Using Data as a Strategic Advantage

This **on-demand video** discusses how organizations are utilizing their data to understand how their operations are currently performing and improve decision making by creating profitability tools with actionable data. The goal is to help organizations thrive — instead of survive — in this current environment.

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Here is a transcription of this session:

Darryn McGarvey:

Well, good morning and good afternoon everyone. Thank you so much for taking the time today to hear us talk about a topic that we hope will be insightful and meaningful for you, Using Data as a Strategic Advantage. My name is Darryn McGarvey, and I'm a principal at CLA and lead our hospital and health system practice nationally. I'm joined by Matthew Borchardt and Ryan Bjerke, who will be introducing themselves very shortly. But first, before we get started, the legal team and attorneys always like us to show our disclaimer about our information here today, so I certainly have that up on the slide here. As we discuss our learning objectives, one of the main reasons we wanted to have this conversation with everyone today is data is becoming more and more of a significant player in our day-to-day life and our day-to-day businesses.

As we've gone to organizations around the country, we continue to hear three common themes: One, we have a lot of data, we've got a significant amount of data more than ever before, but we have trouble accessing it. Two, we have multiple systems, but oftentimes they can't talk to each other or don't talk to each other in a way that give us the results that we need, and/or three, we have the amount of data. We have the system talking to each other, but we oftentimes struggle finding the human capital that's there to decipher and interpret the results to make meaningful action. So our hope is that over the next 60 minutes, Matt and Ryan can provide some insights to you here and hopefully provide you some value. They can maybe even answer some of these questions and hopefully make your organizations even better than they were before. So with that, I would like to turn it over to Matt and Ryan to introduce themselves.

Matt Borchardt:

Okay, maybe I'll start off, Ryan. My name's Matt Borchardt. I'm a principal at CLA. I get to really lead our CLA intuition service line, which, and I do a lot of strategic planning. I do a lot of financial modeling and lately, been getting a lot more into understanding how we could, as Darryn mentioned, really help our clients make better strategic decisions. Through that, we're going to go through at the end a demo of how an organization can put all the data together and really make a profitability tool and how that profitability tool could help you make better decisions. So I'll toss it to Ryan.

Ryan Bjerke:

All right. Thank you, Darryn and Matt. Hey, everybody. Thanks for joining us today. I am Ryan Bjerke. I'm based out of the Minneapolis office along with Darryn and Matt. I joined CLA in October of '22 and serve

in the role of director of strategic initiatives, partnerships and digital transformation. Prior to joining CLA, I spent over 20 years in operational leadership positions and corporate development within regional health systems where I focused on expanding services and leading the mergers, acquisitions and divestitures. My professional passion is supporting healthcare organizations and life science become even more successful in their operations and their strategic pursuits.

Like Matt and Darryn, I'm excited to be here today to talk about the changes in the industry relating to the digital evolution and transformation. We'll share with you what successful organizations are doing, where others are struggling, and some of the steps that you can take to move the ball forward. Next slide, please. Just starting in the very beginning, so there are always decisions to be made in your organization, strategic, operational, and tactical. The question is, how does your organization go about the process of making the important strategic and operational decisions? Do you depend on subjective inputs such as gut feel or do you analyze the data, financial information and other KPIs? Next slide.

Matt Borchardt:

Yeah. One thing, Ryan, that this slide actually, I love, love, love, love this slide because it's amazing to see this transformation data has brought into our lives, how much more we're talking about it even more than we did two years ago, and it's just getting started. But I have this sneaky suspicion when we look back 10 years from now, there's going to be the haves and the have-nots. The haves and have-nots might actually be divided by the people who's subjective and objective decisions going forward. So I feel like it's really important.

Ryan Bjerke:

Absolutely. Thanks, Matt. Most organizations, many of you probably on the call are facing some form of operational or environmental challenge. Some are listed on this sheet here, most of which require data to make decisions for your organization. So our intent here is really to highlight some of the approaches and insights that can help you navigate your organization by using your data in a modern and digital approach to help us ease some of these challenges and headwoods and that are likely here to stay. They're here today, and they likely will be here to stay well into the future. Thinking of staffing, the demographics just are not in our favor and we need to find a more effective and efficient way to get the work done. Next slide, please.

Matt Borchardt:

Yeah, and when I think about it too, Ryan, I think let's say we look back five years from now and we look back at today, I think a lot of people are going to say how much of a blessing it is now that we do have data to help us make decisions. 'Cause when you talk to people who've been around, I haven't been around for 40 years working with different clients, when we talk to the experienced, I'll call them elders and the longtime thought leaders, a lot of them would say that right now is the toughest environment that our hospitals and health systems have had to live through. It's not just them, senior living, all of them, it's about as tough of an environment as they've ever experienced. So hopefully this data will help us with that transition.

Ryan Bjerke:

Absolutely. Darryn alluded to this on the front end, the problem for many clients is that their data looks like the traffic jam on the left. As a result, leaders are really getting frustrated. They lose faith in the data. They lose faith in the process to get the data and end up sticking their heads in the sand saying, "I don't know what to do. I just have to use a little bit of data that I have to hope I'm going in the right

direction." However, what is the cost of not getting the most out of your data? We've all heard the saying, "Hope is not strategy," and that's our hope is hope and our expectations that we can align the data and get it to a place where it's very successful.

Matt Borchardt:

Yeah.

Ryan Bjerke:

Next slide. One of the reasons many of us get so frustrated with the lack of insights from our data and business systems is we can envision the power of the data that it can provide to us. We live in a very digital world. We see data and digital working with us every day. It's how we navigate our life practically. If we find ourselves driving in an unfamiliar city, we simply look up on our smartphones and get turn-by-turn directions till we get right on the path again to find our destination. All this is very possible with data being organized and structured with purpose, and we just don't have that alignment right now. So why shouldn't we have this type of insight at our fingertips and our business and our work environment as well? So really, what are the barriers? We'll address that as we go through the slides today. Next slide.

Matt Borchardt:

Yeah. Ryan, if we just think about our lives so far, I don't know how many people on this call remember, "Okay, I got to go somewhere. I'm going to go to MapQuest and I'm going to print off a map." What would you do without Google Maps helping us on our way, or I remember having to, "Okay, I'm working out. Where's my heart rate at? Okay, I'm going to look at it. I'm going to look at the clock and I'm going to go for 15 seconds." Now, all of this data, it's so much data and so much transformation that's occurring right now it's really neat to be part of.

Ryan Bjerke:

Absolutely. Well, I think that leads into the next slide. We have clinical ways the clinical world is getting more and more progressive with the wearables and remote monitoring in things. Well, where are business functions? I think that's the thing we need to focus on as well. It's easier to invest sometimes in those things that are shiny and new and make sense because it focuses on the clinical aspect. But like a couple slides prior, no margin, no mission. We really need to start really focusing on what is happening in our business. So to thrive, businesses and their systems really need to work together and connect similar to the systems really within our body. Unfortunately, in most organizations, the systems are not connected in an effective way to get the desired results. There's a lot of silos, Darryn mentioned that in the beginning, a lot of silos. However, even with a centralized database within it is, it's like a scrambled Rubik's Cube.

So you get all this data and it's still scrambled. The special sauce of getting the insights from your data is not only to connect and gather the data from separate systems, but also to clean it, sort it, and organize it in a meaningful way. So solving the scrambled Rubik's Cube dilemma takes a real special set of focus skills. Next slide, Matt, when you're ready. So to implement and realize effective digital platforms, it does require multiple disciplines working together to create a recipe that really does work. CLA, we do have a digital team that is specialized, and we've been coming alongside clients to make those essential connections using data science, automation and software. Sometimes it's the existing software. A lot of times it's existing software, but sometimes there's new software and insights that makes sense as well. This team can meet a client wherever they're at along the journey of digital transformation. So if you're

in the very beginning or pretty far advanced, this team has been successful in helping develop a foundational structure that results in the clients being able to make data-driven decisions. Next slide.

Matt Borchardt:

Yeah, it's amazing when you think of digital, how vague that answer is, but it has to be vague 'cause there's so much of a spectrum that you could fall under and there's so many different things.

Ryan Bjerke:

Absolutely. The end goal is, or the future state that encourages an enriched, I call it enriched culture of leaders. So we would expect leaders to be aware of the data that's in the organization, but the real power comes when staff are using business intelligence tools to also make decisions and inform where they are at and how they can guide and align success for their organizations, ultimately, everyone playing in the same direction. The BI tools really update through automation. It's not people dependent to create those tools. They can be repeatable with frequent updates. They are easy to use and click through, and we'll give a demo on that hopefully by the end of the session here.

Then they're accessible by other users as well. So you can limit who sees certain aspects and who can see the whole platform. They're visually appealing. So non-financial savvy team members, whether it's board members or clinical people or staff people can quickly understand the information in a meaningful way that's visually appealing. Then the BI tools can be designed to see aggregated or high level 50,000 foot information as well as have an ability to, from that high level, drill down into those meaningful data points that are really trickle down from that high level view to really see how are certain components affecting their overall business? Next slide, please.

Matt Borchardt:

Yeah, Ryan, we had a question in the chat pop up. I'll rephrase this a little bit, but, "What is the silver bullet of what we should track productivity wise or how we should do that?" Every single industry, every single organization is different. It's really that journey of identifying what resonates with how your management team has their leadership style, things of that nature.

Ryan Bjerke:

Absolutely. I love that question 'cause hopefully we'll answer it in a few more slides here through the Digital Readiness Assessment. But I'm glad that question came up because it does feed into that. So where does it make sense to start exploring digital solutions? What clues or hints exist in your environment that inform you that a digital solution might help? We've covered many of them already in our discussion so far, but this is a pointed list and really anytime you hear your subconscious or your frustration or your team saying, "There really has to be a better way here," that's an insight into there's likely an enhanced digital solution somewhere in here. Next slide.

Matt Borchardt:

Ryan, one thing that's resonated with me on this slide too, there was basically this little picture diagram that said, "Do you want to be relevant five to 10 years from now?" No, keep doing what you're doing today. Yes, be part of this digital transformation 'cause things are moving so quickly, whether it's ChatGPT, they just released a new one just yesterday that went from 3.0 to 4.0. That one's gone through and taken the test and where the test, they were getting 10%, on the 10th percentile on just barely passing. Now they're getting 10 percentile on best passing. That's been in three months that they've

made that much of a change. It's amazing. It's amazing the level of transformation we're seeing nowadays I feel like.

Ryan Bjerke:

Yeah. It's AI and machine learning by scanning paper and turning it into meaningful information that can be sorted and divided, it is truly amazing. So once an organization or you've decided to engage in a digital transformation effort, we really encourage clients to start with a Digital Readiness Assessment. That's where that question came in a few minutes ago. Where do you start? Well, it is different for each organization and this process really helps level set and determine where you are on the full spectrum of digital transformation, where you would like to be. You don't have to go all the way. I refer to it as the Ford Pinto approach. You can start somewhere all the way up to the fanciest Tesla you can probably get, and most people are probably fine in the Toyota Camry range of the spectrum. But where would you really like to be? Then there's a process of prioritizing your digital roadmap based on your operational priorities such as return on investment.

Where are you going to get the best return? But all that is really established by first looking from the beginning to the end and establishing a roadmap that everybody can agree on and then you start. So next slide, Matt. Maybe I'll just say one more thing around that. So what is the ROI for implementing digital transformation programs? It really comes from addressing inaccuracies. What is the cost of making poor decisions because you didn't get the right information you thought you did, but it's inaccurate? It's pulling from the wrong spots. It's not aggregating correctly, also enhancing the compliance of your data and then reducing or eliminating expensive and manual and slow processes that plague most businesses and frankly don't have the staff to have that slack, so to speak, in efficiency. This slide really points to the team, and most organizations find it difficult to launch a digital journey without some help.

Success is really coupled with and comes from a motivated internal team of leaders and doers paired with a multidisciplinary team with specialized technical knowledge. These technical teams are specialized in really connecting the dots, not only in the technology but also in the process 'cause they really have to be married, the process and the technology. An outside perspective can also be helpful. There are lessons learned in each engagement and digital transformation that helps inform and solve for the next organization and the next organization. So for example, it's critically important that all stakeholders are heard and their data needs are understood. What we mean by that is we suggest that this is not just a single department project. A lot of times we see folks moving towards, this is an IS&T or a finance or a supply chain or an HR system or an operational segment.

This really is a whole systemized approach across your organization 'cause so many of the systems do link and are interdependent. Next slide, please. The process really is one organized step at a time and taking the time and effort to understand the ideal process in technology specifically for your organization is important, not the other way around. All too often processes are built around the technology versus the technology working for you. First, establish the desired state, then plug in the technology to support the desired state. Expensive technology and software is purchased all the time, and it's supposed to be the silver bullet that but might not be the right technology or system for that organization. Now you have an expensive anchor that is in the way of progression, and frankly a sunk cost 'cause you're not getting what you needed. We like to see systems plan the plan and then implement the plan to really save money, time, resources, and frustration. So start with the end in mind but then start and incrementally walk through a process.

Matt Borchardt:

Yeah. Ryan, one thing I just want to just echo what you said that makes a lot of sense to me and you see it happen is sometimes the technology defines the process, but a lot of times, if you know what your end game is and you know can build the technology around what KPIs, what things that you need and how your leadership team works, which will be much more beneficial than just a generic off-the-shelf solution.

Ryan Bjerke:

Absolutely. Absolutely. That's why we need to be careful on what we buy and what the purpose of it is. So we suggest sketching out the current process in a wire frame, and you can see how messy that process is on the left and then work towards a future state for Planful and an organized implementation. You can see Power BI and a database and the Rubik's Cube being sorted in that process on the right. So next slide, Matt. So before we transition to Matt's show-and-tell, I'd like to pause and ask you to envision where your organization might rank on the digital evolution scale. Are you digital on the left, transitional in the middle? Are you all in with digital tools and technology and on the leading edge on the right-hand side, both technology and process?

However, if you're not all the way to the right, imagine what your organization could be like if you could make incremental steps in that direction, how much money, time, resources are being wasted on process that could be automated, performed quicker and more accurate. What if decisions could be made faster, helping your organization to really pivot accordingly and faster so you can thrive instead of just survive and always being anxious around, "Well, I'm hoping we're doing okay, I have some insights that we're doing, but wouldn't it be nice to know with some leading KPIs?"

Also, imagine how would you feel for not only you as a leader but also as your team, seeing incrementally how your team members contribute and you can share that with them and peel back the onion to say, "Look at what you're contributing team member to the whole." You can do that with the right sorting of data and making it easier to understand it's measurable and attributing to the success of the entire organization. So going all in on digital transformation in my opinion is not a digital transformation as much as it is really transforming your entire business really to the modern age and keeping up and progressing. So with that, Matt, unless you have other comments, we'll transition to you to showcase some of the valuable outcomes that can be realized from really an organized digital framework. Then you have so many opportunities to build from there.

Darryn McGarvey:

Ryan and Matt, maybe before we transition, we do have a question in the chat. My guess is the answer is probably going to be, "It depends," but it's a great question to ask is, "In terms of timeframe, going from an analysis that first state Ryan that you described to some portion of implementation, what are we looking at in terms of number of months there?"

Ryan Bjerke:

Of course, we're going to say it depends, and I think it depends on the complexity of the organization. It depends on the systems you currently have in place. It depends on the team you have and also finding the right resources whether they would come from a team like CLA or if it's dependent on another firm or group that has the software, for example, or would need to engage. It depends on how your organization is structured and who you are currently partnered with and the structure and infrastructure that you have in place. But I think that's part of the assessment is to our Digital Readiness Assessment that we suggest. It's kind of a blanket term, but it really does help point out a roadmap for each organization.

So you have a SWAT team that comes in and does a quick and dirty identification of what the opportunities are and helps through use cases and doing return on investment analysis on trying to figure out, "Okay, here's the best bang for your buck. Here's where you can start and here's where you want to go." So many times I think that we use a rifle approach to say, We're going to fix this problem." Well, fixing that problem wasted money because it didn't set up a foundation for what your future state is. It might have fixed something short term, but it didn't solve the long-term issue. So sometimes you have to forego a short-term solution to get to a better solution that might be months down the road versus weeks, for example. I hope that answered the question. It was a long answer to a ...

Darryn McGarvey:

Well, it really comes back to designing the digital solution for the individual organization. I feel like that is a key concept here that shouldn't go undiscovered.

Ryan Bjerke:

Absolutely. Another example of that is we see organizations that are, for example, I'm just using one example of a client who used QuickBooks. Nothing wrong with QuickBooks, they have their spot, but they use QuickBooks way too long and in their cycle or life cycle, and they needed to move to something much more sophisticated. From that such as Sage Intact or these other systems, NetSuite, et cetera, that really creates a foundation and then you're able to do more of these things like Matt's going to show in a minute.

Matt Borchardt:

Yep. Yeah. No, it's amazing how that old concept of tailoring your solution to what your problem that you need to solve more than taking a generic approach to it, how important that is going forward. Every once in a while, I love history and so I don't know if anyone's ever seen this picture on the right. I've seen it quite a bit lately, but it really resonated with me the first time that I saw it because let's go back to World War II and you're trying to make the best plane possible and you say, "Well, gosh, where are planes getting shot? Let's put more armor there." So if you would go through there and you would just put more armor on the places where there's the shots, that's what each one of those red dots are, is that the best solution for you? Well, then someone looked at it and they said, "Well, actually, those are the shots that they're surviving and that they're coming back from." The places that they're not coming back from are the places that we're not seeing shots, so maybe that's where we should put our armor.

That's where industry knowledge and industry expertise really can come in and I feel like just can know what is important as you're looking towards the future. So when we think about this, there's some belief statements that we have, and I love all these belief statements. The current environment has great threats, but anytime that there's threats, there's also great opportunities. Always when Warren Buffet has made all his money is when people are really living high on the hog, well then you don't invest. When people are scared and risk averse, that's when he gets into the game and it's worked out pretty well for them. Financial indicators and having it timely, financial indicators are becoming more and more important. I've started to think a lot about, and we have this clarity tool and knowing where you've come from is becoming really, really important to know where you're going. You don't just become successful, it just doesn't happen. You have to create your own financial success or even your own personal success as you move forward.

So when we think about financial empowerment [inaudible 00:28:19] When I think talk to clients, a lot of it is starts off, "How would you even do it?" So hopefully we'll answer the how and how these things get put together so you can just have a little bit more context if you ever go through this process

yourself. Then after we talk about how, we're going to go into the why. Why is it important and what kind of decisions can you really make once you have better data? 'Cause there's lots of times that a lot of people, if you ask for, "Okay, I need data to help make this decision, you might get a huge, huge file with tons of different columns and tons of different rows 'cause they wanted to make sure that they gave you everything that you needed. But at the end of the day, it made it a lot more complicated 'cause all you really needed was that one variable. So you got to make sure you don't get overwhelmed with too much data.

It's not going to be a good digital solution if it takes a lot of internal resources to do it. It's supposed to, if it's a good digital solution, hopefully it'll ease your workload, things of that nature. Hopefully, at the end of the day it'll help decision makers connect the dots here. So this is really just a high level, this first one's just a screenshot of the summary dashboard. We'll jump into the live model here as we get a little bit farther. But I wanted to start with how you might put this together. So the how in this situation is really you need to have a key, and what does the key do? The key is what links two different data sets together. So the key in this example is unique patient encounter. So what you do is you might take all your charge master, all your revenue usage charges, and then you want to link that to all the patient dimensions that you have. You'll notice the tan box and the green box.

So the tan box is really system assigned things, and think of these as different variables that you might want to cut your data. I might want to know where my patients are coming from. I might want to know what type of patients there are. I might want to know what payer mix they are, where are they getting their services? These are all things that are normally tracked on your internal system, but there's going to be other things that you're going to want to look at. So who is that attributed provider that brought in that service? When you look at primary care for example, it's typically if you look at a typical primary care physician, if you look at just their clinical performance, they might actually lose money for the hospital, but there's so much downstream that happens to the hospital because of that primary care provider, so can you articulate what that value is going forward? Then the next step is, "Okay, we got gross revenue figured out". One of the hardest steps that I've found when we do this provider analysis is really figuring out, What is our actual net revenue payments?"

So what we would say then in this example, what they would do is they'd take the payer adjudication file. What the payer adjudication file is, if you looked at it's not always, okay, Blue Cross Blue Shield paid 90 cents on the dollar and every single one of the CPT codes under that encounter got paid 90 cents on the dollar. Sometimes they're different amounts, but what we try to do is we say, "Well, for each patient encounter, let's figure out what the overall yield was, and let's make sure that we're distributing the revenue properly." Why might we want to do that? Because a little bit farther down the line, we might want to look at different procedures and see how profitable different procedures are. So you want to make sure you have the right net revenue according to that service. Then if we think about how our typical year works, we have our EMR system that's doing all of its different changes at all point in times, but, "Okay, we just changed our contractuals. Okay, we just did some bad debt. We did some of those things that might not run through our EMR system."

So you got to also account for that and push that back to the different charges as we go forward. In this example, now we've figured out gross revenue at all the different variables we want to cut it. We've now put net revenue to it. Another important aspect to it to understand profitability is we now have to apply expenses to it. So there's a couple of phenomenons that we're going to talk through in a little bit more detail when we look at the ratios, but we find that it's really important to understand what the contribution margin is and also have a good feeling of what the total or maybe operating margin is. What's the difference in those two? Well, the contribution margin is really meant to say, "What are my direct revenues for those services minus what are my direct expenses for those services?" So for simplicity's sake, let's take radiology for an example. We would figure out what net revenue we got on

the radiology side and then we would look at that department and say, "How much direct radiology expenses are there?"

That would help us get to what our contribution margin is. You might say there's a lot of other expenses. "Where's my admin overhead cost going, where's my business office cost? Where's my human resources costs?" All those. Typically, we like to label as indirect departments so we can understand is this department making money or is it not making money at a contribution margin level? We also no mission, no margin, or no margin, no mission, you need to know it at an operating level as well. But what we find is sometimes organizations will look at them and they'll say, "Well, at my total margin, I'm losing ... " A great example actually is let's say we have an attached nursing home to our hospital. When you look at an attached nursing home and a hospital and you're looking at the cost report and all the costs that get allocated to it, the nursing home might lose a million dollars. You might say, "Okay, if I can get rid of this nursing home, I can get rid of a million dollars worth of losses, so I'll increase my profitability a million dollars."

Well, the reason why we like to separate out direct and indirect is because, yeah, those direct expenses, yeah, they're pretty easy to get rid of if you got rid of the service line, those indirect expenses, "Are we going to lower our administration like our CEO, CFO? Are their wages going to go down because of this decision?" Typically, not. "What's going to happen to the capital expenses? Are we still going to have that depreciation? Do we still have that building?" In a lot of cases you might have that building and, "What's going to happen to our HR? Are we going to be able to make our HR smaller?" A lot of times those indirect buckets are just a lot harder to flex. So understanding at a contribution margin level, "Are we making money? Are we losing money at this?" Is always really imperative going forward. So another thing that happens a lot is we've been finding a lot of organizations want to understand physician comp and physician productivity.

One thing that, we did this probably five to 10 years ago, we did an analysis on a couple of the large integrated health systems, and we looked at every single stat underneath the moon to say, "What is attributed the most to the financial performance of the organization?" We looked at inpatient days. We looked at outpatient visits. We looked at all of these different variables, and the variable and the stat that had the most correlation to financial performance always came back to the work RVUs because the physicians, it came down to are really the ones driving the financial performances. If a physician's not productive, okay, well then there's probably a decent chance that we're going to have some losses there. If they're highly productive, we're probably making money off that provider. So that gets back to understanding, yeah, we can understand the clinical performance, but we should also understand the whole downstream performance of a physician.

But we see a lot of times that when organizations are doing this, they need to do a physician compensation model. So they need to track a stat like work hour views, or they're thinking of recruiting new providers, so they want to know how many incremental work hour views they can get. So tracking stats is also another interesting part of the logic. When we think about how would you attribute the provider activity to that specific provider, one great approach is the approach that CMS uses for their QRURs and their value modifiers. Really, we use the same approach a lot, and it really helps you understand what is the family practice physician providing when it looks like are you a Step 1 professional, typically a physician or a Step 2 professional, think more like an APP nurse practitioner, things of that nature. So those downstream, you can attribute different patients to the system and then you can attribute those patients to different providers. These are just some high-level product line definitions that we have. So we went over direct expenses, indirect expenses, contribution margin, operating margin, yield.

At the end of the day, one thing that we find is really beneficial, and we'll go over this in a few slides when we switch to the live model, is understanding the yield. The yield in this example, and the yield that I've always thought about it is, how do we get paid compared to Medicare going forward? So the first situation may be overall profitability. So are you looking for areas of financial improvement? One thing that's really important is to understand where are you making money and understand where are you losing money, and do you understand the order of magnitude in some of these subsidies? Sometimes people want to make changes to departments that might only have a few hundred thousand dollars worth of revenue. Well, that might not drive the performance going forward. So now I'm switching to the live tool so then you guys can see this a little bit better. So one way that this data is, as we mentioned, we started with the charge master in this example.

Now we have all these different things linked, whether it's what type of payer is it? What service is it? What department is it? What physician is it? So if we start thinking about overall profitability, this is a good, what does the whole organization look like? We can look at different years. We can look at different payers. We can pull and just say, "Well, what does my commercial service line look like?" Things of that nature. Another way we can cut it is what departments are making contribution margin? Which ones are losing us lots of contribution margin?" Okay, well the hospitalist program in this situation is losing a lot of money. There's a lot of other variables that go into that. The pharmacy might be losing a little bit of money. The med surge floor might be losing some money. Our clinics have a slight contribution margin in this example. We can look at different service codes and say, "Okay, our general medicine, how much is in radiology? How much is in med search? All in, what does general medicine look like?"

Okay, all in general medicine has the contribution margin, but it doesn't have an operating margin. So that's one way that we can look at this going forward, or you can get a little bit more specific and you can say, "Well, let's look at this by DRG.: So if we pull in, we look at it by DRG. "What does the different DRGs, are there DRGs that we're not charging enough or we're not making enough money on it? Are there things that we're losing money on?" Another way you might want to look at it is by procedure and you can say, "Well, my colonoscopy program, what does that look like to us? My total knee program, what does that look like? What type of contribution, what type of yield is that producing for us?" So it allows you to understand where are you making money, where are you potentially losing money going forward? Another one, I'll stop sharing for a second and get back to payer contracts. Payer contracts is a great way to utilize this tool.

When we think about payer contracting, when we've had success in negotiating contracts with different payers, it always seems if you know how they're paying compared to their peers and just say, "Well, you're paying 20% less than HP is paying or PreferredOne is paying." Well, then maybe that might give you a leg up when you understand your contract negotiations, or sometimes we'll look at a commercial payer and you'll say, "Well, we're losing money even at a contribution margin level because UnitedHealthcare is paying us terrible rates here. What are our options? Do we even want to think about ... " You never want to think about this, but, "Do you want to think about going non-par?" Then also when you can cut it by prepare, it allows you to really understand what payers are really driving the bus? "Which ones order of magnitude, should I spend all this time on Blue Cross Blue Shield, or should I spend all this time on a small generic commercial payer that we have 10% of the volume on?" So it helps you get an order of magnitude of that going forward.

So this is just a different cut of the data that's looking at it by payer. This is a common theme that we see all over as, and everyone probably knows that it's true, is our government payers, Medicare is supposed to pay 101% of cost due to things, whether it's sequestration or whether it's unallowed costs, things of that nature. Medicare doesn't cover their cost. Medicaid never pays as good as Medicare, typically, so they're not going to cover their costs. Self-pay, it depends on what you have. If you have a big self-pay

book of business for cosmetics or something where they have to pay upfront, that could be highly profitable. But if you don't have something like that, your self-pay might be highly unprofitable as well. So you got to make all your margin really on your two commercial service lines going forward. So can you make enough margin on those service lines, on those commercial services that really subsidize the rest of healthcare is a common theme that we see all the time when we're looking at data?

Another way that it is useful to understand is, let's switch back and let's go back to the slide real quick. We see that understanding your providers is still one of the biggest hurdles that we see in rural healthcare and healthcare in general is understanding what is the true value of your providers? If you just look at the clinical performance of a provider, typically, they lose money. So if you look at just your clinic, sometimes the clinic alone is a money loser, but when you look at it holistically and all those inpatient cases you might have gotten, all those surgeries you might have gotten all that radiology lab revenue that you might have gotten from those cases, that's when you can take more of that holistic viewpoint of it. Another thing that's really important is really understanding how productive are your providers and can you articulate to your providers that, "Hey, if we can move you from the 35th percentile productivity to the 40th percentile productivity, that might mean $200,000 to the bottom line for the hospital." Is there a way that you can see that extra one to two patients a day potentially? Things of that nature. So we'll jump back into the provider side here. Let's go-

Darryn McGarvey:

Matt, as you're doing that-

Matt Borchardt:

Yep.

Darryn McGarvey:

... I think one thing to continue to keep in mind here is, is your case study here, this was an organization where they had all of this data. It was just linking the items together, linking the data together, creating dashboards and real-life tools to essentially give them the opportunity to make better decisions. That's where really what this all comes down to is giving the ability to make better decisions and inform maybe some of those non-financial individuals that if we take incremental steps forward, we can make a huge impact to the overall performance of the organization.

Matt Borchardt:

Yeah. Yeah.

Ryan Bjerke:

Just to expand [inaudible 00:46:56] and also to expand on that too, I think what's valuable in the way this is set up is you can see the 50,000-foot level and then continue to take a path down into the detail to figure out, "Okay, what is causing this at different levels of detail?" Again, you can just follow the path, which I think is very helpful and very difficult to do. I know from working in operations for so many years, we come up with a concept or a theory and it might take another week or two to test that theory. However, when you have this information right at hand in a drill-down fashion, you can test that theory or in a meeting you can test 20 theories to say, "Well, is this causing this," or, "Is that causing this?" You're able to drill down and find those cobwebs of paths, and now you can act on the operations versus just theoretically guessing what's really going on here.

Matt Borchardt:

Yeah. Yeah, that's a great point, Ryan and Darryn. Yeah, this one is, okay, well, okay, this provider had $3 million of total revenue. You probably are really typically only looking at their clinical revenue in terms of their profitability, but they're driving one-and-a-half million dollars worth of revenue at the operating room, which is probably a highly profitable service line. Then it literally just lets you cut and look at the data just slightly different and just say, "Okay, well yeah, I'm losing $160,000 on this provider at the clinical cell level, but all in because I'm making $650,000 on the operating room side, this provider is bringing three-quarters of a million to the service line."

So if I made my decision based off of I'm losing money on this provider at the clinic, my clinic might be more profitable this much, but my whole hospital operation might be less profitable this much. It's just another potential way to look at it. Did anybody have any more questions? Or maybe, Ryan, we did make it to 50, but if there's no questions there, there's tons of other tools that we've made, but I think potentially you could show the radiology tool as well.

Ryan Bjerke:

Yeah. Absolutely. Let me do that here just a second.

Matt Borchardt:

Just to people another cut at the data just to see how different it can be.

Ryan Bjerke:

Yeah, absolutely. So this is another tool. Again, just to reframe, we started with, hey, why digital transformation? What are the pieces that really you need in place in order to get to tools that match it showed? I'll just share another tool that once you have an established digital strategy, you can build these tools. This is a Power BI tool, and this is for a radiology group that covers a lot of hospitals and actually has a imaging center and a partnership for an imaging center. So it's very important for them to know how they're performing at each location. So what we've created here is a practice roll up. How are they performing? You can see the trends by time period. You can see the gross charges. The net charge is very important, and then how are they doing on their collections?

Also, the ability to really drive into a specific location, so in this case a hospital, how are they performing compared to their goals? The red line here, and they're not performing to their budget, so it turns red, for example. You can look at all of these trend lines, et cetera. You can also go back to the different drill-downs. So practice roll up, accounts receivable, income statement, balance sheet, production analysis, collection analysis, and then provider analysis. All of this allows you to drill down and see what's really happening. So account's receivable, again, how are they doing? How is it split up? What's the age? What's 90 days plus? Then where are the upswings and downswings and what components are 30 days, 60 days, 90 days? Again, you can drill into that by location as well.

You can go into the income statement and see on the fly what is driving your income statement by the leading indicators or the by line item. What I really like is the productivity analysis, and you can see by clinic or by provider how the breakdown is, it really drives the detail. Also, we're talking about radiology, so you can see the production by modality. Again, this is a dynamic tool that can be used for radiology, but it can also be used for any type of business that you're trying to measure. So again, our digital assessment can define what does success look like? We can build towards that with a very flexible BI tool. Again, the collections analysis, you can get into more detail here again, by modality where you're making money, which clinics are doing well, which physicians are doing well, and what are lagging, and then the provider analysis.

Darryn McGarvey:

Hey, Ryan?

Ryan Bjerke:

Yep.

Darryn McGarvey:

We've got another question in the chat, "Do you have tools which show ROI and IRR return on investment?"

Ryan Bjerke:

We could build that.

Darryn McGarvey:

Yeah, that's that I figured. Yeah, build it to customize.

Ryan Bjerke:

Absolutely, build it to customize. That's what we do is, whatever the end goal is, that's what we try to build towards. It takes different pieces of that, different ingredients to the recipe to get to the end result we want, but that's part of the goal. In wrapping up, this is the provider to clinic analysis. Again, you can see, well, why is productivity lagging? Well, it's because they weren't working certain periods of the time, so it provides insight. So very quickly like, well, no wonder we're legging in this area, the provider was on vacation or a group of providers were. You can again, drill down by doctor, by type location, the date you have, so you can drill down and see where things are at.

This is a four-minute review, but just one of the ways that financial people as well as operations people that are not financially driven can see things visually and help make decisions and answer questions. This provider group is sharing components of this with their providers. Frankly, they have another compensation model that sits behind this as well that they can really see how they are doing compared to budget individually as physicians, as well as the aggregate of the group. So anyway, a lot of tools, and I know we're at time. Matt or Darryn, any other insights or thoughts that you'd like to share?

Darryn McGarvey:

I would say in terms of just understanding a lot of this and being behind the scenes and building it and what have you, I'm probably the least apt at this. It is amazing to see how the information can come across in a way that really does make sense from a financial perspective, makes sense from an operations perspective. Again, I just keep coming back to the fact that people most of the time have this data at their fingertips, it just hasn't been made actionable yet. So you go back to some of our mission statements and these types of things, we're trying to know our organization so that we can help them. That's really what this is all about, is creating tools, creating insights that'll hopefully help you run your organizations better. So that that's really what I take away from today's presentation.

Matt Borchardt:

Yeah, I just keep thinking about the future, Darryn, and digital's not going away. It just isn't. It's going to continue to be a larger and larger component of our lives. It'll change how we do things for sure, just as it already has in the last 20 years, it's just going to do it in a lot quicker fashion in the next decade.

Darryn McGarvey:

Well, with that, thank you everyone for taking the time today. We hope that you've found this 60 minutes valuable and insightful. Please reach out if you have any questions, but thank you very much. Have a great rest of your day.

Matt Borchardt:

Yep. Thanks, everybody.

Ryan Bjerke:

Thanks, everybody.

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