

Advanced Cost Accounting Solutions to Master Risk-sharing Reimbursement models and population health cost management and analysis.

Hospital Cost Accounting has never been more important, but is often considered too difficult, expensive or resource intensive to implement. Significant pressure to reduce the cost of healthcare is coming from all industry stakeholders and many hospitals have yet to implement a viable advanced cost accounting methodology. Without a system in place, hospitals limit their ability to identify cost drivers and cost reduction opportunities, and to prepare for alternative reimbursement models and declining revenues.

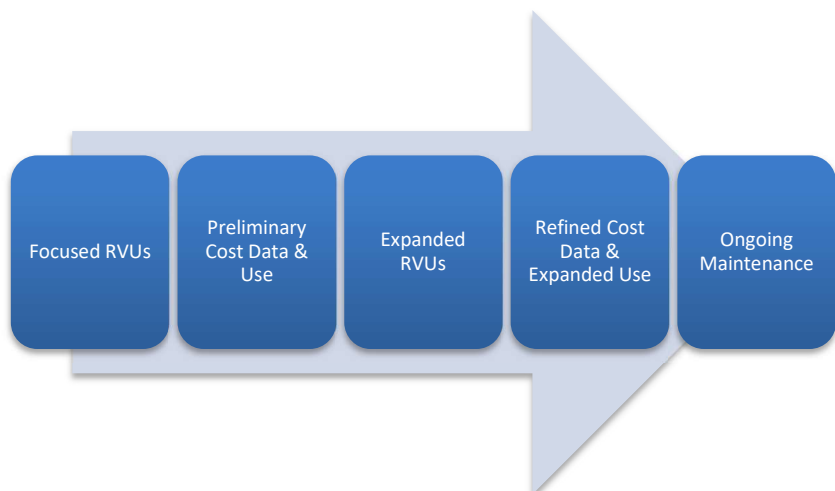
Organizational Intelligence (*Oi*) has developed an advanced Cost Data Development & Management module. Our software solution coupled with our team's deep cost accounting experience, addresses industry challenges head-on and allows organizations of all sizes to realize the many benefits of cost accounting.

Cost Accounting Methodology

Oi's approach allocates the costs recorded on the hospital's general ledger to the services provided to patients. This may sound straightforward enough, but it can get overly complex, to the point of diminishing cost-benefit. There are many ways to implement and maintain a hospital cost accounting system, but

not all approaches produce optimum results, or are truly practical or even affordable.

Oi developed a rapid and phased approach to implementing cost accounting after many years of experience implementing cost accounting for a variety of hospital organizations. Our approach addresses the need to obtain cost data quickly, while laying the groundwork for sustainable and credible solutions.



Cost Data Development & Management Module

Oi's cost accounting module performs all of the necessary functions for developing unit costs at the Charge and Description Master (CDM) level. The module seamlessly integrates with *Oi*'s Financial Performance Reporting & Monitoring module and Labor Productivity & Reporting module, to obtain actual and budget expense and labor cost data used in the unit cost calculations. Flexible budgets are calculated and passed to these modules to further enhance reporting, analysis and accountability.

The Cost Data Development & Management module includes innovative features to simplify RVU development and ongoing RVU maintenance. Users select from several different



methods when developing RVUs at the Cost Type and Cost Category level. Indirect costs are calculated using the large step-down methodology.

The module's many standard reports include; RVU reasonableness and audit reports, current and proposed RVUs, indirect allocation detail reports and detail and summary unit cost reports.

Our services also include three Cost Accounting courses designed to provide users with a solid foundation in cost accounting concepts. Managers who understand the concepts are better equipped to develop and maintain RVUs, monitor variances and take action. The courses are; *Introduction to Hospital Cost Accounting, Understanding Unit Costs, and Flexible Budget Variances.*

- ✓ Module provides numerous allocation methodologies – including a Resource Consumption Scale for enhanced RVU development, RCCs, and time saving RVU creation features.



Benefits to Cost Accounting:

Hospital cost accounting provides numerous indispensable benefits and is well worth the investment in resources to implement and maintain. By allocating the total cost to each CDM item, services are analyzed by service line, payor contracts, physicians, case type or patient type. In today's healthcare models, credible cost accounting is crucial for ACOs, risk-sharing reimbursement models and population health cost management and analysis.

Essential benefits from implementing cost accounting:

- Understand the relationship between cost and quality of care
- Realize financial impacts of existing or changing payor contract terms
- Lower costs by managing resources effectively or delivering quality care more efficiently
- Improve budgeting and planning capabilities with case-level strategic budgeting and flexible monthly and bi-weekly labor budgets

- ✓ Module includes OI's proprietary Integrity Check functionality – a process which evaluates every data interface in the module. This provides the cost accountant a tool to quickly identify and resolve unit cost issues.
- ✓ Unlimited user defined cost categories.
- ✓ Complete cost updates can be processed online – no batch processing required.
- ✓ Unit costs are utilized by OI's Patient Utilization & Clinical Financial Performance module for encounter level costing and clinical financial performance reporting.