



Lifepoint Health Improves Cost Accounting Data Accuracy and Efficiency



Faced with rising costs and shrinking reimbursements, leaders at Brentwood, Tenn.-based Lifepoint Health had important decisions to make to ensure profitable growth in both the short-term and long-term. However, the health system's costing system was fraught with issues that wouldn't support its growth strategy. Time intensive, manual processes prevented Lifepoint Health from providing timely cost data for critical decisions.

"We were doing costing but it was so time and labor intensive," said Aaron Frazier, Manager of the Strategic Resource Group at Lifepoint Health. "Our analysts were only doing maintenance in the system but they weren't analyzing anything."

Reporting on the cost data required exporting to another system for cleansing, analyzing, and reporting. The largest issue, however, 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," Frazier said. "We put data in but we didn't know how costs were calculated."

Lifepoint Health, a community hospital provider that operates more than 60 hospital campuses in 31 states, chose Strata's Axiom™ Cost Accounting and Decision Support. The health system 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. Those outputs serve as the foundation for a series of reports that cover service line and payor trends, population and physician analysis, strategic modeling, and workload projections.

Strategic impact

"We take a data-driven approach to everything at Lifepoint," Frazier said. "We have recently divested four hospitals and the costing data was very heavily utilized in that decision."

Lifepoint Health analyzed various scenarios of how to adjust services at several unprofitable hospitals to continue operations. After detailed modeling and analytics, it became clear that the hospitals could not support a viable path forward. The costing data was instrumental in this process.



Increased visibility of granular detail to control costs and achieve budget



80% reduction in time for data processing and reconciliation



Decreased focus from auditing tasks to improve strategic analysis



Costing data, including contribution margin per service and per encounter, have been critical to assessing market opportunities and investment decisions related to service line growth. The organization also uses volume, costs, and contribution margin data to negotiate with payors at the service line level for reimbursement rates, which has helped Lifepoint stay competitive and profitable.

Transparency and confidence

The costing solution gave 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 Axiom solution, costs and cost allocations are very transparent," Frazier said. "Users have access to see what overhead is being allocated to their departments."

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 to answer their questions and inform decisions.

"The CFO can click three buttons and get 90% of his questions answered by service line, by physician, etc., with over 25 variables to choose from," Frazier said.

Efficiency, accuracy, and scalability

With the Axiom solution in place, data processing and reconciliation now take four days instead of four weeks. Rather than auditing cost allocations at each of the system's 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 its network, "We can get new hospitals up and running in two weeks," Frazier said.

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