



THE POWER TO KNOW.

Business Impact

“Accurately measuring costs and outcomes is the single most powerful lever we have today for transforming the economics of health care.”

Robert S. Kaplan and Michael E. Porter, “The Big Idea: How to Solve the Cost Crisis in Health Care,” *Harvard Business Review*, September 2011.

Challenges

- **Complexity of care.** A huge variance in capabilities and costs, the fragmentation of care delivery, unique patient preferences and lack of standardization of processes and supplies all contribute to systemic obstacles.
- **Reimbursement models.** Current reimbursement systems pay based on services performed, not value to the patient. This places a focus on volume and encourages high-reimbursement procedures, as well as distorting the true demand for services.
- **Cultural bind.** Changing the approach to health care costing requires a paradigm shift, away from today’s inaccurate, reimbursement-driven cost models and one-size-fits-all method of allocating overhead.
- **Rising importance of cost.** Other priorities related to patient care tend to divert attention away from costs, but they can no longer be ignored. Shifting the focus to profitability and cost management requires dedicated resources for a detailed view into value.

How can we understand our true costs and cost drivers to maximize financial outcomes?

YOUR GOAL: Improve the value of health care delivery

New life-prolonging treatments. A changing population. Rising costs. Declining margins. Exploding demand. Diminishing capacity. The entire health care landscape is changing drastically, but our lack of understanding and transparency of the true costs to provide care has reached critical mass and requires a new approach. Neither providers nor payers have found a way to provide high-quality, universal care at a cost that is sustainable over the long haul.

The de facto standard for measuring health care costs today is based on the reimbursement received from insurers or governments, not the true costs actually incurred in delivering patient care. Many health care organizations lack accurate insight into the actual cost to deliver patient care. As a result, operational decisions are made based on volume and reimbursement rather than the value to patients’ outcomes. With the impending shift to outcomes-based reimbursement, understanding costs and cost drivers is more important than ever before.

OUR APPROACH

Health care providers need to gain an understanding of the true costs and cost drivers of the patient care delivery chain in order to find the path to patient profitability. We approach the problem by providing software and services to help you:

- **Understand costs and cost drivers at the patient level.** Using SAS’ market-leading activity-based costing and profitability calculation engine, transparency on key cost drivers from different parts of the organization can be achieved on transaction-level costs and profitability for millions of patients.
- **Use cost drivers to improve efficiency in the care delivery process.** SAS provides an intuitive, powerful modeling environment where you can use advanced analytics to perform sophisticated cost modeling and profitability analysis. Automatically establish assignments used to allocate cost rates for both direct and indirect activities to individual patients, services, procedures, departments, etc., based on the specific care delivery process used.
- **Obtain the entire cost picture with one consistent and flexible system.** SAS offers end-to-end solution integration with common metadata, integrated reporting, advanced analytics and cross-platform data integration. With the freedom to choose from a number of costing methodologies, you can opt for one standardized methodology to gain a holistic view of various data systems to analyze and make better decisions on not only what *has* happened, but what *could* happen across the enterprise.
- **Improve visibility and benchmarking across the organization.** With SAS’ multidimensional reporting and analysis, you have standard reporting templates, comprehensive ad hoc analysis and self-service OLAP reporting from patient, service, procedure and department level to revenue from claims and other billing mechanisms. Combined with Web-based deployment, this allows you to deliver cost and cost driver information to the right people, at the right time, in the right form for decision making.



THE SAS® DIFFERENCE: Informed decisions across the enterprise

SAS solutions for health care cost analysis allow you to model business processes to determine cost, profitability and drivers across your organization:

- **A complete solution.** SAS offers the only end-to-end activity-based management solution that combines integrated data management, business modeling, reporting and analytics – all on one platform.
- **Multiple costing and management methods.** Many vendor applications are tied to a specific costing methodology or provide only a limited set of cost management options. SAS supports many costing methods and theories, including top-down (full absorption, CAM-I, quantity-based assignment, single stage) or bottom-up (rate-based, time-based, event-based, time-driven, bill-of-cost, external unit, activity-based budgeting, activity-based planning and consumption-rate modeling). This approach allows flexibility in modeling the way your business is designed.
- **Scalability.** SAS can handle hundreds of millions of patients to give you an understanding of costs at a detailed level for substantial volumes of cost drivers and transactions not possible in the past. This reduces the cycle time of the entire calculation and reporting process, and creates the opportunity for regular and more frequent management reporting and analysis of costs and profitability.

Recognized as the industry leader in analytics with more than 20 years of experience in cost and profitability management, SAS delivers proven solutions that give organizations the ability to gain an understanding of their true cost and profitability drivers to ultimately give them a competitive advantage.

CASE STUDY: Analyzing costs of individual processes

Situation

A leading provider of comprehensive health care services focuses on managing clinical risk as a critical component of its mission. To reduce the risk and cost of errors related to the preparation and delivery of care and prescription medications, it needed to analyze costs relating to individual processes – from hospitalization, to drug administration, to diagnosis.

Solution

With the deployment of SAS solutions for health care cost analysis, it can now analyze operational costs cross-referenced by admissions and services – virtually all activity in the organization. The result is a detailed estimate of what each single activity costs the hospital, down to the individual process across the entire system.

Results

“We use SAS on a daily basis to carry out analyses that verify department activities and establish budgets. We have turned 54 percent of low-complexity activities into an alternative system (for example, low-impact surgeries, therapies and treatments that allow patients to return home the same day), and we managed to reduce hospital beds from 1,900 to 1,600. We have improved occupancy rates, which today are about 85 percent, and reduced the average stay from 12 days to 10.”

– Health care director

What if you could ...

Identify costly and profitable patients and services

What if you could identify your most, and least, costly and profitable patients and services to boost utilization of your most efficient departments?

Understand each activity's contribution

What if you could understand whether each activity was contributing to value as expected, and budget and offer incentives based on the efficiency and effectiveness of your processes?

Predict profitability and demand

What if you could predict future profitability or forecast demand for your services?

Understand costs across your organization

What if you could use one costing system to understand costs across your entire organization and data systems?

Benchmark against best-in-class

What if you could understand your process and activity costs to benchmark them across your organization or with other best-in-class operations?

You can. SAS gives you The Power to Know®

SAS FACTS

- SAS has the largest installed base of activity-based management solutions in the global, cross-industry cost management market.
- SAS has been consistently recognized by analysts as a leader and a visionary in corporate performance management.
- SAS is an ongoing member and contributor to the industry organizations seeking to improve activity-based costing methodologies.

Learn more about SAS software and services for health care:
sas.com/healthcare



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