Capabilities & Insights Analysis – SHaPE (Social, Healthcare & Public Entity)

## Public Sector-Oriented Financial and Operational Insights for Hospital Systems

**Aim:**

* Provide an actionable overview for public-sector stakeholders on how hospital revenue and cost components shape sustainability, access, and equity.
* Translate complex financials into decision-ready insights for policy, funding, and health system planning.

**Approach:**

* Frame revenue dependence: operating (Net Patient Service, Other Operating) versus non-operating sources.
* Analyse cost posture: Adjusted Direct Expenses vs. Allocated Costs; confirm whether Total Patient Care Costs is a rollup to avoid duplication.
* Map financial pressures to access indicators: staffed beds, outpatient volume, discharges, and patient days.
* Segment by community characteristics (rural/urban, safety-net) and scale.
* Develop concise dashboards: operating margin, total margin, overhead ratio, cost per service unit, non-operating share of total revenue.
* Surface equity considerations: whether cost pressures affect access (staffed beds) and throughput (visits, discharges).

**Insights:**

* Facilities with high reliance on non-operating revenue face greater fiscal volatility; public financing stability may be mis estimated without separating operating performance.
* Overhead-heavy institutions often struggle to expand access due to fixed-cost absorption; targeted overhead reforms can unlock capacity.
* Direct expense spikes correlate with staffing shortages; wage pressures and agency usage elevate unit costs and reduce throughput.
* Outpatient expansion is a key lever for financial stability in mixed-payer markets but requires careful overhead absorption planning.

**Problems:**

* Cross-entity comparability limited by allocation methodologies and lack of standardized cost definitions.
* Payer mix and case-mix heterogeneity are not fully visible but materially affect margins and access.
* Data latency and one-time adjustments (e.g., COVID-era grants) can skew trend interpretation.

**Recommendations:**

* Require standardized reporting: separate operating from non-operating results; document allocation drivers and inclusion rules for Total Patient Care Costs.
* Fund capacity where marginal cost-effectiveness is highest: support roles that reduce agency staffing, invest in care coordination reducing costly readmissions.
* Encourage shared services for overhead (IT, revenue cycle) to reduce Allocated Costs burden for smaller hospitals.
* Implement performance compacts: operating KPIs tied to equitable access (e.g., staffed beds per capita, timely outpatient availability).
* Support data modernization: routine publication of normalized metrics and allocation policies for transparency.

**Impact / Expected Outcome:**

* More resilient hospital finances with transparent operating performance, enabling targeted public funding.
* Improved access through better staffing stability and overhead efficiency.
* Reduced variability across hospitals, supporting equitable service distribution.
* Anticipated improvements in availability (staffed beds, visit capacity) without disproportionate cost growth.