

Understanding and Analyzing Service Lines



Challenge

A regional health system in the Midwest needed data for strategic planning. The client wanted to compare the profitability of their service lines for future growth.

Solution

The client used **Service Line Analyzer** to compare several of their service lines. **Service Line Analyzer** breaks down health care service lines to determine the profitability of each line. This data helps hospital executives and managers understand, analyze and manage those service lines across the entire delivery continuum — including inpatient, outpatient and physician — so that strategic decisions can be made regarding costs and revenue on a per service line basis.

In one comparison, the data revealed that cardiology had a direct margin of 38 percent, whereas urology, though much smaller in revenue, had a direct margin of 58 percent. This information enabled the client to evaluate the profitability of each service line and make strategic decisions for future growth.

Service Line Analyzer was also used to trend the client's service line data over time. The data revealed that in one year their margin had dropped abruptly, and the cause of the decline. The client could see that the biggest financial hit came from three nursing units that had changed their staffing practices from a contract model to a straight employment model. This change essentially doubled the cost of running the three units. **Service Line Analyzer's** trending function further projected the future decline of the direct profit margins for those units.

Results

Service Line Analyzer quantified the actual value of the health system's service lines by analyzing and comparing the direct profit margins. The tool compared the direct profit margins of the service lines. It also identified where losses were occurring, as well as illustrated future implications based on trending data. Quantifying the actual financial value of the service lines allowed the regional health system to make both service line and growth decisions based on overall profit margins.