



Optimizing Hospital Procedure Pricing with **ABIS~Pro**

Introduction:

Pro~Active Solutech (India) Pvt. Ltd, a leading provider of management accounting solutions, embarked on a transformative journey with third largest healthcare provider chain in India with a presence in 15 locations across 5 states headquartered in Bangalore. This Hospital sought to streamline its procedure pricing methodologies which it felt was not driven by accurate cost inputs. To address this challenge, the hospital partnered with Pro~Active Solutech to implement ABIS~Pro, an advanced Activity-Based Costing (ABC) software solution.

Engagement with this Hospital:

Pro~Active Solutech initiated its engagement with this Hospital by collaborating closely with the hospital's Financial Controller. Impressed by the capabilities of ABIS~Pro, the Financial Controller greenlit its implementation, starting with the Urology department.

Identifying Challenges:

Upon delving into the intricacies of this Hospital's operations, the consulting team from Pro~Active Solutech identified several challenges hindering the hospital's costing processes:

- **Manual Accounts Costing:** Much of the hospital's costing of procedures was conducted manually and by using non causal cost drivers.
- **Lack of Cost Data:** Due to above limitation, critical cost data necessary for accurate pricing decisions were often unavailable or incomplete.
- **Non-Scientific Procedure Pricing:** This resulted in Pricing decisions being driven more by gut instincts rather than on scientific basis

- Key management questions

- What are our revenues and expenses in each business area?
- Are there opportunities to improve resource utilization for specific patients or groups of patients?
- What are the variations in resource use among clinically similar patients? How can we minimise the same, to increase overall quality and to direct our resources more appropriately?
- How do our case costs compare to our peers for similar patients?
- What are the differences in costs between two treatment options for a particular type of case?
- Is it more expensive to provide certain laboratory services in-house as compared to sourcing them from another facility?
- Feasibility and impact analysis, e.g., adding a new program, physician, etc.
- Productivity analysis/evaluation of program efficiency
- Modelling ("what if...") and forecasting
- Evaluation of shifting from inpatient to outpatient procedures

Collaborative Approach:

Despite these challenges, this Hospital demonstrated a keen interest in implementing the ABC model. The Financial Controller and the hospital's management extended full support to Pro~Active 's ABIS~Pro consultants, recognizing the importance of precise procedure costing and its consequent pricing in enhancing financial performance and patient satisfaction.

Implementation Process:

Over a span of three months, Pro~Active Solutech's consulting team meticulously executed the implementation of ABIS~Pro at this Hospital. The process involved the following key steps:

- Activity Identification: The team compiled a comprehensive list of procedures performed at the hospital, including:
 - Dialysis: Haemodialysis, Peritoneal dialysis
 - Dialysis at home and hospital
 - Catheterization
 - Dilatation
- The corresponding activities for each procedure were meticulously identified and documented.
- Identification of appropriate drivers for driving costs to various activities and subsequently to procedures and patients
- Data Collection: Utilizing ABIS~Pro's sophisticated data capturing capabilities, the consultants recorded the time taken for various procedures and activities. They also identified details of doctors, nurses, and lab technicians with various skill levels and costs against these activities. The details of equipment and consumables were also collected.
- Analysis and Refinement: Armed with three months' actual data, the consultants meticulously analyzed the collected data to derive accurate costing for different activities and procedures. The standard times were fine-tuned based for this analysis in consultation with the hospital team.
- Software Implementation and training
 - Pro~Active Solutech initiated the implementation process by running the inputs collected at their end. Subsequently, a thorough analysis was conducted to identify and address information gaps if any.
 - Data was processed for a month and results presented to the hospital team.

Based on the findings, a comprehensive requirement definition document was prepared in collaboration with the Hospital's team. This document outlined the specifics of the study and served as a blueprint for the subsequent phases.

- The configuration and development phase followed, wherein Pro~Active customized their package to align with the identified requirements and study findings. This involved coding adjustments and tailoring the software to suit the Hospital's unique needs. This was followed by installation of software at their end. With guidance from Pro~Active, the Hospital staff created the master data in the system while transactions captured in HMS, FA package & in excel sheets over the course of a month were integrated into the software through customised templates.
- Report Generation: ABIS~Pro generated comprehensive reports detailing the cost of various procedures, costs associated with allied medical conditions, and other relevant insights. A few of the reports that were reviewed would include
 - Actual material consumption Vs standard material consumption, procedure wise.
 - Category wise manpower actual Vs Standard based on standard time spent for actual no of procedures done during any period.
 - Equipment utilization %
 - Total cost of all procedures, both direct and indirect
 - Profit statement for all procedures within revenue departments.
 - Patient costing where relevant
- The final stage of implementation included deploying the customized package at the hospital's site, integrating it with their existing systems, and validating its integrity. Additionally, Pro~Active provided extensive training to relevant personnel to ensure they could effectively utilize and maximize the benefits of the package.

Outcome:

The exercise resulted in significant findings on costs and prices of the various procedures and patient categories in the Urology department.

- Improved Pricing decisions: Leveraging insights provided by ABIS~Pro, the Hospital was able to price its procedures & patient categories accurately thereby ensuring fair reimbursement and optimal revenue generation.
- Enhanced Financial Performance: By adopting a systematic approach to costing and pricing, the Hospital has enhanced its financial performance and streamlined its revenue management processes.
- Operational Efficiency: ABIS~Pro has empowered the Hospital with actionable insights, in the form of credible cost data to driving operational efficiency across its functions.

Conclusion:

The successful implementation of ABIS~Pro at this Hospital in early 2000s stands as a testament to the transformative power of advanced ABC solutions in the healthcare sector. Through collaborative partnership and diligent execution, Pro~Active Solutech had enabled the Hospital to achieve its goal of optimizing procedure pricing and enhancing financial performance, thereby reaffirming its position as a leader in the healthcare industry.

At this juncture it would be relevant to note that Dr.Girdhar Gyani, Director General, Association of Healthcare Providers - AHPI (India) has emphasised the importance of activity based costing (ABC) in Indian hospitals. The Supreme Court (SC) while citing the rules of the Clinical Establishment Act, that mandates hospitals to display the current treatment rates and requires the Central and state governments to determine the range of treatment rates. Dr.Girdhar Gyani, stated that "AHPI does not have any objection to implementing these provisions. The government should get a costing study done on a scientific basis using an activity-based costing approach, something that has never been attempted in our country."

