



“No WIES no \$”

**Using Clinical Costing information to allocate
revenue on an activity basis to bring about
cultural change**

Monash Health

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Sydney



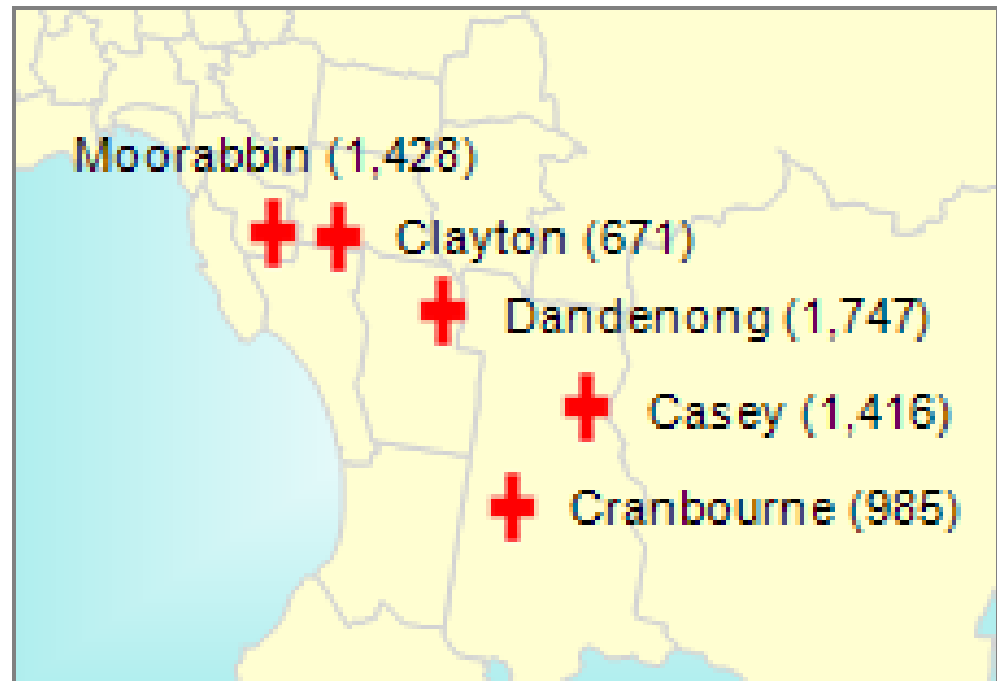
Key Problem

Situation Analysis

- Entered a Period of high growth due to new funding tied to increasing elective surgery.
- Hospital sites, programs and patient services were restricting capacity to save money (e.g. closed bed, reduced theatre sessions).
- Needed a mechanism to incentivise sites, programs and patient service areas to increase capacity on a marginal cost basis to meet or exceed activity targets.

Aim of this innovation

- Increase the number of elective surgery patients treated through our hospitals.
- Allocate marginal revenue to provide the resources to relevant sites, programs and patient service areas to be able to achieve patient activity targets.



How costing was used to implement this innovation

Clinical Costing data used to determine percentage of WIES price to the following areas:

2012/13 Allocation (Total Cost)	2015/2016 Allocation (Direct Cost)
Hospitals 58%	Hospitals 40% to 50%
Medical Programs 26%	Medical Programs 20%
Pharmacy 6%	Pharmacy 3.2%
Diagnostic Imaging 3%	Diagnostic Imaging 2.4%
Pathology 3%	Pathology 3.1%
Allied Health 4%	Allied Health 4%
	ICU \ Anaesthetics 6%
	Theatres 9 %
	Central 12.2 %,

Performance above\below target funded at 50% of above price

Baseline Data

- For the 2012/2013 financial year Monash Health was target to increase inpatient activity by 2% .
- State Grant Revenue was budgeted for centrally.
- Activity targets were allocated down to ward level aggregating up to a site and also activity targets were allocated down to a clinical unit aggregating up to a Medical Program.
- Sites \ Programs \ Service area's mainly managed expenditure budgets with little focus on revenue targets.

Key Changes Implemented

- Inpatient State Grant Revenue Targets allocated to sites, medical programs and clinical support areas.

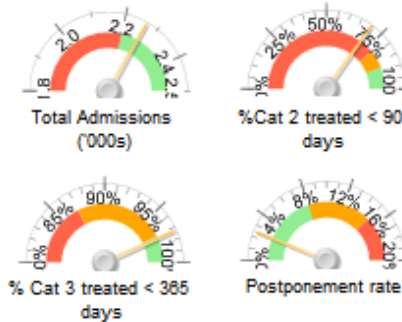
Actual example of initiative

- In July 2012 Dandenong Hospital was \$810,000 favourable to budget. However the site was 10% below its Inpatient activity target (WIES).
- Inpatient State Grant Revenue budget allocated from August 2012 going forward.
- The favourable budget variance became \$1,000,000 unfavourable following the allocation of the revenue target in August 2012 due to site being 10% behind WIES target.
- By 30th June 2013 Dandenong Hospital was \$1,659,153 favourable to budget and delivered 2% above its activity target.

Outcomes so far

1) The “No WIES, No \$” campaign provided the framework to deliver strong growth over the next few years at a marginal cost: **Key KPIs**

- 2012/13 - 2% growth
- 2013/14 - 7% growth
- 2014/15 - 6% growth
- 2015/16 – Projected to deliver 4% growth



2) Cultural change imbedded

- Program Medical Director for Surgery Program coined the phrase: “No WIES, no \$”
- Activity target and dollar budget linked during budget discussions
- Dollars follow activity
- Clinicians engaged to improve documentation and thus coding

Lessons Learnt

- Do not make the allocation formula too sophisticated and/or complicated
 - Easily apply principles to other types of activity, for example:
 - Hospital in the Home
 - Sub-Acute Activity
 - Important for coding to be timely and up to date (targeting day 7)
 - Need to improve clinical documentation so there is less reliance on coding audits to increase WIES. “Get it right the first time”
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