

The Best Medical Center

1. Review Background Information

Timing

15 minutes

Materials

- Background information about The Best Medical Center
- Statement of Operations
- Expenses by Cost Center report
- Cost Center Responsibility report for the Obstetrics Department

Instructions

1. Review the background information for the case study.

The Best Medical Center
Statement of Operations

Year Ending
12/31/06

Revenue		% of Net Revenue	% of Expenses
Gross Patient Revenue			
Inpatient Revenue	\$165,405,000	142.1%	
Outpatient Revenue	\$ 62,041,000	53.3%	
Total Gross Revenue	\$227,446,000	195.0%	
Contractual Allowance	\$102,898,000	88.4%	
Charity	\$ 11,407,000	9.8%	
Net Patient Revenue	<u>\$ 113,141,000</u>	97.2%	
Other Operating Revenue	\$ 3,259,000	2.8%	
Total Operating Revenue	<u><u>\$ 116,400,000</u></u>	100.0%	
Expenses			
Operating Expenses	\$ 118,720,000		
Contribution Margin (Loss)	<u><u>(\$ 2,320,000)</u></u>		

The Best Medical Center **Expenses by Cost Center**

Clinical

Surgery and Recovery	\$ 12,741,000
Pharmacy	\$ 4,723,000
Cardiology	\$ 3,267,000
Laboratory	\$ 3,249,000
Radiology	\$ 3,246,000
Central Sterile Supply	\$ 2,885,000
Nursing Unit 2	\$ 2,879,000
Home Health	\$ 2,796,000
Nursing Unit 1	\$ 2,788,000
Nursing Unit 4	\$ 2,647,000
Critical Care	\$ 2,488,000
Nursing Unit 3	\$ 2,437,000
Obstetrics	\$ 2,430,100
Emergency Services	\$ 2,354,000
Psych Unit	\$ 1,838,000
Skilled Nursing Facility	\$ 1,833,000
Quality/Case/UR Mgmt.	\$ 1,782,000
Respiratory Therapy	\$ 1,750,000
Physical Therapy	\$ 1,498,000
Rehabilitative Services	\$ 1,339,000
Bio-Med Services	\$ 1,081,000
Nursing	\$ 1,051,000
Speech Therapy	\$ 993,000
Sleep Center	\$ 973,000
Women's and Children Services	\$ 842,900
Senior Care	\$ 776,000
Occupational Therapy	\$ 459,000
Dialysis	\$ 364,000
	\$ 67,510,000

The Best Medical Center
Expenses by Cost Center

Non-Clinical

Administration	\$ 3,503,000	
Information Services	\$ 3,208,000	
Patient Accounting	\$ 3,202,000	
Engineering Services	\$ 2,942,000	
Insurance	\$ 2,767,000	
Medical Records	\$ 2,605,000	
Property Services	\$ 2,527,000	
Nutritional Services	\$ 2,051,000	
Accounting and Finance	\$ 2,039,000	
Marketing	\$ 1,750,000	
Human Resources	\$ 1,283,000	
Legal Services	\$ 792,000	
Materials Management	\$ 733,000	
Education	\$ 655,000	
Physician Recruitment	\$ 609,000	
Program Development	\$ 596,000	
Child Care	\$ 590,000	
Security	\$ 567,000	
Medical Affairs	\$ 490,000	
Community Relations	\$ 438,000	
Managed Care	\$ 342,000	
Pastoral Services	\$ 111,000	
Volunteers	\$ 50,000	
		\$ 33,850,000
Subtotal	\$ 101,360,000	
Provision for Bad Debt	\$ 4,350,000	
Interest	\$ 5,160,000	
Depreciation and Amortization	\$ 7,850,000	\$ 17,360,000
Total Expenses	\$ 118,720,000	

The Best Medical Center
Cost Center Responsibility Report

Cost Center: Obstetrics
Year Ending
12/31/06

RN Salaries	\$ 1,220,000
Medical Supplies	\$ 310,000
Employee Benefits	\$ 280,000
Drugs	\$ 245,000
Care Technician Salaries	\$ 129,000
Unit Secretary Salaries	\$ 80,000
Equipment Depreciation and Amortization	\$ 65,000
Outside Training	\$ 25,500
Building Repairs and Maintenance	\$ 17,500
Food Service	\$ 15,500
Non-Capital Equipment	\$ 15,000
Office and Administrative Supplies	\$ 15,000
Travel	\$ 7,000
Freight (For Supplies)	\$ 4,500
Dues and Subscriptions	\$ 1,100
Total Expenses	\$ 2,430,100

The Best Medical Center

Date: April 3 2007
To: Members of the Board of Directors, Management Team, and Medical Staff Leadership
From: Hugh Clark, CEO
Re: Contract Analysis

As referenced in my memo of February 1, I have requested multiple initiatives to reduce or control costs, and to seek new and collaborative contracting arrangements. We are currently considering several managed care arrangements and will need to undertake a significant effort to reduce costs by 5%, or \$6 million. I recognize the sacrifices that you all have made in the past and realize that everyone is working very hard. Therefore, our traditional approach to contract analysis and the seemingly annual practice of "tightening our belts" to reduce operating budgets just won't work anymore. Through some contacts I have throughout the industry, I have become aware of an approach to cost analysis that focuses on the cost of activities. I believe this approach may provide new insights into the cost of services we provide and related operating practices, and help to highlight opportunities for improving efficiency and cutting costs.

I have asked Melissa Anderson, the Quality Improvement Manager, to organize teams to test these methods in various departments. Ms. Anderson will be teaming with Terri Stevens, Director of Women's Services, to lead an effort to apply activity based concepts in the obstetrics area. We are considering a renewal of our current managed care contract with Health, Inc. for OB services. Health, Inc. is a significant managed care contractor in our market, and if we are successful under the terms of this contract, we may have additional contract opportunities with them. The contract is for deliveries (both normal and C-Sections) and would change the coverage and payment for existing members of their more traditional insurance products. Health, Inc. is proposing to pay \$2,498 per delivery for patients under this contract. Because we are not currently a "preferred provider" in their network, we perform only about 225 deliveries annually for Health, Inc. patients. The goals of our analysis are to:

- 1) analyze the economics of the Health, Inc. contract
- 2) make a decision on whether to accept it or not
- 3) identify potential cost reduction opportunities

Ms. Anderson will also be working with Les Stillman, the Director of Admissions to improve physician and patient satisfaction ratings related to patient admissions.

Dr. Buckley, President of the Mountain Clinic Family Practice which is affiliated with our hospital, is performing a similar analysis and has requested that Ms. Anderson also work with him.

I am asking each of you to support these efforts. Ms. Anderson will present preliminary results from these studies at our June staff meeting.

2. Identify Activities

Timing

15 minutes

Materials

- Activity Analysis Interview Notes from the Obstetrics Department
- Activity Identification Worksheet

Instructions

1. Review the materials listed above for the case study.
2. Work individually or in teams to complete the Activity Identification Worksheet.
 - Identify the activities performed in the Obstetrics department.
 - Determine the percent of time spent on each activity.
3. Be prepared to discuss your answers with the group.

Debrief

Timing

5 minutes

Materials

- Completed Activity Identification Worksheet

Instructions

1. Review your answers with the facilitator.
2. Discuss any questions or issues.

Activity Analysis Interview Notes Obstetrics Department

The team from the activity based project met with the manager and a representative number of employees from the Obstetrics Department to collect information. The time period being analyzed is the previous calendar year. Women's and Children's services have been a long-standing area of pride for the hospital. The obstetrics unit was just renovated after a year-long capital campaign that targeted the hospital's largest financial supporters. The Center takes advantage of the unit's reputation and actively promotes the unit through extensive advertising. In fact, 24% of the hospital's advertising budget of \$1,750,000 last year was devoted to promoting the Obstetrics Department. The department currently has 38 RNs, 6 clinical partners, and 4 staff people.

The activity based project team asked department employees to:

- identify activities performed in the department
- estimate total department time spent on each activity
- determine the number of times each activity occurred
- discuss how activities related to each type of delivery (normal deliveries, planned C-Sections, and unplanned C-Sections)

The information collected is summarized below.

When the team began the activity analysis session, the department manager, Sylvia Cruz, immediately began explaining that she never has time to actually plan and be a strategic manager. She said there is always an administrative need or a no-show employee to replace. She began providing details about how she spends her time taking care of administrative issues, attending meetings, and assisting in caring for patients. Ms. Cruz stated that she realizes that the Obstetrics Department is a high cost area, but does not know how to change. She says everyone is very busy; however, the department was benchmarked against similar departments and showed higher than average FTE costs.

Terri Stevens, the leader of the activity-based project team, explained that the team was really there to collect information about the key or significant activities performed by the department. When asked to summarize a typical day, Ms. Cruz launched into a discussion of how each patient is different and no day is the same. The activity-based team, however, worked with Ms. Cruz to identify some high level responsibilities.

Generally, patients are pre-admitted by the Admissions Department. The Best Medical Center has decentralized some admitting functions to the floor to increase customer satisfaction. This has been a trial program for this unit. Only time will tell whether this has been successful. Initial reports from patient accounting and admitting are mixed. The information collected on the unit is not as accurate or comprehensive as they would like. When patients arrive at the unit desk, staff personnel and RNs review the pre-admission information and have patients sign any necessary forms. They also follow-up with the Admissions Department regarding any missing or inaccurate information. RNs also use this opportunity to begin to build a level of comfort for the patients, since they will be the patient's primary caregivers. This is one of the least favorite responsibilities of RNs, but only takes about 5% of the Obstetrics Department's time.

The staff assesses and monitors patients throughout their stay. This consists of reviewing charts, checking vital signs and performing basic diagnostics. Assessments are performed upon admission and at every shift change, as well as at crucial points during the patient's stay or if any complications arise. Basic diagnostics are performed based on physician orders. The department spends about 10% of their time on this activity, not including the time spent during the actual delivery.

Documentation is critical in the Obstetrics Department. The facility recently attempted to introduce exception charting and standardized interdisciplinary notes. This has been met with a great deal of resistance. RNs have expressed discontent with documentation in general, recognizing that they must change to improve the process. However, they have become frustrated and aren't sure what else can be done. Approximately 20% of the department's time is spent documenting care.

To administer medications more efficiently and to capture charges more accurately, automated dispensing units were recently installed. At this time, only a few people in the unit have been fully trained on the equipment. Overall, the department spends 10% of their time administering medication, including IVs, pain medicines, and other medication ordered by physicians. This includes time spent counting drugs, stocking carts and some trips to the pharmacy to get needed medications.

Of course, delivering babies is the primary activity performed by the department. During the previous year, the Obstetrics Department performed 2,200 deliveries; 27% of these were C-Sections. Twenty percent of the C-Sections were planned and 80% were unplanned. Most deliveries are staffed with two RNs in the room. This has been the staffing pattern for years, primarily due to physician preference. Sometimes a care technician assists in deliveries by preparing the rooms, taking vital signs, transporting patients, entering and validating charges, and dealing with the general needs of the patient and family. Altogether, the department spends about 20% of their time delivering babies.

Ms. Cruz stated that one of her goals has been to reduce the rate of C-sections. However, she has been frustrated in these efforts by the lack of protocols directing physician orders and the level of pre-natal care provided by several of the hospital's HMO's. Therefore, the facility is always staffed and prepared for C-Section deliveries. The time spent in the actual delivery has already been discussed, but other activities related to preparing for C-Sections require 5% of the department's time.

Unit personnel spend about 15% of their time providing general care and managing patients and their families. This includes taking care of mothers and babies throughout their stay, responding to call lights, serving meals, bathing patients and providing support to families. Most of this occurs post-partum. The average length of stay for a normal delivery is 1.5 days, 2.3 days for a planned C-Section, and 2.8 days for an unplanned C-Section.

Department staff, especially nurses, expressed frustration with the process for entering charges, explaining that stickers are always getting lost, only to be found stuck to a uniform or on the floor. "It seems like we charge for every little supply! I don't even know why we need to do it!" exclaimed one employee. Sylvia agreed in general with the department's perspective, saying that the process should be much simpler. She assured the project team that everyone in the department understood the importance of accurately capturing charges. The team was able to refocus the group back onto the main purpose of the discussion, and determined that entering charges takes about 10% of the department's time.

The final activity involved in caring for patients on the unit is discharging patients and babies. This consumes about 5% of the department's time. Discharging includes patient and family education, scheduling of follow-up visits for mother and baby and providing basic supplies that are sent home with the patient. In addition, the department coordinates with Utilization Review and Social Services for patients without insurance or with unstable home situations.

After the activities and associated time percents had been identified, Ms. Cruz and two of her key employees assisted the team in associating departmental costs to activities.

Equipment depreciation consists of beds, monitors, automated medication equipment, computers and delivery room equipment. Depreciation of beds was \$10,000, which Sylvia felt should be split evenly between the activities for assessing patients and general patient care. Monitoring equipment cost was \$20,000, automated medication units were \$15,000 and delivery room equipment was \$12,000. However, Sylvia estimated that 50% of the delivery room equipment cost is associated with preparing for C-sections. Computer depreciation was \$8,000 and is used equally for admitting and discharging patients, documenting care and entering charges.

Non-capital equipment and instruments includes additional monitoring equipment of \$5,000 and medication carts of \$3,000, as well as delivery room instruments. Sylvia estimated that \$5,000 of the instruments is associated with preparing for C-sections, with the remaining \$2,000 being used in normal delivery of babies.

Sylvia explained that building expenses were for general painting and renovation in the department and should be split based on square footage. Delivery rooms make up approximately 20% of departmental space, with 70% taken up by patient rooms and 10% by administrative areas. Patient room space should be split evenly between assessing & monitoring patients and general patient care. The cost associated with administrative space should be split evenly between admitting and discharging patients.

Ms. Cruz said that she would be able to get detailed drug and medical supplies costs by patient type from the billing system, but that it may take a while to request the reports and get them run. Because of this, the project team decided to bypass assigning these costs to activities, and will trace them to the appropriate cost object.

Sylvia felt that office and administrative supplies, and the related freight charges should be split evenly between admitting and discharging patients, documenting care and entering charges.

Training and associated travel costs were incurred for courses on C-section preparation, monitoring methods, and family support and management. Sylvia felt that these costs should be split evenly among these activities.

Food service costs are related to general patient care, as are dues and subscriptions.

The team also asked Ms. Cruz to assist in associating the activities performed in the department to the different types of deliveries. Ms. Cruz said she simply did not have any more time and asked if the team could return at a later date to collect additional information. The team agreed to do this.

3. Calculate Activity Cost

Timing

30 minutes

Materials

- Summarized Cost Center Responsibility Report for the Obstetrics Department
- Activity Analysis Interview Notes from the Obstetrics Department
- Activity Cost Worksheets
- Calculators

Instructions

1. Review how resources have been consolidated into six major cost categories.
2. Review the remaining materials listed above for the case study.
3. Work individually or in teams to complete the Activity Cost Worksheets.
 - Document how resource costs are associated to each activity.
 - Calculate the cost of each activity.
4. Be prepared to discuss your results with the group.

Debrief

Timing

10 minutes

Materials

- Completed Activity Cost Worksheets

Instructions

1. Review your answers with the facilitator.
2. Discuss any questions or issues.

The Best Medical Center

Activity Cost Worksheet (Page 1)

<u>Activity</u>	<u>Salaries</u>	<u>Equipment Depreciation</u>	<u>Non-Capital Equipment</u>	<u>Building Expenses</u>	<u>Medical Supplies</u>	<u>Drugs</u>
Admit Patients	85,450					
Assess & Monitor Patients			5,000			
Document Care		2,000				
Administer Medications						
Deliver Baby						
Prepare for C-Sections						
Provide Gen'l Care/Family Mgmt						
Enter Charges						
Discharge Patients				875		
TOTAL:	\$1,709,000	65,000	15,000			

The Best Medical Center

Activity Cost Worksheet (Page 2)

<u>Activity</u>	<u>Office Supplies</u>	<u>Freight</u>	<u>Training</u>	<u>Travel</u>	<u>Food Service</u>	<u>Dues & Subscription s</u>	=	<u>Total Cost</u>
Admit Patients								
Assess & Monitor Patients								
Document Care								
Administer Medications								
Deliver Baby								
Prepare for C-Sections								
Provide Gen'l Care/Family Mgmt								
Enter Charges								
Discharge Patients								
TOTAL:								

4. Calculate Activity Driver Unit Costs

Timing

15 minutes

Materials

- Total cost for each activity
- Activity Analysis Interview Notes from the Obstetrics Department
- Activity Drivers/Volumes and Cost Object Analysis Notes
- Activity Unit Cost Worksheet
- Calculators

Instructions

1. Review the materials for the case study.
2. Work individually or in teams to complete the Activity Unit Cost Worksheet.
 - Identify the activity driver for each activity.
 - Enter the volume (number of occurrences) for each activity driver.
 - Calculate the cost per unit of measure for each activity.
3. Be prepared to discuss your answers with the group.

Debrief

Timing

5 minutes

Materials

- Completed Activity Driver Unit Cost Worksheet

Instructions

1. Review your answers with the facilitator.
2. Discuss any questions or issues.

Activity Drivers/Volumes and Cost Object Analysis Notes Obstetrics Department

The activity based project team met a second time with Sylvia Cruz and two RNs to discuss how activities performed in the Obstetrics Department are related to the different types of deliveries (normal deliveries, planned C-Sections, and unplanned C-Sections).

Ms. Cruz stated that some of these associations are clear. For example, if there were 2,200 deliveries, then there were obviously 2,200 admissions and 2,200 discharges. The team agreed with Ms. Cruz that some information was already evident, but asked for her assistance in clarifying some of the less evident associations.

There are no volumes available to quantify assessing and monitoring patients or documenting care. Ms. Cruz and her staff estimated that about 65% of the effort related to both of these activities was for normal deliveries, 5% for planned C-sections, and the remaining 30% for unplanned C-sections. Discussion with both physicians and nurses supported this review as reasonably accurate.

Sylvia had several detailed reports from the billing system, showing the cost and charges for medical supplies and drugs associated with each type of delivery. Another report summarized patient charges.

Medication records indicated that, on average, unplanned C-Section patients required 12 doses of medication, normal delivery patients required 8 doses, and planned C-Section patients required 11 doses. Ms. Cruz also believes, based on the review, that numerous physicians do not follow the established formulary when ordering medications.

Total cost of drugs for normal deliveries was \$115,600. Total drug costs for planned and unplanned C-Sections were \$24,400 and \$105,000, respectively. Medical supply costs were \$195,750 for normal deliveries, \$18,775 for planned C-Sections and \$95,475 for unplanned C-Sections.

The total charges for each type of delivery are summarized below:

Type of Delivery	# of Items Charged	Total Charges
Normal delivery	57,838	\$ 4,994,660
Planned C-Section	5,517	\$ 533,120
Unplanned C-Section	<u>26,865</u>	<u>\$ 2,600,625</u>
Total	<u>90,220</u>	<u>\$ 8,128,405</u>

In addition to the specific information gathered in the Obstetrics Department, the activity based project team also performed high level analysis in other departments throughout the Medical Center. Some of the findings from these other departments included the following:

- During high volume periods staff from Nursing Unit1 sometimes support the OB department. This was instituted in the last few years in order to minimize overtime. Based on a review of payroll records, it was estimated that this amounted to approximately 2% of total costs in that department.
- Patient accounting activities are primarily associated with the various service lines and procedures by the number of bills that are prepared. Through analysis of billing records, it was found that obstetrics bills account for approximately 9% of the total for the Medical Center.
- A review of malpractice records indicated that 4% of legal costs are associated with Obstetrics cases. Half of these related to C-sections and half to normal deliveries.
- Emergency Services estimated that 2% of its costs related to Obstetrics cases. Half of these cases were normal deliveries and half were unplanned C-Sections.

The Best Medical Center
Activity Driver Unit Cost Worksheet

<u>Activity</u>	<u>Activity Driver</u>	<u>Total Cost</u>	/	<u>Volume</u>	=	<u>Activity Driver Unit Cost</u>
Admit patients	# of admissions	\$93,200		2,200		
Assess & monitor patients	Not available	\$217,858		Not available		N/A
Document care	Not available	\$348,675		Not available		N/A
Administer medication		\$188,900		19,857		
Deliver baby	# of deliveries	\$353,300		2,200		\$160.59
Prepare for C-Sections		\$107,283				
Provide gen'l care/Family mgmt		\$294,909				
Enter charges		\$177,775				
Discharge patients		\$93,200				

5. Associate Activities and Costs to Cost Objects

Timing

15 minutes

Materials

- Activity Analysis Interview Notes from the Obstetrics Department
- Activity Drivers/Volumes and Cost Object Analysis Notes
- Completed Activity Driver Unit Cost Worksheet
- Cost Object Worksheet

Instructions

1. Review the materials listed above.
2. Think about how activities and costs are related to different types of deliveries.
3. Complete the Cost Object Worksheets for all types of deliveries.

Debrief

Timing

10 minutes

Materials

- Completed Cost Object Worksheets

Instructions

1. Review your answers with the facilitator.
2. Discuss any questions or issues.

The Best Medical Center
Cost Object Worksheet
Activities and Costs from Obstetrics

Activity or Cost Item	Driver	Total Volume, %, or \$ Amount to assign	Normal Delivery	Planned C-Section	Unplanned C-Section
Admit patients	# of admissions		1,606		
Assess & monitor patients					
Document care	% of total effort	100%	65%	5%	30%
Administer medication	# of doses	19,857	12,848	1,309	5,700
Deliver baby					
Prepare for C-Sections					
Provide gen'l care/Family mgmt					
Enter charges	# of items charged	90,220	57,838	5,517	26,865
Discharge patients					
Medical Supplies	\$ amount	\$310,000	\$195,750	\$18,775	\$95,475
Drugs					

The Best Medical Center
Cost Object Worksheet
Activities and Costs from Other Departments

Department	Activity	Driver	Total Volume, %, or \$ Amount to assign	Normal Delivery	Planned C-Section	Unplanned C-Section
Nursing Unit 1	Assist with deliveries					
Patient Accounting	Bill patients	# of patients				
Emergency Services	Provide emergency services	\$ amount	\$47,080			

6. Complete a Bill of Activities

Timing

20 minutes

Materials

- Completed Cost Object Worksheet

Instructions

1. Complete the Bill of Activities for **a normal delivery**.

Debrief

Timing

10 minutes

Materials

- Completed Bill of Activities for a normal delivery.

Instructions

1. Review your answers with the facilitator.
2. Discuss any questions or issues.

Bill of Activities – Normal Delivery (Page 1)

Department	Activity	Activity Volume	Unit Cost	Total Cost
Activities from Obstetrics Department				
Obstetrics	Admit patients		\$42.36	\$ <u> </u>
	Assess & monitor patients			\$ <u> </u>
	Document care	65%	\$348,675	\$ 226,639
	Administer medication	12,848	\$9.51	\$ 122,184
	Deliver baby	1,606	\$160.59	\$ 257,908
	Prepare for C-Sections		\$180.61	\$ <u> </u>
	Family mgmt		\$73.49	\$ <u> </u>
	Enter charges		\$1.97	\$ <u> </u>
	Discharge patients		\$42.36	\$ <u> </u>
Resources from Obstetrics Department associated directly with deliveries				
	Medical Supplies			\$ <u> </u>
	Drugs			\$ 115,600
Total Cost for Obstetrics:				\$ <u> </u>
# of Normal Deliveries:				<u> </u>
Obstetrics Cost per Normal Delivery:				\$ <u> </u>
Costs assigned from other clinical departments				
	Pharmacy			\$ 122,236
	Quality/Case/UR Mgmt.			\$ 78,052
	Radiology			\$ 43,237
	Nursing Unit 1			\$ <u> </u>
	Laboratory			\$ 27,048
	Bio-Med Services			\$ 23,674
	Emergency Services			\$ <u> </u>
	Central Sterile Supply			\$ -
	Surgery and Recovery			\$ -
Sub-Total - Other Clinical Departments				\$ 358,491

Bill of Activities – Normal Delivery (Page 2)

Department	Cost
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Costs assigned from other support departments

Marketing	\$ 306,600
Patient Accounting	\$ _____
Administration	\$ 153,431
Engineering Services	\$ 128,860
Insurance	\$ 121,195
Medical Records	\$ 119,071
Interest	\$ 113,004
Property Services	\$ 110,683
Accounting and Finance	\$ 89,308
Depreciation and Amortization	\$ 85,958
Information Services	\$ 70,255
Provision for Bad Debt	\$ 63,510
Human Resources	\$ 56,195
Nutritional Services	\$ 44,917
Physician Recruitment	\$ 44,457
Program Development	\$ 39,157
Education	\$ 28,689
Child Care	\$ 25,842
Medical Affairs	\$ 21,462
Community Relations	\$ 19,184
Security	\$ 16,556
Materials Management	\$ 16,053
Legal Services	\$ _____
Managed Care	\$ 14,980
Pastoral Services	\$ 1,621
Volunteers	\$ 1,460

Sub-Total - Support Departments \$ 1,918,658

Total Cost - All Departments: \$ _____

of Normal Deliveries: _____

Total Cost per Normal Delivery: \$ _____

7. Review All Bills of Activities

Timing

10 minutes

Materials

- Completed Bills of Activities for a Normal Delivery, a Planned C-Section, and an Unplanned C-Section

Instructions

1. Compare the Bills of Activities for a Normal Delivery, a Planned C-Section, and an Unplanned C-Section.
2. Discuss any questions or comments with the facilitator and group.

Bill of Activities
Planned C-Sections

Department	Activity Volume	Unit Cost	Total Cost
Activities from Obstetrics Department			
Obstetrics	Admit patients	119	\$ 5,041
	Assess & monitor patients	5%	\$ 10,893
	Document care	5%	\$ 17,434
	Administer medication	1,309	\$ 12,449
	Deliver baby	119	\$ 19,110
	Prepare for C-Sections	119	\$ 21,493
	Provide gen'l care/Family mgmt	274	\$ 20,136
	Enter charges	5,517	\$ 10,868
	Discharge patients	119	\$ 5,041
Resources from Obstetrics Department associated directly with deliveries			
	Medical Supplies		\$ 18,775
	Drugs		\$ 24,400
		Total Cost for Obstetrics:	\$ 165,639
		# of Planned C-Sections:	119
		Obstetrics Cost per Planned C-Section:	\$ 1,392
Costs assigned from other clinical departments			
	Surgery and Recovery		\$ 44,594
	Radiology		\$ 17,350
	Pharmacy		\$ 12,454
	Laboratory		\$ 10,854
	Quality/Case/UR Mgmt.		\$ 5,783
	Central Sterile Supply		\$ 5,770
	Nursing Unit 1		\$ 3,016
	Bio-Med Services		\$ 1,754
	Emergency Services		-
	Sub-Total - Other Clinical Departments		\$ 101,575

Bill of Activities
Planned C-Sections (page 2)

Department	Cost
Costs assigned from other support departments	
Marketing	\$ 22,718
Patient Accounting	\$ 15,589
Medical Records	\$ 13,864
Administration	\$ 11,369
Engineering Services	\$ 9,548
Insurance	\$ 8,980
Interest	\$ 8,373
Property Services	\$ 8,201
Accounting and Finance	\$ 6,617
Depreciation and Amortization	\$ 6,369
Information Services	\$ 5,206
Provision for Bad Debt	\$ 4,706
Human Resources	\$ 4,164
Nutritional Services	\$ 3,328
Physician Recruitment	\$ 3,294
Legal Services	\$ 3,173
Program Development	\$ 2,901
Education	\$ 2,126
Child Care	\$ 1,915
Medical Affairs	\$ 1,590
Community Relations	\$ 1,422
Security	\$ 1,227
Materials Management	\$ 1,189
Managed Care	\$ 1,110
Pastoral Services	\$ 120
Volunteers	\$ 108
Sub-Total - Support Departments	\$ 149,209
Total Cost - All Departments:	\$ 416,424
# of Planned C-Sections:	119
Total Cost per Planned C-Section:	\$ 3,499

Bill of Activities
Unplanned C-Sections

Department	Activity	Activity Volume	Unit Cost	Total Cost
Activities from Obstetrics Department				
Obstetrics	Admit patients	475	\$42.36	\$ 20,121
	Assess & monitor patients	30%	\$217,858	\$ 65,357
	Document care	30%	\$348,675	\$ 104,603
	Administer medication	5,700	\$9.51	\$ 54,207
	Deliver baby	475	\$160.59	\$ 76,280
	Prepare for C-Sections	475	\$180.61	\$ 85,790
	Provide gen'l care/Family mgmt	1,330	\$73.49	\$ 97,742
	Enter charges	26,865	\$1.97	\$ 52,924
	Discharge patients	475	\$42.36	\$ 20,121
Resources from Obstetrics Department associated directly with deliveries				
	Medical Supplies			\$ 95,475
	Drugs			\$ 105,000
			Total Cost for Obstetrics:	\$ 777,620
			# of Unplanned C-Sections:	475
			Obstetrics Cost per Unplanned C-Section:	\$ 1,637
Costs assigned from other clinical departments				
	Surgery and Recovery			\$ 401,342
	Radiology			\$ 69,253
	Pharmacy			\$ 54,230
	Central Sterile Supply			\$ 51,930
	Laboratory			\$ 43,323
	Emergency Services			\$ 23,540
	Quality/Case/UR Mgmt.			\$ 23,085
	Nursing Unit 1			\$ 12,039
	Bio-Med Services			\$ 7,002
			Sub-Total - Other Clinical Departments	\$ 685,744

Bill of Activities
Unplanned C-Sections (page 2)

Department	Cost
Costs assigned from other support departments	
Marketing	\$ 90,682
Medical Records	\$ 75,465
Patient Accounting	\$ 62,225
Administration	\$ 45,380
Engineering Services	\$ 38,112
Insurance	\$ 35,845
Interest	\$ 33,423
Property Services	\$ 32,736
Accounting and Finance	\$ 26,414
Depreciation and Amortization	\$ 25,423
Information Services	\$ 20,779
Provision for Bad Debt	\$ 18,784
Human Resources	\$ 16,621
Nutritional Services	\$ 13,285
Physician Recruitment	\$ 13,149
Legal Services	\$ 12,667
Program Development	\$ 11,581
Education	\$ 8,485
Child Care	\$ 7,643
Medical Affairs	\$ 6,348
Community Relations	\$ 5,674
Security	\$ 4,897
Materials Management	\$ 4,748
Managed Care	\$ 4,430
Pastoral Services	\$ 479
Volunteers	\$ 432
Sub-Total - Support Departments	\$ 615,708
Total Cost - All Departments:	\$ 2,079,072
# of Unplanned C-Sections:	475
Total Cost per Unplanned C-Section:	\$ 4,377