

11i CORPORATE PERFORMANCE MANAGEMENT FOR HEALTHCARE: ANALYZING COSTS FOR FINANCIAL VIABILITY

KEY BENEFITS

Oracle Corporate Performance Management for Healthcare **Key Benefits:**

- Provides more accurate information on the costs of providing healthcare services
- Enables organizations to be more demand driven and patient centric
- Understand the true cost structure of the Specialty services being provided
- Enables more quantitative investment decisions by speciality or service
- Enables organizations to produce quality management reports – reports that are relevant to line management running the business and not just developed (often at great time and cost) for regulatory bodies and funding organizations

KEY FEATURES

Oracle Corporate Performance Management for Healthcare **Key Features:**

- Advanced financial accounting features
- Sophisticated Allocation methodologies
- Multi-dimensional analysis
- Drill into transaction details from the Oracle sub-ledgers
- What-if analyses
- Standard analytical reports
- Analytical reporting with drill capabilities
- Activity Based Costing and Budgeting capabilities

Would you like to know how much individual services are costing your organization versus what your organization is being reimbursed for those services? Would you like to be able to unbundle services provided and account for any differences in costs between different specialties for the same service? Would you like to be able to analyze your case-mix and assess the impact on your costs and revenues on changes in it? Would you like to be able to understand the differences in cost between physician treatments? Would you like to use a disciplined approach to analyze care pathways and understand treatment costs relative to outcomes so you can improve overall quality within any financial constraints? Oracle is committed to helping healthcare organizations achieve these goals by delivering an integrated Corporate Performance Management solution for Healthcare.

Overview

Healthcare is a high-pressure industry facing increasing government regulations, cost controls, and demands for higher quality patient care. In addition, the industry is facing considerable changes as funding organizations attempt to control hospital costs, healthcare providers look for ways to reduce costs. Oracle Corporation steps forward to provide a solution, Oracle Corporate Performance Management for Healthcare, that enables management in making strategic decisions about their cost structure, overall financial health and improving the value for money of patient care. As a key element of Oracle E-Business Suite, Oracle Corporate Performance Management for Healthcare is an integrated solution that provides the following key capabilities:

- Financial Management
- Cost Structure Modeling
- Analytical Reporting
- System Integration

Financial Management

Financial management is the foundation of any corporate performance management solution. A solid financial management solution enables enterprise-wide data management and is receptive to integration with other third party systems. Oracle General Ledger is a comprehensive financial management solution that provides advanced financial controls and data collection for the entire enterprise.

Financial Controls

Standard financial controls are a necessity for managing an enterprise's financial structure, however given the complexity and uniqueness of a typical healthcare enterprise more sophisticated controls are typically needed. Oracle understands this about the healthcare industry and therefore offers a financial management solution, Oracle General Ledger, with the flexibility

needed to represent any healthcare organization's financial structure.

Oracle General Ledger provides tremendous flexibility for managing and streamlining your accounting processes. The versatile chart of accounts and accounting calendar give enterprises the freedom to retain successful business practices. In addition, Oracle General Ledger supports a wide variety of journaling functionality that includes recurring, reversing, statistical, skeleton, foreign currency and allocation journals.

Oracle's integrated ledger architecture guarantees data integrity, auditability, and control. It simultaneously maintains all financial balances—including actual, budget, summary, statistical, and average balances—in a single balanced ledger. Oracle General Ledger also automatically synchronizes and updates journals, detail balances, and summary balances with a single posting process, rendering reports immediately available and always accurate.

Data Integration

Healthcare enterprises like so many others typically have multiple custom or proprietary systems within one enterprise that provide the data necessary for building a complete financial structure. Therefore, a healthcare financial management solution would be required to interface with third party applications for the collection of necessary financial data. Oracle General Ledger is an open solution that provides specific functions for retrieving data from other systems. These functions are remarkably flexible tools that allow you to capture data from other applications, define necessary format conversions, and direct data into the General Ledger. Oracle General Ledger generally accepts budget uploads, imported journals, and statistics from a wide variety of packaged and proprietary applications. Oracle General Ledger is part of Oracle E-Business Suite and is built so that every part of the suite that creates transactions with a financial effect will post entries into Oracle General Ledger.

Cost Structure Modeling

Healthcare costs are rising fast as populations are getting older and the ranges of treatments are also increasing. Funding organizations are introducing reimbursement rates in response to this and where such rates have been used for some time, the trend is that reimbursement rates are not increasing at the same rate thereby decreasing the enterprise's bottom line. As a result, healthcare organizations must understand their cost structure so that they are better equipped for reporting their costs to funding organizations or regulators and also to managing and negotiating reimbursement rate contracts.

The process of understanding an enterprise's cost structure includes:

- Define and Categorize Costs
- Realign Costs by Cost Allocations
 - Top-Down (Finance Focus)
 - Bottom-Up (Clinical Focus)

Costs are typically broken down into three categories support service costs (Laundry, Food Service, Finance, HR, Facilities, etc.), patient treatment service costs (Radiology, Laboratory Services, Wards, Pharmacy, etc.), and specialty costs that relate to care given directly but not attributable to a specific patient. These categories are significant for defining the cost structure and when analyzing the results of the cost realignment.

Realigning costs is a more complex step in the process because it is driven by the objectives of the analysis and level of detail data available for analysis. Enterprises that have access to only financial data for analysis will choose to perform top-down allocations providing the benefit of

better understanding the cost structure given added dimensions (e.g., specialty, organization, point of service, and reimbursement unit). Provider organizations can even analyze cost down to reimbursement unit level so they can begin to analyze how much it typically costs to deliver a particular service versus what income they receive from it. Enterprises with access to more detail clinical and financial data have the option to perform bottom-up allocations using the activity based costing methodology providing the benefit of developing a more accurate cost structure for making better decisions. This is particularly attractive in areas where the top down allocation has identified a disparity in the cost of delivering the same service between two different parts of the organization (e.g. Specialty) or where calculated costs is lower than reimbursement rate. Either way healthcare organizations will be able to analyze costs in more detail than would traditionally.

Oracle provides a costing solution, Oracle Activity Based Management, that enables users to develop cost structure models so that they are better able to analyze costs and make more informed decisions in areas such as business process reengineering, new service valuation, resource planning, and the benchmarking of processes across similar organizations or service providers. Oracle Activity Based Management is an enterprise application that provides accurate cost information to managers throughout an organization.

Organizations use Oracle Activity Based Management to improve profitability and examine resource allocations. Oracle Activity Based Management goes far beyond traditional cost allocation, and allows companies to model the complexity of all costs based on activities, materials, resources, and product or service components in a way that is not constrained by number of allocations and number of versions of models as we find with most analytical solutions. Oracle Activity Based Management also integrates with Oracle General Ledger, enhancing the process of developing strategic costing models and giving the user the ability to use not only the account balances but also the statistical and other transactional data captured in the General Ledger.

Analytical Reporting

The requirement to analyze costing results and develop management analytical reports is fulfilled by Oracle Financial Analyzer. Oracle Financial Analyzer is an on-line analytical processing application that enables users to easily identify, analyze, model, and report on information available in the eBusiness suite. Oracle Financial Analyzer uses a multidimensional data model, which is ideal for on-line analysis. Oracle Financial Analyzer seamlessly integrates with Oracle General Ledger.

Given the superior features offered by Oracle Financial Analyzer users are able to use the costing results developed in Activity Based Management to develop the analytical reports that will enable organizations to make better decisions about the way they do business. With Oracle Financial Analyzers organizations are able to perform variance analysis with more precision, analyze case-mix with more accuracy, and develop income statements by department and specialty. Now organizations are able to answer questions that they were once afraid to answer and make decisions with much more confidence. Also, budgeting and forecasting analysis are improved resulting in closer to actual positions.

In addition, Oracle Activity Based Management provides standard cost analysis reports, Oracle Activity Based Management Analyzer, that enable you to navigate the data and results of the costing models developed in Oracle Activity-Based Management using Oracle Discoverer. These reports provide the ability to compare details across multiple dimensions such as medical specialty, clinician and organization. Users may also develop custom costing reports using

Oracle Activity Based Management Analyzer.

System Integration

The solution described in this document is an integrated solution affording all of the features typical of an integrated system. The Oracle Applications highlighted in the solution are all part of the E-Business Suite and are part of a single data model. The integration eliminates the need for duplicate data entry and structural maintenance and thereby provides a more cost-effective corporate performance management solution.

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