

HEALTHCARE SERVICES³⁶⁰ PROVIDER

Capture the Benefits of Economies of Scale



"Our industry has been spending tens to hundreds of billions of dollars implementing advanced clinical systems.

These are things that are hard to do if you're operating one or two hospitals or are in a small system.

A large system like ours has tremendous competitive advantage & economies of scale that bring a better value proposition to hospitals within our company."

Trevor Fetter
Tenet Healthcare President & CEO

World class companies leverage Shared Services anywhere from 25 to 140 percent more often than median companies do.

The potential for significant cost reduction is 15-25% due to process improvement, consolidation, headcount reduction, improved controls, and relocation of operations and 75% of organizations are experiencing payback in less than 4 years.

Health Systems Shared Services

One of the drivers behind hospital mergers was to obtain scale to better compete in the rapidly changing health delivery marketplace. Systems have taken advantage of this newfound scale to some degree, but most are leaving significant cost performance gains on the table.

Many systems have consolidated individual business functions across locations. Few have also consolidated across business functions. Even fewer have ventured to leverage scale across Patient facing business functions.

Internal shared services is the safest and most certain way to leverage scale but a big gain is the extension of shared services to include external patient facing services like revenue cycle. This adds to the administrative cost take out, but also can directly improve quality and outcomes that the value based reimbursement models favor.

Shared services is a reliable way to leverage scale. Internal shared services are well understood and is found in many industries. Including Patient facing administrative functions is unique to health delivery. A provider's shared services will be a core component of both coordinated care and teleservices.

Shared Services Tangible Financial Benefits

Key income line items that can be impacted through Shared Services Strategy include:

Net Patient Service Revenue: *Decreased payer denials and increased net collection rate through centralized pre-registration, financial clearance and patient accounting functions*

Salary Expense: *Reduced salary expense through economies of scale, rightsizing*

Supply Expense: *Reduced supply expense through standardization of purchasing (potential elimination of GPO and distributor fees), increased discounts and rebates (consolidation of purchasing power)*

Purchased Services: *Standardized contracts across divisions*

Depreciation Expense: *Reduced capital expenditure through location of shared services center to less expensive property*

Improved cash flow from tax-efficient structures and strategies.

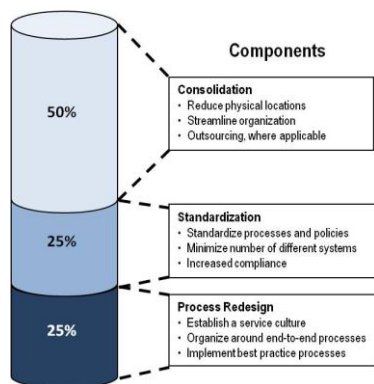
All these lead to more efficient use of short term capital!

Intangible Benefits Examples of Shared Services

- Improved ability to comply with the Sarbanes-Oxley Act due to consolidation of control functions/activities
- Higher data consistency and reliability, as well as improved cost visibility and metrics of back-office operations due to consolidation
- Enhanced ability of management to review and compare spend data across the organization
- Improved supplier and customer relationships
- Improved quality of back-office operations due to a focus on continuous improvement and creation of a service-oriented culture with a well-defined career path
- Improved customer satisfaction with patient access processes including improved telephone access and consistent patient scheduling and registration experience
- Facilitates standardization of key organization policies including charity care, self pay discount and collection policies
- Enables organization to implement a strategic approach to sourcing and to leverage the experience gained to adopt consistent management practices across a diverse service provider base
- Greater job enrichment by allowing management to focus on strategic issues while shared services personnel manage the business' support functions

Projected Savings

Achieving full benefits of implementing Shared Services requires addressing **ALL** three components:



If a company simply consolidates to get the economies of scale, 50% of the savings are left of the table!

HCS³⁶⁰ Provider projects can include **Package/Equipment Evaluation & Selection** as well as implementation project management

About Lauro Consulting, Inc.

The mission of LCI is to be a leader in providing business and technology solutions to the customer service industry.

With a wide range of capabilities, LCI offers clients the solutions they need to improve their customers' service experience and improve operations.

LCI works closely with its clients to understand their needs and provides real world experience its clients.

LCI is vendor-independent, delivering solutions that best meet each client's unique customer service requirements.

LCI

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HealthCare Services^{360SM} Provider generates significant improvements

HCS^{360SM} Provider employs shared services strategies to leverage a healthcare delivery system's new found scale to improve quality, increase service capacity and reduce operational costs to both internal and external constituencies.

Internal – Shared Services

- Procurement
- Accounts Payable
- Human Resources
- IT
- Other individual, department and vendor needs

External (Patient Facing) – Shared Services

- Appointments
- Coordinated Care
- Billing
- Nurse Assist
- Other revenue cycle and outreach programs

Patient Facing Shared Services improves control over branding and messaging.

LCI's HCS^{360SM} Provider capabilities range from discovery to implementation and we can participate at any stage of a client's shared services effort. Our capability includes:

- **Shared Services Strategy** – Utilizes industry experience and knowledge of best practices to assist in shaping or updating every facet of your Shared Services Strategy — customer needs, contact channels, business processes, technology infrastructure, transactional requirements, operational alignment, service goals, performance metrics, and cost impacts.
- **Shared Services Assessment** – Documents current state of client's shared services effort
- **Demand Survey** – Collects limited data on costs and performance to identify candidate business functions to participate in a pilot
- **Demand Analysis** – Collects all data required for a business case and design
- **Cost & Performance Benchmark** – Establishes the basis to measure the shared services operational success
- **Shared Services Operational Design** – Documents operational requirements and processes, as well as technical design
- **Self Service Improvement** – With scale, self service technologies can be justified, further extending cost savings and increasing access to services
- **Project Planning and Management** – Provides all aspects of project definition, planning, design, building and implementing Shared Services.

LCI's team will use a collaborative process that includes input from organization leaders and other cross functional groups to help clarify the Shared Services organization's role and identify key factors that drive success.

For more information on how we can help your organization implement or improve its Shared Services with **HealthCare Services^{360SM}**, please contact:
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