



PRINCETON CONSULTANTS

Healthcare Practice

www.princetonhealthcareconsulting.com

By Reorganizing into Patient Service Lines, 400-Bed Hospital Boosts Margins by Accelerating and Improving Decision Making

A 400-bed hospital with a \$50 million investment in 450 employed dismantled the practices and organized the physicians, management and resources into patient service lines. The goals were as follows:

- Achieve an ROI on the physician investment.
- Position for population health, risk, and package pricing.
- Organize physicians and managers to work together on results.



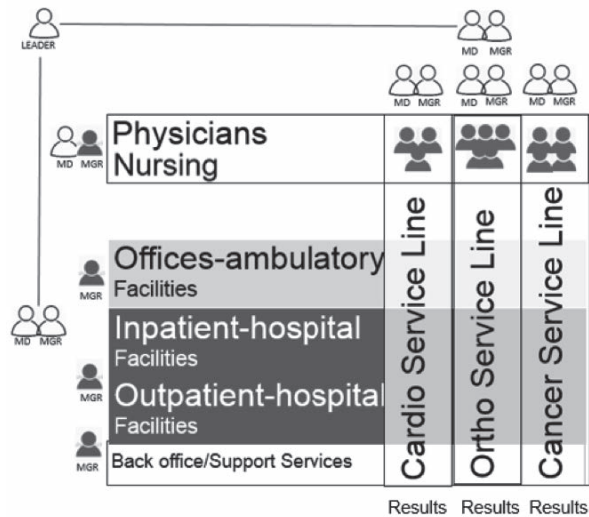
The executive team helped develop physician incentives that were focused on service line performance, individual and group productivity, quality improvement initiatives, program development, cost effectiveness, and patient satisfaction. The team instituted fully loaded service line accounting that reported revenue, cost, and margin within each service line for inpatient, outpatient, and physician performance.

As a result, leadership accountability changed from talking about departments and resources to service line teams reporting monthly on actual to target performance. Margins improved 3 points from faster times to decision making, more efficient decision making teams, and a focus on measuring what is managed. Physicians have a greater purpose in the health system, and management has true physician partners.

EXAMPLE OF PATIENT SERVICE LINE PERFORMANCE REPORTING

HEALTH SYSTEM	Patient Service Lines				
	01 Neuroscience	04 Pulmonary	05 Cardiovascular	08 Orthopedic	14 OB
Inpatient Performance					
REVENUE	\$ 17,426,957	\$ 36,810,252	\$ 48,635,310	\$ 25,166,597	\$ 15,353,637
DIRECT COST	\$ 6,036,695	\$ 12,020,706	\$ 15,620,245	\$ 13,612,699	\$ 7,416,715
MARGIN	\$ 11,390,262	\$ 24,789,546	\$ 33,015,065	\$ 11,553,898	\$ 7,936,922
INDIRECT COST	\$ 10,365,957	\$ 22,015,385	\$ 27,316,922	\$ 10,534,116	\$ 10,088,650
NET MARGIN	\$ 1,024,305	\$ 2,774,161	\$ 5,698,144	\$ 1,019,781	\$ (2,151,728)
Outpatient Performance					
REVENUE	\$ 6,131,412	\$ 7,144,636	\$ 22,627,397	\$ 23,721,160	\$ 4,854,547
DIRECT COST	\$ 3,822,122	\$ 4,183,087	\$ 10,623,598	\$ 11,224,961	\$ 2,158,246
MARGIN	\$ 2,309,290	\$ 2,961,549	\$ 12,003,798	\$ 12,496,199	\$ 2,696,301
INDIRECT COST	\$ 3,807,062	\$ 4,560,881	\$ 11,613,592	\$ 9,891,523	\$ 1,336,489
NET MARGIN	\$ (1,497,771)	\$ (1,599,331)	\$ 390,206	\$ 2,604,677	\$ 1,359,812
Physician Performance					
REVENUE	\$ 2,114,429	\$ 4,276,567	\$ 6,369,767	\$ 7,950,932	\$ 1,014,342
DIRECT COST	\$ 1,512,101	\$ 2,988,985	\$ 5,969,026	\$ 6,816,416	\$ 1,127,972
MARGIN	\$ 602,328	\$ 1,287,582	\$ 400,740	\$ 1,134,516	\$ (113,631)
INDIRECT COST	\$ 940,973	\$ 2,289,373	\$ 3,589,448	\$ 2,850,742	\$ 584,067
NET MARGIN	\$ (338,645)	\$ (1,001,791)	\$ (3,188,708)	\$ (1,716,226)	\$ (697,697)
Total Net Margin	\$ (812,111)	\$ 173,039	\$ 2,899,642	\$ 1,908,232	\$ (1,489,613)

EXAMPLE OF PATIENT SERVICE LINE PHYSICIAN & MANAGEMENT DYAD ORGANIZATION



ABOUT PRINCETON CONSULTANTS

Princeton Consultants, www.princeton.com, is a consulting and solutions firm that helps improve productivity, efficiency and service at many of the world's largest, most successful and innovative organizations. Founded in 1981, we perform advanced analytics, data science, software development, systems integration, process reengineering, and large-scale IT project management. Our consultants serve clients across North America from our offices in Princeton, NJ and New York, NY.



CONTACT

Rick Carter
 Healthcare Principal
rcarter@princetonhealthcareconsulting.com
 609-917-7200



PRINCETON CONSULTANTS

Healthcare Practice

www.princetonhealthcareconsulting.com