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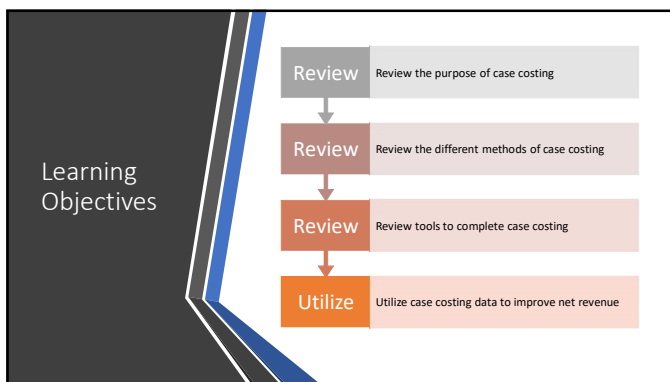
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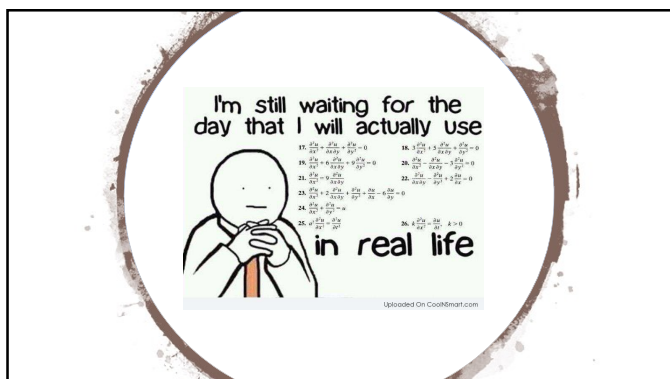
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### Why Consider Case Costing

- Making decisions without facts is like playing archery blindfolded
- What and where is the target? Target is always moving.
- Who are the influencers in case costing?



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### When to do Case Costing

When surgery is scheduled?

When surgeon wants to add a new case to procedure list?

Cases with implants?

Cases with low usage of supplies?

Cases performed by slower surgeons?

Updating payor contracts?

Developing new service lines?

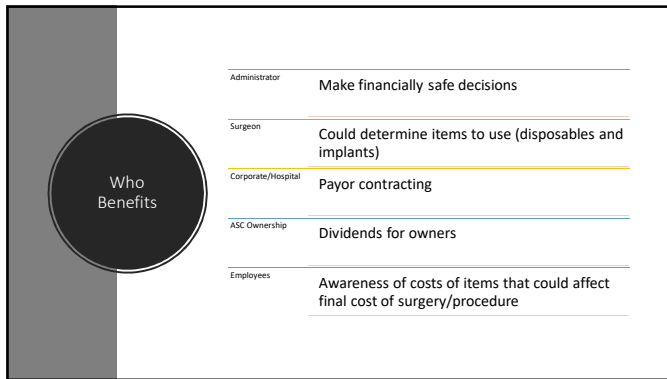
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So how do most people feel about actually doing case costing?

Knowing there are several ways to case cost...



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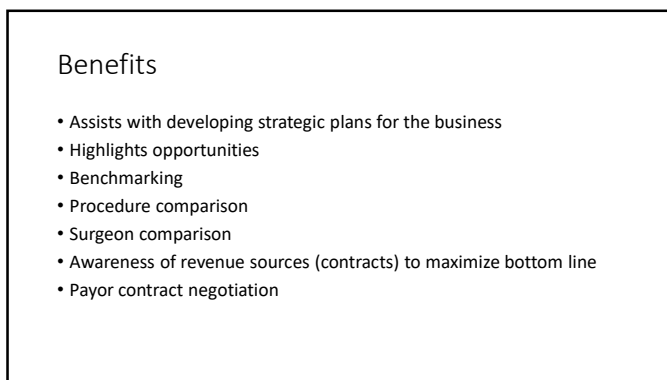
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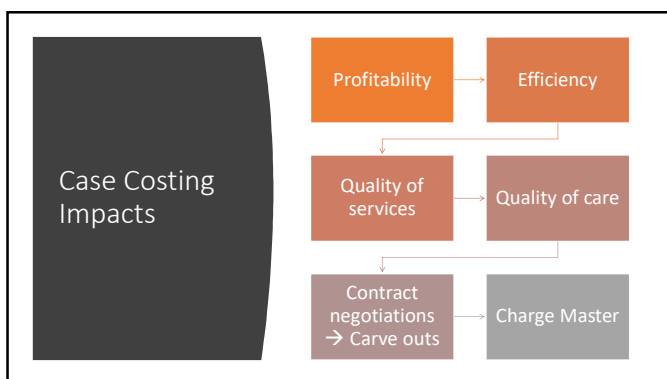
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### Basic Tools

- Inventory Management System
  - Only one person to enter data
  - Continuity of numbers and UOM
- Surgery times (in → out)
- Preference Cards
- Internal developed group pricing
  - Pre-op items used
  - PACU items used

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### Overhead Costs to Consider

- Rent
- Service contracts
- Labor
- Supply costs
- Physicians
  - OR time
  - Supplies
  - Preferences
- Anesthesia preferences
- OR Utilization
- What to include decided by each individual ASC

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### Factors to costs

- ☐ Main goal is to determine the **OR cost per minute**
- ☐ OR time: time patient enters the OR to the time patient leaves the OR
- ☐ Total expenses used on case
  - ☐ PAT
  - ☐ Pre-Op
  - ☐ OR (preference cards); anesthesia supplies; drugs; PACU supplies
  - ☐ Administrative (chart folders, labels, paper, etc.)
- ☐ Schedule efficiency
  - ☐ Eliminate gaps
- ☐ Keep accruals up to date

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Factors to costs

- ❑ Ensure Staff enter valid data
- ❑ Update staff salaries annually
- ❑ Materials Manager-standardize supplies
- ❑ Preference cards accurate
- ❑ Rental fees

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Everything revolves around the OR Minute

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Surgeon variables

OR time

- Are they on time, speed and efficiency

Preferences

- Staff required (ortho vs GI)
- Supplies (types & costs)
- Implants (types & costs)
- Instruments & equipment (disposable or reusable)
- Medications
- Disposables

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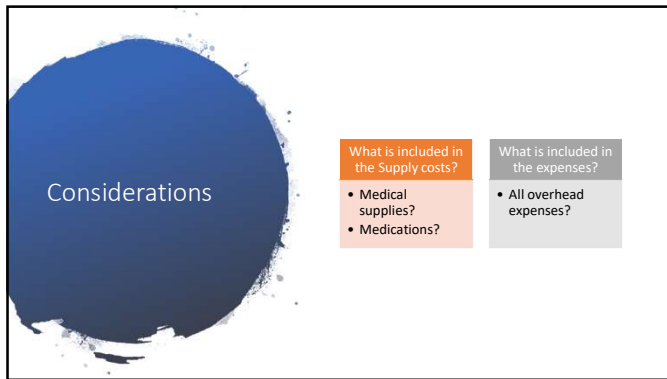
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Considerations

What is included in the Supply costs?	What is included in the expenses?
<ul style="list-style-type: none"> <li>• Medical supplies?</li> <li>• Medications?</li> </ul>	<ul style="list-style-type: none"> <li>• All overhead expenses?</li> </ul>

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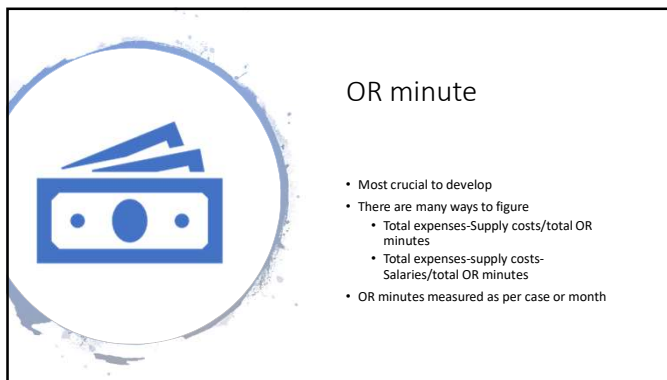
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OR minute

- Most crucial to develop
- There are many ways to figure
  - $\text{Total expenses} - \text{Supply costs} / \text{total OR minutes}$
  - $\text{Total expenses} - \text{supply costs} - \text{Salaries} / \text{total OR minutes}$
- OR minutes measured as per case or month

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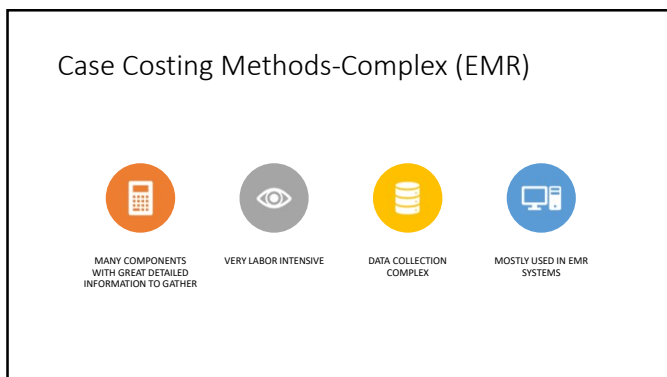
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Case Costing Methods-Complex (EMR)

			
MANY COMPONENTS WITH GREAT DETAILED INFORMATION TO GATHER	VERY LABOR INTENSIVE	DATA COLLECTION COMPLEX	MOSTLY USED IN EMR SYSTEMS

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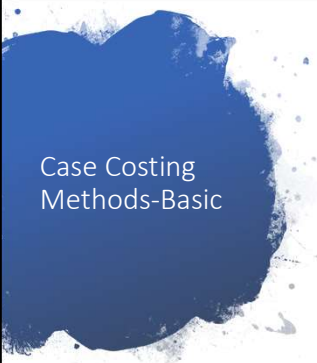
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Case Costing  
Methods-Basic

- Uses the Income Statement or P&L statement
- Volumes
- Mostly used for general overall costs such as costs/case on financials each month or quarter
- Expense on Income Statement
- Volume of cases
- Expenses/Volumes

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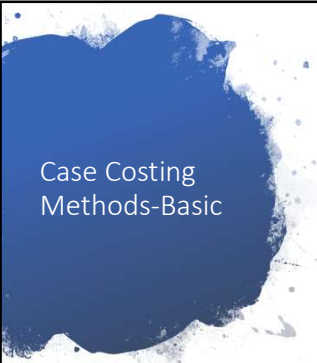
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Case Costing  
Methods-Basic

- Expenses
  - Found as total expenses on Income Statement
- Volumes
  - Found as volumes on Income statement
- Expenses: \$498,450
- Volumes: 320
- Formula  $\$498,450/320=\$1,558$
- Outcome the monthly cases had total costs of \$1,558 per case

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Case Costing  
Methods-Basic

- Next Steps
  - Trend out results monthly or quarterly
  - Measure and report to the board

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- Uses the Income Statement or P&L statement
- Volumes
- Mostly used for detailed information about specific types of cases
- Determine Overhead costs
  - Rent
  - Contracts
  - Labor
  - Supplies
  - Anesthesia supplies
  - General expenses

## Case Costing Methods-Intermediate

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- Variables
  - #1-All expenses – supplies/#OR minutes
  - #2-All expenses-supplies & salaries/#OR minutes
- Allocate staffing to specific type of surgeries
  - Ortho may require an extra surgical tech
  - GI may require a GI tech

## Case Costing Methods-Intermediate

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- Get your numbers first
  - Overhead=\$498,450
  - Supplies=\$123,806
  - Salaries=\$121,232
  - Volume per week=10
  - OR minutes per case=60
  - Minutes per week (5 days)=3,000
  - Minutes per month (4 weeks)=12,000
  - $\$498,450 - \$123,806 - \$121,232 / 12,000 = 21.11$

## Case Costing Methods-Intermediate

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- Step 1 By month or quarter
  - Overhead (OH) per OR min = OH/OR minutes
    - OH = all expenses for the period less supplies & salaries
  - Overhead – supplies & staffing / OR minutes=Overhead per OR minute
- Step 2 By primary CPT/surgeon
  - Case cost= (OR minutes x OH per OR minute) + supplies + salary expense
- Step 3 By CPT / Surgeon / Payer
  - Profit/case = reimbursement less costs by surgeon per CPT

## Case Costing Methods-Intermediate

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What if you  
have an EMR?

- Considerations
  - Staff Salaries
    - Updated annually
    - Enter EMR correctly
  - Cost of supplies
    - Costs per item updated regularly
  - Understand details how EMR determine case cost
  - What data is included and how configured?

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Why is This So  
Important

- Help to increase net revenue
- If revenue is in the red, this will help to turn around a negative situation
- Breaks down surgeons-which ones are more expensive and why
- Determine which procedures are best to be done and which one are losing money
- Find procedures that may increase in volume and use this to negotiate reimbursements for a favorable return.

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## What's Next?

- Now that all the data has been collected
  - Share with the owners
- Which surgeons utilize more expensive supplies
- Where is there a possibility to reduce more costs – renegotiate supply contracts
- Share surgeon's individual information about their costs affecting the overall revenue
- Work with them to determine if potential replacement for their expensive supplies

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## Possible solutions?



What if the ASC decides to do as many cases as they can without any analysis just to increase the volumes



ASC doesn't negotiate pricing on implants



ASC does not review any payor contracts for reimbursements and reimbursements on implants



What could possibly be the outcomes if these were true?

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## Thank You

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