

DASHBOARDS AND KPIs

A New Look At Managing Facility Expenses

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The administrator's life is more complex than ever, and management time is now a scarce resource. Fiscal challenges, too, have had a negative effect on management worries.

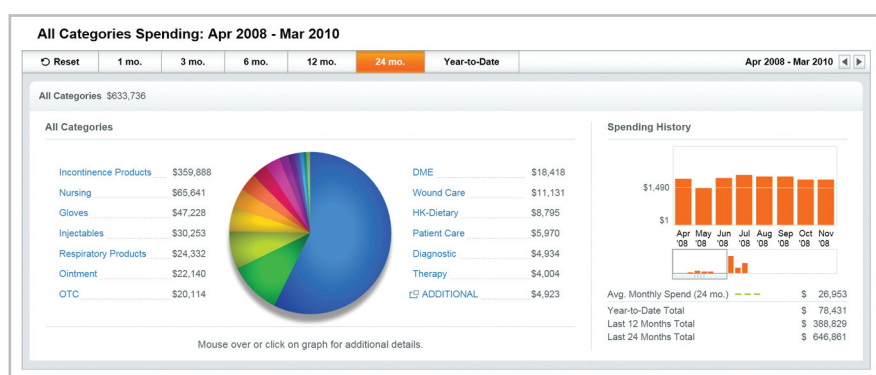
A recent study commissioned by the American Health Care Association in 2009 found that Medicaid reimbursement was less than nursing facility costs by \$14 per patient day. The study projects this gap will widen in 2010 and 2011.

It is also likely that if health care reform is enacted, Medicare reimbursement will be cut to help offset the new expenses related to the legislation. The impact of the recession and falling tax revenue add another layer of complexity.

Manage Supply Expenses

Control of supply expenses often gets lost in the shuffle to handle everything else. A new approach that looks at supply expense as an early warning system may help management focus its limited resources in a way that improves both fiscal and clinical outcomes. This approach is an adaptation of key performance indicators, or KPIs, that are displayed on a computer screen using what is known as a dashboard.

In the technology world, a dashboard puts real-time data in front of the user. A dashboard may display, for example, information such as KPIs and budget figures from many different sources and



Performance indicators, along with key expense figures, show the big picture.

present it as though it all came from the same source.

Controlling supply expenses is not rocket science. It does require time and focus, which administrators do not have available in order to consistently monitor and control these expenses. With supply expenses accounting for almost one-third of a nursing facility's total expense, some methodology is necessary to ensure such spending is necessary and appropriate.

KPIs Have Business Application

A focused approach that is extremely effective uses fiscal KPIs, which allow an administrator to scan summary measures on a frequent basis—perhaps even daily—and focus on those that exceed an established benchmark. A common summary measure is per patient per day, or PPD. This aggregate of a particular expense into a single number is useful for benchmarking and control

of the expense under focus. Raw food cost, expressed as PPD, is a common summary measure.

This approach has been used effectively on the clinical side and can be adapted to expense drivers as well. When viewed in this context, fiscal KPIs can also provide an early warning that a clinical condition may need to be assessed.

Many nursing facilities monitor turnover rates for certain categories of staff. No matter how an organization defines success, KPIs can be developed to help an organization reach its goals.

Nursing facilities are already familiar

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with clinical KPIs. The industry has been using quality indicators to improve outcomes and to meet regulatory requirements and legislative mandates.

For many facilities, however, expense control using KPIs is a new application. The KPIs developed and implemented can reflect the annual operating budget. Summary measures can then be created by category and subcategory to summarize performance. They can be compared to targets derived directly from the budget standard.

Display Daily Updates

Many organizations use patient per day (PPD) calculations as a KPI, particularly if the provider operates many nursing facilities. Absolute numbers derived from the monthly budget data can be converted into a PPD for easy comparison and benchmarking.

Receiving these data in a timely manner is advantageous. Dashboards can be designed to provide administrators with daily KPI updates based on actual spending. Every morning an administrator can begin his or her day with a review of expense KPIs to determine if there are any categories that require immediate focus and attention.

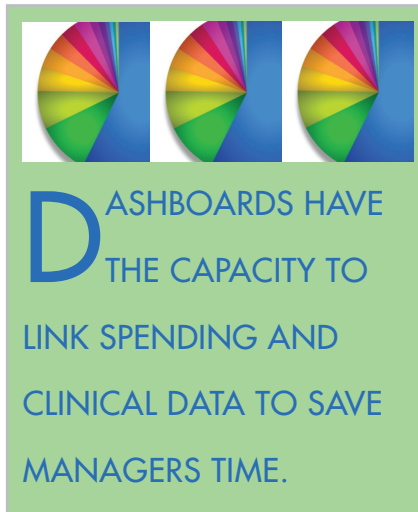
KPIs and dashboards have the capacity to link spending and clinical data to help an administrator manage the scarcest resource: management time.

New components of Medicaid and Medicare reimbursement make the monitoring of supply expenses and clinical outcome an even greater imperative. Demonstration projects sponsored by Medicare and Medicaid in several states are creating a new component in the reimbursement formulae: quality. The inclusion of a quality add-on into budget-neutral reimbursement systems means Medicaid and Medicare will be reducing components of the rate to fund the quality add-on.

In New York, for example, a series of regression analyses identified facility attributes that could be used to lower the rate and create the funding source

for the quality add-on. Facilities will qualify the quality add-on based on the ratio of nurses to total nurse staffing, annual survey results, and quality indicators. Facilities that do not qualify for the quality add-on will see their reimbursement lowered.

The imperative will be to put even



more time and attention into ensuring quality. Less time will be available for oversight of supply expenses, unless a system is implemented that links supply usage to clinical outcomes.

With these forthcoming changes in Medicare and Medicaid reimbursement, KPIs that link clinical outcomes and expenditures become a crucial tool to the overburdened administrator. Certain KPIs can also provide early warning that clinical issues may be developing. An increase in medical/surgical supply spending, for example, may be an early warning that care issues may be developing. Timely action can ensure both the fiscal and clinical integrity of the facility.

Real-Time Applications

KPIs can be created to link the supplies that are used to care for individuals that affect certain quality indicators. Supply expense data can also be “real time,” reflecting what is currently occurring in the facility.

Updating quality indicators for performance improvement activities or processes related to the Nursing Home Compare portal of the Medicare.gov Web site tend to be snapshots. By the time the measurement occurs, the negative outcome is recorded.

The kind of KPI that links spending and quality indicators, and is therefore linking both financial and clinical outcomes, has the potential to improve both clinical and fiscal operation. It gives an administrator the opportunity to control expenses, while being most efficient with management time.

As an example, consider the use of supplies to treat stage I and stage II pressure ulcers.

An administrator, in collaboration with the director of nursing, establishes the monthly budget for supplies used to treat and prevent pressure ulcers. The budget is converted into weekly or daily spending. They also define the fluctuations in the spending that are deemed normal.

When the spending spikes above this limit, this may be a signal that there are negative outcomes brewing. This KPI, displayed on a dashboard, would inform the administrator and the director of nursing that there may be a negative outcome or outcomes impacting stage I and stage II pressures ulcers.

Since the spending reveals events that are happening in real time, the intervention can occur in real time as well.

KPIs are only helpful if they are provided to administrators quickly. Daily updates are most effective since the administrator and management team can address issues in real time instead of conducting a retrospective analysis.

The availability of robust and flexible technology systems makes this possible.

With the lack of time becoming such an overwhelming issue for management, KPIs can be an effective tool that addresses time constraints, fiscal challenges, and the goal to improve clinical outcomes. ■