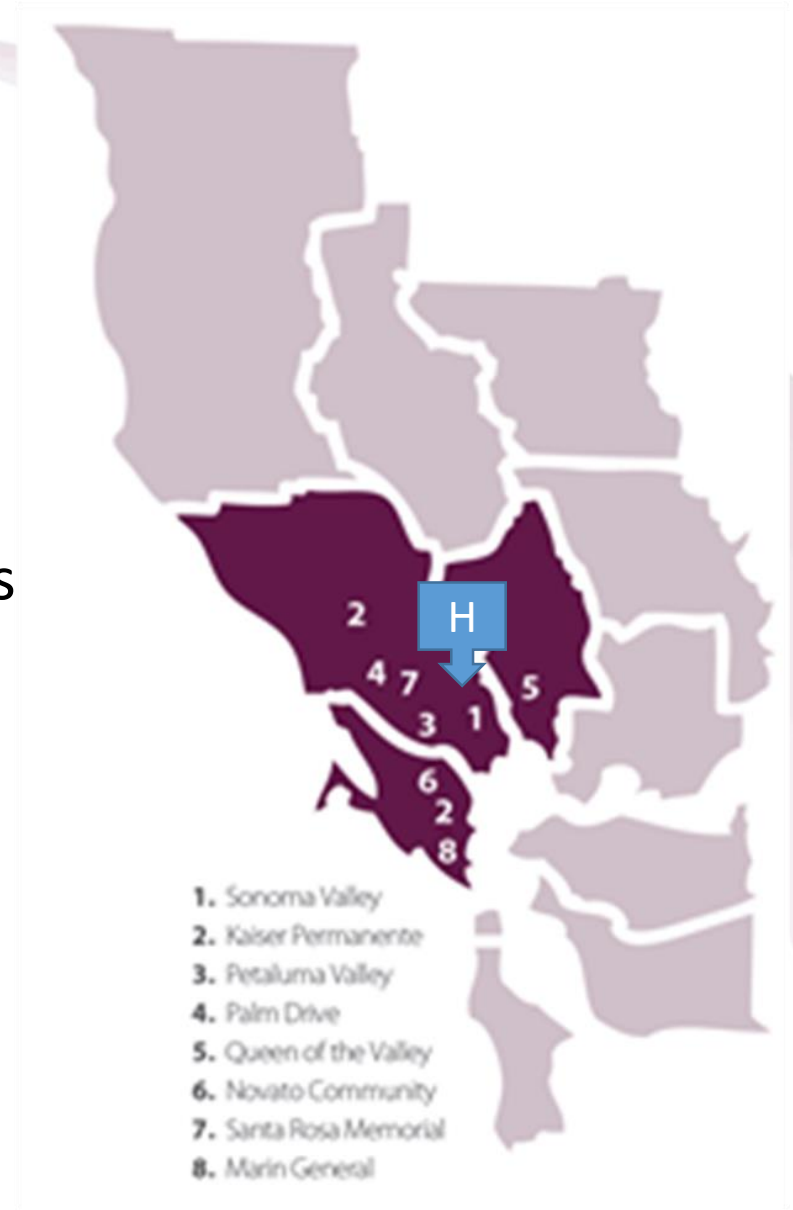
*Fe Sendaydiego  
Chief Information Officer  
Sonoma Valley Hospital*

# Outline

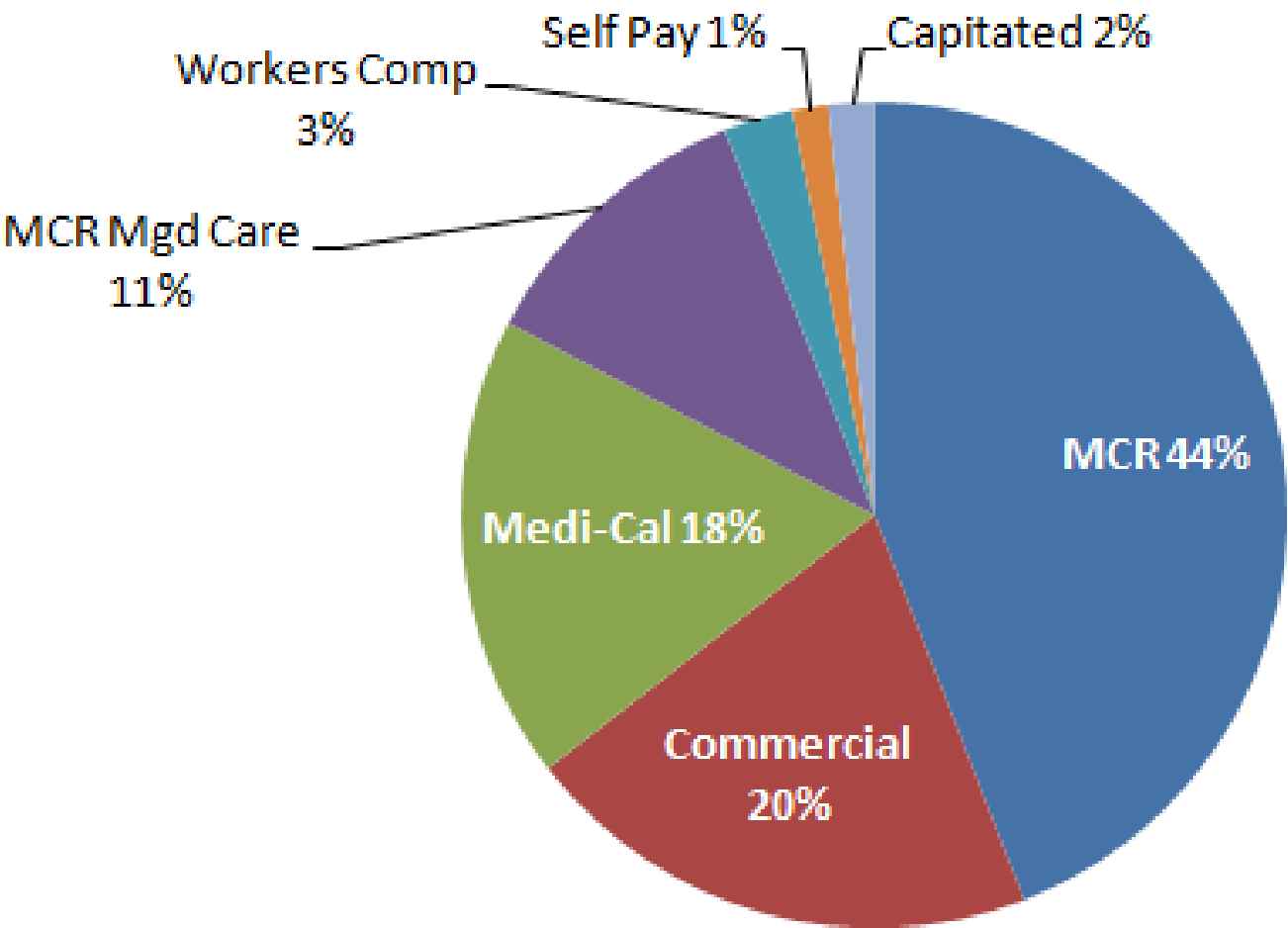
- Sonoma Valley Hospital Profile
- The Challenge
- The Agile Solution
- The CEO Dashboard
- Optimization Projects
- Real Outcomes
- Success Factors
- Questions

# Assessment of Sonoma Valley Hospital

- Surrounded by 7 hospitals within 25 miles
- Major competition by Kaiser, Sutter and St. Joe's
- Small community that is somewhat isolated
- Not a Critical Access Hospital



# Payer Mix



**73% Government**

# Sonoma Valley Hospital Threats

- Decrease in Inpatient Volumes
- Bundled testing
- Capitated Visits
- Procedures shifting to Physician Offices
- Denials
- Managed Care
- High deductibles causing patient avoidance



"Just exactly how bad is our cash flow problem?"

## Key Questions

1. ***Direct margins by service unit?***
2. ***Profitability on Medicare?***
3. ***Actual costs of care?***



# THE AGILE METHOD: OPERATIONAL COST ACCOUNTING

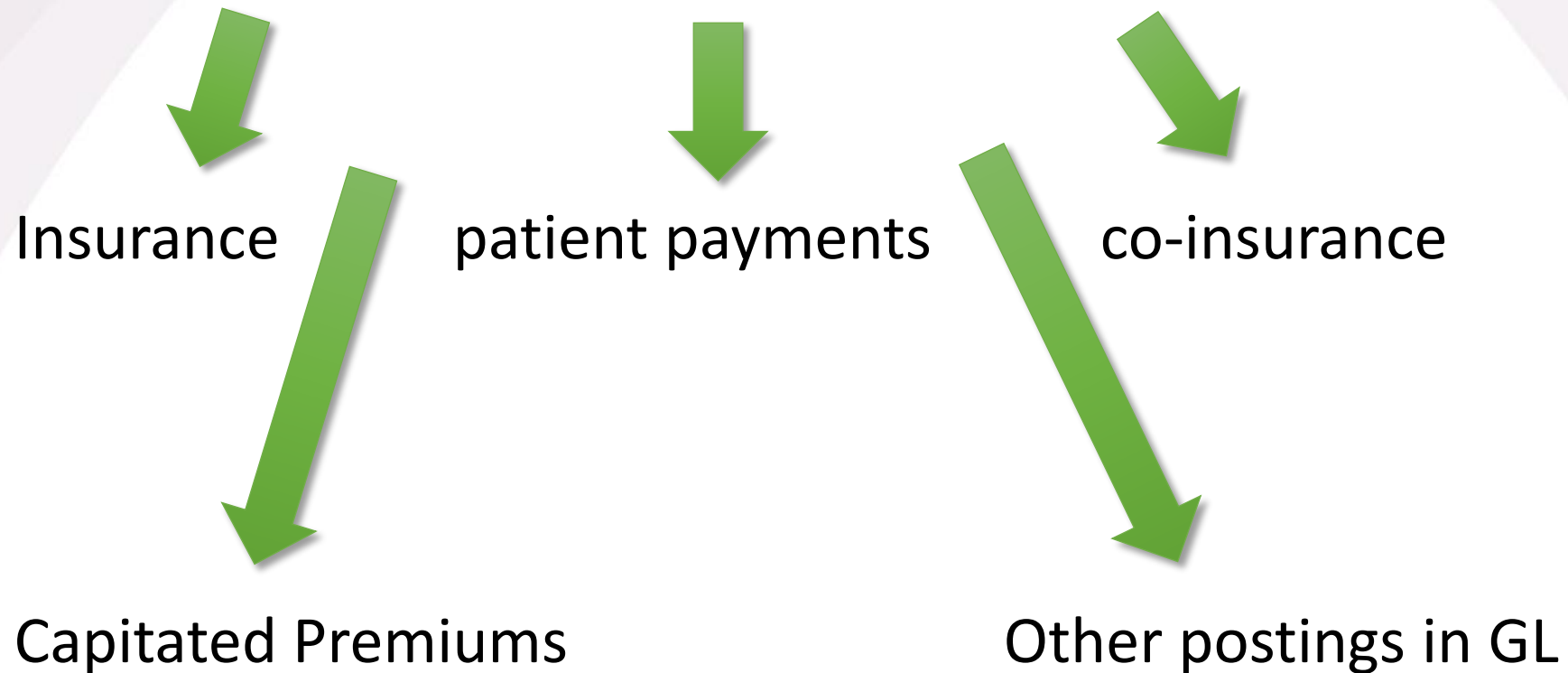
# Identify Service Units

1. ER
2. Outpatient Surgery
3. Skilled Nursing Facility
4. Home Health
5. Inpatient
6. Outpatient Rehab
7. Outpatient Diagnostics
8. Occupational Health
9. Special Procedures
10. OB

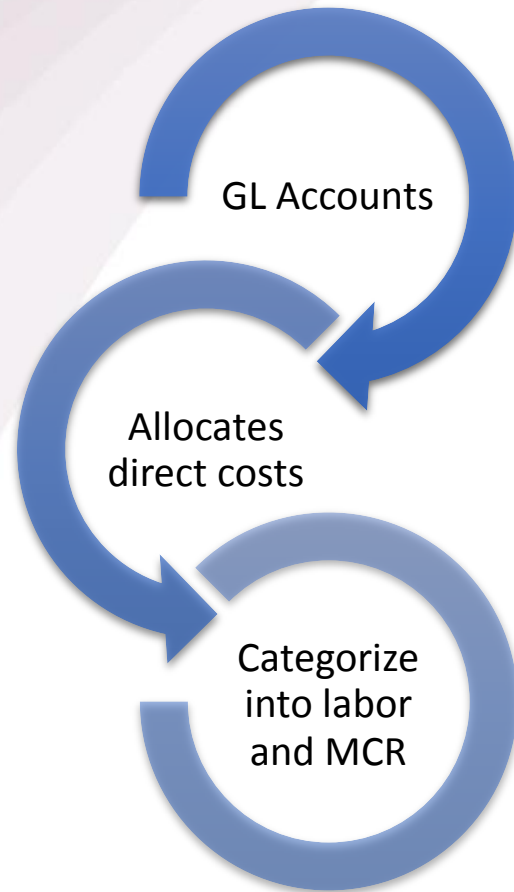
***Most every small hospital has 5 – 6 of these service units or revenue centers and our goal was not to lose in direct margin on any service unit or we end the service***

# Capture Direct Patient Reimbursement

## Actual payments from invoice table



# ***Determining Cost: 7 step process***



- GL Account Types: Operating & Non-Operating
- Price Lookup
- Procedure Time
- Length of stay
- Service Unit
- Designated Direct
- Indirect

# Overhead Allocation – Medicare Cost Report

Health Financial Systems Sonoma Valley Health Care District In Lieu of Form CMS-2552-10  
This report is required by law (42 USC 1395g; 42 CFR 413.20(b)). Failure to report can result in all interim payments made since the beginning of the cost reporting period being deemed overpayments (42 USC 1395g). FORM APPROVED  
HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX COST REPORT CERTIFICATION AND SETTLEMENT SUMMARY Provider CCN: 050090 Period: From 07/01/2013 To 06/30/2014 OMB NO. 0938-0050  
worksheet S  
Parts I-III  
Date/Time Prepared: 11/23/2014 11:55 am

## PART I - COST REPORT STATUS

Provider use only 1. ☒ Electronically filed cost report Date: 11/22/2013 Time: 5:38 pm  
2. ☐ Manually submitted cost report  
3. ☐ If this is an amended report enter the number of times the provider resubmitted this cost report  
4. ☐ Medicare Utilization. Enter "F" for full or "L" for low.  
Contractor use only 5. ☐ Cost Report Status 6. Date Received: 10. NPR Date:  
(1) As Submitted 7. Contractor No. 13201 11. Contractor's Vendor Code: 4  
(2) Settled without Audit 8. ☐ Initial Report for this Provider CCN 12. ☐ If line 5, column 1 is 4: Enter  
(3) Settled with Audit 9. ☐ Final Report for this Provider CCN number of times reopened = 0-9.  
(4) Reopened  
(5) Amended

## PART II - CERTIFICATION

MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A KICKBACK OR WERE OTHERWISE ILLEGAL, CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.

CERTIFICATION BY OFFICER OR ADMINISTRATOR OF PROVIDER(S)

I HEREBY CERTIFY that I have read the above certification statement and that I have examined the accompanying electronically filed or manually submitted cost report and the Balance Sheet and Statement of Revenue and Expenses prepared by Sonoma Valley Health Care District ( 050090 ) for the cost reporting period beginning 07/01/2013 and ending 06/30/2014 and to the best of my knowledge and belief, this report and statement are true, correct, complete and prepared from the books and records of the provider in accordance with applicable instructions, except as noted. I further certify that I am familiar with the laws and regulations regarding the provision of health care services, and that the services identified in this cost report were provided in compliance with such laws and regulations.

(Signed) \_\_\_\_\_  
Officer or Administrator of Provider(s)

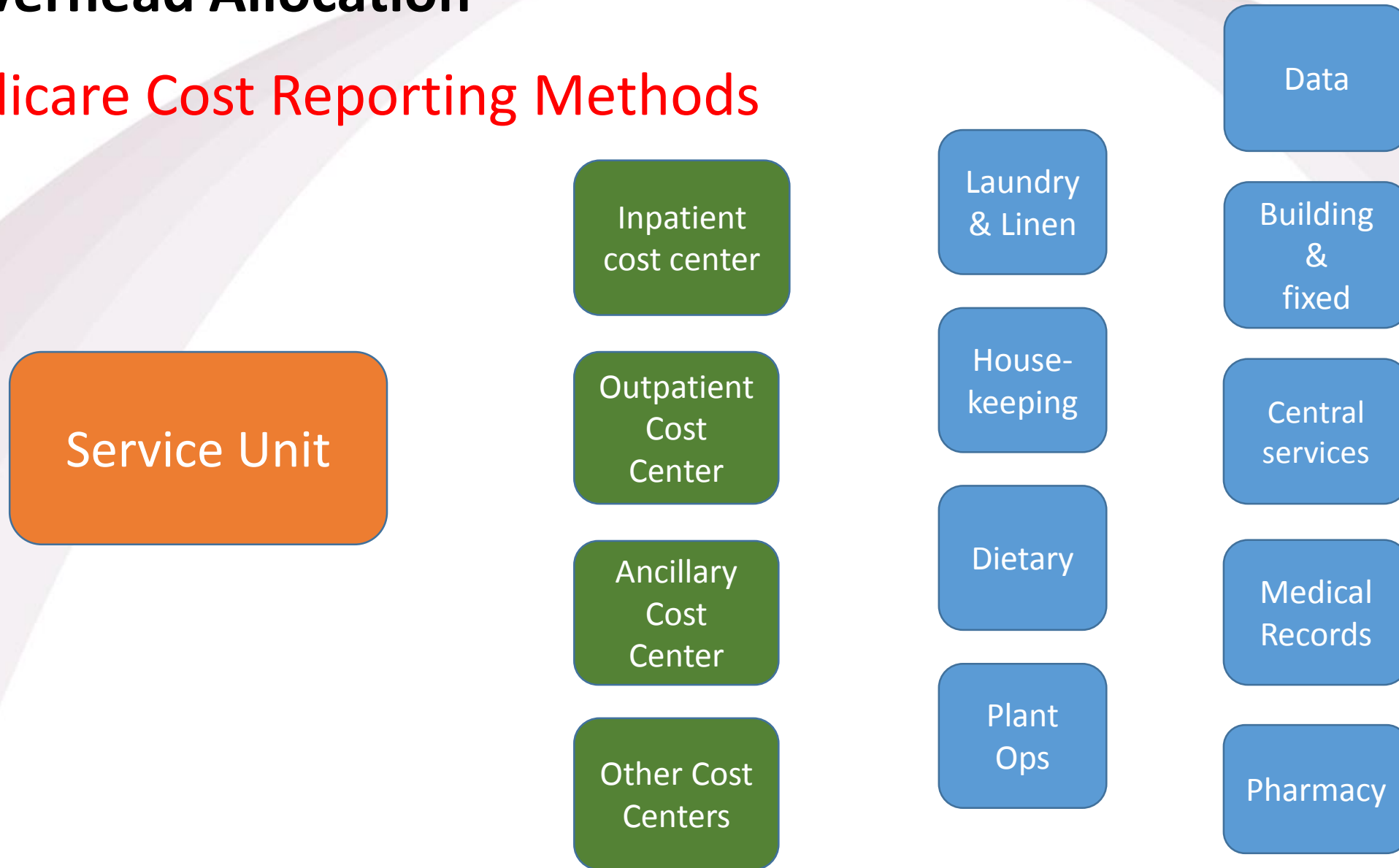
Title \_\_\_\_\_

Date \_\_\_\_\_

Cost Center Description		Title V	Title XVIII		HIT	Title XIX	
			Part A	Part B			
		1.00	2.00	3.00	4.00	5.00	
PART III - SETTLEMENT SUMMARY							
1.00	Hospital	43,119	-45,202	2,749	840,523	-167,360	1.00
2.00	Subprovider - IPF	0	0	0		0	2.00
3.00	Subprovider - IRF	0	0	0		0	3.00
4.00	SUBPROVIDER I	0	0	0		0	4.00

# Overhead Allocation

## Medicare Cost Reporting Methods



# THE CEO DASHBOARD

CEO Dashboard										
Date Range	01/01/17 - 12/31/17									
Service Unit	ER SU	OPSURG SU	SNF SU	INPT SU	REHAB SU	OPDX SU	OCCHLTH SU	SPPROC SU	WELLNESS SU	OB SU
Visits	9,854	1,050	365	1,151	13,481	26,331	5,001	1,334	5	783
Patient-days	1,207	41	6,846	4,502	387,442	134	740,135	9,020	0	704
Charges										
Lab	8,919,829	103,274	841,473	8,152,412	1,428	9,103,632	144,302	344,693	1,162	357,137
Anes	660	2,034,331	3,340	1,683,931	0	0	0	357,132	0	325,522
BI Bank	75,586	2,273	28,410	293,304	0	29,611	0	111,460	0	22,453
Card	296,214	87,552	39,275	1,969,403	734	4,394,441	1,398	22,899	12,417	3,670
ER	40,239,985	130,424	252	8,503,408	0	7,789	5,767	34,921	0	8,899
ICU	0	0	0	6,484,633	0	0	0	0	0	0
Impl	0	1,341,813	0	4,302,141	0	0	0	20,331	0	22,657
L&D	33,458	0	0	20,974	0	2,906	0	7,137	0	2,502,942
Oth	363,734	87,527	73,541	1,547,738	0	1,376	13,333	83,049	0	50,093
Rad	17,922,044	558,985	531,821	9,358,766	8,382	25,680,327	693,011	954,027	4,878	130,220
Rehab	12,109	20,263	7,869,770	2,698,697	1,407,294	38,992	662,395	0	0	3,608
Resptx	494,925	11,710	160,287	3,625,389	0	5,260	506	478	0	28,064
Room	2,886	1,021	12,957,426	9,308,542	5,712,483	0	0	1,784,788	0	989,309
Rx	1,135,874	1,073,543	848,530	4,839,997	4,362	156,975	670	2,650,824	0	180,879
Supplies	280,019	149,398	18,019	134,010	0	30,170	0	406,569	0	55,171
Proc	68,417	12,396,731	235,189	10,197,597	0	443,686	0	4,044,550	0	1,718,128
Total Charges	69,845,740	17,998,846	23,607,332	73,120,942	7,134,683	39,895,165	1,521,383	10,822,858	18,457	6,398,752



Adjustments										
Total Adjustments	57,165,562	13,806,073	18,770,655	56,417,645	5,618,191	34,955,478	967,634	8,530,369	14,993	4,621,581
Revenue										
Net Revenue	12,874,888	4,456,186	1,034,435	13,631,578	5,615,877	15,225,650	583,686	1,955,106	3,260	1,781,546
Reimbursement	11,546,343	4,510,533	4,573,026	16,235,850	1,956,274	6,011,991	498,643	2,392,157	4,136	1,748,261
per FTE	1,911,011	1,773,994	521,943	1,391,759	656,226	740,382	75,220	294,004	1,792	286,931
per hour	919	853	251	669	316	356	36	141	1	138
per visit	1,172	4,296	12,529	14,106	145	228	100	1,793	827	2,233
per pt-day	9,566	110,013	668	3,606	5	44,866	1	265		2,483
Direct Costs										
Staff										
FTE	6.0	2.5	8.8	11.7	3.0	8.1	6.6	8.1	2.3	6.1
Hours	12,566	5,288	18,222	24,262	6,200	16,888	13,787	16,922	4,800	12,672
Labor										
RNs	-1,211,720	-382,394	-1,353,170	-2,765,442	-386	-3,083	-53,767	-539,830	0	-1,006,883
Aide	-95,209	-30,590	-553,378	-360,117	-148	-81,075	-1,430	-129,145	-13	-7,857
Benefits & Other	-1,459,823	-620,140	-1,544,056	-3,175,276	-892,273	-1,402,601	-329,670	-520,975	-245	-423,064
Total Labor	-2,766,753	-1,033,125	-3,450,603	-6,300,834	-892,807	-1,486,759	-384,868	-1,189,950	-259	-1,437,805
Pro Fees										
Total Staff	-4,521,802	-1,432,353	-3,485,265	-8,362,830	-939,612	-1,619,505	-451,248	-1,290,739	-281	-1,549,306
per FTE	-748,394	-563,345	-397,792	-716,873	-315,190	-199,443	-68,071	-158,636	-122	-254,277
per hour	-360	-271	-191	-345	-152	-96	-33	-76	0	-122
per visit	-459	-1,364	-9,549	-7,266	-70	-62	-90	-968	-56	-1,979
per pt-day	-3,746	-34,935	-509	-1,858	-2	-12,086	-1	-143		-2,201

## Operational

Lab	-242,800	-9,528	-27,424	-238,441	-25	-247,798	-4,092	-40,576	-33	-21,283
Anes	-10	-44,475	-87	-34,293	0	0	0	-7,893	0	-6,790
BI Bank	-22,910	-559	-7,161	-76,217	0	-8,188	0	-32,971	0	-6,203
Card	-324	-97	-48	-5,059	-1	-10,788	1	-37	-31	-4
ER	-89,818	-252	-1	-16,733	0	-15	-11	-68	0	-17
ICU	0	0	0	-47,043	0	0	0	0	0	0
Impl	0	-390,187	0	-1,204,382	0	0	0	-5,929	0	-5,972
L&D	-11	0	0	0	0	0	0	-1	0	-160
Oth	-33,497	-7,607	-6,515	-101,588	0	-10	0	-7,603	0	-4,325
Rad	-205,866	-15,868	-9,015	-129,170	-140	-443,049	-20,593	-11,416	-29	-1,003
Rehab	-45	-55	-9,457	-3,520	-142,225	-24	-85,179	0	0	-3
Resptx	-2,754	-115	-1,407	-22,658	0	-35	-2	0	0	-118
Room	-18	-3	-94,959	-61,293	-19	0	0	-12,136	0	-35,174
Rx	-226,977	-215,443	-175,465	-986,702	-863	-32,081	-151	-540,796	0	-36,437
Supplies	-54,287	-86,456	-3,456	-40,958	0	-5,766	0	-79,544	0	-10,288
Proc	-478	-441,481	-4,480	-445,648	0	-2,159	0	-96,105	0	-53,884
Total Operational	-879,793	-1,212,127	-339,474	-3,413,706	-143,272	-749,910	-110,028	-835,077	-92	-181,660
per FTE	-145,613	-476,730	-38,746	-292,628	-48,060	-92,352	-16,598	-102,634	-40	-29,815
per hour	-70	-229	-19	-141	-23	-44	-8	-49	0	-14
per visit	-89	-1,154	-930	-2,966	-11	-28	-22	-626	-18	-232
per pt-day	-729	-29,564	-50	-758	0	-5,596	0	-93		-258

D Costs	-5,401,595	-2,644,480	-3,824,738	-11,776,536	-1,082,884	-2,369,416	-561,276	-2,125,816	-373	-1,730,966
per FTE	-894,007	-1,040,075	-436,537	-1,009,501	-363,250	-291,796	-84,669	-261,270	-162	-284,092
per hour	-430	-500	-210	-485	-175	-140	-41	-126	0	-137
per visit	-548	-2,519	-10,479	-10,232	-80	-90	-112	-1,594	-75	-2,211
per pt-day	-4,475	-64,500	-559	-2,616	-3	-17,682	-1	-236		-2,459



Direct Margin	6,144,748	1,866,053	748,287	4,459,314	873,391	3,642,575	-62,633	266,342	3,763	17,295
per visit	624	1,777	2,050	3,874	65	138	-13	200	753	22
per pt-day	5,091	45,513	109	991	2	27,183	0	30		25
%	53	41	16	27	45	61	-13	11	91	1



Indirect Revenue	3,153,045	805,793	274,488	2,752,320	245,249	1,791,880	59,538	376,720	890	282,826
------------------	-----------	---------	---------	-----------	---------	-----------	--------	---------	-----	---------



Indirect Costs	-6,692,953	-1,915,551	-515,274	-12,781,096	-822,883	-4,032,953	-146,168	-826,084	-1,959	-522,450
FTE	1.5	0.6	2.2	2.9	0.7	2.0	1.7	2.0	0.6	1.5
Hours	3,142	1,322	4,556	6,066	1,550	4,222	3,447	4,231	1,200	3,168

Total Net Costs	-8,941,503	-3,754,238	-4,065,524	-21,805,312	-1,660,518	-4,610,489	-647,906	-2,575,180	-1,442	-1,970,590
-----------------	------------	------------	------------	-------------	------------	------------	----------	------------	--------	------------



Total Net Margin	2,604,841	756,295	507,502	-5,569,462	295,756	1,401,502	-149,263	-183,023	2,695	-222,329
per FTE	344,897	237,961	46,339	-381,938	79,368	138,077	-18,013	-17,995	934	-29,192
per hour	166	114	22	-184	38	66	-9	-9	0	-14
per visit	264	720	1,390	-4,839	22	53	-30	-137	539	-284
per pt-day	2,158	18,446	74	-1,237	1	10,459	0	-20		-316
%	18	14	10	-29	13	18	-27	-7	54	-11

Ties out to financial statement and GL

**How do we use it?**



# Reports



- **Examples:**
  - **Monthly**
    - CEO Dashboard
    - Margin per Surgeon
    - Implant costs per case
  - **Ad Hoc**
    - Pharmacy costs per Patient
    - Current Service Line Margin
    - Reimbursement per Payer
  - **Quarterly**
    - New Service Line Analysis
    - Cost per Day of Discharge
    - Margin per DRG

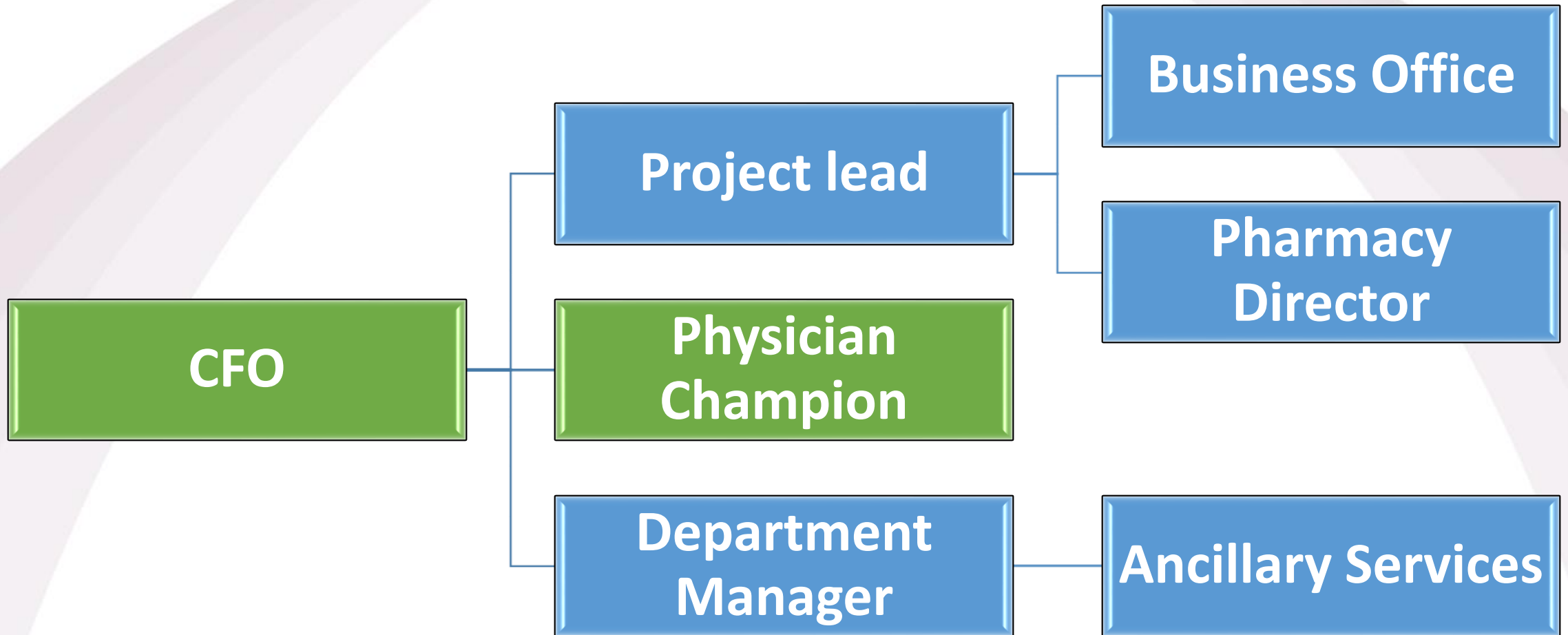
# **A Pathway to Success:**

## **Service Unit Optimization Projects**

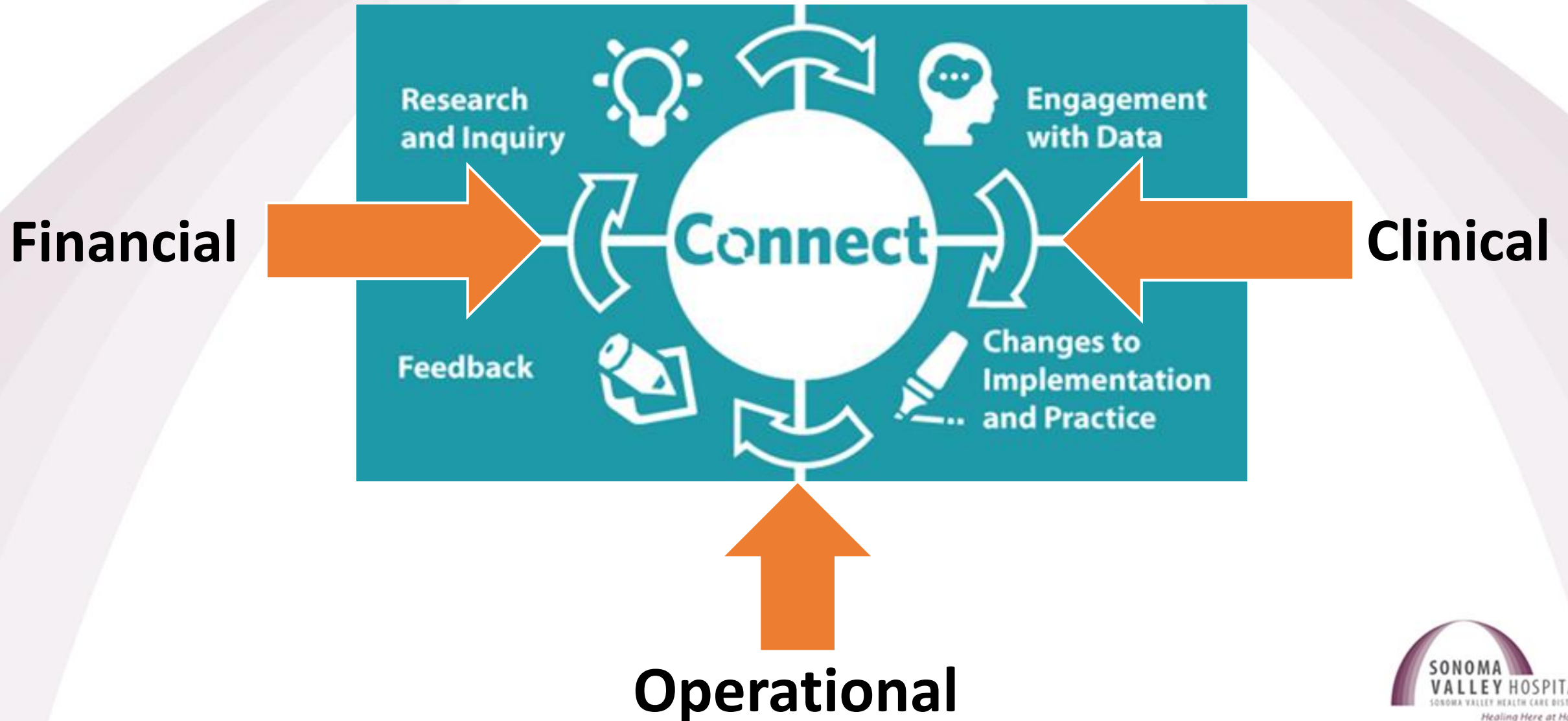
### **Organization Wide Performance Improvement Projects**

- Project determined by negative margins or decreasing trends
- Core team of 5 to 10 staff
- 6 to 12 month process
- Final charter submitted to Administration

# Optimization Project Team



# Optimization Projects for Financial Performance Improvement





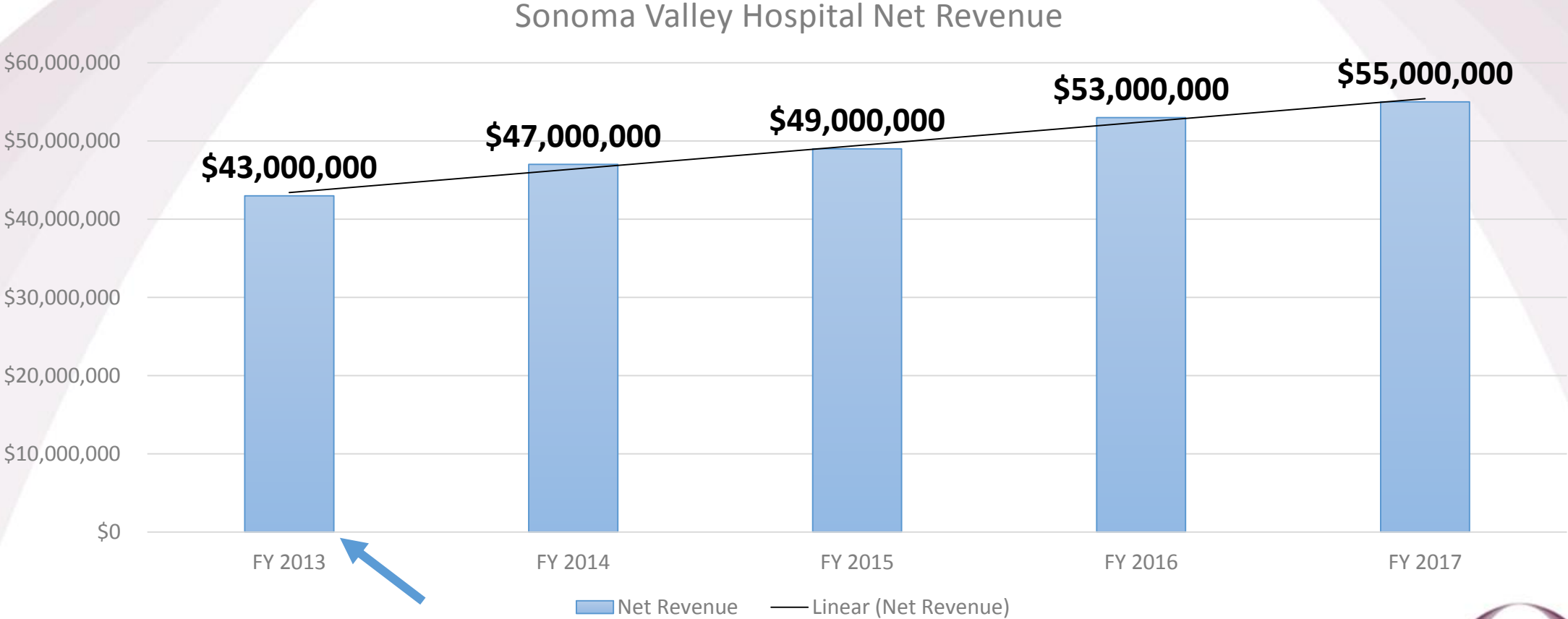
# Other Pathways to Success

- Improved Reimbursements with Payers by showing costs
- Focused Business Development on higher margin services
- Sharing information and best practices with the physicians
- Education to clinical and non-clinical staff for departmental projects
- Decision on deliberate reduction of volume for specific areas
- Analysis of loss of reimbursement due to leaking market share
- Complete restructuring of service units for increased margins

# REAL OUTCOMES

# Net Revenue Improvement

22%



Agile Solution



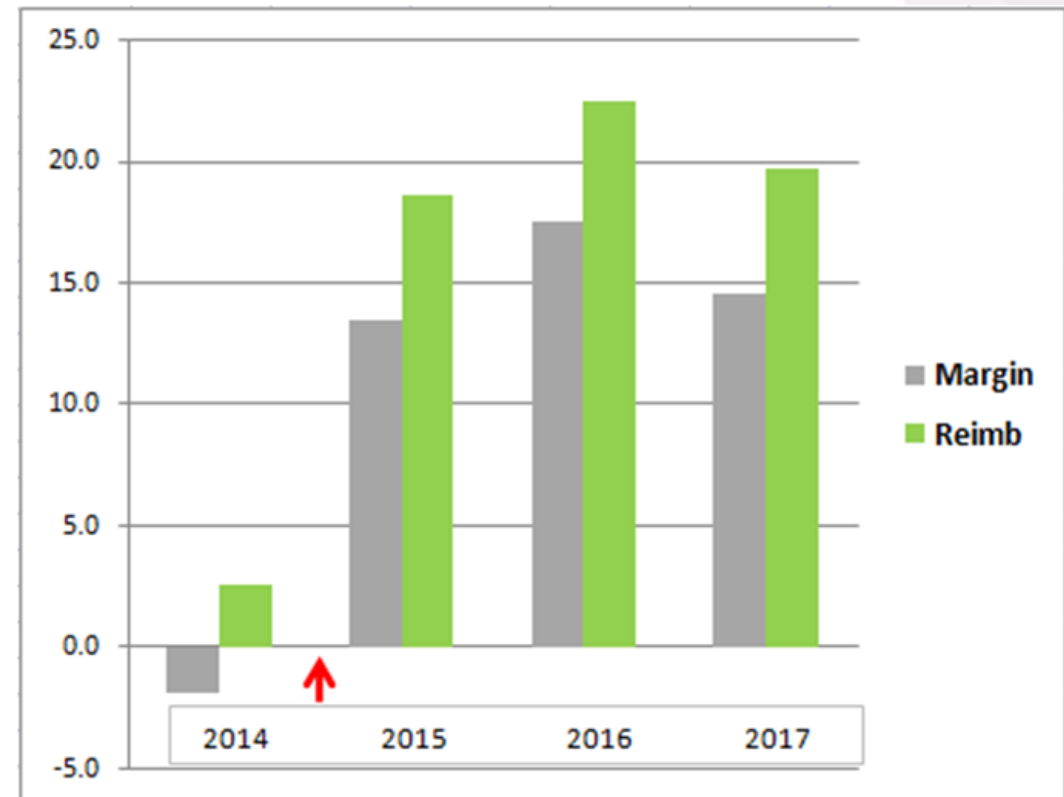
# Profitability by Payer & Procedure

**Issue:** Negative margin by one payer for Bariatric Surgery

**Initiative:** Negotiated *higher payment* by providing true margins per procedure

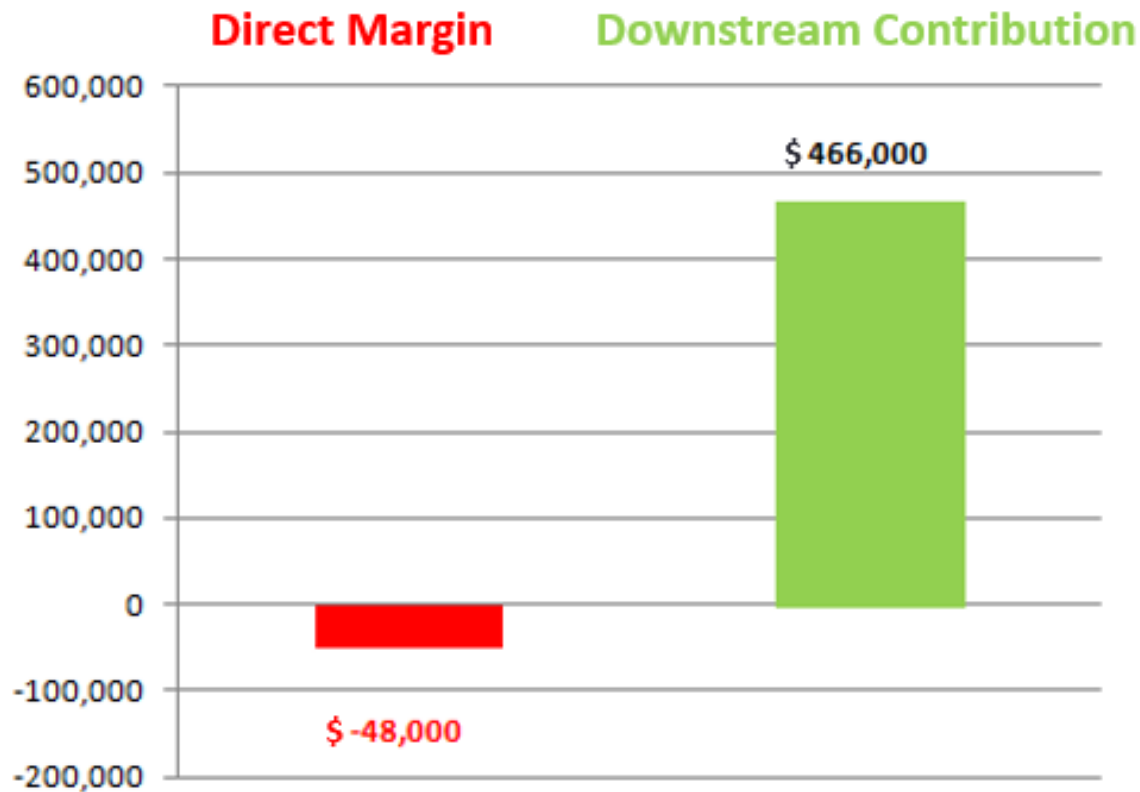
Analysis of 50 cases 2013 vs. 2017

- Service line margin >\$700,000
- Growth >25% YOY
- Strategic focus on specific payer



# Occupational Health: Downstream Contribution

## Loss Leader Service Unit: Keep or Close?



## Downstream Services

• ER	\$38,000
• Surgery	\$275,000
• SNF	\$32,000
• Inpatient	\$117,000
• Rehab	\$4,000
• Special Procedures	\$9,000

# New Service Lines: Making the right decisions

## *A Look at a Potential Service Line*

### *Previous decisions based on...*

- Lack of coverage in community
- Market leakage through referrals
- Potential volumes
- Physician recruitment
- Payer mix



# A Woman's Place

*We now know the **Right** Decision*

Procedure	Payer	Procedures	Reimbursement	Margin
Mastectomy	Medicare	100	\$700,000	\$385,000
Mastectomy	Commercial	50	\$600,000	\$330,000
Hysterectomy	Medicare	100	\$500,000	\$225,000
Hysterectomy	Commercial	50	\$750,000	\$340,000
Total		300	\$2,550,000	\$1,280,000

# Pain Management

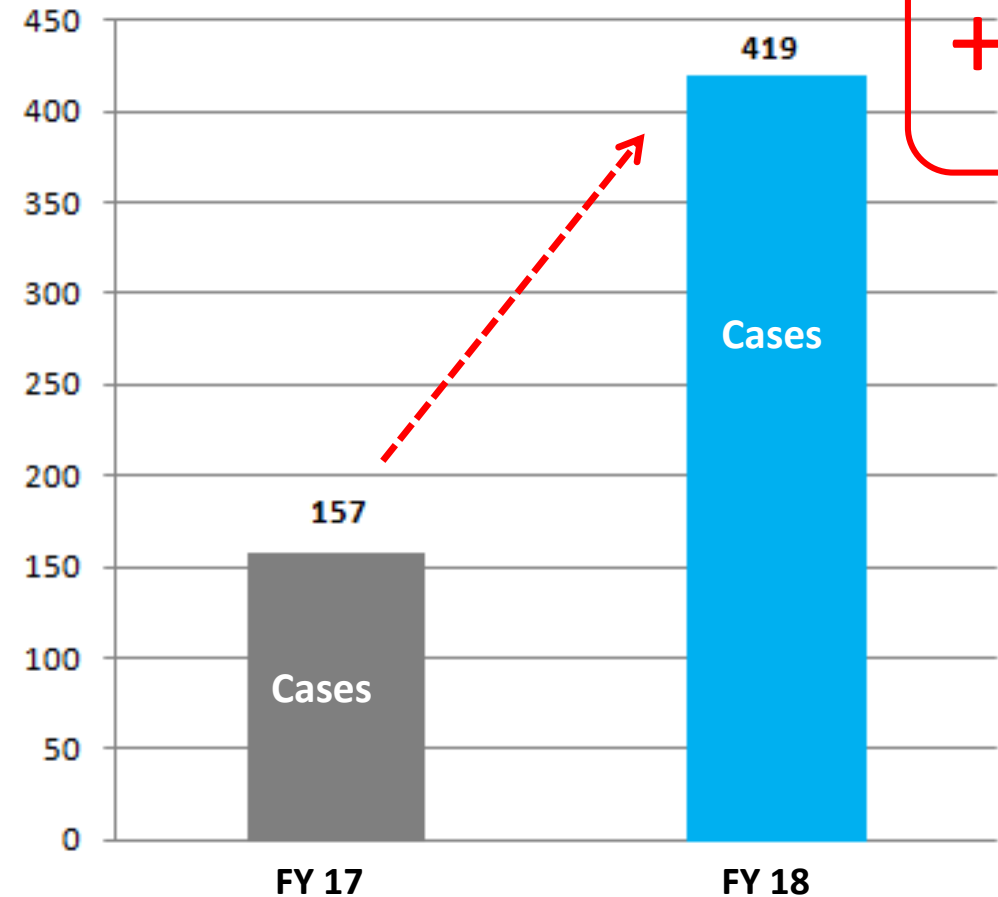
Narrow procedure margins

Tracked true margins per procedure

Negotiated higher payment

Expanding service

Marginal growth: >\$500,000 by FY 18





# Restructuring after a major hit

*CEO calls to tell you to restructure your services  
in response to a **3% cut** in reimbursement.*

Which services do you keep in your budget?

1 - Sonoma Valley Hospital 7420 - SURGERY					
		Current Month of Jul			
		FY 2017 Actual	FY 2017 Flex Budget	Var - Actual vs FY 2017 Flex Budget	Variance Percent
<b>Statistics</b>					
Primary - Inpatient	←	6,488	6,488	0	0.0%
Primary - Outpatient		3,522	3,522	0	0.0%
<b>Gross Patient Revenue</b>					
Inpatient Revenue	←	1,579,220	1,772,945	(193,725)	-10.9%
Outpatient Revenue		855,646	574,112	281,535	49.0%
Emergency Revenue		0	539	(539)	-100.0%
Skilled Nurs Revenue		0	9,378	(9,378)	-100.0%
<b>Total Gross Patient Revenue</b>		2,434,866	2,356,974	77,893	3.3%
<b>Net Patient Revenue</b>		2,434,866	2,356,974	77,893	3.3%
<b>Total Operating Revenue</b>		2,434,866	2,356,974	77,893	3.3%
<b>Expenses</b>					
Salaries		84,652	75,661	(8,991)	-11.9%
Prof Fees-Agency		0	167	167	100.0%
Paid Time Off	←	8,207	8,343	136	1.6%
Employee Benefits		7,098	6,634	(464)	-7.0%
Supplies		17,426	15,415	(2,011)	-13.0%
Minor Equipment		36	1,778	1,742	98.0%



Gross charges?  
Slow, laborious  
Various systems

Broad categories  
for staff & supplies

No drill-down  
No answers  
*No margins*

# Direct Margin Analysis

Date	ED	Surgery	SNF	Home Health	Inpatient	Rehab	Outpt Diag	Occ Health	Special Proced	OB
FY 18	\$6.0M	\$1.7M	\$138,000	-\$400,000	\$3.5M	\$800,000	\$3.1M	-\$99,000	\$1.2M	-\$711,000
FY 17	\$7.2M	\$2.2M	\$889,000	-\$315,000	\$5.7M	\$950,000	\$3.7M	-\$67,000	\$1.1M	-\$302,000
FY 16	\$6.6	\$2.0	\$748,000	-\$71,000	\$4.7M	\$904,000	\$4.4M	-\$55,000	\$702,000	-\$97,000
FY 15	\$5.0M	\$1.8M	\$451,000	\$105,000	\$4.3M	\$1.2M	\$4.9M	\$98,000	\$430,000	-\$163,000

# Service Unit Restructure

## Home Health Unit

	FY15	FY16	FY17	FY18 Annualized
Direct Margin	\$105,000	-\$71,000	-\$315,000	-\$400,000

- Staffing Challenges causing decreased rehabilitation
- Major commercial payer decreased rates
- Governmental payer decreased rates
- Competitive Salary adjustments organizational wide

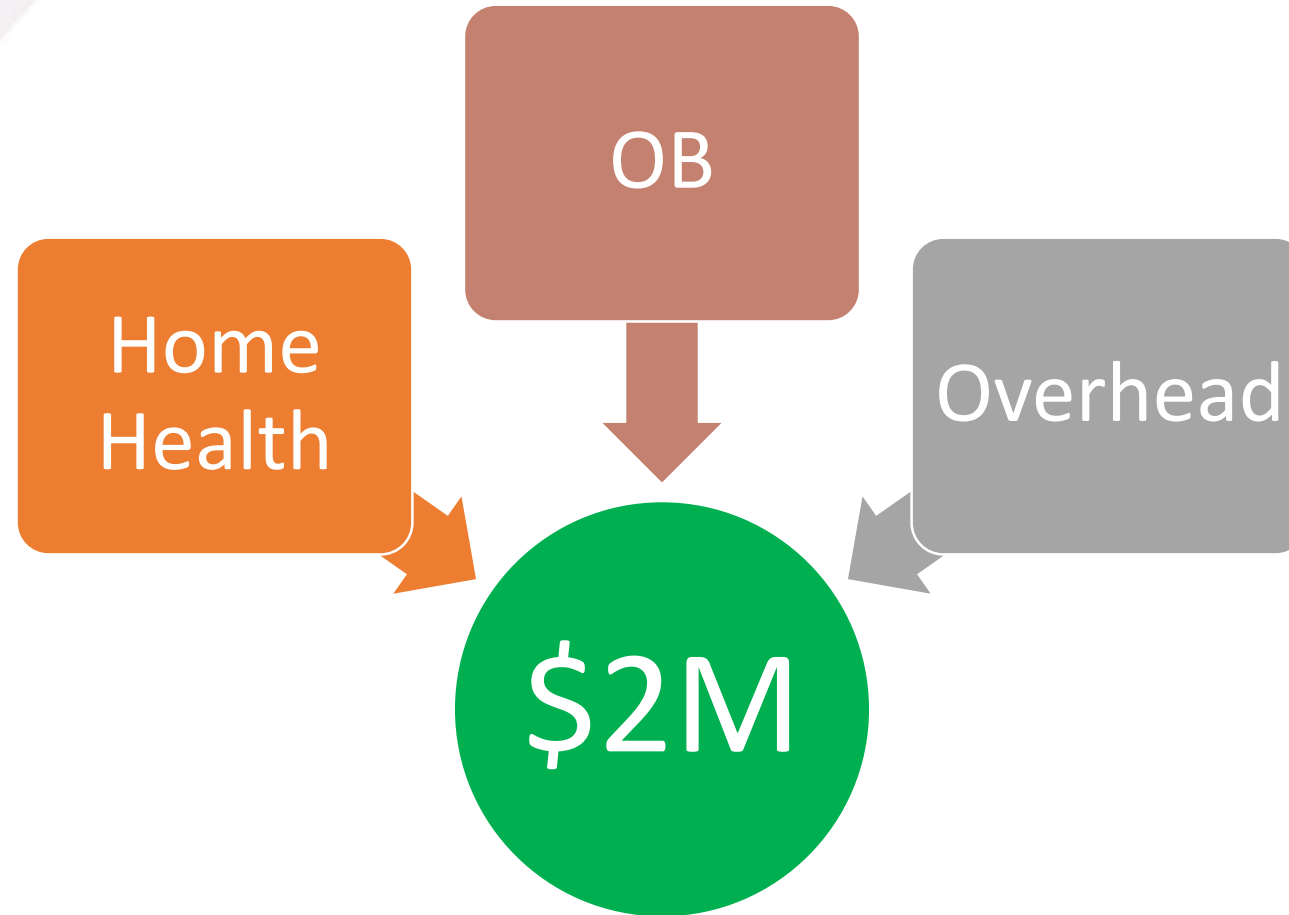
# Service Unit Restructure

## OB Service Unit

	FY15	FY16	FY17	FY18 Annualized
Direct Margin	-\$163,000	-\$97,000	-\$302,000	-\$711,000

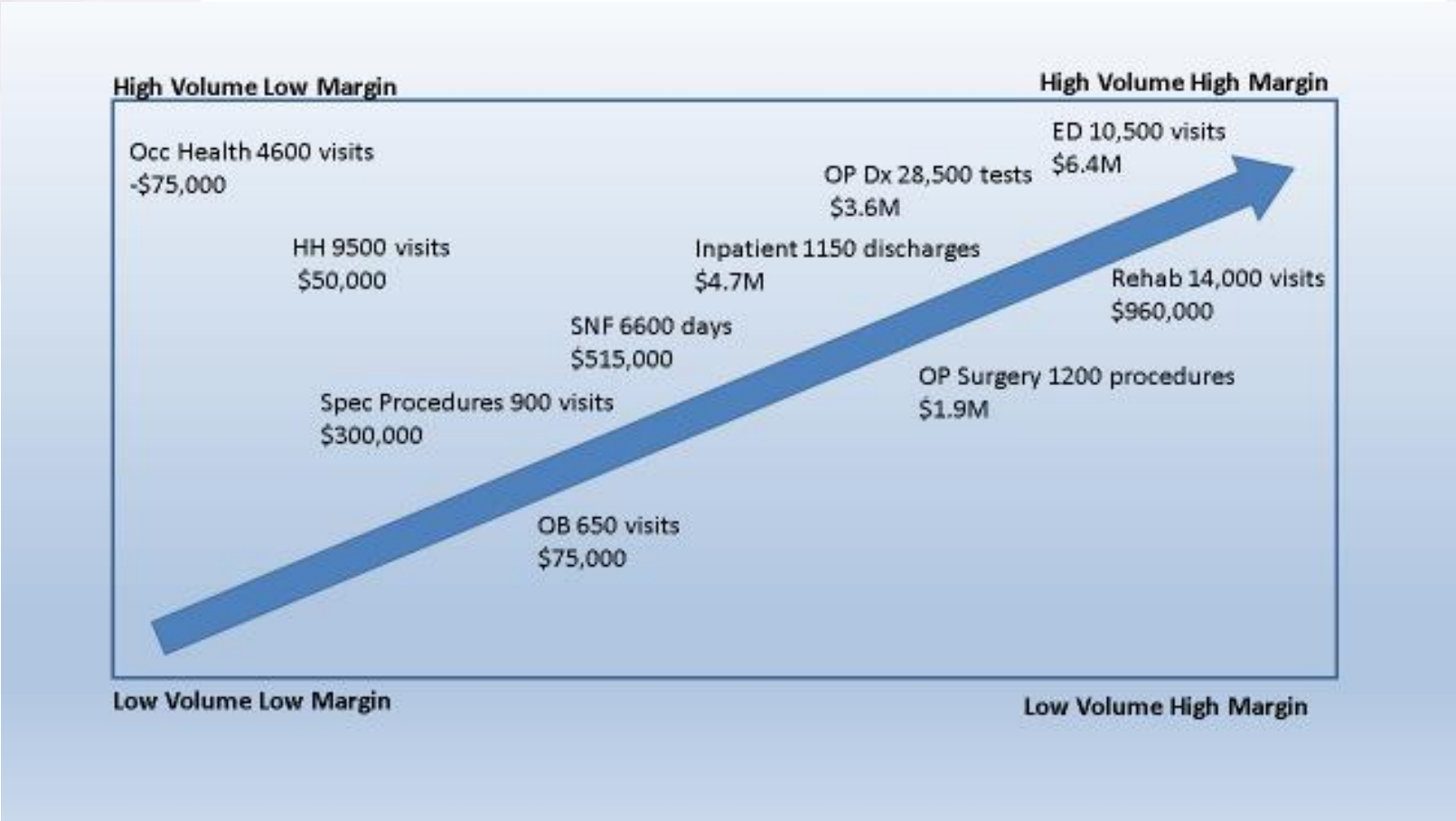
- Steep decline in births due to competition
- >75% Medicaid (MediCal) payer mix
- Competitive salary adjustments organizational wide
- Difficulty recruiting OBGYN

# Marginal Increase



# Focus on Profitable Service Lines:

*FY17 net margin growth of \$4.8M*



*Results*

# Evolutionary Changes

Evolved from .....



To .....

Volumes = Profit

Growth in Volumes

Clinical Leaders

Silo based care

Margins = PROFIT

Growth in MARGINS

Business minded Clinical Leaders

Empowered TEAM approach



# Small Hospital Success Factors @ Sonoma Valley Hospital



Clear picture of current state



Decisions based on *REAL* information



Continuous Focus on Efficiency



Results from focusing on Margins

# QUESTIONS



# THANK YOU!

Michelle Donaldson (707) 935-5376 [mdonaldson@svh.com](mailto:mdonaldson@svh.com)

Fe Sendaydiego (707) 935-5093 [sendaydiegof@svh.com](mailto:sendaydiegof@svh.com)

