

## Hospital Business Acumen: Understanding Hospital Metrics



It's no secret that sales professionals have to deliver value to their customers. Everyone is talking about it. Before you can deliver value, however, you must understand what metrics are important to hospital personnel so that you can tailor your message to impact a key performance indicator (KPI) that is being measured today. Here some things sales professionals need to know.

### What is a Key Performance Indicator (KPI)?

A KPI is any business metric that is used to evaluate factors that are important to the success of the organization. They provide a measurable benefit when hospitals use them to:

- Select the most important indicators that measure performance for their facility
- Set goals by establishing benchmarks
- Create specific and measurable action plans so goals can be achieved
- Implement an action plan
- Monitor the results of the action plan
- Provide feedback on the results

### What Gets Measured?

Every organization has KPIs. Some examples are as follows:

- Retail: sales per square foot
- Insurance: average time to settle a claim
- Supply Chain: back order rate

Most hospitals provide reports, scorecards or dashboards that measure three types of key performance indicators: financial, operational and clinical. The purpose of hospital KPIs is to focus on the major items that drive results. Here are some specifics to get you started. This is not an all-inclusive list.

### Financial Indicators

These address the financial health of the facility. Typically these are profit, liquidity and capital/debt.



- Examples of profit indicators are: contribution margin and bad debt as a percent of net revenue.
- Examples of liquidity are: days cash on hand, average daily cash collections and account receivable days.
- Examples of capital/debt are: return on total assets, return on capital employed and debt to assets ratio.

### Operational Indicators

These address the function of the facility. Typically volume, efficiency and staffing/human capital are tracked.



- Examples of volume indicators for in-patients are: average daily census (ADC), admissions, discharges and transfers. Examples of volume indicators for out-patients are: visits, tests, procedures and modalities.
- Examples of indicators for cases and efficiency are: First OR case start times, ED wait times and average length of stay (ALOS).
- Examples of indicators for staffing/human capital are: the rate of

staff turnover, number of full-time equivalents per adjusted patient day and supply expense per adjusted patient day.

### Clinical Indicators

These address the quality of care delivered. Typically these are measured based on Joint Commission or regulatory agency requirements, patient stay and patient safety.

# CORE MEASURES

## AMI • Pneumonia • Heart Failure • SCIP

- Examples of indicators based on Joint Commission or regulatory agency requirements are: Core measures for acute myocardial infarction, heart failure and pneumonia.
- Examples of indicators for patient stay are: mortality rate, complication rates and re-admission rates.
- Examples of indicators for patient safety are: patient falls, medication error rate and never events.

There are also hospital wide KPIs that are monitored by hospital or health system executives and departmental/service line KPIs tracked by middle management and staff personnel. There are some KPIs that are tracked daily, weekly, biweekly, monthly, quarterly and annually. Inpatient data is tracked as well as out-patient data.

Some of the KPIs are placed into dashboards so they can be tracked over time. The use of dashboards is dependent upon several factors:

- Who is the audience?
- What information do they need to see?
- How frequently does the information need to be updated to be useful?
- Is there an ROI for this information?

As you can imagine, the amount of data that is available to hospitals to monitor and track can be overwhelming. This is why it must be tailored to the specific audience and be laser focused.

### **Parting Thoughts**

When sales representatives speak with healthcare personnel they need to be cognizant of whether they can impact a financial, operational or clinical indicator and whether this is measured at the departmental, service line or hospital wide level and with what frequency. This is paramount if they are talking to new buying influences. In future blogs, we will provide additional examples of metrics that can be measured along with their definitions. Our intent is to help you have better and more meaningful conversations with hospital executives and personnel. Conversations that provide them with measurable business results that are important to them. This is a key component of hospital business acumen.

As always we welcome your thoughts and input. Let's start a discussion and elevate the sales profession with a thoughtful, civil and informative discourse.

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